



O.R. TAMBO DISTRICT MUNICIPALITY

**O.R. TAMBO DISTRICT MUNICIPALITY
2017/18 ANNUAL REPORT**

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VOLUME I

CHAPETR 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

The 2017/2018 financial year has ended and this has been the second year to carry the mandate given by the people of OR Tambo district municipality in leading the developmental agenda of 2017/2022 term. In pursuant of the people’s mandate, it is my honour to present to the Municipal Council and to the people of the District, the Annual Report for the 2017/2018 financial year, which is an account of what has been delivered against the set targets in the Service Delivery and Budget Implementation Plan (SDBIP).

The report is an attestation of the collective efforts of both the political and administrative leadership in ensuring that we serve the people of the region with humility. I am proud to report to the council and the people of ORTDM that once more OR Tambo district had successfully spent its grants including the Municipal Infrastructure Grant (MIG), the Regional Bulk Infrastructure Grant (RBIG) and Water Services Infrastructure Grant. This demonstrates commitment in delivering basic services as these grants are meant to render the services.

The district municipality is striving hard to instilling good governance and strengthening financial management. Over the year it made commitments to clean its books dating back from 2012/2013; specifically irregular expenditure incurred over the years in line with the recommendations of both the National Treasury and The Auditor General South Africa. The municipality took a bold step of mandating the Municipal Public Account Committee (MPAC) to investigate the transactions of irregular expenditure in order to report back to Council and ensure that where there is value for money these can be condoned. The work regarding that is underway, taking all the required processes as required by the legislation.

As I present this report, I wish to note the performance improvement recorded over the year. The overall institutional performance for the financial year has improved from the 73% of the 2016/2017 financial year to 78% on the SDBIP set targets. The sound political administrative dichotomy is yielding better results and taking the municipality forward. It needs to be further noted that as we improve services in line with our strategic agenda of long term provision of water to the communities, slowly but surely the district is able to connect communities with potable water supply. During the year 26 532 people have been served with potable water supply through the completed projects. The programmes yielded to 44 SMME’s benefited by subcontracting and this further created 250 job opportunities to the locals. Whilst in the implementation of dry sanitation 68 work opportunities were created and further 221 jobs were created in the waste recycling programme.

As the Executive Mayor of the O. R. Tambo District Municipality, together with the Municipal Council and the Municipal administration, we commit to ensure that the vision of a “Prosperous, Vibrant, Innovative and People-Centred District” is realized and that people of O. R. Tambo continue to receive services in a sustainable manner.

Cllr N. Meth

Executive Mayor

COMPONENT B: EXECUTIVE SUMMARY

This report presents the O.R. Tambo District Municipality's draft annual report for the financial year 2017/2018. This report is also in compliance with the National Treasury Circular 63 guidelines. It is submitted in line with the objectives, indicators and targets as set out in the 2017 - 2022 approved Integrated Development Plan aligned with the approved budget 3 year MTRF, both of which are informed the quarterly performance targets set out in the Service Delivery and Budget Implementation Plan (SDBIP). The annual report is tabled as per the five (5) Local Governments Key Performance Indicators as follows (not in the order of priority):-

- a) Basic Service Delivery and Infrastructure Development
- b) Local Economic Development
- c) Financial Viability and Management
- d) Good Governance and Public Participation
- e) Municipal Transformation and Institutional Development

It depicts the level of achievement of the set targets from the period 1 July 2017 to 30 June 2018. It also reflects explanations on deviations where the institution has not met the set targets as well as corrective measures to be implemented, going forward

1.1 Municipal Manager's Overview

For the year under review, the municipality had set some targets at strategic level that include the focus on implementation of the institutional organogram in order to stabilize operations and sustain sound financial management. The institution has been demonstrating some improvements in spending of the allocated grants to accelerate service delivery. Moreover, the Municipality has implemented strategies to improve its performance for the financial year.

In an effort to attain these set objectives, the leadership of the institution at both political and administrative level joined forces in fulfilling these commitments. As such, some positive results are yielded which are reflected in this report. It had made strides in implementing the organizational structure and this includes the placement of staff, internal and external recruitment processes as well as job evaluation across the entire District. The implementation of the organizational structure is one of the important break-through milestones in the district as this had been at standstill for five years due to labour disputes. Through the implementation of the organizational structure, the institution continues to mobilize and acquire the necessary skills that will assist in shaping its agenda as well as improving the performance. Over the year, efforts were made to fill the Senior Management positions that were vacant due to resignations and expiration of contracts. Towards the end of the financial year, one Senior Manager (Director Water and Sanitation) assumed duties whilst four Senior Management positions were at the stage of selection process (i.e. Director Human Settlements, Technical Services, Internal Audit and Executive Mayoral Services).With regards to the expenditure of

grants, the municipality continued to fully spend the MIG and RBIG grant allocations for the financial year. Previously, the municipality experienced strained relations with National and Provincial Departments of Treasury and Cooperative Governance and Traditional Affairs concerning grant spending, however, the municipality has managed to foster cordial relations with these departments. Furthermore, the municipality has implemented an improved Performance Management System, which has resulted into credible Portfolio of Evidence which supports grant spending.

1.2 Municipal Functions, Population and Environmental Overview

1.2.1 Municipal Functions

Table 1: Municipal Powers and Functions

	O.R. Tambo	KSD	Nyandeni	Ingquza Hill	Mhlontlo	PSJ
Water	Yes	No	No	No	No	No
Sanitation	Yes	No	No	No	No	No
Municipal Health	Yes	No	No	No	No	No
Electricity Reticulation	No	Yes	Yes	Yes	Yes	Yes
Air pollution	-	Yes	Yes	Yes	Yes	Yes
Building regulation	-	Yes	Yes	Yes	Yes	Yes
Child care facilities	-	Yes	Yes	Yes	Yes	Yes
Fire fighting	Yes	Yes	Yes	Yes	Yes	Yes
Local Tourism	Yes	Yes	Yes	Yes	Yes	Yes
Municipal Airports	Yes	Yes	Yes	Yes	Yes	Yes
Municipal Planning	Yes	Yes	Yes	Yes	Yes	Yes
Public Transport	Yes	Yes	Yes	Yes	Yes	Yes
Pontoons and ferries	-	Yes	Yes	Yes	Yes	Yes
Disaster Management	Yes	No	No	No	No	No
Storm water	-	Yes	Yes	Yes	Yes	Yes
Trading regulation	-	Yes	Yes	Yes	Yes	Yes
Beaches and amusement facilities	-	Yes	Yes	Yes	Yes	Yes
Billboards and advertisements	-	Yes	Yes	Yes	Yes	Yes
Cemeteries, parlours and crematoria	-	Yes	Yes	Yes	Yes	Yes
Cleansing	-	Yes	Yes	Yes	Yes	Yes
Traffic packing	-	Yes	Yes	Yes	Yes	Yes

	O.R. Tambo	KSD	Nyandeni	Ingquza Hill	Mhlontlo	PSJ
Street lighting	-	Yes	Yes	Yes	Yes	Yes
Street trading	-	Yes	Yes	Yes	Yes	Yes
Refuse removal dumps and solid waste disposal	-	Yes	Yes	Yes	Yes	Yes
Public places	-	Yes	Yes	Yes	Yes	Yes

1.2.2 Population Overview

Population statistics is important when analysing an economy, as the population growth directly and indirectly affects employment and unemployment, as well as other economic indicators such as economic growth and per capita income.

IHS Global Insight, 2016 revealed that the population in the Eastern Cape is estimated at 7 010 000 which is the third highest in the country, following Gauteng and Kwa-Zulu Natal. The O.R. Tambo DM accounts for 1 472 366 people, the highest in the entire Eastern Cape. Local Municipalities with the largest populations are King Sabata Dalindyebo (KSD), followed by Nyandeni and Ingquza Hill.

ORTDM housed 2.6% of the total South African population in 2016. Between 2011 and 2016, the population grew by 6.7%, approximately the same as the provincial growth rate of 6.6% in the same period. Ingquza Hill Local Municipality and KSD Local Municipality recorded the largest population growth rates of 8.9% and 8.1% respectively, between 2011 and 2016.

1.2.2.1 Population density

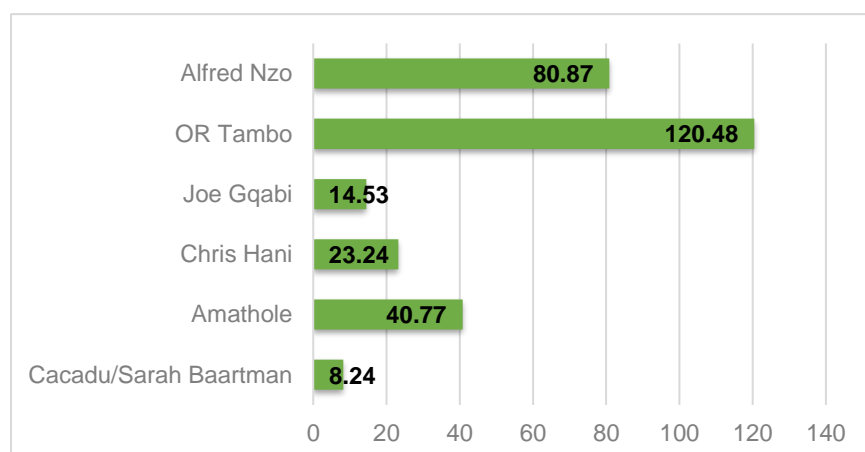
In 2016, there were 120 persons per square kilometre living in the ORTDM. Compared (to the other District Municipalities), ignoring metropolitan municipalities, the ORTDM is more densely populated.

Using population density instead of the actual number provides a basis between these different places (or economies). ORDM is relatively densely populated compared to most rural municipalities. The higher density has an impact on household infrastructure provision, quality of services and access to resources (medical care, schools, sewage treatment, community centres, etc.).

The population density of the various municipalities in the ORTDM is higher than provincial average of 40 people per square kilometre for all the LMs. King Sabata Dalindyebo is the most densely populated

Figure 1 below demonstrates the number of people per kilometre across the six districts in the Eastern Cape Province.

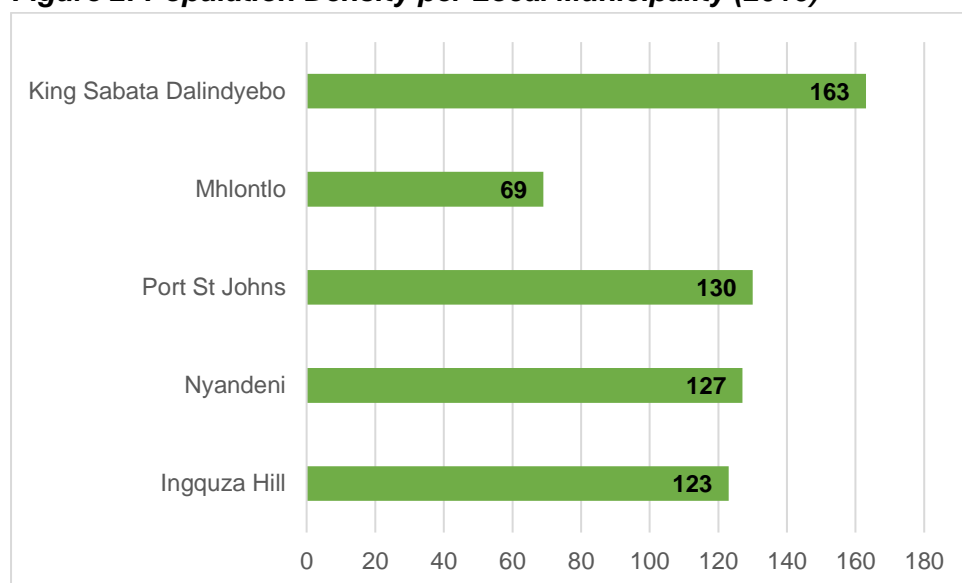
Figure 1: Population Density per District Municipality 2016 (Number of People per Km²)



Source: Community Survey, 2016

Figure 2 demonstrates the population density per Local Municipality within ORTDM

Figure 2: Population Density per Local Municipality (2016)



Source: IHS, Global Insight, 2017

Table 2 demonstrates the Population, area size and population density per LM, ORTDM and the EC Province.

Table 2: Population, Area Size and Population Density per Local Municipality

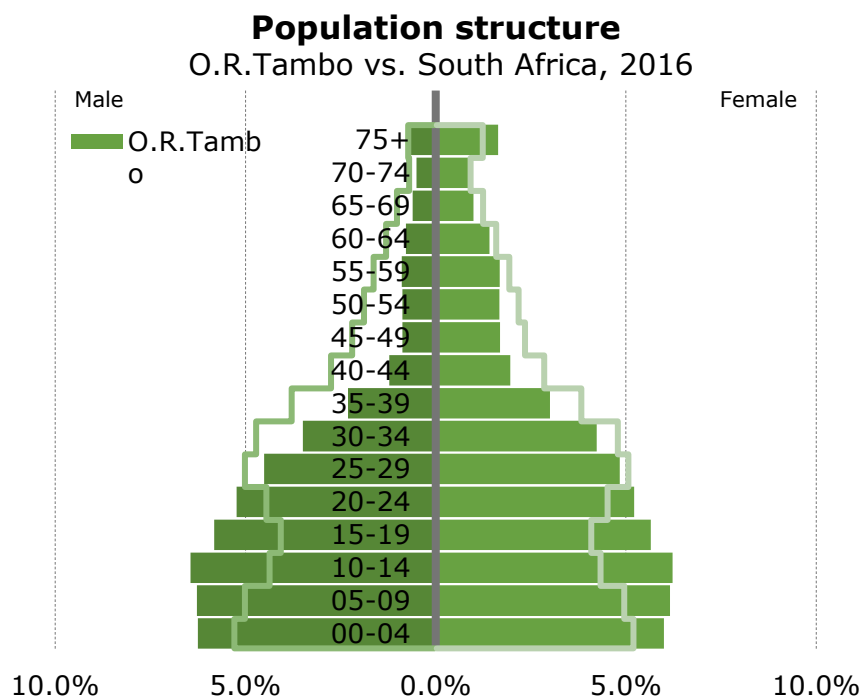
	2011			2016		
	Pop	Area (km ²)	Pop Density (pp/km ²)	Pop	Area (km ²)	Pop Density (pp/km ²)
Ingquza Hill	278 481	2 476.83	112	304 000	2 477	123

	2011			2016		
Nyandeni	290 390	2 474.01	117	313 000	2 474	127
PSJ	156 136	1 291.20	121	168 000	1 291	130
Mhlontlo	188 226	2 826.09	66	194 000	2 826	69
KSD	451 710	3 027.37	149	494 000	3 027	163
O.R. Tambo	1 366 045	12 095.1	113	1 472 366	12 096	122
Eastern Cape	6 562 053	168 966	39	7 010 000	168 966	41

Source: IHS, Global Insight, 2017

Figure 3 indicates the population structure of ORTDM against South Africa according to gender.

Figure 3: Population Pyramid- O.R. Tambo vs South Africa, 2016



Source: IHS, Global Insight, 2017

1.2.2.2 Households

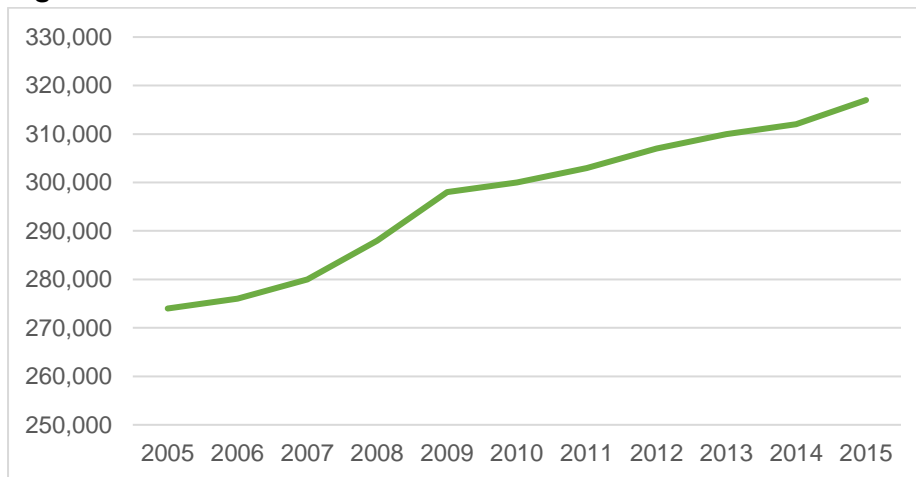
The following table and figure illustrates household growth per LM within ORTDM

Table 3: Number and Size of Households per Local Municipality

	2011		2016	
	Number of households	Average number of people per household	Number of households	Average number of people per household
Ingquza Hill	56 213	4.7	60 700	5
Nyandeni	61 647	4.6	66 300	4.7
Port St Johns	31 715	4.5	33 600	5
Mhlontlo	44 080	4.1	44 600	4.2
King Sabata Dalindyebo	104 878	4.0	117 000	4.2
O.R. Tambo	298 229	4.3	322 000	4.5
Eastern Cape	168 785	3.9	1 790 000	3.9

IHS, Global Insight, 2017

Figure 4: Households Growth 2005-2015



Source: IHS, Global Insight, 2015

Table 3 indicates that between 2011 and 2016, the household size of the five (5) LMs in the O.R. Tambo District, as well as the O.R. Tambo District itself, grew at a faster rate than that of the province, while Mhlontlo LM increased by 520 households. KSD LM and Ingquza Hill LM had the highest increase; 12 122 and 4 487 households respectively.

These figures could suggest that the increase in households, could be due to one or more of the following:

- migration of people within the province;
- births; and
- Family members moving back to the District.

1.2.2.3 Socio Economic Status

The dependency ratio is the ratio between the number of dependents, aged 0-14 years and those over the age of 65 years, to the total population aged

15-64. the high number of children in the District leads to high levels of dependency. In 2016, 38.95% of the population in the O.R. Tambo region was between the ages 0-14 and 6.47% older than 65 years. In the same year the population group in the region that could be economically active (15-64 years) was at 54.58% compared to 56.8% of the province as a whole. This is evident in the Local Municipalities (LMS), with the exception of KSDLM being higher than the provincial figure. In 2016, Port St Johns and Ingquza Hill recorded the highest dependency ratios.

Table 4 illustrates the changes in dependency between 2011 and 2016.

Table 4: Dependency Ratios per Local Municipality

	2011 (%)	2016 (%)
Ingquza Hill	91.6	89.4
Nyandeni	85.2	82.4
Port St Johns	92.9	90.1
Mhlontlo	83.7	81.6
King Sabata Dalindyebo	66.8	61.8
O.R. Tambo	80.5	76.9
Eastern Cape	65.9	67.9

Community Survey, 2016

1.2.2.4 HIV/AIDS Estimates

HIV and AIDS can have a substantial impact on the growth of a particular population. However, there are many factors affecting the impact of the HIV virus on population progression: adult HIV prevalence rates; the speed at which the virus progresses; age distribution of the virus; the mother-to-child transmission; child treatment; adult treatment; and the percentage by which the virus decreases total fertility. ARV treatment can also prolong the lifespan of people that are HIV+. In the absence of any treatment, people diagnosed with HIV quickly reach the final stage of the disease (called AIDS). When patients reach this stage, recovery is highly unlikely.

Table 5 and Figure 5 illustrates the estimated HIV prevalence and AIDS death over the period 2011-2016

Table 5: HIV Estimates and Aids Estimated Deaths per Local Municipality (2011-2016)

	HIV Estimates						AIDS Death Estimates					
	2011	2012	2013	2014	2015	2016	2011	2012	2013	2014	2015	2016
Ingquza Hill	27 874	28 293	29 313	30 304	31 723	32 263	957	-	800	694	689	606
Nyandeni	29 773	30 243	31 362	32 460	33 542	34 657	1 025	1 077	860	747	744	655
Port St Johns	15 091	15 294	15 822	16 335	16 838	17 355	521	545	433	374	371	326
Mhlontlo	19 677	19 753	20 277	20 804	21 339	21 915	701	729	575	495	490	429
King Sabata Dalindyebo	52 053	53 059	55 209	57 325	59 420	61 564	1 772	1 874	1 501	1 311	1 314	1 157
O.R. Tambo	144 468	146 642	151 982	157 229	162 412	167 755	4 956	5 228	4 169	3 621	3 608	3 173
Eastern Cape	677 459	692 851	713 912	738 076	762 249	787 626	24 074	25 588	20 271	17 642	17 641	15 473
South Africa	5 961 844	5 767 427	5 88 632	6 014 312	6 140 143	6 285 493	216 018	229 481	181 388	159 681	159 415	136 708

Source: IHS Global Insight, 2017

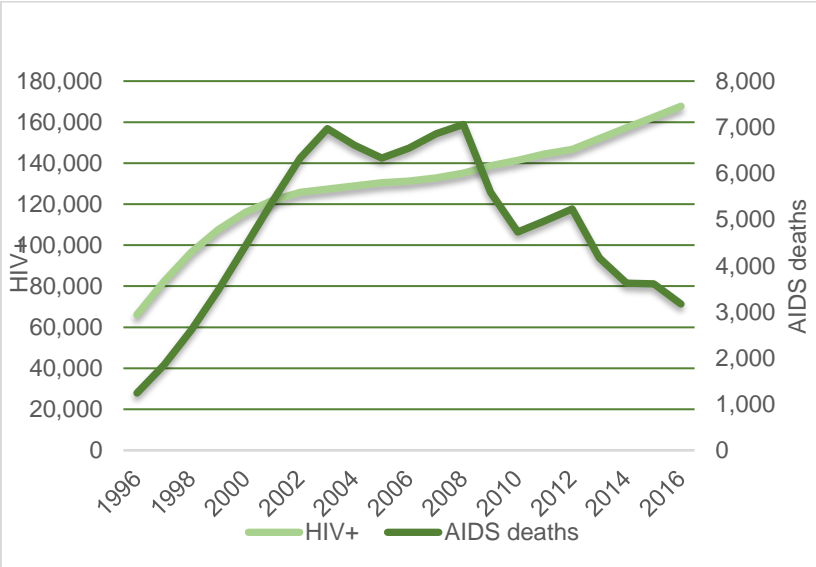
In 2016, 167 755 people in O.R. Tambo District Municipality were infected with HIV. Between 2011 and 2016 the number of people infected, increased at an average rate of 2.5% per annum. By 2016, 11.1% of the O.R. Tambo District Municipality population was infected with HIV.

In 2016, South Africa had a total of 6 285 493 people who were HIV+. Between 2011 and 2016, this increased at an average rate of 2.9 rate per annum. The Eastern Cape had a similar profile with 11.3% of the population being HIV+, but growing at a faster rate of 2.5% per annum.

The average per annum growth in the number of HIV+ people in O.R. Tambo District Municipality, is similar to that of the province, at 2.5%, but has a lower percentage (11.1%), of people living with the disease. The local municipality affected the worst is the King Sabata Dalindyebo Local Municipality, where the HIV+ incidence grew at a rate of 2.8% per annum from 2011 to 2016.

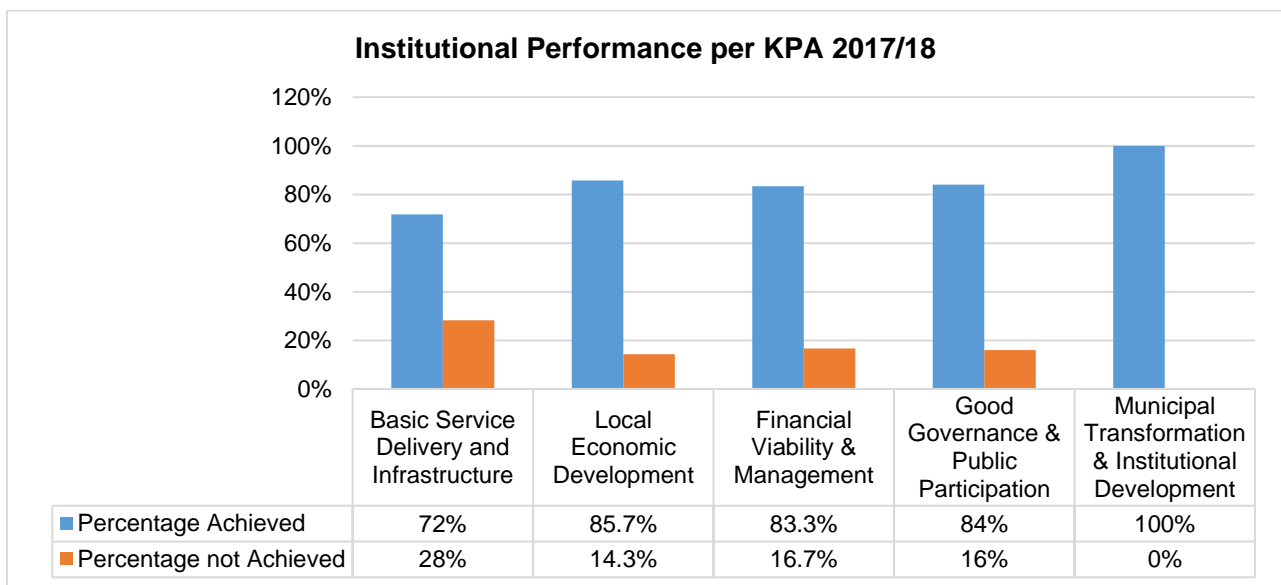
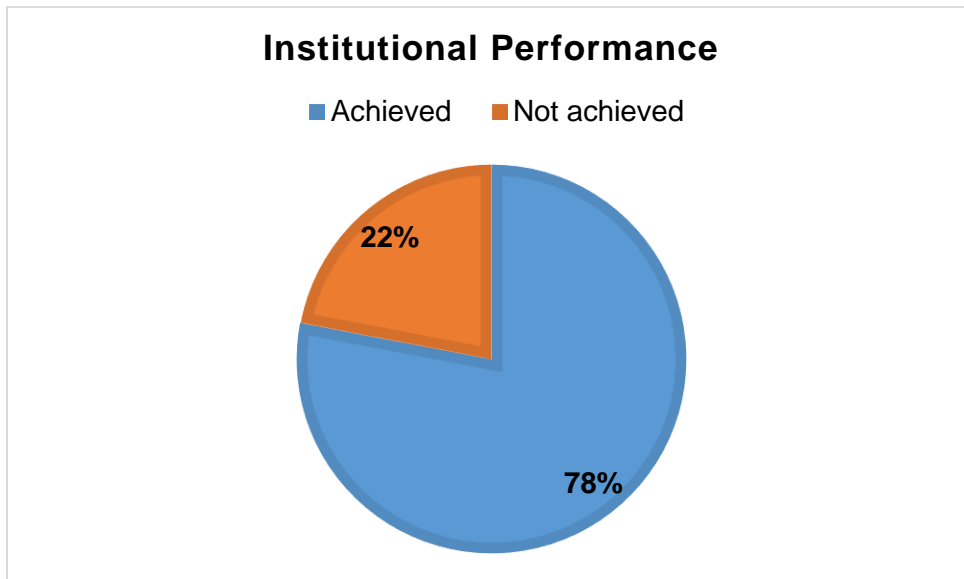
In 2016, 3 173 people lived with AIDS, the next stage of the HIV disease, lived in the ORTDM. On reaching the final stage(s) of the disease, recovery is highly unlikely for the majority of people. It is therefore, significant and worth mentioning when reaching the final stage of the disease, recovery is very unlikely and most of them will not live much longer. The number of people living with AIDS decreased at a rate of 5.4% annually between 2011 and 2016, and in 2016 represented 0.22% of the total ORTDM Tambo District

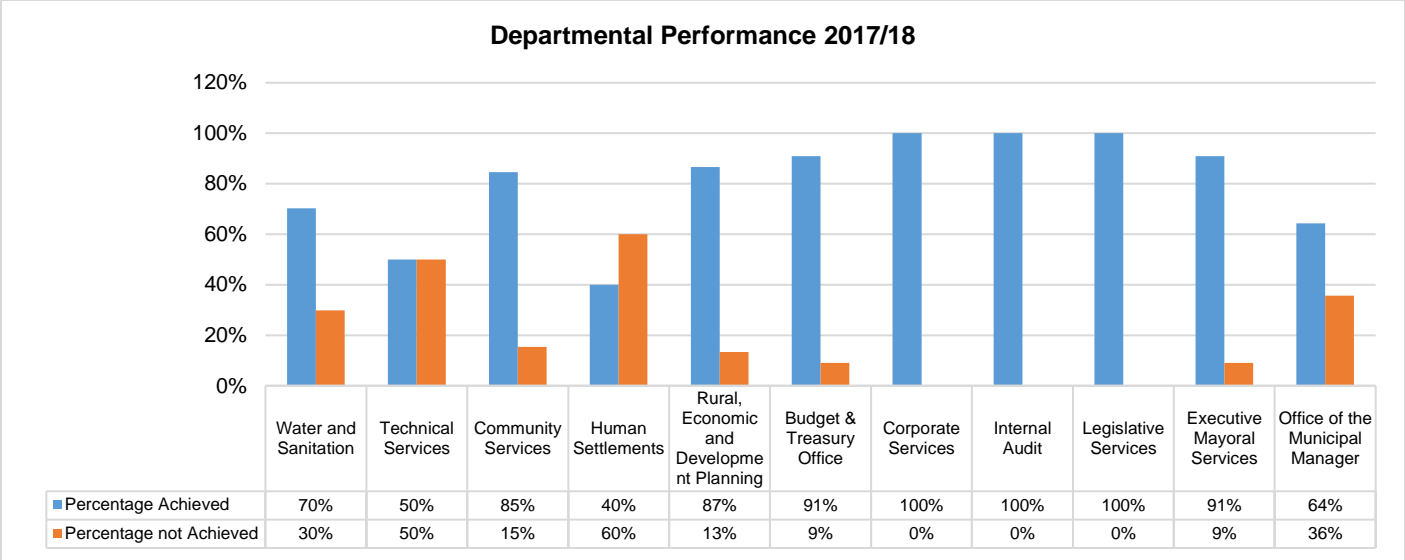
Figure 5: HIV+/Aids Profile Oliver Tambo District 2016



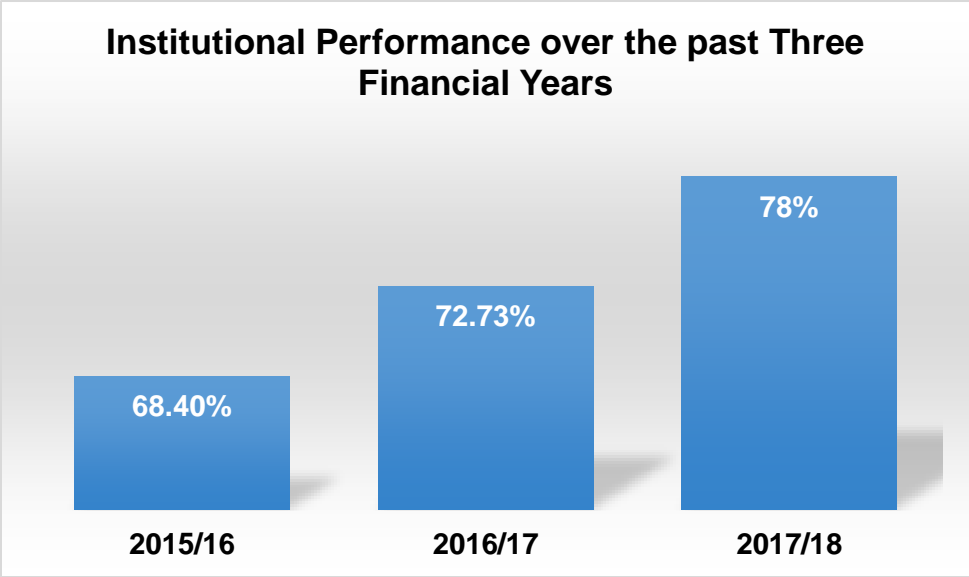
1.3 Service Delivery Overview

During the financial year under review the Municipality has done well as compared to other financial years in terms of performance. The Municipality had set 138 targets across all the Key Performance Areas, of which 108 are reported to be achieved with 30 not achieved. This brings the overall institutional performance to 78% for the 2017/2018 financial year. The performance shows an improvement from the 2016 /2017 financial year of 5.27% which was 72.73%. The charts below give details of performance in the municipality including performance per key performance area as well as per department.





The District continues to improve its performance each financial year through improving institutional processes, employment of skilled personnel in key positions and capacitation of employees. The chart below demonstrates the performance of the District over the past 3 years.



To ensure that the set targets will be achieved, the ORTDM identified key top ten risks areas at a strategic and operational level; these were formed part of its annual risk plan. The plan was being monitored and on a quarterly basis risk management unit continued to report to the Management and the Accounting Officer on how these areas were addressed.

Moreover, for the year under review the District Municipality had made some improvements in terms of its core function: water services. A number of projects for water and sanitation have been completed and this resulted to the reduction of backlog. Over the year, 26532 number of people have been served with water and 4502 with sanitation services (Ventilated Improvement Pit).

Subsequent to these services, the District completed the Lusikisiki Waste Water resulting to the connection of major institutions such as Police and business areas to the system. It further started Libode Waste Treatment Works as part of its long term intention to provide the small towns with descent sanitation services.

1.4 Financial Health Overview

The District continues to be in a strong financial position underpinned by improvement in collection rate. Despite the current economic climate, the District managed to acquire R50.9 million in investments. It further improved in grant expenditure as it spent 100% of its grant.

It must be noted that ORTDM is a non-delegated municipality and as such, its budget and plan is assessed by National Treasury. Over the year under review, National Treasury commended the District's budget as cash funded, credible and aligned to the strategic plan.

1.5 Organisational Development Overview

During the previous year, the Institution established an HRD unit that has been fully functional in the year under review. Various initiatives have been implemented which include the training and development of internal staff and communities, internship, experiential learning as well as skills development. A total of 178 employees were provided with study assistance whilst 142 were enrolled in various skills programme or short courses. Moreover, ORTDM continued to provide study assistance to the needy students in various universities. A total of 66 students have been supported whilst the District made an extra mile to coordinate and support students for enrolment in National Student Finance Aid Scheme (NSFAS). The District further provided 55 internships, 131 learnership and experiential training to children from within the District.

Over the year, the District has established its HRD Council, which seeks to address long-term skills in the region as well as embrace the National and Provincial strategic skills programmes. The HRD Council has started its inception work, mobilising the necessary stakeholders towards addressing the skills gap for economic development. Again, the District had forged partnerships with the local universities such as Walter Sisulu University (WSU), University of Fort Hare (UFH), Nelson Mandela University and Technical and Vocational Education and Training (TVET) colleges for skills development and training. This has been intended to fully utilise the local institutions of higher learning and minimise travel costs.

Over the year, the District continued to implement its organisational structure through recruitment processes. It has been stable in terms of its Senior Management/Section 54 and 57 Managers. Out of 11 Senior Managers, 9 are in place whilst the remaining 2 are in the processes of recruitment and these were vacated through resignations. The lower level posts have also been prioritised and as such the vacancy rate reduced to 43%. It must be noted that an operational walk through of the organisation will be conducted and the structure will be reviewed.

1.6 Auditor General Report

During the 2016/17 financial year, the Municipality received a Qualified Audit Opinion from the AGSA with only one qualification item. The qualification item was the Irregular Expenditure (completeness of irregular expenditure register). Qualification is based on the fact that the AG audited submitted schedule of Irregular Expenditure and found that there were some items of expenditure that were supposed to be in the schedule that were not included in the schedule.

AG then gave the Municipality an opportunity to adjust the schedule. After the schedule was resubmitted, AG found out that there were still items that were not included in the schedule; hence, the Municipality received a qualified audit opinion. The main issue was the transaction not included in the schedule as the Municipality deemed to be procured within the ambit of the SCM Regulations but the AG felt that they did not meet the requirements of Regulation 32, hence had to be recorded as irregular expenditure. The following are the key reasons for the irregular expenditure:

- Included in this Irregular Expenditure are the contracts that were awarded in 2011/12 financial year and they are long term in nature e.g. Amatola Water which was presidential intervention project and swift travel and tours.
- From 2014/15 backwards the Municipality did not have appointed Senior Manager's (most of the Senior Managers were acting) i.e. the control environment was not matured (weak).
- Non-compliance to SCM Regulations and Legislation.
- The relocation of the Municipal Offices (Budget and Treasury Department) from Old Government Printers to the new Myezo Building; in this process some of the procurement documents were lost.
- Incorrect application of Regulation 32.

Despite the Municipality having not received the unqualified audit outcome or clean audit in the 2016/17 financial year. The Municipality still improved compared in the previous financial years considering that there was only one qualification item which was only the completeness of irregular expenditure.

1.6.1 Steps Taken to Correct the Situation (Improve Audit Outcomes)

- The Municipality developed Management Audit Action Plan having implemented 53% of the actions and 44% targeted to be implemented during the Annual Financial Statements and Annual Performance Report preparation;
- Management resolved to stop the use of Regulation 32 Contracts;
- The Municipality is up to speed on procuring term contracts i.e. this will assist to stop the use of Regulation 32 contracts;
- The Municipality is currently utilising Treasury's Centralised Supplier Database to service providers compliance matters;
- Enforcement of SCM Regulations and those found responsible for the breach of regulations to be held accountable (Implementation of consequence management); and

- Enforce implementation of Irregular, Unauthorised, Fruitless and Wasteful Expenditure Policy.

Furthermore; 2016/17 financial year the Municipality took giant strides on dealing with the Unauthorised; Irregular and Fruitless and Wasteful Expenditure, as the following have been performed:

Through Section 32 Ad hoc Committee; the Council successful investigated and wrote-off Unauthorised, Irregular and Fruitless and Wasteful Expenditure amounting to R4 827 147 173 made of the following:

- Unauthorised expenditure R2 277 804 145.
- Fruitless and Wasteful Expenditure R8 544 810.
- Irregular Expenditure R2 540 798 218.

It is worth sharing that the above unauthorized, irregular, fruitless and wasteful expenditure is an accumulated expenditure that dates as far back as 2015/16 to 2011/12 financial years which could not be completely investigated and is composed as follows:

Unauthorised Expenditure

- The R875 646 922 unauthorised expenditure investigated and written-off is for the four-year period i.e. 2012/13 to 2015/16.
- The unauthorised expenditure amounting to R 1 402 157 223.00 relating to 2011/12 financial year.

Irregular Expenditure

- 2015/16 financial year Irregular expenditure amounted to R615, 834, 005;
- 2014/15 financial year irregular expenditure amounted to R588, 822,707.23;
- 2013/14 financial year Irregular expenditure amounted to R384, 212,372.40;
- 2012/13 financial year irregular expenditure amounted to R503, 534,490.45;
- Amatola Water Board Irregular expenditure incurred in 2016/17 financial year amounted to R 204 909 596.73;
- Irregular expenditure contracts running to 2016-17 amounted to R 119 709 409.49 i.e. these are the contracts that are long term and were appointed in the previous financial years; and
- Additional Irregular Expenditure from 2013 to 2016 amounted to R 150 460 636.84.

Fruitless and Wasteful Expenditure

- 2015/16 financial year fruitless and wasteful expenditure amounted to R5 906 270;
- Fruitless and wasteful expenditure amounting R24 246 870 relates to previous financial years i.e. 2014/15 backwards.

After the investigation, there was a remaining Unauthorised, Irregular, Fruitless and Wasteful expenditure amounting to R2 244 538 383 made of the following:

- Unauthorised expenditure R1 005 909.
- Fruitless and Wasteful Expenditure R21 608 330.
- Irregular Expenditure R2 221 924 144.

However, the Municipality is currently investigating the remaining expenditure through use of Municipal Public Accounts Committee (MPAC); as resolved on the Council meeting held on 28 March 2018. An MPAC progress report on investigation of Irregular Expenditure has been since submitted to the Council on its Special Council meeting held on 30 June 2018; where some historic Irregular Expenditure amounting to R97 864 105.01 was written-off which relates to Amatola Water.

1.7 Statutory Annual Report Process

No	Activity	Timeframe
1	Consideration of next year's financial Budget and IDP Process Plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure the 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 4 th quarter report for previous year	
4.	Submit draft year 2017/18 Annual Report	
5.	Municipal entities submit draft annual reports to MM	
6.	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
7	Mayor tables the unaudited Annual Report	
8.	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
9.	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
10.	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance Data	September-October
11.	Municipalities receive and start to address the Auditor General's comments	November
12	Mayor tables Annual Report and audited and audited financial statements to Council, complete with the Auditor General's Report	
13	Audited Annual Report is made public and representation is invited	
14	Oversight committee assesses Annual Report	
15	Council adopts oversight report	December

No	Activity	Timeframe
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	
17	Commencement of draft Budget/IDP finalization for next financial year. Annual Report and Oversight Report to be used as input	January

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 Introduction to Political Governance

The O.R. Tambo District Municipality Council's primary role is that of political oversight of the municipality's functions, programmes and the management of the administration. All of the powers of local government are vested in the municipal council. The council has the power to make by-laws (legislative authority) and the powers to put those laws into effect (executive authority). The Council of O.R. Tambo adopted a Separation of Powers governance model, with the executive arm of council led by the Executive Mayor and the legislative arm of council led by the Speaker.

The legislative arm of council is constituted of committees established in line with the provisions of Section 79 of the Municipal Structures Act, No. 117 of 1998, as Section 79 Standing Committees and Section 79 Portfolio Committees. The Section 79 Standing Committees play an important role in ensuring good governance, accountability and public participation. The Section 79 Portfolio Committees are established in line with the municipal departments to play an oversight role over the performance of the departments as to improve service delivery related matters. The O.R. Tambo District Municipality council has executive and legislative authority over the matters set out in Part B of schedule 4 and Schedule 5 of the Constitution. In administering the matters assigned to local government, the municipal council strives within its capacity to achieve the Constitutional objects of local government.

The new council for the term 2016\2021 was inaugurated during its First Council Meeting held on 24 August 2016, wherein the Speaker, Cllr X. Nkompela, the Executive Mayor, Cllr N. Meth and the Chief Whip, Cllr T. Sokanyile were elected. In the same meeting, the Deputy Executive Mayor Cllr R.Z. Nogumla was appointed by the Executive Mayor. The Speaker was delegated by the council to appoint Section 79 Committee Chairpersons and members as per the Municipal Oversight Model adopted by council on 30 September 2015. The new council was inducted on 29 August to 01 September 2016 followed by the Section 79 Committee Workshop conducted on 5 September 2016 to 6 September 2016. During the 2017\18 financial year, the Council successfully held seven (7) Council meetings, one open council meeting outside the chamber, the Inauguration of the Executive Mayor, four Special Council Meetings and two Ordinary Council meetings in terms of Section 29 of Local Government: Municipal Structures Act, No. 117 of 1998, and all of these meetings were publicized to enhance accessibility to the public.

The core mandate of the Legislative Arm of Council is focused on five themes:

- Accountability, Oversight and Scrutiny
- Strengthen capacity of the Legislative Arm of Council
- Public Participation to safeguard local democratic processes
- Monitoring and evaluation, and

- Sound Financial Management.

2.1.1 High Level Overview: Department of Legislative Services

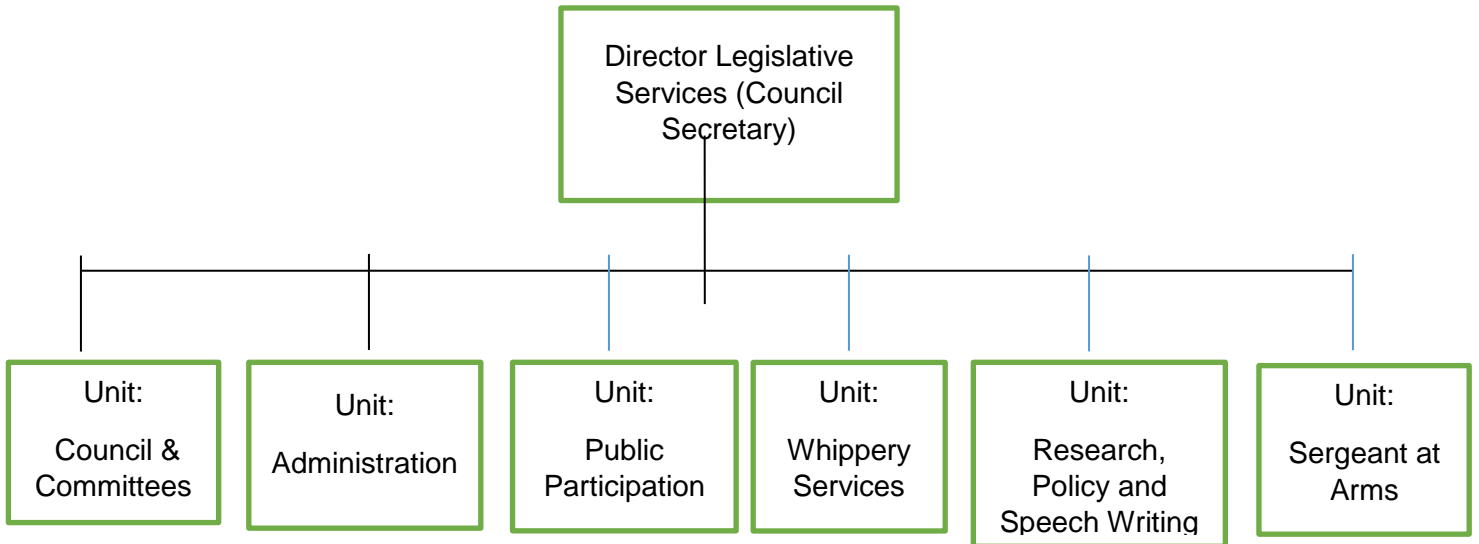


Figure 1: Organisational Structure- Legislative Services

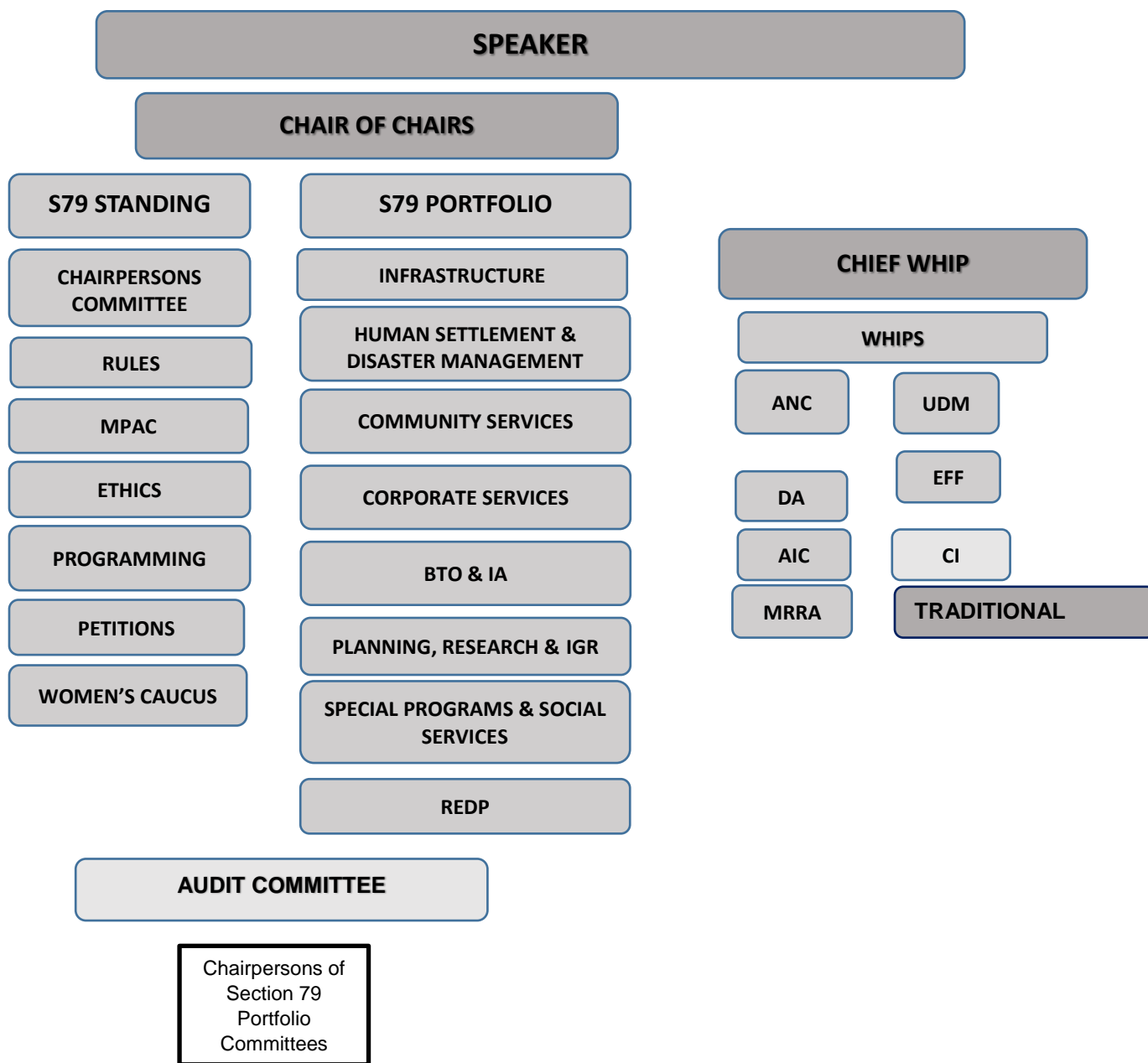


Figure 2: O.R. Tambo District Municipality Political Structure

2.1.2 Council Composition

In terms of Section 12 Notice of Local Government: Municipal Structures Act No. 117 of 1998, O.R. Tambo is a category C municipality, which consists of **59** Councillors representing various political parties as shown in the table below:

Table 1: O.R. Tambo District Municipality Composition of Council

Party	Total No. of Cllrs	Part-Time Cllrs	Full-Time Cllrs	Number of Female Cllrs
	59	35	24	28
ANC	45	27	18	26
UDM	05	3	2	1
DA	4	3	2	-
EFF	2	1	1	1
AIC	1	-	1	-
CI	1	-	1	-
MRRA	1	1	-	-

Table 2: O.R. Tambo District Municipality Local Municipal Councillors

Local Municipality	No. of Councillors	No. of Males	No. of Females
King Sabata Dalindyebo (KSD)	12	6	6
Nyandeni	7	1	6
Port St John's	4	1	3
Ingquza Hill	7	3	4
Mhlontlo	5	3	2

2.1.3 Councillor Replacements and Resignations in 2017\18

1. In October 2017, Cllr Gqetywa from Nyandeni Local Municipality replaced Cllr Nonkothamo who tendered resignation in July 2017.
2. In October 2017, Cllr Mchithakali from Nyandeni LM replaced Cllr Kupelo who passed on in May 2017.
3. In March 2018, Cllr Mjosi as the O.R. Tambo District Municipality Rep replaced Cllr Mvango who passed on in February 2018.
4. In May 2018, Cllr Rolobile from PSJ LM replaced Cllr Mfiki who tendered resignation in March 2018.
5. In December 2017, Nkosi Ranuga from Mhlontlo LM replaced Nkosi Tyali who tendered resignation in September 2017.

2.1.4. Political Decision Making

In the with the Separation of Powers Governance Model, adopted by council in September 2013, the council on the 30th September 2015, adopted a Municipal Oversight Model (MoM) for strengthening the functionality of the Section 79 Portfolio Committees of council established to play an oversight role. The council adopted the Reviewed Council Standing Orders in line with the afore stated governance frameworks on the 07 December 2017.

2.1.5. Governance Framework: Separation of Powers Model (SOP) & Municipal Oversight Model (Mom)

In the with the Separation of Powers Governance Model, adopted by council in September 2013, the council on the 30th September 2015, adopted a Municipal Oversight Model (MoM) for strengthening the functionality of the Section 79 Portfolio Committees of council established to play an oversight role. The council adopted the council standing orders in line with the afore stated governance frameworks on the 07 December 2017.

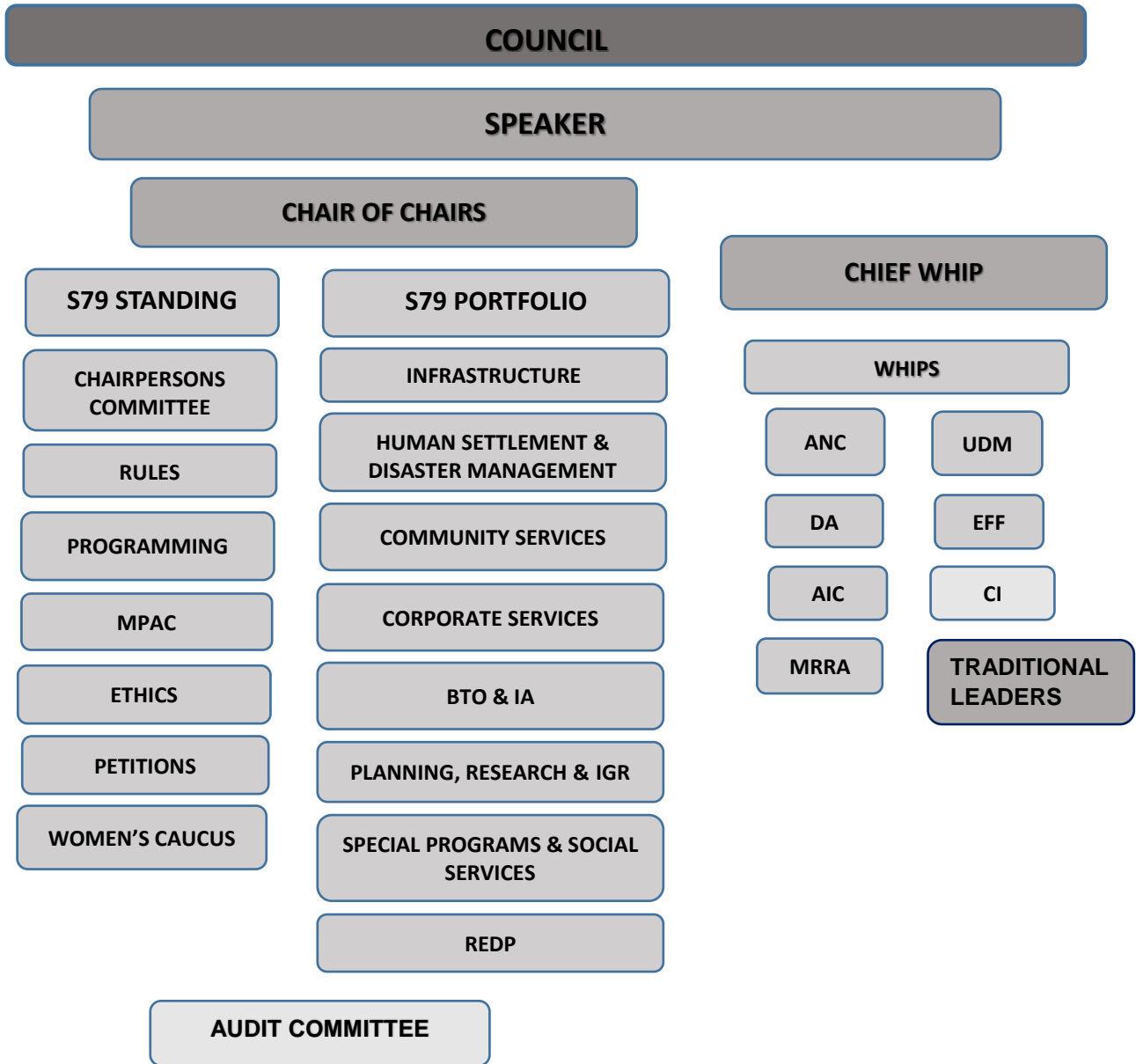
2.1.5.1. Petitions & Public Participation Committee

The Petitions & Public Participation committee is constituted in terms of Section 79 of the Municipal Structures Act 117 of 1998 as a Section 79 Standing Committee of the Council of O.R. Tambo District Municipality. The main objectives of the Petitions & Public Participation Committee entails the following:

- (a) To encourage the involvement of Communities and Community Organisations in the matters of local government.
- (b) The development of systems to monitor and track petitions received in an accurate and effective manner.
- (c) The development of a feedback system for petitions received
- (d) To increase the effectiveness of public participation in the Council.
- (e) To develop and/or update a policy for public participation.
- (f) To diligently perform its power and functions in terms of these terms of reference.

O.R. Tambo District Municipality is involved in public participation through ward committees. Capacity building programs were conducted to ward committees in order to strengthen ward committee leadership. About 140 Ward Committee members in Port St Johns Municipality were workshopped on Community Public Awareness on Grievance procedure and Voter Registration awareness. The Municipality monitors the functionality of ward committees within the district by using the Ward Committee Monitoring Tool. On a quarterly basis, the Local Municipalities submits reports on all service delivery based issues.

2.1.6 Political Governance



2.1.6.1. Oversight Role of Council and Section 79 Committees

The council committees are established in terms of Section 79 of the Municipal Structures Act 117 of 1998 as Standing and Portfolio Committees. Non-executive fulltime councillors chair section 79 Standing Committees and the Section 79 portfolio committees are chaired by non-executive part time chairpersons.

The district municipality has seven Section 79 Standing Committees and eight Section 79 Portfolio Committees, which are managed and coordinated by the Office of the Speaker as per the Separation of Powers Model that was adopted by Council on 6 September 2013.

Table 3: S 79 Standing Committee Achievements

Section 79 Standing Committee	Chairperson's Name	Achievements
1. Rules Committee	Cllr. X. Nkompela	1. Adoption of Reviewed Council Standing Orders 2. Four Progress reports tabled to council
2. Programming Committee		Effective sittings of all council meetings due to prior consideration of all items for council by the Programming Committee. Tabling of 4 Progress Reports to Council
3. Chairperson's Committee	Cllr A. Gantsho	Tabling of S79 Standing and Portfolio Committee Quarterly reports to Council 2. Four Quarterly Progress Reports tabled to council 3. Section 79 Committee Chairpersons Strategic Planning Session
4. Municipal Public Accounts Committee (MPAC)	Cllr N. Pepping	1. Study Tour: SCOPA national parliament 2. Project verification for 2016\17, abandoned projects and incomplete projects 3. Tabled report to council on corrective measures for root causes of Unauthorized, Irregular, Wasteful and Fruitless Expenditure 4. Tabling of Oversight Report on the Unaudited and Audited 2016\17 Annual Report 5. Investigation of Irregular Expenditure for 2016\17

Section 79 Standing Committee	Chairperson's Name	Achievements
5. Ethics and Members Interest Committee	Cllr Gcinindawo	Workshop on all councillor benefit/welfare policies Tabling of 4 Quarterly Progress Reports to Council
6. Multiparty Women's Caucus	Cllr Cwecwe	Conduction of Awareness Campaign for Prevention of Violence against Women Tabling of 4 Quarterly Progress Reports to Council
7. Petitions and Public Participation Committee	Cllr M Dambuza was appointed , who later resigned and then Cllr Rolobile took over	Tabling of 3 Quarterly reports to council

Section 79 Portfolio Committees

Section 79 Portfolio Committees Name	Names of Departments Oversighted	Chairperson	Oversight Reports Adopted by Council
1. Infrastructure Services Portfolio Committee	Water and Sanitation Services and Technical Services	Cllr Z. Gusana	Five Oversight Reports: (4 th Quarter 2016\17, 1 st Quarter 17\18, 2 nd Quarter 2017\18, & 3 rd Quarter 2017\18) and 1 Focused Intervention Study Report Conducted Study tour to Ekurhuleni Metropolitan Municipality
2. Human Settlement and Disaster Management Portfolio Committee	Human Settlement and Disaster Management Section under Community Services	Cllr N. Fono	Five Oversight Reports: (4 th Quarter 2016\17, 1 st Quarter 17\18, 2 nd Quarter 2017\18, 3 rd Quarter 2017\18 and FIS Report
3. Corporate Services	Corporate Services	Cllr L. Mziba	Five Oversight Reports: (4 th Quarter 2016\17, 1 st Quarter 17\18, 2 nd Quarter 2017\18, 3 rd Quarter 2017\18 and Focused Intervention Study Report
4. Community	Community	Cllr M.I.	Four Oversight Reports: (4 th

Section 79 Portfolio Committees Name	Names of Departments Oversighted	Chairperson	Oversight Reports Adopted by Council
Services	Services	Nkungu	Quarter 2016\17, 1 st Quarter 17\18, 2 nd Quarter 2017\18, 3 rd Quarter 2017\18
5. Budget & Treasury Office (BTO)	BTO & Internal Audit	Cllr K. Mandita	Four Oversight Reports: (4 th Quarter 2016\17, 1 st Quarter 17\18, 2 nd Quarter 2017\18, & 3 rd Quarter 2017\18)
6. Planning, Research and Intergovernmental Relations	Office of the Municipal Manager	Cllr Mcimbi	Four Oversight Reports: (4 th Quarter 2016\17, 1 st Quarter 17\18, 2 nd Quarter 2017\18, & 3 rd Quarter 2017\18)
7. Special Programs and Social Services Portfolio Committee	Office of the Executive Mayor	Cllr T. Mgaweni	Four Oversight Reports: (4 th Quarter 2016\17, 1 st Quarter 17\18, 2 nd Quarter 2017\18, & 3 rd Quarter 2017\18)
8. REDP	LED, Ntinga Development Agency & Kei Fresh Produce Market	Cllr N. Kuluta	Five Oversight Reports: (4 th Quarter 2016\17, 1 st Quarter 17\18, 2 nd Quarter 2017\18 & 3 rd Quarter 2017\18)

Table 4: S79 Committee Allocations

Committee's Name	No. of Members	ANC	Total Opposition	UDM	DA	EFF	AIC	CI	MRRA	TL	Vacancy
Rules Committee	10	6	2	1	1	-	-	-	-	2	-
Programming Committee	09	6	2	1	1	-	-	-	-	1	-
Chairperson's Committee	13	13	-	-	-	-	-	-	-	-	-
MPAC	12	8	2	1	1	-	-	-	-	2	-
Petitions & Public Participation	13	9	3	1	1	-	-	-	-	4	-
Ethics & Members Interest Committee	12	7	3	1	1	1	-	-	-	2	-
Women's Caucus	29	27	2	1	-	1	-	-	-	5	-
Infrastructure Services	12	6	4	1	1	1	-	-	1	2	-
Human Settlement & Disaster Management	10	5	3	1	1	1	-	-	-	2	-
BTO	12	6	4	1	1	1	-	-	1	2	-
Planning, Research & IGR	12	7	3	1	1	-	-	1	-	2	-
Corporate Services	11	5	4	1	1	1	1	-	-	2	-
Community Services	11	6	2	1	1	-	-	-	-	3	-
Special Programs & Social Services	9	7	1	-	-	1	-	-	-	1	-

2.1.6.2. Participation of Traditional Leaders in Council

Additional to 59 councillors, O.R. Tambo District Municipality has been joined by 12 Traditional Leaders who were also sworn in on the 24th August 2016. Section 212 (1) of the Constitution of the Republic of South Africa refers to the recognition of the institution of Traditional leadership by stipulating that national legislation may provide for a role for the institution of traditional leadership at all local communities. Section 81 of Local Government: Municipal Structures Act, No.117 of 1998 as well as section 4 of the Traditional Leadership and Governance Framework, Act No.43 of 2003 give effect to section 212 (1) of the Constitution by allocating a role to the institution of traditional leadership on governance and development issues at the sphere of local government. Section 81 (2) of the same Act further stipulates that:

- (a) The MEC for local government in a province, in accordance with Schedule 6 and by notice in the Provincial Gazette, must identify the traditional leaders who in terms of section (1) may participate in the proceedings of a municipal council.

The Traditional Leaders participating in council have played an essential role in guiding all the decisions taken regarding any matter. All Traditional Leaders participate effectively in Council debates. They are represented in all Section 79 Council Committees (Standing and Oversight Portfolio Committees).

2.2 Administrative Governance

According to the MFMA 60(b): The Municipal Manager of O.R. Tambo District Municipality is the accounting officer of the municipality for the purposes of this Act and provides guidance on compliance with this Act to political structures; political office bearers, officials of the municipality and any entity under the sole or shared control of the district municipality. The O.R. District Municipality has well-established organisational structures and systems in place. The organisation has, through the planning and performance units, introduced mechanisms that will catapult the municipality's service delivery. The municipality has filled the critical posts of the Director: Water and Sanitation and Director: Human Settlements and is still in the process of soliciting a suitable candidate for the Director: Technical Services. The municipality's administrative structure continues to earnestly serve its mandate for developmental local government assigned thereto through the Municipal Structure Act, 1998. The municipality serves through eleven (11) directorates namely: Water and Sanitation; Technical Services; Community Services; Human Settlements; Executive Mayoral Services; Legislative Services; Rural Economic Development and Planning; Budget and Treasury; Internal Audit; Corporate Services and Office of the Municipal Manager.

TOP ADMINISTRATIVE STRUCTURE

Municipal Manager – Mr. O.N. Hlazo
Director Water and Sanitation – Mr. A. Velem
Director Technical Services – Vacant
Director Community Services – Mr. L. Madzidzela
Director Human Settlements – Ms. N. Mnyanda
Director Executive Mayoral Services – Ms. N. Mbatani
Director Legislative Services – Ms. T. Tseane
Director Rural Economic Development and Planning – Ms. P.A.X. Dunywa
Chief Financial Officer – Mr. M. Moleko
Director Internal Audit – Vacant
Director Corporate Services – Mr. F. Mphako
Director Office of the Municipal Manager – Mr. B.B. Matomela

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 Intergovernmental Relations

The DM has established an IGR unit under the Office of the Municipal Manager, which also established a District Intergovernmental Forum. The role of the District Intergovernmental Forum is to serve as a Consultative Forum for the District Municipality, the five Local Municipalities, the Eastern Cape Provincial Government, National Government and State-Owned Enterprises to discuss and consult on matters of mutual interest, which include but not limited to:

- draft National and Provincial policy and legislation relating to matters affecting Local Government interests in the District;
- the implementation of National and Provincial policy and legislation with respect to such matters in the District;
- matters arising in the Premier Intergovernmental Forum, or MUNIMEC that affect the District;
- mutual support in terms of Section 88 of the Local Government: Municipal Structures Act, 1998 (Act no. 117 of 1998);
- the provision of services in the District;
- planning and development in the District;
- the coordination and alignment of the Strategic and performance plans and priorities, objectives and strategies of the Municipalities in the District;
- submission and coordination of allocation of resources to MTRF budget; and
- any other matter of strategic importance, which affect the interest of the Municipalities in the District.

The functioning of the Intergovernmental Relations Forum in the District is improving and particularly the various Sector forums, including those linked to the IDP. Some of the outcomes of these improved IGR-functioning in the District are the:

- drafting of the Five Year Sector Strategies which form the basis of this document;

- outlining what the district wide priorities as adopted by all the LMs should be; preparation of the Local Government Turnaround Strategy;
- an IGR Policy Framework is in place;
- The framework dictates the establishment of the technical and municipal IGR structures (DIMAFO, MM's Forum, Working Groups)
- It also ensures the interface between the District, the Province and National (PFC, MUNIMEC etc.)
- launching of the District IGR as well as IGR roadshows that were conducted district wide.
- In the 2017/18 financial year, three (3) sector forums were established and operationalized to co-ordinate sectorial planning in line with the IDP Process Plan

These are:

- Governance and Administration Cluster
- Social Transformation Cluster
- Economic Development Cluster

All the IGR structures currently in place in the ORTDM are provided in the Table below.

INTER-GOVERNMENTAL STRUCTURES IN THE DISTRICT

IGR Structure	Nature (Political/Technical)	Required Frequency Of Meetings	Functionality
District Mayor's Forum	Political – chaired by the Executive Mayor	Once per semester	Functional, with consistent attendance by most Mayors from the LMs
Sector/Cluster Forums	Political and Technical	Quarterly	Functional
Municipal Manager's forum	Technical – chaired by the Municipal Manager of the DM	Quarterly	Functional and all LMs are participating.
District Communicators forum	Technical – chaired by the DM manager for communications unit	Monthly	Functional and active
Local Communicator's forum	Technical – chaired by the LM heads of communications	Monthly	Functional in some LMs
District Speaker's Forum	Political – chaired by the Speaker	Once per quarter	Functional.
District Whippery Forum	Political – chaired by the Council Chief Whip	Once per quarter	Functional.
KSD Presidential Intervention	Political – chaired by the Premier	Bi-Monthly	Functional and constitutes of all sector departments

EXISTING TWINNING ARRANGEMENTS AND MEMORANDUM OF AGREEMENTS/UNDERSTANDING

Twining Arrangement/ MoU	Affected Institutions	Purpose	Leading Department
Water Services Function	Amatola and Umgeni Water Boards	Improvement of Water Services function	Water Services
Development of Water Master Plans	DWA and Water-Boards	Development of Sustainable and reliable water resource (development of water master plans)	Infrastructure Cluster
Study Assistance	Patrice Motsepe Fund and ORTDM	Bursary Fund for needy students	SPU
	Anglo-Ashante and ORTDM	Study Assistance for students	
Health Services	Oxfam-Italia and ORTDM	Supporting Clinics across the district.	EMS

Twining Arrangement/ Moa/ MoU	Affected Institutions	Purpose	Leading Department
Acceleration of sanitation backlogs	National Department of Human Settlements	Reduction of backlogs through and acceleration of the delivery of sanitation	Technical Services
Agricultural growth	RAFI (Argentina)	R27 billion potential investment initiative for massive oil seed / grain production targeting 45 000 ha district wide	REDP

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 Public Meetings

The ORTDM fulfils the objectives of local government by ensuring that it inculcates public accountability and participation. In its operations, it ensures that there are proper engagements through public meetings taking place in various platforms. From the Council point of view, in all ordinary council meetings members of the public are invited in order to understand council affairs. Moreover, open councils were convened on a quarterly basis across the local municipalities. These serve to gather service delivery needs as well as assessing the service delivery impacts. Moreover, the Speaker of the Council and the Chief Whip convened community outreaches. These served to link the district with its local municipalities as well as ward committee members and the entire community.

Apart from the open council and outreaches, the Executive Mayor further convened quarterly imbizo's. These are platforms of engagements with communities, which serve to assess service delivery implementation and to gather challenges that are faced on the ground. Issues emanating from the imbizo's are consolidated and form part of the municipal planning information. Other platforms of community meetings are the IDP roadshows. These are institutionalised in the planning trajectory in order for the communities to understand the municipal plans as well as contribute in that regard. The IDP roadshows are complemented by the IDP representative forums which are convened throughout the IDP development process where stakeholders and members of community are provided an opportunity to participate in the planning process.

2.5 Support to Local Municipalities

The various departments in the ORTDM are implementing a number of programmes in support to the five LMs. The major challenge is that a Municipal Support Services is not centrally coordinated by the District Municipality across all the LM's, and as such, these LMs are not monitored. The DM has limited capacity to ensure central coordination of LM support, mainly due to non-compliance with the Municipal Support Service Tool

adopted by the Municipal Manager’s Forum to improve coordination and reporting on both progress and challenges. Table 2.31 indicates the various LM support programmes implemented by the various departments in the DM:

LOCAL MUNICIPAL SUPPORT PROGRAMMES

NAME OF DEPARTMENT	NATURE OF SUPPORT	BENEFICIARY MUNICIPALITIES	KEY MILESTONES/ACHIEVEMENT TO DATE	CHALLENGES
Legislative Services	Support on the Establishment of MPAC and Oversight Committees; Development of Public participation Policy, Public Participation Strategy and Ward Committee Guidelines; Compilation of Council Documents, Council Minutes and Resolutions register	All LMs	<ul style="list-style-type: none"> All LMs have been work-shopped on MPAC Terms of Reference. All Local Municipalities have been encouraged to participate in the Speakers and Traditional Leaders’ Summit 	Inconsistence in attending meetings convened by the DM.
Internal Audit	Provide internal audit support to Local Municipalities on a shared service arrangement.	Port St Johns LM, Mhlontlo LM, Ntinga OR Tambo Development Agency and PSJ Development Agency	<ul style="list-style-type: none"> There has been improvement in audit outcomes with Mhlontlo LM obtaining an unqualified audit opinion in the 2015/16 and 2016/17 financial years. Port St Johns Development Agency has been obtaining an unqualified audit opinion since the 2014/15 financial year 	The existing capacity in the district is inadequate to fully service the LMs. Past audit issues are not addressed on time resulting in recurring audit issues.
Office of the Municipal Manager	Coordination of development of IDP and PMS	All LMS	<ul style="list-style-type: none"> Development of Framework and process plans for both IDP and PMS 	Limited capacity (staff complement), in some LMs, the functions of IDP and PMS are coordinated by the same people.

NAME OF DEPARTMENT	NATURE OF SUPPORT	BENEFICIARY MUNICIPALITIES	KEY MILESTONES/ACHIEVEMENT TO DATE	CHALLENGES
Office of the Municipal Manager	Implementation of Operation Masiphathisane	All LMs and DM	<ul style="list-style-type: none"> • Training Workshops on Operation Masiphathisane has been conducted in four LM's except KSD LM. • 145 out of 146 wards have Ward War Rooms • 146 Operation Masiphathisane Pull Up banners have been distributed to all 146 wards. • Launch of Operation Masiphathisane has been done in all LMs. • Each LM has an IGR Officer from the District Municipality that coordinates all IGR, Municipal Support, International Relations and OM Programs though located in the District Municipality. 	<p>Limited budget for the OM implementation plan.</p> <p>Limited/lack of staff dedicated to IGR/OM programmes in LMs.</p>
Legal Services	Legal, consultative and sharing of personnel for legal support	Mhlontlo, Nyandeni, Ingquza Hill KSD and Port St Johns LMs	<ul style="list-style-type: none"> • Successfully defended cases for the municipalities. • Shared skills and legal manual. 	<ul style="list-style-type: none"> • Structures do not provide for adequate legal staff. • Too many litigations and less funding. • Less opportunities for meetings
Human Resources	Support for job evaluation , Consultative	Mhlontlo, Nyandeni, Ingquza Hill, KSD and Port St Johns LMs	<ul style="list-style-type: none"> • Job evaluation finalized and implemented in some LMs and in others still in process 	<ul style="list-style-type: none"> • Formulation of policies. • No uniformity of systems. • Lack of skilled personnel.
ICTM	Consultation,	Mhlontlo, Nyandeni, Ingquza Hill, KSD and Port St Johns LMs	<ul style="list-style-type: none"> • Three policies have been approved which are ICT Steering Comm, ICT Policy and Security. 	<ul style="list-style-type: none"> • Formulation of policies. • No uniformity of systems. • Lack of skilled personnel.

NAME OF DEPARTMENT	NATURE OF SUPPORT	BENEFICIARY MUNICIPALITIES	KEY MILESTONES/ACHIEVEMENT TO DATE	CHALLENGES
Rural Planning and Economic development	Planning	Mhlontlo LM Mhlontlo Ward 2 and 13 Port St Johns LM Ward 11	<ul style="list-style-type: none"> • Tsolo Junction SDF being developed. • Community Based plans developed, Langeni LSDF • Ntabelanga and Laleni Dam LSDF 	
Rural Planning and Economic development	Economic Development	All LM's	<ul style="list-style-type: none"> • Support to informal traders, co-operatives and SMME's through capacity building and supply of material and equipment 	N/A
Community and Social Services	Capacity building and training	All LMs	<ul style="list-style-type: none"> • Training of community members on Tourism Arts and Craft, Business skills. • Poultry management and disease management. • Public transport operators trained on conflict management, Customer care and financial management. 	
Infrastructure Cluster	Engineering Support	All LMs	<ul style="list-style-type: none"> • Development of standard tender document that complies with CIDB regulations. • Purchase of Design Soft Water for Nyandeni LM. • Training on General Conditions of Contract in 2010. 	Not Applicable

Challenges Identified in IGR:

Despite successes, there are still challenges. The following are some of those that have been noted:

- *Ad hoc* IGR coordination at Local Municipalities level;
- The need to improve on planning and coordination of events/ IGR activities between DM and LMs

2.6 IDP Participation and Alignment

- The district municipality and its locals performs the strategic planning functions under the Office of the Municipal Manager.
- The municipalities in the district continue to comply with the regulations in the development of the IDP.
- The IDPs were approved by various Councils for the year under review whilst the IDP 2018/19 process plan were also approved during the prescribed period.
- Generally, the Mayors / Executive Mayors have approved SDBIPs and this guide the implementation of the IDP.
- Relevant Strategic Managers/ IDP Managers positions are filled in all the municipalities with the exception of the DM challenged by the structural vacancy (IDP Manager is not in the organogram)
- There is generally lack of understanding and participation of sector departments in the IDP processes.
- The relationship and alignment between the DM and the LM on IDP processes have improved.

COMPONENT D: CORPORATE GOVERNANCE

2.7 Risk management

The Municipal Finance Management Act section 62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management.

Risk management is defined as the identification and evaluation of actual and potential risk areas applicable to an organization, followed by a process of mitigation, acceptance, transfer or avoidance of each risk.

O.R. Tambo District Municipality's council monitors risk through the Audit Committee. The Committee plays an oversight role to ensure that there is an effective risk management process and system within the organization. The Audit Committee recommends to the Council risk strategies and policies that need to be set, implemented and monitored. This approach provides technical assistance to the Council to exercise its role in ensuring that an adequate and effective risk management system and process is in place.

With the technical support from the Risk Management Unit and Internal Audit O.R. Tambo District Municipality identifies risk areas that are managed systematically and continuously. The municipality has a risk register in place which is treated as a working risk management document of which the identified risks are constantly recorded and properly managed. The municipality's senior management monitors and evaluates the implementation and efficiency of management's controls and such actions identified to improve current controls in the risk register.

During the 2017/18 financial year, the municipality continued to address the identified risk factors in both strategic and operational levels of management by implementing the suggested risk action plans and reporting quarterly to the Audit Committee and Council.

The chief Risk officer resigned from the post in November 2017 and the new Risk officer assumed duties on the 01 August 2018

The Risk Management Unit of O.R. Tambo District Municipality in consultation with Internal Audit Unit facilitated the 2017/18 Annual Risk Assessment workshop for the municipality to review and identify areas of risk within the strategic objectives and structures of the municipality and to determine the priority level of each risk.

The workshop took place on the 22 June 2017, **table 10.** below details the institutional top 10 Strategic Risks that were prioritised for the period being reported on. The results of the workshop represent the participants' view of the risks facing the Institution at large as well as specific departments within the municipality. The wording of risks represents that as agreed to by the participants at the workshop.

Risk management strategy has been developed and the policy together with the terms of reference of the risk committee has been reviewed during the period under review. However, the implementation of these is currently under way. The culture of risk management has not yet matured, it is in its infant stage; Risk management continues to be viewed as a compliance matter rather than being embedded on the day to day business and organizational culture. The focus is still at institutional and departmental assessment and has not yet reached or addressed project risk management.

The top ten (10) risks that have been identified in the municipality for the 2017/18 financial year are as follows:

Table 10: The top ten (10) risk identified in the municipality

Priority Area	Strategic Objective	Risk No	Risk Description	Risk Causes	Current controls	Residual Risk Value	Risk owner
KPA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURE							
Water quality	To improve access to affordable, clean and portable water to the population by 2022	1	3.2 Failure to Meet water quality SANS standards (Blue & Green status)	<ul style="list-style-type: none"> 1. Inadequate skills. 2. Ageing Infrastructure. 3. Insufficient human capacity 	<ul style="list-style-type: none"> 1. Water quality monitoring Program 3. Classification of Process Controllers and Treatment Works 4. WSA Manager and unit in place 5. Approved budget 	16.25	Director Water Services
Water quality	To reduce water losses up to 20% by 2022	2	Water losses	<ul style="list-style-type: none"> 1. Dilapidated/ageing infrastructure 2. Lack of community awareness 3. Unidentified water losses 4. Delayed response to reported water leaks 	<ul style="list-style-type: none"> 1. Thetha Nathi Application 2. Plumbers 3. Budget 4. Inventory and Stores 5. Annual Pipe replacement programme 6. Customer Service personnel 7. National guideline of 8rs to respond and 48 hrs. to resolve. 	16.25	Director Water Services

Priority Area	Strategic Objective	Risk No	Risk Description	Risk Causes	Current controls	Residual Risk Value	Risk owner
KPA 2: LOCAL ECONOMIC DEVELOPMENT							
Capacitation of Youth and Emerging Contractors	To train 125 emerging Previously Disadvantaged Individuals (Youth and Emerging Contractors) by 2022	10	Inability to offer quality required skills	1.Budget constrains 2.Limited Accredited training Institutions		16	Director Human Settlements
KPA 3: FINANCIAL MANAGEMENT & VIABILITY							
Revenue Management	To effectively and efficiently manage and grow the district municipality's revenue through a mix of revenue management, enhancement and protection strategies by 2022	7	Inability to meet set revenue targets	1. Lack of resources (insufficient working space, working tools) 2. Out-dated by-laws. 3. Incorrect delivery of statements. 4. Limited access to water meter reading 5. Theft / under banking of collected revenue.	1. Policy revenue (Debt & credit policy, Revenue enhancement strategy, investment policy), 2.Reporting on Grants 3.Monthly Recons Monthly returns from SARS 4.Approved Budget & SDBIP. 5. Data cleansing 6.Human Resource 7.Project on fixing of faulty meters. 8.Communication	16.25	CFO

Priority Area	Strategic Objective	Risk No	Risk Description	Risk Causes	Current controls	Residual Risk Value	Risk owner
Supply Chain Management	To ensure the effective implementation of demand management, acquisition management, contract management, supplier performance management and SCM risk management by 2022	8	Non adherence to SCM regulations	<ol style="list-style-type: none"> 1. Non-adherence to approved SDBIP and approved Cash flows. 2. Non availability of procurement plans. 3. Non adherence to council calendar by Bid committee 4. Inadequate supplier performance monitoring. 5. Non-disclosure by potential service providers in the service of the state. 6. Inadequate segregation of duties 	<ol style="list-style-type: none"> 1. Bid committees 2. SCM Policy 3. Compliance checklist 4. Section 32 committee 	16.25	CFO
KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION							
Performance Management, Monitoring and Evaluation	To ensure a district wide coordination of implementation, monitoring and evaluation of the IDP	9	Ineffective coordination of monitoring and evaluation.	<ol style="list-style-type: none"> 1. Non submission of reports 2. Culture not inculcated 3. Performance only done for compliance purposes. 	<ol style="list-style-type: none"> 1. Performance management policy 2. Sittings of HODs assessments. 3. Weekly, monthly & quarterly reporting templates for PMS 4. M&E unit for physical verification 	16.25	Director Municipal Manager

Priority Area	Strategic Objective	Risk No	Risk Description	Risk Causes	Current controls	Residual Risk Value	Risk owner
KPA 5: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT							
Records Management (Institutional)	To provide effective and efficient human resource and corporate administration support	3	Inability to preserve municipal records	1. Inadequately trained records management staff 2. Lack of awareness on records management 3. Non implementation of RM System	1. Records management unit 2. Records management policy in place 3. File plan in place. 4. Registry procedure manual	20	Director Corporate Services
ICT Enhancement (District Wide)		4	Inability to provide adequate systems and governance	1. Non implementation of Policies 2.Lack of proper integrated systems 3. Non availability of ICT governance structures	1. ICT Policy 2. Firewalls 3. ICT unit 4. ICT infrastructure in place	20	Director Corporate Services
Organizational Development (District Wide)		5	Inability to improve institutional performance through skills development	1. Non implementation of WSP 2.Inadequate coordination of skills development programme 3.Non adherence to training and development policy	1. Work Place skills plan in place. 2. Skills dev and employment equity committee. 3. Training and dev policy 4.Centralisation of training budget 5. Fully fledged HRD UNIT	16.25	Director Corporate Services

Priority Area	Strategic Objective	Risk No	Risk Description	Risk Causes	Current controls	Residual Risk Value	Risk owner
Recruitment and Selection	To effectively and efficiently recruit and retain competent Human Capital by 2022	6	Inability to retain competent staff	1. Absence of retention strategy and policy	No controls in place.	18	Director Corporate Services

These top ten risks had mitigating controls in place to reduce the impact of these risks if they may occur and the mitigating controls were allocated to individuals to implement them throughout the 2017/18 financial year.

2.8 Anti-corruption and Fraud

The council of O.R. Tambo District Municipality is committed to the highest possible standards of openness, probity and accountability and recognizes that the electorate needs to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image.

Fraudulent and corrupt practices undermine the basic values and principles governing public administration and any criminal and other irregular conduct are detrimental to good, effective, accountable and transparent governance and can hamper the service delivery capacity of the Municipality. Procedures are provided in terms of which employees and councillors may without fear of reprisals, disclose information relating to suspected or alleged criminal or other irregular conduct. Policies and strategies are in place setting out the Council's approach and commitment to the prevention, deterrent and detection of fraud and corruption

A policy on declaration of conflict of interest by staff is in place. Incidents of suspected corruption are reported via the Presidential Hotline. Currently the municipality is developing its fraud hotline and the work on the conceptualization of this has been initiated. The following activities have been undertaken:

- Fraud awareness sessions have been held with various departments who are by nature prone to fraud such as SCM, HR; Human settlements and Community services. A plan for fraud prevention has been developed.
- Staff have signed declaration of interests
- Workshop on the policies have been conducted
- There is a process which is still in progress to ensure that risk management unit works with labour relations to ensure that staff has signed the code of conduct.
- The institution has an internal audit unit who on an annual basis conduct audits in areas with high risks, this is also a means of testing the existing controls to ensure that they are strengthened to detect, prevent and mitigate any fraud risks identified. Through internal audit reports the institution is able to set action plans to improve the status quo.

Challenges that need to be addressed are as following:

- Non-reviewal and non-implementation of policy;
- Reported incidents not followed up, no internal disciplinary measures;
- Policies of the municipality not entrenched to the operations of the institution;
- Insufficient will by both political and administrative to resolve fraudulent activities, resulting in potential whistle blowers getting discouraged to report incidents that may not be pursued;
- No protective measures for whistle blowers;
- Backlogs on prosecution of reported incidents;
- No preventative and detective internal measures against fraud and corruption; and
- False alarms on fraud and corruption with a purpose to hide own corruption (camouflage).

2.9 Supply Chain Management

There have been several improvement initiatives undertaken within the procurement function to ensure value-for money, greater efficiency and effectiveness, and reduce fraud and corruption. These include, inter alia, the following:

- ISO 9001 accreditation of procurement processes - quality management system
- Business and process improvement initiatives, such as:
 - Centralised contract register;
 - Procurement scheduling resulting in better planning and capital spend;
 - Electronic contract tracking;
 - Supplier address book consolidation;
 - Invoice scanning and logging;
 - JSCM Policy review;
 - E-Procurement – Quotes Management System (QMS);
 - Improved internal controls – reduce fraud and corruption;
 - Benchmarking of prices of goods and services;
 - Employing SABS standards on products; and
 - Making use of transversal contracts.

The BTO department conducted a SWOT Analysis of all the functions and below are the outcomes for Supply Chain Management analysis:

Strengths	Weaknesses
<ul style="list-style-type: none"> • SCM Policy reviewed in line with latest legislation and best practices and adopted by Council on the 30 May 2017 • CSD Regulations implemented during the year ended 30 June 2017. • Review and update of existing procurement templates which have standardized the procurement process for quotations and tenders. 	<ul style="list-style-type: none"> • Partial implementation of the SCM Policy. • Continuous processing of transaction that lead to irregular expenditure (lack of procurement plans as well as project implementation plans, deviations that do not meet the requirements of Regulation 36). • Procurement policy for infrastructure projects has not been adopted • Improper use of Regulation 32 provisions. • Lack of contract management in line with Section 116 of the MFMA (infrastructure projects that are way beyond planned completion periods without any consequence management). • Lack of systems to identify close family members before awards. • Slow process of filling of vacant posts within the SCM Section

Opportunities	Threats
<ul style="list-style-type: none"> • Appointment of service providers through term contracts for recurring expenditure items (rotation to be monitored). • SMME development and targeting through updated PPPFA Regulations. 	<ul style="list-style-type: none"> • Fiscal dumping from other government institutions

Remedial action for factors identified above:

- Conduct workshops for SCM policy with municipal officials.
- Implement consequence management in terms of Section 32 of MFMA.
- Council to approve budget only when HOD's submit their procurement plans with realistic PIP's.
- Workshopping of the policy to all stakeholders and implement thereafter.
- Management to review the use of Regulation 32.
- Establishment of contract management unit.
- The functionality of all infrastructure projects to be reviewed and a more efficient procurement strategy be adopted to assist the municipality in ensuring that it is able to attract sufficient service providers.
- Council to approve ad hoc portfolio committee meetings between budget and treasury and infrastructure to discuss any bottlenecks on stalled projects and identify root causes to clear those soon
- As part of value add, periodically liaise with AG for the review of the procurement made in order to identify all companies that have close family members through their CAATS systems
- Fast-tracking of the recruitment process for the filling of vacant posts.

2.10 By-laws

The ORTDM approved the following by-laws for the betterment of the community within the terms of the legislation as follows:

By-laws developed, reviewed and approved during 2017/18 financial year					
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
Water Services	Yes	In progress	May – June 2018	No	N/A

By-laws developed, reviewed and approved during 2017/18 financial year					
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
Municipal Health	Yes	No	N/A	No	N/A
Fire Services	Yes	Yes	31 January 2018	No	N/A

2.11 Website

Section 75 of the Municipal Finance Management Act prescribed for the minimum content that must be displayed on the municipality’s websites. The municipality has updated its website to serve as a mode of communication to the district citizens at large on municipal services, functions and duties. The following is a tabulation of the documents published on the website during the financial year:

Municipal Website: Content and Currency of Material		
Documents Published on the Municipal Website	Yes/No	Publishing Date
Current annual budget (2017/18)	Yes	June 2017
All current budget-related policies	Yes	June 2017
Budget adjustments and all budget-related documents (2017/18)		March 2018
The previous annual report (2016/17)	Yes	March 2018
The Annual Report (2017/18) published/to be published	No	Not Yet
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2017/18) and resulting scorecards	Yes	July 2017
All service delivery agreements (2017/18)	No	N/A
All long-term borrowing contracts (2017/18)	N/A	N/A
All supply chain management contracts above a prescribed value R200 000.00 for 2017/18	No	N/A
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 2017/18	No	N/A
Contracts agreed in 2017/18 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	N/A
Public-private partnership agreements referred to in section 120 made in 2017/18	No	N/A
All quarterly reports tabled in the council in terms of section 52	Yes	Quarterly

Municipal Website: Content and Currency of Material		
Documents Published on the Municipal Website	Yes/No	Publishing Date
(d) during 2017/18		

2.12 Public Satisfaction on Municipal Services

In order to fully fathom the magnitude of public satisfaction on municipal services, the municipality must put in place mechanisms that allow for direct feedback on services provided. It is paramount that a municipality evaluates its public satisfaction against its service delivery initiatives and deliverables. Every project or program implemented must be measured not only on its outcome but on the impact it has in the community in which it is intended to serve. The District municipality consists of five local municipalities namely: Mhlontlo, Nyandeni, Port St Johns, King Sabata Dalindyebo and Ingquza-Hill. In order to fathom the impact and magnitude of public satisfaction, the district municipality would have to conduct qualitative and quantitative research on the entire area by sampling a portion of the whole population thereof.

The municipality conducts recorded public meetings in order to consult with communities on burning issues, planned projects et cetera. These meetings are in place as a consultative process with citizens of the district. This is all the while the municipality is in the process of developing an information system database that will store informative features and citizens' satisfaction information. The system will identify critical performance scopes of citizens' satisfaction together with a satisfaction tree. This will be developed in the form of an algorithm which will identify different steps.

The first step of these will determine the organizations scopes and identify features of services given to citizens. These performance features will be identified according to the mission and major duties of the municipality. The second of these steps will be to form a process execution matrix based on the records of process execution. This is to determine the status of citizens' satisfaction with the public services as the performance measures will be collected in the form of a questionnaire. The third of these steps will be determining and identifying critical features of satisfaction by analysing the relationship between the service and the impact it has had on communities. The last of these steps is finding contingency mechanisms in areas where the service delivery initiatives did not produce the intended impact.

The aforementioned will assist in identifying a citizens' satisfaction model about services given by the municipality and how they can play a key role in the improvement of its citizens' satisfaction. This will assist the municipality in predicting citizens' satisfaction and to manage its performance to improve public satisfaction with its mandated services.

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

COMPONENT A: BASIC SERVICES

3.1 Water Provision

Water services provision in the Municipality is under the Department of Water and Sanitation Services. This department has a vacancy rate of 14%. Staff compliment as the end of June 2018 for this department is a depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
772	667	105	14%

The departmental financial performance is illustrated in the table below:

Details	2017/18			
	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 682,458,922.00	R 701,099,489.12	R	R
Capital Expenditure	R 1,151,403,860.00	R 1,146,173,000.00	R	R

Over the financial year the municipality had implemented 29 projects and these were funded through grants. Most of the capital projects are multiyear in nature whilst others address bulk supply. This means therefore that number of people to be served will be recognised whilst some of the capital projects are completed. However, as much as the District is implementing long-term projects there are projects that have been completed and 26532 people have been served with portable water supply.

Apart from the capital program the municipality continued to maintain, refurbish, upgrade and extending the existing infrastructure to the needy community. This program serve to ensure sustainability and improve the functionality of the schemes. Over the year, 70% of non-functional schemes have been repaired to its normal standard and this includes part of extensions. This amounted to 52646 households that has been able to benefit. Also 54 non-working schemes and upgraded 4 schemes have been refurbished.

The District Municipality further considered those communities that do not have infrastructure and those affected by drought by providing them with remedial measures that include provisioning of water tanks as well as water carting. Over the year 150.1 mega litres of water was catered and

delivered to communities across the district, whilst 50 water tanks were provided to needy communities as an interim service.

The table below illustrates level of access of water for the district households:

Category	No. of Households
Proportion of households with access to water points (house connections)	41,431
Proportion of households with access to piped water (inside yard)	43,076
Proportion of households receiving 6kl free water	153,000
Proportion of households with access to piped water on community stands (distance less than 200 meter from dwelling)	42,863
Proportion of households with access to piped water on community stands (distance less than 200 meter from dwelling)	20,583
Proportion of households with no access to piped (tap) water	173,870
TOTAL	321,823

In addition to the connections that were made, the District also managed to refurbish about 54 non-working schemes and upgraded 4 schemes, Moreover about 10 boreholes were drilled and equipped which benefitted 2220 households and more than 70km of water reticulation was extended through internal EPWP programme in order to improve access of water. Accordingly, 500 more household including 5 disabled beneficiaries were given access to water supply. Purified schemes and spring protections were also drilled and equipped. With our District being rural amongst the 321 733 households, more than 153 000 households received access to free basic services of water.

Through the appointment of Amatola Water Scientific Services as a support compliance laboratory, the District has been improving its water quality. Chemical compliance for year under review have been not less than 99% and physical compliance of not less than 99% with notable challenges of microbiological compliance which was 81% due to ageing infrastructure at the works, and deteriorated raw water quality.

There has been challenges of land claims, which impacted on the completion of most of the projects. In a move set to unblock bottlenecks that delay completion of water projects, the District managed to put spanner in the works and surmount all challenges to complete rollover projects in the new financial year. Despite those challenges the District has successfully spent 100% of its capital grants for the year under review. Other challenges experienced by the District were unaccounted water and losses due high level of illegal/unauthorized connections as well as lack of metering for the water provided to rural areas.

3.2 Waste Water (Sanitation) Provision

The sanitation provision within the district is compounded by the fact that our district is rural in nature and over 80% of our district population depends on pit latrine, chemical toilets and bucket system. For the year under review, the District has provided ventilated improvement pit to 4502 households. In addition, the District commissioned Lusikisiki wastewater treatment works which connected the CBD, police station and hospital unleashing the economic potential for the town.

As much as the district is accelerating its sanitation program there are various challenges that are faced in this regard. These include the land claims that cause delays to major projects, Mthatha Outfall Sewer, Mqanduli Sewer and Libode Waste Water Treatment Works. Moreover, some communities do not understand the entire sewer system and as such reject projects to be closer to the residential area. For example, Flagstaff Sewer Treatment works. The municipality is utilising various strategies to deal with these matters (legal route, expropriations, negotiations and awareness). With regards to provisioning of dry sanitation, the key challenge is that most of them are full. The district is initiating a programme of sludge sucking. Already a service provider has been appointed to pilot the program.

3.3 Electricity

This is not a function of a District municipality, however the district plays a coordinating role. The municipality is a coordinator of the district electricity forum where all stakeholders that include local municipalities, National Department of energy as well as Eskom participate. The table below illustrates progress of electrification over the year:

Local Municipality	2017/18 Connections
King Sabata Dalindyebo (KSD)	3042
Ingquza Hill	2687
Port St Johns	870
Nyandeni	1872
Mhlontlo	294
O.R. Tambo District Municipality	8765

Back as at the end of June 2018 is as follows:

OR Tambo	Remaining Backlog	New Extensions	Current Total Backlog
KSD	6886	2500	9386
Nyandeni	512	2400	2912
PSJ	214	2554	2768
Mhlontlo	1485	6755	8240
Inguza	0	2800	2800
Total	9097	17009	26106

3.4 Environmental Management and Waste Management

The White Paper on Environmental Management Policy emphasizes the need for implementing an effective information management system that makes environmental information accessible to all interested and affected parties responsible for and/or interested in effective environmental management. In this regard, the O.R. Tambo DM developed an Environmental Management Plan (EMP), which provides a baseline assessment of the main environmental issues and challenges facing the District.

Based on the information obtained from the reviewed EMP, the District Environmental Management and Spatial Planning Technical Forum, working in partnership with DEDEAT, has managed to prioritize programs and develop appropriate action plans and sector plans to respond to the most pressing and threatening issues of environmental management.

These are plans such as IWMP, AQMP, CMP, and Draft Climate Change Response Strategy. It is also in a process of developing two sector plans, which are Estuary Management Plan and biodiversity sector plan. The ORTDM planned a number of training workshops focusing on environmental education to disseminate this environmental information together with practical programs on how to face these environmental challenges and ensure effective environmental management. One of these programs is the Greenest Municipality Competition that starts from the district, provincial and ends nationally. This competition takes place on an annual basis and the district has conducted at least nine competitions until this year.

Summary Plans

- AQMP-Adopted by council and presented/submitted to the Provincial forum (EQM) for endorsement - 2017/2018
- CMP- Adopted by the council and presented/submitted to the Provincial Coastal Committee for its endorsement 2017/18
- IWMP – Adopted by the council and IWMP implementation and projects have been presented to the Waste Forum quarterly (EQM)
- EMP- Adopted and currently under the review Terms of Reference developed for its development
- Estuary Management Plan – Terms of Reference developed for its development
- Climate Change Response Strategy- Draft developed and presented to stakeholders and now awaiting for adoption.
- Biodiversity Sector Plan – Still at terms of reference stage of development

Overall Environmental Governance

Through this pillar, the district has managed to establish more than six **environmental clubs** throughout the district. These enviro clubs have been supported with branded t-shirts, trees, composting powders to make their compost and training for students on tree planting and composting. In partnership with DEDEAT, DEA and other stakeholders, O.R Tambo has managed to host and form part of the Marine Day Celebrations, Coastal Cleaning campaigns and Poaching Awareness throughout the district.

List of Environmental Clubs

1. Merannia J.S.S – Lusikisiki
2. Holy Cross –Flagstaff
3. Zanoxolo – Ngqeleni
4. Bele - Tsolo
5. Walter Sisulu University – Mtata

Environmental Awareness Campaigns

1. Diliza Environmental Awareness Campaign
2. World Environmental Day Celebration
3. Marine Day Celebration
4. Port ST Johns Annual Cleaning Campaign

Air Quality Management

Over the last five years, the O.R Tambo DM as mandated by the National Environmental Management: **Air Quality Management Act** of 2004 has amongst other things managed to develop the first generation Air Quality Management Plan that has been endorsed by the council

and a designated Air Quality Officer for the district. Several Air Quality related complaints have been attended to in the 2017/2018 financial year.

The section also presented the draft Air Quality Management Plan (**AQMP**) at the policy workshop for adoption and several awareness campaigns have been held together with DEDEAT. The O.R Tambo DM continues to participate fully in the Provincial Environmental Management and **Air Quality officers' forum** that sit quarterly to cascade issues to the province.

The District as part of the implementation of its newly adopted Air Quality Management Plan and as part of strengthening the skills for its Air Quality Officials has undergone Air Quality Emissions trainings and capacitation workshops.

Waste management

The function of refuse collection from households, waste disposal and street cleaning is done by the Local Municipalities. The O.R. Tambo District Municipality mainly focuses on co-ordination of waste planning and recycling activities in the district. A regional recycling facility through the IWMP has been identified as the major priority program within the district, which is having its own build-up processes. The involvement of communities in recycling through recycling cooperatives is one of the priority programs building up to the establishment of to the regional recycling facility as well as creating jobs in the communities.

The O.R Tambo DM in its 2017/18 financial year has managed to implement the first of its kind project called **Regional Recycling Project**. The uniqueness and nature of the project has attracted attention from all districts to replicate the approach. This project has been successfully implemented and now it's operating smoothly. The district over the five year cycle has managed to review its district Integrated Waste Management Plan (**IWMP**); managed to designate a waste officer; participate in national and provincial waste forums to cascade local waste management issues and 2017/18 it also presented its IWMP to the Policy Workshop. The district has in all times successfully implemented the **Greenest Municipality Competition awards**. The District in 2017/18 has given PSJ position one to compete in the province and the PSJ Municipality managed through the support of the District Managed to get position two in the provincial awards.

The largest capital project that has been planned is the regional recycling program, which is at implementation stage. The program is aiming at employing more than 500 people with direct and indirect jobs. For now that program has already employed more than 60 permanent jobs and more than 240 indirect jobs. This is the first project that has produced a convenient, reliable and people centered market for the customers to sell their recyclables. It provided the highest prices for the waste pickers and ensured the upliftment of all O.R Tambo District Waste pickers and the only project that also has supported and captured all the **waste pickers** into the database.

The District has nine licensed landfill sites, with seven (**Qweqwe, Mqanduli, Libode, Qumbu, Tsolo, Flagstaff and Port St Johns**) landfill sites licensed for operation and two (**Lusikisiki and Mthatha**) landfill sites licensed for closure. All landfill sites except for Libode and Flagstaff have

signage, record waste volumes in the entrances, reporting to the Waste Information system and landfilling. However, the biggest challenge for all the O.R Tambo landfill sites is the compliance with the minimum standard conditions for landfill operation as well as compliance with the license conditions. Port St Johns and Qumbu both have material recovery facilities in their landfill sites.

Continued landfill audits and reporting to the waste information system still pose a challenge to all our landfill sites. The District as a form of ensuring extended landfill space has introduced the concept of transfer station facilities and in 2017/18 financial year the district has managed to license for operation at least three transfer station (**Tsolo, Ngqeleni & coffee bay**).

Environmental Impact Management

O.R Tambo DM has managed to undergo technical training in order to ensure extensive capacity to do environmental screening of all MIG projects is achieved. The district has managed to comment on EIA application for some of the projects as the district can on. The district has also managed to comment on EIA application for some of the development projects since the district can only be a commenting authority on EIA's.

In 2017/2018 financial year the municipality has managed to develop and produce Screening reports for some of section 116 projects that were to be implemented and this has provided the technical support to the projects as per the regulations of the EIA.

Conservation and biodiversity

The district through the Biodiversity Act of 2003 managed to implement the Alien invasive projects and also has participated in fight against Cycad poaching in Mhlontlo and Port St Johns. The district is in a process of developing Biodiversity Sector to govern all biodiversity related issues in the district. Through also the Environmental Club establishment, the district is also encouraging tree planting in all schools and have supplied all its environmental clubs with trees. The district form part of the Biodiversity (Alien Invasive Species Forum-SANBI FORUM) to discuss all biodiversity issues within the Eastern Cape. The district also participated in all DEDEAT and DAFF awareness campaign such as Diliza awareness Campaign and celebration of World Environmental Day that was held in Bumbane-KSD.

Marine and coastal management

The O.R Tambo District in 2017/18 as mandated by the **Integrated Coastal Management Act 24 of 2010** has among other things been the third district nationally and the first district in the Eastern Cape to establish as per the act the **Municipal Coastal Committee**. The district also is among the first districts to develop **Coastal Management Plan** and has since 2016/17 presented the plan to the Policy Workshop and to the council for its adoption. The district has sustained its sitting for the Coastal Committee; held a Marine Day celebration in partnership with Ingquza Hill Local Municipality in Mbotyi. O.R Tambo together with DEA and DEDEAT has followed up and held site visits to the affected areas such Mthatha River Mouth Sand dune degeneration. The

district Coastal Management Program has also been presented in the Provincial Coastal Committee to be considered for endorsement. The district has participated in Coastal Provincial Forums and technical teams to escalate the issues discussed at the district forum and committees.

Climate Change

As mandated by the White paper on Climate change, the O.R Tambo DM has in 2017/18 managed to develop a draft climate change response strategy for the district and also held several workshops in mainstreaming climate change onto the municipal IDP. In partnership with SALGA and through SALGA working Group on Climate Change the Port St Johns and King Sabata Dalindyebo were selected as the pilot municipalities to participate in South Africa-Canada partnership in an effort to respond to climate change impacts. Several projects together with Canada were selected to be priority in adapting to climate change impacts. The district has participated fully in several BIGM workshops that seek to replicate the Canadian style of project implementation into Port St Johns. The district has been part of the Climate Change bill development by Department of Environmental Affairs and together with O.R Tambo Disaster the section has participated in the Local Government Climate Change Support Program. The district also participated in the development of the Adaptation and Mitigation plans by DEA and DRDAR within the 2017/2018 financial year.

3.5 Human Settlements

Human settlements is the third department with high vacancy rate of 66%. Staff compliment as the end of June 2018 for Human Settlements department is a depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
35	12	23	66%

The financial performance of this department is shown in the table below:

Details	2017/18			
	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 13,707,237.00	R 14,926,387.99	R	R
Capital Expenditure	R 4,070,000.00	R 3,820,000.00	R	R

The District Municipality as a sphere of government has a role to play in order to ensure that the right to access to adequate housing is realized on a progressive basis as enshrined in the Constitution of the Republic of South Africa, 1996. The Municipal Structures Act no.117 of 1998

also spells out that a District Municipality is expected to build the capacity of local municipalities in its area to perform their functions and exercise their powers where such capacity is lacking. O.R Tambo is a Municipality which is predominantly rural and is dominated by destitute families who are unable to build their own homes due to various reasons. Among the reasons, the fact that the region is prone to disasters contributes a lot towards having homeless people who are destitute with no means to build their own houses.

It is worth noting that the housing backlog is a moving target due to various reasons like disasters, unemployment, rural set up of the region etc. where by as the department we:-

- Facilitate and co –ordinate the formulation of needs register for Local Municipalities
- Initiate housing projects in consultation with Local Municipalities
- Co- ordinate, plan and develop sustainable Human Settlements
- Co-ordinate and provide housing in response to emergencies, special cases and disaster victims
- Facilitate and provide temporal shelters in Emergency situations

3.5.1 Social Relief

The department constructed and handed over seven (7) electrified social relief houses with rain water tanks, toilets and furniture (beds x2 with full bedding, kitchen cupboard, 2 plate stove and curtains for the whole house) at KSD and Nyandeni Local Municipalities.

3.5.2 Emergency Housing Assistance

The municipality constructed and handed over seven (7) temporal shelters at Ingquza-Hill, PSJ, Nyandeni and KSD LM's.

3.5.3 Adam Kok Farms

A firm of consulting engineers has been appointed to assess work done on site, draw building plans, assess existing level of services, prepare engineering designs for nine (9) housing units and advise the Municipality when necessary, and a contractor was appointed for construction of 09(nine houses).

3.5.4 Training of PDI contractors

A total of 98 (ninety-eight) emerging contractors were trained in KSD ward 21 consisting of forty eight (48) youth and Ingquza Hill LM fifty (50) youth. On the day of handing over their certificates the DM gave the trainees tools. A request has been made to the Provincial Department of Human Settlements to assist the trained youth by providing jobs or be incubated into existing projects.

3.5.5 Consumer education

These are awareness campaigns, where communities are made aware of their rights and responsibilities. A total of 12 consumer education were done in all LMs in various wards.

3.5.6 Financial assistance to emerging contractors

In an attempt to assist emerging contractors, the DM signed a Memorandum of Understanding (MOU) with the Eastern Cape Development Corporation (ECDC) to finance emerging contractors when they are awarded projects.

3.5.7 District Human Settlements Strategy

District Human Settlements Strategy document was done to completion. The strategy was presented to councillors during a workshop, presented to the mayoral committee awaiting council approval.

3.5.8 National Housing Needs Register (NHNR)

The District Municipality plays a pivotal role in assisting KSD and PSJ LMs in successfully capturing more than 5 000 housing register forms, meaning the two aforementioned LMs have an authentic waiting list for housing assistance.

3.5.9 Human Settlements forum

The Department managed to have four (04) information sharing sittings where all political principals and officials from all LMs and the Provincial Department of Human Settlements met to discuss all human settlements development issues.

3.5.10 National Upgrading Support Program

The program is aimed at upgrading informal settlements and the formalisation of shacks into formally established townships. The DM is working with KSD, PSJ and Ingquza-Hill local municipalities as pilot spaces for the implementation of the project. The first phase of the project is valued at R 133.5 million.

3.5.11 Organisational Structure

There has been an identification of critical and scarce skills within the Department Human Settlements which is in need of managers and project managers with technical skills such as engineering, construction and research in order to manage the provision of performance monitoring, technical support and guidance to the Department.

3.5.12 Challenges Identified in the Implementation of the 2017/18 SDBIP

- Poor performance by emerging contractors is a factor, as established contractors are not interested in the construction of low cost houses, because of low profit margins and the limited scope of work.
- The departmental organogram not being fully populated leaves critical posts vacant thereby posing as a threat to progress.
- The cumbersome tender processes are not conducive to emergency situations and are therefore limiting to the redress and distribution of social relief houses and temporal structures to vulnerable groups.
- Unavailability of building material as per NHBRC manual halts timeous progress as contractors are, at times, compelled to source material from other provinces.
- Budgetary constraints mean that there will always be an imbalance in terms of supply and demand. The housing backlog is widening instead of narrowing.
- A MoU has been signed with ECDC and there is a willingness to assist in terms of management and the financial skills of emerging contractors. Resultant of the fact that the DM and ECDC have not reached an amicable solution on the reservations ECDC has in supporting emerging contractors financially, a Service Level Agreement between the DM and ECDC remains unsigned, thereby impacting negatively on the ability of emerging contractors to perform optimally.

5. STRATEGIES IN PLACE, IMPROVEMENT AREAS AND INTERVENTIONS TO CHALLENGES IDENTIFIED

Strategies	Improvement Areas	Interventions
To facilitate speedy procurement of goods and services	<ul style="list-style-type: none"> • Record keeping. • Meet set timeframes. • Constant follow up on requisitions. 	<ul style="list-style-type: none"> • Introduce correspondence delivery register. • Monitor budget expenditure. • Alignment with the district records management system.
Improve work conditions for staff	<ul style="list-style-type: none"> • conducive office space 	<ul style="list-style-type: none"> • Provisioning of offices with office equipment • Procurement of Personal Protective Clothing
Emergency procurement plan	<ul style="list-style-type: none"> • Emergency procurement arrangements. 	<ul style="list-style-type: none"> • Facilitate development of a dedicated emergency procurement plan.
Building Material term contract	<ul style="list-style-type: none"> • Improve time frames in providing housing for social relief housing projects. 	<ul style="list-style-type: none"> • Material will be procured from several service providers and delivered on site for construction of houses.
Filling of critical posts within the Human Settlements Department	<ul style="list-style-type: none"> • Departmental Capacity in implementation of Departmental programs within the SDBIP 	<ul style="list-style-type: none"> • Facilitate in speeding up recruitment of posts

PROPOSED PROJECTS AND PROGRAMMES TO BE IMPLEMENTED IN 2018/19, BUDGET AND SPATIAL LINKAGE

Project	Programme	Budget required 2018/19	LMs to be covered
Informal Settlements upgrading	Township Establishments	R10M	All Municipalities
Construction Skills Development	Women and Youth build program	R2M	All municipalities
Needs identification	National Housing Needs Register Capturing	R500 000	All Municipalities
Rectification of Townships	Untraceable beneficiaries and reconfiguration of the General plan	R5m	All Municipalities

3.6 Free Basic Services and Indigent Support

The O.R. Tambo District Municipality is a predominantly rural municipality and the largest district municipality in South Africa. The district services copious amounts of people, who predominantly live below the bread line. This means that a large number of O.R. Tambo region residents are indigents. Indigents as per Indigent Policy are persons that earn a living wage of R 3000 and below. Indigents for the purposes of the policy are exhaustively defined to include members of child-headed households.

As a Water Services Authority and Provider, the sole mandate of the municipality is to make sure that water is provided to O.R. Tambo home owners. The municipality has developed an Indigent Policy as a guiding document for the provision of free basic services to people.

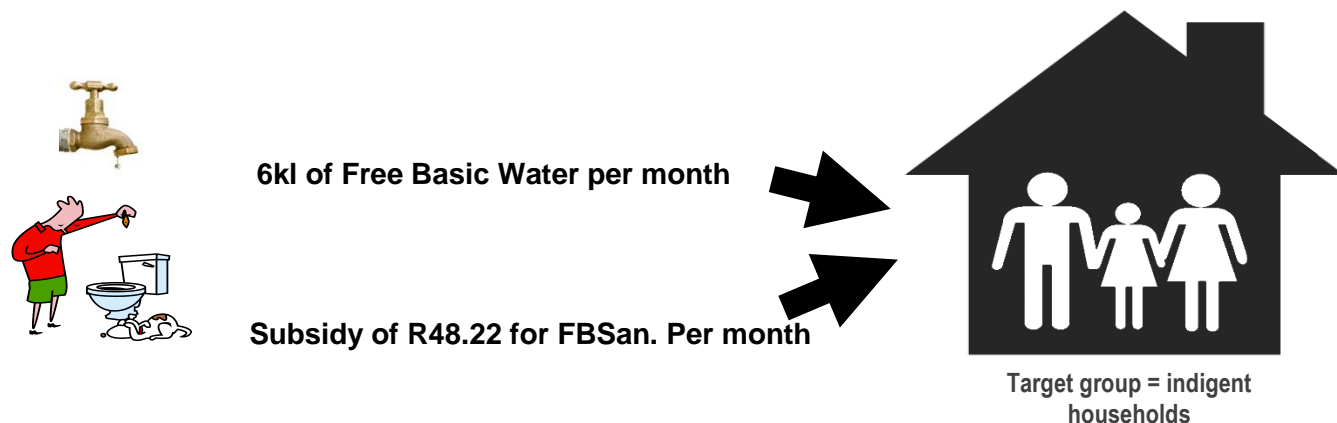
The Constitution of the Republic of South Africa Act, 1996, in the Bill of Rights protects social and economic rights, which include Free Basic Services (FBS). The role of developmental local government in partnership with the other spheres of government, that is, provincial and national, is to ensure the improvement of access of free basic services by the vulnerable groups. FBS are, therefore, a poverty alleviation measure that exists to cushion poor households against vulnerability. Access to these services improve the general well-being of indigent households and improve their health standards and economic circumstances. The implementation of an Indigent Policy becomes a progressive government programme that is critical for social transformation.

The fundamental aim of Indigent Policy is to guide the process of improving access to Free Basic Services by deserving indigent beneficiaries so that their lives can be improved. Establish a manner in which, these residents can be identified and registered in the municipality's indigent register.

The policy also recognizes the need for inter-governmental cooperation to ensure that there is proper coordination in targeting the poor when rolling out these services. The policy should primarily focus on achieving the fundamentals of an efficient and effective Free Basic Services Programme through both the basic alignment of this legislation and the identification of gaps in the current implementation of the Free Basic Services Programme by offering practical solutions to solve these challenges.

The general accepted definition of an indigent, are people who due to a number of factors, are unable to make any monetary contributions towards basic services, no matter how small those amounts. People who earn less than the minimum household joint gross income (two state pension grants), as prescribed by the National Policy from time to time. Indigent refers to those who lack "the necessities of life".

Households who cannot afford the above are considered to be indigent. At this sphere of government, O.R. Tambo DM is obliged to offer the following services to the indigents:



Free Basic Water – FBW

Each qualified indigent beneficiary/household shall receive subsidy to a maximum of 6 kl (6000 liters of water) per month, including the basic charges for such supply; provided that:

- a) Where the consumption exceeds 6 kl per month the municipality shall be entitled to restrict water supply to the property; and
- Where excessive consumption is partly due to leaking or poor plumbing, the municipality may install a yard connection to the outside of the dwelling and meter the consumption.

Free Basic Sanitation – FBSan.

Each qualified indigent beneficiary/household shall be fully subsidised for sanitation as provided for in the annual budget as determined by the municipality. The district municipality provided for a recorded 153 000 people with free basic services in the 2016/17 financial year.

COMPONENT B: ROAD TRANSPORT

Within the District the Technical Services department is responsible for roads, transport, buildings as well as the facilitation of electricity within the District. This department is first with high vacancy rate of 81%. Staff compliment as the end of June 2018 for this department is a depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
63	12	51	81%

The financial performance of this department is shown in the table below:

	2017/18			
Details	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 22,154,694.00	R 16,263,697.20	R	R
Capital Expenditure	R 12,663,500.00	R 4,963,500.00	R	R

3.7 Roads

3.7.1 Quality Road Infrastructure

The district has heard numerous complaints about the condition of our roads and this poses a huge challenge. Even though the roads are not our core function, we have made several

interventions and the district is in the process of rehabilitating Xabane access road at Mhlontlo and Ngqumrhane access road at Nyandeni Local municipality. Engineering designs of these roads have been completed by consultants and implementation of these projects will be in the 2018/2019 financial year.

3.7.2 Walkways

From the request from Mhlontlo Local Municipality for the district to intervene in the development of walk ways and the project is underway as excavations have been done and material is on site for the EPWP to commence with the construction of the walk ways.

3.7.3 Rural Road Asset Management Systems (RRAMS)

- O.R. Tambo District Municipality appointed Engineering Advice and Services for a period of three years from 2011/12/13/14 financial year for an amount of 5.3 Million. The appointment was for the development of the RRAMS.
- Subsequent to the Technical Services Department Portfolio meeting held on 17 March 2015 the issue of RRAMS was extensively dealt and the aspect of the service provider was raised as the contract had expired. MMC Technical Services instructed Director Technical Services to solicit services of another service provider, Director for Technical Services took it upon herself to solicit the services of a suitable service provider. This process delayed and the department tried to solicit paragraph 32 from other municipalities (Sedibeng).
- Response on this matter did not materialize as the work is for development of the system and new provider will mean starting afresh. This affected the transfer conditions of the RRAMS grant as the District Municipality could not provide proof of a suitable service provider and a finalised business plan.
- National Treasury issued intention to stop the grant on the bases that there has been no commitment from the municipality since 2015.
- The 2017/18 Business plan has been submitted to the National Department of Transport on the 15 March 2017 as one of the requirements of the Rural Asset Management Systems.
- Procurement processes have started and a service provider was appointed before the 30 June 2018.
- Contact details of the District Municipality official responsible for RRAMS grant allocation has been forwarded to the National Department of Transport.

3.8 Transport

The district municipality has made an intervention in resolving the Taxi violence rank closure by the Minister for Police. This was done by the intervention of the Executive Mayor convening four stakeholder meetings to mitigate in the suspension of taxi operations in the district. The suspension was lifted after deliberations with the members of the taxi industry and special conditions were imposed to the operators. Plans are being developed to remedy this situation as the institution is busy with the development of the Integrated Public Transport Network Plan (IPTN) to improve transport infrastructure, operations and provision of subsidy.

3.9 Buildings

Construction of the O.R Tambo Disaster Centre is underway as the design stage has been completed and is due for construction in the 2018/19 financial year at Nyandeni Local Municipality.

3.10 Waste Water (Storm water Drainage)

Not applicable to the District Municipality as storm water is a competency of the local municipality.

COMPONENT C: PLANNING AND DEVELOPMENT

Planning and Local Economic Development in the District is housed under Rural Economic and Development Planning (REDP). This department is the second with high vacancy rate of 77%. Staff compliment as the end of June 2018 for this department is a depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
107	25	82	77%

The financial performance of this department is shown in the table below:

Details	2017/18			
	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 133,477,697.00	R 136,890,115.30	R	R
Capital Expenditure	R 3,600,000.00	R 3,600,000.00	R	R

3.11 Planning

O.R. Tambo District Municipality's Planning Unit is charged to provide support to local municipalities under its area of jurisdiction with the aim of improving their planning capacities. This support seeks to provide a well-coordinated approach to balance the need for rapid development with orderly sustainable development. The Spatial Planning and Land Use Management Unit assists local municipalities with Town And Regional Planning Services in respect of policy formulation, proper land use development taking into account social, economic, and physical factors, the aim being to establish the basis on which one can create a positive environment for development initiatives; and to ensure sustainable and orderly land utilization and development through the development of Spatial Development Frameworks (Regional, District Municipality, Local Municipality, Local Nodes), Precinct Plans, Land Use Management Systems etc.

Towards the end of the 2017/16 financial year the O.R. Tambo District Municipality appointed a service provider to review the O.R. Tambo District Municipality Spatial Development Framework.

The review was then finalized in the 2017/18 financial year. The District SDF review was done in line with the requirements of the Spatial Planning and Land Use Management Act No.16 of 2013 (SPLUMA) which requires that it should focus on being a long term plan for the municipality. Amongst other things, the review also aligned the SDF with the newly developed District Development Plan, Integrated Development Plan as well as the newly developed Provincial Spatial Development Framework.

Some Local Municipalities (Ingquza Hill LM, Nyandeni LM, and KSD LM) under the O.R. Tambo District Municipality also undertook their processes to review their SDFs in the 2017/18 financial year, in line with SPLUMA requirements. The review of the Local Municipality Spatial Development Frameworks (including LSDFs and Precinct Plans) to meet SPLUMA requirements cannot be overstated, as these directly inform the development of comprehensive Land Use Management Systems (LUMS) that are wall to wall, covering areas beyond municipal commonages which were not previously catered for by the planning legislations.

It is in this regard that in the 2017/18 the District Municipality also took initiative to assist Local Municipalities through funding for the development of Local Spatial Development Frameworks (LSDFs) for key strategic nodes of the Mzimvubu Catchment Node (Ntabelanga and Laleni Dam).

The establishment of the District Planners Forum, with members from all LMs, DM, EC-CoGTA, DRDLR (Province) and SALGA has proved to be a success in unlocking challenges faced by the municipalities regarding the spatial planning, land use management, land survey, and GIS issues. The Planners Forum is technical in nature, addressing day to day challenges faced by Planners, and it has been very instrumental in the fast-tracking of SPLUMA implementation by the municipalities.

Some of the achievements that have been identified through the previous DM's SDF implementation include:

- Enhanced Interventions and co-operation by the national and provincial spheres of government
- KSD O.R Tambo DM declared a presidential node
- Lubala -Mhlontlo rural development initiatives
- Mthatha Town facelift
- R5bn capital injection for KSD & the Mthatha town
- Small Towns Revitalization Programme
- Mthatha airport Development
- The Lusikisiki Town Planning,
- Ngqeleni Town Precinct Plan
- Libode/Ntlaza LSDF
- Langeni LSDF
- Viedgesville/Mqanduli LSDF
- Western Mthatha LSDF

- Coffee Bay LSDF
- Port St Johns Tidal Pool planning in progress

There is still a challenge for the municipalities to fund for the development of SDFs. In some instances even when the SDF or a precinct plan has been developed there is rarely a commitment from municipalities and other parties to make a follow up on the implementation of the proposals from those plans. The other challenge relates to the projects from National Government which tend to have no coordinators placed at a District and or Provincial level, resulting in poor coordination, and alignment. This therefore affects municipalities, as they are unable to properly plan and align their programs to fully benefit from such National projects.

The SPLUMA requires that local municipalities should develop Land Use management Systems (LUMS) covering areas within their jurisdiction, within five years from the 1st July 2015. One of the challenges for the municipalities is the lack of funding to undertake such activity. Another challenge, which hampers municipalities, is a phenomenon of relating to complex land administration. Land administration in the district vests in different structures (municipal commonages, State land/communal land, and private land) and some of the challenges that have been noted are as follows:-

- Unclear Land Management Roles & Responsibilities
- LMs have limited planning and LUM capacity
- LMs have limited authority in rural areas (No policies means no enforcement)
- Un-managed settlement formation as a result of in land “Informal” trading.
- No link between planned development and sustainable provision of services
- Environmental Management not taken seriously thereby threatening natural resources that are a critical comparative advantage in ORTDM

Another challenge is that areas that fall out of commonages are still not well managed as a result of the past planning systems, which were only urban based. It is envisaged that the full SPLUMA implementation in the form of comprehensive wall-to-wall LUMS will rectify this situation.

Despite the above listed challenges there are strategies that are planned for the next financial year (2018/19). Those include the SDF updates by all LMs particularly PSJ LM, LSDFs for key strategic nodes of the District projects such as Mpande Node, and Ntlangano Node (PSJ LM), Ntlangano Node (Mhlontlo LM, Ingquza Hill LM, Ntabankulu LM, and Mzimvubu LM). A Precinct plan is also planned for Ntlaza Node (NyandeniLM). Other strategies that have been encouraged include the infill development, locating settlements near the existing road networks, nodal and corridor development.

3.11.1 Spatial Planning and Land Use Management

The O.R. Tambo District Municipality is located in the eastern part of the Eastern Cape Province, bound by the Indian Ocean to the East and the Mhlahlane and Baziya mountains behind Tsolo, and Qumbu to the west. The District encompasses diversity in physical landscape, land use and

access to economic opportunities. Agricultural development forms part of the DM's competitive advantage due to its temperature and soil. The coast is an excellent tourist attraction, with a number of resorts and hotels already in existence. Some of the challenges faced by the district with regard to economic development and physical planning include: Lack of skills resulting to unemployment in the key sectors of the economy, high illiteracy rate, diseases such as HIV/AIDS, poor infrastructure, lack of incentives to industries, land claims, crime and an inefficient public transport system & network

The Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA) was assented by the President of the Republic of South Africa of the 05 August 2013, and it came into effect on the 1st July 2015. SPLUMA provides for:-

- a) A framework for a Planning System for the country (Sec2 [2])
- b) Development Principles (Sec 7)
- c) Policies and legislation (Sec 6)
- d) Spatial Development Frameworks (Chapter 4)
- e) Land Use Management through Schemes (Chapter 5)
- f) Land Development Management (Chapter 6)
- g) Other provisions (Chapter 7)

SPLUMA Applies to the entire area of the Republic as a supreme law on spatial planning and land use management. SPLUMA is meant to address racially based pre-1994 planning legislations, as well as to repeal most of them. SPLUMA came into effect on the 01 July 2015, and Local Municipal Councils in the District took resolutions on the establishment of the Municipal Planning Tribunals as required by the Act. Their resolutions were as follows: Ingquza-Hill LM and Port St. Johns LM formed a Joint Municipal Planning Tribunal, Nyandeni and Mhlontlo resolved to work with the District Municipality to form a District Planning Tribunal, and KSD resolved to have a Single Municipal Planning Tribunal.

In order for SPLUMA to be effectively implemented key milestones have to be achieved, and these include the appointing Authorized Official, Adoption and to Gazette By-Laws, deciding on the Municipal Planning Tribunal option, Call for nominations, Gazette MPT, Establish Appeal Authority, Set Tariffs and Capacity Building.

The progress to date on SPLUMA implementation is as follows:

- All municipalities under the O.R. Tambo District Municipality adopted and gazetted their SPLUMA By-Laws
- All Municipalities except KSD have appointed their Municipal Planning Tribunals and gazetted their names
- The Service Level Agreement was signed by the O.R. Tambo DMPT member municipalities (DM, Mhlontlo and Nyandeni LM) in the 2017/18 financial year

- Training for the O.R. Tambo DMPT and Ingquza Hill and PSJ Joint MPT was conducted in the last quarter of 2017/18 financial year with the assistance from DRDLR, SALGA and EC-CoGTA
- KSD LM is in a process of vetting the names appointed by the Council. They hope to gazette their names in the second quarter of 2018/19 financial year.
- All Local Municipalities have appointed their Authorised Officials and Appeal Authorities
- The District is facilitating for the signing of the SLA by O.R. Tambo District Municipality, Mhlontlo and Nyandeni LM. Its finalisation is expected by the second quarter of 2017/18 financial year.

For quite some time (1st July 2015 when Municipalities started SPLUMA implementation) the Local Municipalities under the District experienced a challenge with Traditional Leaders who serve in the LM Councils who would stage walk-outs when SPLUMA issues were being tabled in their Councils. This has resulted into considerable delays more especially for Nyandeni LM. Traditional Leaders were not happy with the process of consultation through the development of the Act by DRDLR.

The District Municipality through its Joint LED, Spatial Planning and Environmental Management Forum chaired by MMC Sabona has managed in the 2017/18 to engage with the Traditional Leaders sitting in the O.R. Tambo DM Council, convincing them to allow for the District to conduct consultation at a District level. Traditional Leaders approved the proposed Action Plan, which is expected to be implemented in the 2018/19 financial year.

3.12 Local Economic Development

LED in the O.R. Tambo Region seeks to promote sustainable socio-economic community driven programs. The O.R Tambo District further operates on principles that are focused on pursuing and building on the district's latent strengths and competitive advantages. Latent strengths relate to those forms of economic activities that the district has a significantly untapped developmental potential such as its landscapes and tourism potential.

According to Section 152 (1) (c), of South African Constitution under Local Economic Development Objective, it mandates that Local Economic Development should promote social and economic development.

LED in the district therefore seeks to grow the economy based on presently unrealized, under-realized and unexploited development potential, which represent a low hanging fruit. It is through such a perspective that factors such as local knowledge and skills, as well as communal aptitudes and capabilities are prioritized to drive economic growth and development.

LED for O.R Tambo also seeks to provide support for the needs of local communities in pursuance of improving the quality of life within the district through facilitation of local economic development. Whilst micro-enterprises have absorbed large numbers of unemployed people, they are in themselves not always able to generate appropriately remunerated long-term jobs. As part

carrying the above responsibility, the LED section is divided into two units i.e. Informal Trade and SMME development, and Rural Economic Development, Research and Resource Mobilization (REDRRM). The REDRRM unit has three subunits i.e. Rural Development (mainly agriculture), Research, and Resource Mobilization. The Rural Development subunit deals with rural development in general, and agriculture in particular. The Research subunit deals with gathering of data and researched information useful for economic development and Aquaculture Development. The Resource Mobilization deals with mobilizing extra resources as municipal budget is not enough to cover all the needs.

Ntinga O.R Tambo Development Agency is the O.R Tambo DM municipal Entity, which is mainly focusing on implementing the district's key LED initiatives for poverty alleviation and business development and support.

The District Municipality utilized its budget to undertake the following critical activities as per the IDP targets:

- I. To boost agricultural contribution and to improve food security in the district through number of Agro-Industrial Programs developed and implemented.
- II. Through Enterprise Development, number of programs were implemented including District Informal Traders Summit which later resulted into O.R Tambo District hosting successfully a Provincial Informal Traders Summit.
- III. A continuous partnership with Furntech which commenced in the 2015/2016 financial year end has bear some fruits by training 10 more incubates from five local municipalities into furniture manufacturing. The Forestry Development Strategy has been developed and completed and some projects are currently being scrutinized by RID forum for investment attraction in the upcoming investment conference to be held in 2018/19 year.
The success story is that, Forestry Strategy has been developed in 2017/18 year and as part of implementation, few projects are under consideration for investment conference and there indications of interest from some few investors both local and abroad.
The challenge is the lack of visibility of Department of Forestry with its programs within the district and lack of investment on forestry and forestation.
The strategy on forestry was developed precisely to address the challenge mentioned above among others and investment programs are being through organizing investment conference and beyond as part of implementing the implementation plan.
The District Municipality in 2018/19 year is focusing on coordinating establishment of furniture hub centre which will support furntek programs and increase establishment and development of forestry in general through identifying pieces of land available for forestry plantation.
- IV. To promote the oceans economy, the District Municipality in partnership with Department of Agriculture, Forestry and Fisheries implemented various programs under operation pakisa which include training of 34 villages (more than 2370 individuals) which are currently being assisted to register aquaculture co-operatives and will be granted fishing rights instead of permits for ten-fifteen years.

Access to agricultural facilities for emerging farmers is one of the key initiatives in tapping on the

Comparative advantage of the District. Ongoing consultations and assistance with the informal trade sector including street trading is gaining momentum which emanated from the District's partnership with the Region of Tuscany, Italy which commenced in 2012 /2013 financial year end and soon after the program phased out, ORTDM carried on supporting informal traders by purchasing Tables, Stands, Chairs Gazibos and even Umbrellas for street traders at Nyandeni and PSJ Local Municipality. More training and awareness workshops are planned in partnership with the Department of Small Business Development (DSBD) and International Labour Organisation (ILO) for promotion of coordination within local association and further advised for the formation a movement that would represent informal traders at a district level. Another ongoing initiative is the graduating of informal traders to register their small business and to benefit by being part of the mainstream economy.

3.12.1 LED Infrastructure and Investment Promotion

As part of the District coordinating work, the Regional Industrial Development Forum (RIDF) was established to identify sectors with low hanging fruit and attract investors to those arrears whilst dealing with medium and long-term LED matters. The RIP forum is adding to the LED forum, which sits quarterly to co-ordinate all the economic sectors and development agencies. Besides seedlings, fertilizer and other imputes, Co-operatives were supported in renovating their structures; provide water tanks, installation of boreholes, ram pump, fencing, chicken cages and etc. as a program, which intends to uplift our Co-ops within the District. This resulted to twenty (24) SMME/Co-operatives being supported in 2017/18 financial and such support will be extended in 2018/19 and 2019/20 years to ensure that they are able to enter the main stream economy and create sustainable jobs.

This number of co-operatives supported is the success story comparing with small number of co-operatives supported. These co-operatives are going to receive support from the district in 2018/19 again to ensure they are able to sustain themselves and create descent jobs for their members and communities.

The challenges are that, there is lack of entrepreneurial knowledge, lack of basic financial knowledge, Lack of marketing skills, lack basic production knowledge and lastly lack of funding.

In 2018/19 there is a plan for capacity building focusing primarily on arears mentioned above and this program will continue in the year 2018/19 together funding support received through co-ordination. Once trained properly, these co-operatives will be exposed to networking with private funders.

In 2018/19, we will continue with our support to co-operatives mentioned above but also include new applications.

3.12.2 Agro-Processing & Facilities

As part of revitalizing and promoting agricultural development within the District, the District Agri-

Parks Operational Task Team (Dapott) has been established with the collaboration of Department of Rural Development and Land Reform to spearhead implementation of the Agri-Parks programs which are a National Government initiative to revive Agriculture in all District municipalities across the country. As a result, farmers across the District have been brought together to form a structure called 'District Agri-Parks Management Committee' (DAMC) whose purpose is to advise on the implementation of Agri-Parks programs. The program has three elements i.e. Farmer Production Support Units (FPSUs) which will be implemented in all LMs, Hub centre in Lambasi and Rural Urban Market Centre (RUMC) which the Dapott agreed to locate it in KSD LM. This is an infrastructure program designed to promote Agri-Processing program within the District. In collaboration with farmers, LMs, DRDAR and DRDLR and DM, FPSUs site have been identified in Tsolo junction under Mhlontlo LM, Mqanduli Red Hub under KSD LM, Edumasi Under PSJ LM, Zalu-Hill under Ingquza LM, Mafini under Nyandeni LM, and further farmer mobilization program held across all LM's accept KSD LM. As part of implementing Agri-Parks Program, the District Municipality with its partners completed Lambasi Hub business plan, Tsolo Junction FPSU (Mhlontlo LM) and Dumasi FPSU (PSJ LM) business plans were completed in 2017/18 and is expected to start implementation in 2018/19 year. As part resource mobilization, the District Municipality is in partnership with Anglo-Gold Ashanti which resulted in R10 million being invested in Amampondo Asemalangeneni Maize project. As a result, three co-operatives were formed which benefit from the project and the project feeds into broader Agri-Parks program.

The success story is that, it's for the first time where we see tangible program on Agri-Parks where we can produce completed business plans for Lambasi Hub Centre, Tsolo Junction FPSU and Dumasi FPSU business plans completed. The next phase is infrastructure establishment in these FPSUs. Through working together with Department of Rural Development and Land Reform an amount R15 million was invested by DRDLR in the O.R Tambo Region for various programs including business plans.

Another success story is the partnership between Anglo-Gold Ashanti and O.R Tambo District Municipality which resulted in R10 million investment in Amampondo Asemalangeneni Maize Project with its community beneficiation model where three co-operatives are benefiting in the project.

The challenges for programs above is that, Agri-Parks program lacks funding and it has taken too long to take off the ground since it was promulgated. The co-ordination and buy in of the program by relevant stakeholders is one of key challenges.

Through co-ordination effort, relevant stakeholders are now coming on board and through IGR more stakeholders are participating and resources are shared, and the program is expected to be in full swing in 2018/19 year. Three other business plans for Ingquza LM, Nyandeni LM, and KSD LM are expected to be done in 2018/19 year while establishing infrastructure in Tsolo Junction and Dumasi FPSUs. The challenge in Emalangeneni Project was theft and harvesting method, however, they been addressed through community and service provider engagements. In 2018/19, the plan is to sustain the good relations between the project and communities.

3.12.3 Forestry & Timber Production

- I. As the IDP and other Strategic documents of the DM have identified Forestry and Timber, **a Forest Development Strategy is being developed and adopted by Municipal structures.** The document provides implementation plan and clear projects proposal, which would take the District forward in terms of developing this sector and create job opportunities for our communities. As a result, the RID forum has identified this sector for an incubation program with low hanging fruits and ten people have been trained **with FURNTECH** with a collaboration of KSD LM, ECDC and DM. The Forestry Development Strategy has been developed and completed and some projects are currently being scrutinized by RID forum for investment attraction in the upcoming investment conference to be held in 2018/19 year. The success story is that, Forestry Strategy has been developed in 2017/18 year and as part of implementation, few projects are under consideration for investment conference and there indications of interest from some few investors both local and abroad. The challenge is the lack of visibility of Department of Forestry with its programs within the district and lack of investment on forestry and forestation. The strategy on forestry was developed precisely to address the challenge mentioned above among others and investment programs are being through organizing investment conference and beyond as part of implementing the implementation plan. The District Municipality in 2018/19 year is focusing on coordinating establishment of furniture hub centre which will support furntek programs and increase establishment and development of forestry in general through identifying pieces of land available for forestry plantation. The key few programs under the forestry sector are being scrutinized by the RID forum for purposes of attracting investors and an investment conference is earmarked for 2018/19 year.

3.12.4 Mari-Culture & Aquaculture Industry

The District strategic documents identified this sector as one among others, which has not yet been used to its full potential yet it has a major opportunity of boosting the economy of the District. As such 26 enterprises on this sector have been trained in the year 2017. In taking the advantage of N2 Wild Coast Road and in collaboration with partners on this sector, a process of producing/developing a strategy is underway and will be completed in 2017/18 financial year. The Aquaculture strategy was started at the end of 2017/18 and will be completed in 2018/19 year. As part of implementing some parts of the strategy, the District Municipality in collaboration with DAFF conducted training as part of capacity building in thirty four (34) villages along the coast and are currently being assisted to register co-operatives through DAFF and more than 2300 people are likely to benefit as they are going to be given fishing rights for ten-fifteen years and permits that are renewed annually for commercial purposes. This would help the co-operatives/individuals not only to fish for subsistence but also for commercial purposes and help to create sustainable jobs and improve quality of life.

The success story is that, as this is a new sector in which the government is focusing on, a strategy development has been started and will be completed in 2018/19 year. In 2018/19 year 34 villages

(2370 individuals) in the coast have been capacitated and are assisted to register their co-operative on aquaculture and after completion, they would be given fishing rights and permits for commercial purposes rather than subsistence.

The challenge is that, this is a sector predominantly dominated by whites and is not fully transformed to include historically disadvantage individuals. Researched information is not easily available. The Enterprises/Co-operatives in this sector lack skills, equipment and facilities, rights and permits to enter the mainstream economy in this sector.

The capacity building has been conducted and now are being assisted with co-ops registration and will be given fishing rights and permits in order to fish for commercial purposes as part of solutions to their challenges. The district is coordinating other departments and private sector to provide funding assistance to these co-operatives. Some projects are being scrutinized for investment attraction in the coming investment conference and beyond. Part of capacity building would ensure, that these co-ops are able to network with funders on their own.

In 2018/19 year, we plan to continue with engagement of the villages/co-operatives mentioned above to address their challenges. The aquaculture strategy development will be done and completed. The district will conduct a feasibility study for the entire district on aquaculture as part of gathering an information that will be useful in the development of the sector.

3.12.5 Maximize Local Employment

The municipality is in a process of implementing Expanded Public Works Program (EPWP) which is aimed at job creation and poverty alleviation for the needy people of O.R Tambo by establishing projects and programs that are labour intensive. The district has adopted a policy that says all its infrastructure projects should be 100% EPWP compliant and all directors have signed performance contract that are binding them to create job opportunities in their daily activities and programs. In the 2016-17 financial year the district targeted to create 300 EPWP job opportunities and yet achieved 460. In the implementation of the infrastructure projects the municipality have achieved 1701 which is a bit lesser than what was targeted. However the municipality is planning to improve in this achievement through assistance from the various stakeholders and the departments within the municipality.

3.12.6 Tourism Development and Marketing

Tourism marketing is critical to the competitiveness of the tourism sector. The **National Tourism Sector Strategy (NTSS)** states that; *the role of Local Government in the tourism sector is to manage assets such as public land, and to provide important infrastructure.*

- *Create awareness through campaigns, using appointed advertising agencies, the public broadcaster, radio stations, social media, etc.*
- *Engage the Department of Basic Education to develop a school tour programme, possibly integrated with, for example, the curriculum for Life Orientation in the early high-school*

grades. Take into account any existing programmes; investigate funding from sponsorships/AID, and develop the programme.

- *Develop an exchange programme where employees in enterprises within the industry visit another industry operator to experience holiday-making and/or visiting attractions. Use off-season and low season periods, when both labour and capacity are available. Look for transport/funding sponsors.*

The key focus for the 2017/18 financial year are as follows:

Tourism Marketing.

The program is aimed at marketing O.R Tambo as a tourist's destination and local, national and international level.

In terms of marketing the 2018 Tourism Indaba was attended by 10 Local Tourism Organization members from 5 different LMs to market their product offerings and establishments in the national and international annual event. A reprint of 1000 copies for tourism marketing brochure was done and it was distributed during these major events and in the strategic Visitors Information Centers (VICs), and accommodation establishments in the province. The tourism unit website was developed and it is up and running though it needs some update on information population.

A street map/tourist map was developed of 20 000 copies and distributed around the province, including petrol stations, airports and information centres.

The district also assisted the Mthatha Visitor Information Center with staff (information officers).

Tourism Research and Development:

The programme seeks to audit and facilitate the provision infrastructure to and at tourist sites, e.g. roads, signage, water and sanitation, electricity, ablution facilities, viewing sites and amenities, and the overall destination management. Facilitate and coordinates activities and key deliverables associated with tourism support factors. The programme is meant to improve or expand our tourism product or operation to fit identified trends in global tourism and to position our local business to meet future market demands. Works hand in hand with arts, culture and heritage section in terms of research, information and management systems. Visit arrivals, trends, destination marketing (print media, website, social media, exhibitions, shows, and identify platforms). As a result of this program for the 2017/18 financial year 30 signage to the identified tourists attractions were developed and erected in all Local Municipality accordingly and the move was the results of the infrastructure audit exercises that are being conducted by the unit to address the lack of signage in our attractions. The signage was erected in following areas: Malunga park, Lodge , Back Parkers and Caravan park, Mkhambathi nature Reserve, Ndwedwe lodge, Mngazana Estuary, Poenskop Beach, Gold Club, Visitor information center, 2nd Beach and 3rd Beach, Welcome to Ntlangano Conservancy, Nyandeni Great Place, Mdumbi Kayaking. Mthatha Mouth, Bantu Creations b&b, Summer pride b&b, St Cuthbert's Mission, Mhlontlo Hintaland, Baby

Hole in the Wall,x2, Mapuzi caves x2, Agape Beach, Port St Johns shell art.

Tourism Education and Awareness

Campaigns to create awareness focusing on host communities (where there are tourist activities), use of media (print and electronic) to engage learners and public to debate and support the cause for tourism. Holding tourism and cultural events, safety and security related activities with SAPS.

An annual tourism beach sport competition was held for the 3rd time since its inception in 2014/15 in PSJ. This tournament was held to educate the communities about the importance of taking part in tourism development as the domestic tourists in their own areas and how to treat tourists from outside. It also create the awareness on the importance of keeping our own natural resources like the untapped vegetation for filming industry and unspoiled beaches for tourism sport activities. The tournament involve the different codes of tourism sports like; beach soccer, volley ball, beach netball, beach aerobics and beach Boot camp, these codes are being played by the youth from different LMs of O.R Tambo District. This tournament also uplift local economy as the locals come and sell during the event, SMMEs of the identified local municipality to render services during the day of the event and lastly accommodation establishments of the area increase their occupancy rate during this time. School competition for the overall district with winners was as follows:

Awarding of the Tourism Students who entered the competing that targeted the overall O.R. Tambo Region were:

- Mankankwa Abongile from Ntafufu SSS
- Wonder Gwini from Mtweni SSS
- Mosuli Mabetshe form Mthweni SSS
- Thokozani Nomthongo Mthweni SSS.
- The Students to be awarded are from Nyandeni Local Municipality who have participated in the Public Speaking Competition that was held Airport Hangers Provincial Tourism Careers expo also competed at Nyandeni on the 13 September 2017 the following schools participated:
 - Nyangilzwe SSS
 - DZ Dumezweni SSS
 - Cibeni SSS
 - Phondolwendlovu SSS
 - Tutar Ndamase SSS
 - Sehushe SSS
 - Victor Poto SSS

Tourism Awards winners are as follows

:

Category	Municipality to Nominate	Name of Award Winner	Ward	Contact Details
Best Massage Spa Treatment	Port St Johns	Ntaba River Lodge	6	083 453 7375
Best Life guard	Port St Johns	Mzoxolo Qwalela	6	064 890 8597
Best Tourism Association/Forum/LTO	Port St Johns	PSJ Tourism Forum	6	047 564 1741
Best Woman in Tourism	KSD	ZQ Bed and Breakfast	6	082 823 4150/084 505 2407
Best Night Spot/Night Life Facility	KSD	So What Lounge	6	071 191 9645073 169 5291
Best Felling Station/Garage	KSD	Ultra City Shell Garage	5	047 537 0761
Best Hotel	KSD	Ocean View Hotel	24	047 575 2005
Best Conference Centre	Nyandeni	Dan's Country Lodge	1	0834758307
Best Backpacker	Nyandeni	Mdumbi Backpackers	26	083 461 1834

A number of the local SMME'S were supported in the forms of the events: Mthatha Bikers Rally, Iziko pot of Gold culinary experience, six day hiking trail launch, National Tourism Careers Expo, Provincial Tourism Careers expo, O.R Tambo carnival.

3.12.7 Visual Arts and Craft Development

The program enables members of the visual arts and craft community to promote their work and showcase their product to national and international markets and it also stimulate and strengthen the local economy. The program also aims at promoting and providing opportunities for visual artists and crafters in all disciplines to develop their art and talent in order to improve economic and other development opportunities. Access to markets is facilitated through the exhibitions, craft hubs, flea market events, cultural events as well as a business linkages program.

Identifying potential projects, new marketing opportunities. Assessment of skills, improving quality of craft products and capacity building.

The Department of Sport, Recreation, Arts and Culture in partnership with the Department of Rural Development and Land reform, Eastern Cape Development Corporation, Small Enterprise Development Agency and Eastern Cape Provincial Arts and Culture Council, Amathole District Municipality and O.R. Tambo Municipality presented the Eastern Cape Craft Collection under the political selected theme celebrating 100 years of Tata Nelson Rolihlahla Mandela and Mama Albertina Sisulu.

In 2017/18, the District Municipality supported 10 crafters from the region who attended the annual

National Arts Festival (**NAFEST**) in Grahamstown on behalf of our 5 local municipalities, the selected crafters by the LMs and Department of Sport, Recreation, Arts and Culture (**DSRAC**) were selling handmade products which were selected from various projects and co-operatives in all LM. The DM assisted the crafters by securing exhibition stalls, transport, accommodation, display equipment, promotional and marketing material and transportation of handmade products to Grahamstown. They sold a lot of products during the event and they also came back with a number of orders to work on. The O.R Tambo Cultural Carnival and Music Festival was held in Savoy Park and the crafters and visual artists had a platform to show case their talent and to sell their handmade products. There was also Mangaung African Cultural Festival (**MACUFE**) 2017 which is also another platform for Arts and Crafts market. 08 visual artists including crafters were supported to attend the event including individual visual artists. The exhibition space, display equipment and promotional material was procured by the District on behalf of the artists, crafters and SMMEs to showcase and sell their products. The market responded very well to the products some of the items were sold out and orders were issued in huge numbers.

3.12.8 Tourism Intergovernmental Relations and Collaborations;



The District Municipality also works hand in glove with its Local Municipalities and Sector departments on a number of programs that are implemented throughout the district. The ECPTA, National Department of Tourism, DSRAC and DEDEAT provides support and partnership on events support (Signature events and Regional Events) such as the Isingqisethu Wild coast Cultural Festival. Organizers are usually requested to submit proposals. The agency also supports SMME in the following ways:-

- Facilitating capacity building for tourism products
- Create marketing platforms for SMME's during exhibition shows i.e. Tourism Indaba; gateway travel show
- Facilitate quality assurance through grading for accommodation and camping sites thereby ore providing 50% subsidy
- Increase tourism, environment and conservation awareness in schools and communities
- Community tourism support – institutional guidance and operations using viable models like Community Public Partnership (Chwebeni Cultural village)
- Create partnerships with SMME's around nature reserve so that they can provide services
- Provide necessary support to municipalities on tourism related activities
- Development of a business plan for Amatyangqina Horse racing centre in Qunu
- Upgrade of the Wild Coast hiking trail from Port St John's to Coffee Bay (construction of a check in office in Port St John's, construction of hikers huts at Mngazana and Mpande, renovation of hikers huts at Hluleka and alien clearing, signage on the trail)
- Nelson Mandela trail development i.e. Qunu, Mqhekezweni and Mvezo sites.

Some of the major challenges with regards to tourism in the district is the poor access roads to tourism destinations and nature reserves; inadequate bulk services; inadequate intergovernmental relations and the lack of co-operative marketing efforts for the region. Although there are some challenges, the district also poses a number of investment potential with the

district unique selling position being the convergence of the biodiversity and coast puts the Wild Coast in a clan of its own. The pristine environment favored by the suitable climate contributes to the uniqueness of the offering. These investment opportunities include:

- **Mkhambathi** – 7700 ha (agreement signed to expand by 3500ha) and potential of 5 development nodes:-
 - Phase 1 concluded R65mil private sector investment
 - Phase 2 is currently underway to investment opportunity.
 - Game offerings and those to be introduced
- **Silaka Nature Reserve** - 400 ha located in Port St John’s has 18 chalets and is a 3 star graded accommodation and has conference facilities. Opportunity to provide (food & meals).
- **Hluleka Nature Reserve** - 7 Chalets, 10 campsites, Hiking trail and 5 hikers huts and game: Redhartebeest, Zebra, Blesbuck, Reedbuck. The design of the new chalets for expansion is complete.
- **Nduli/Luchaba Nature Reserve** - 84 seat conference facility and restaurant the next phase being the development of chalets is underway.

SILAKKA – CONFERENCE FACILITY	NDULI/LUCHABA
	

One of the responsibilities of the ECPTA is the management of Marine Protected Areas (MPA). MPAs are important areas for biodiversity conservation as they protect representative samples of genetic diversity. They protect ecosystems and ecosystem processes and often they are important fish spawning areas. Protecting these waters therefore lead to increased fish growth, increased fish reproduction and survival. Adjacent areas benefit due to a spillover effect. This leads to high biodiversity value (species diversity) and economic value (tourism, sustainable use of resources). MPAs serve as benchmark areas against which any environmental change can be measured. It is important to balance conservation priorities with sustainable livelihoods of surrounding communities for effective management of MPA’s.

COMPONENT D: COMMUNITY & SOCIAL SERVICES

Community Services as a Department is responsible for the advancement of basic service delivery objectives and outcomes within the District Municipality. The community services

department focuses on areas that provide a sustainable improvement in the welfare of human beings and their basic livelihood. The department focuses on an array of services which are: Sports, Recreation, Arts, Culture & Heritage; Libraries, Education and Information services; Community Safety; Disaster & Fire Services; Municipal Health Services et cetera.

This department has a vacancy rate of 18%. Staff compliment as the end of June 2018 for Human Settlements department is depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
175	144	31	18%

The financial performance of this department is shown in the table below:

Details	2017/18			
	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 59,751,417.00	R 60,138,992.28	R	R
Capital Expenditure	R 4,900,000.00	R 7,600,000.00	R	R

3.13 Libraries, Information and Education Unit

During apartheid regime, there were no public/community libraries in O.R. Tambo District Municipality except the one that was known as Transkei National Library at Umtata, York Road currently known as Mthatha Reference Library. This means that the communities around Transkei travelled to Mthatha in order to get information. There were no libraries in rural areas and township where the majority of people lived.

The Libraries, Information and Education Services (**LIES**) Unit is the sub-section of Sport, Heritage, Arts, Culture, Libraries, Information and Education. The focus of the unit is to coordinate and facilitate the development of public/community libraries and school libraries. It supports Department of Education (**DoE**) with supplementary materials in order to overcome the high failure rate within the district. It also promotes a culture of reading, library usage and lifelong learning.

3.13.1 Relevant Legislations and Policies

The following legislation has a bearing on the different role-players in the South African Library and Information Services Sector:

- *The Constitution of the Republic of South Africa (108 of 1996)* describes the legislative framework for the governance of LIS in South Africa. It clearly states that libraries, other than national libraries, are a provincial responsibility. Each of the nine provinces is therefore obliged to develop a legislative framework within which public library and information services can be provided. Constitution of the Republic of South Africa and the Bill of Rights recognises access to information as a Human Right.
- *Eastern Cape Provincial Library and Information Services Act (Act No.6 of 2003)*
- *The Copyright Act (Act No. 98 of 1978, amended 1992)* protects all literary, musical and artistic works, whether in written, printed or digital form.
- *The National Education Policy Act (Act No. 27 of 1996)* enables the development of national policies that will contribute towards quality education, including founding school libraries. Standards for these libraries are the responsibility of provincial education departments, so coordination between national and provincial education departments is imperative.
- *The Legal Deposit Act (Act No. 54 of 1997)* requires producers and publishers of published material to deposit a certain number of copies of their publications in the five legal deposit libraries. It also requires a Legal Deposit Committee to be responsible for coordinating and promoting implementation.
- *The South African Library for the Blind Act (Act No. 91 of 1998)*, the first of its kind in the country, provides separate legislation for LIS to blind and print-handicapped people in South Africa through the Library for the Blind in Grahamstown, Eastern Cape Province.
- *The National Library of South Africa Act (Act No. 92 of 1998)* focuses on the information needs of the nation in order to enhance the development and delivery of effective library programmes, services and products. The Act facilitates a common platform for information technology, with a view to achieving optimal use of limited resources and coordinated systems.
- *The Promotion of Access to Information Act (Act No. 2 of 2000)* aims to foster a culture of transparency and accountability in public and private bodies through citizens' right to access to information, and also to empower people to gain access to information that will enable them to exercise and protect their rights.
- *The National Council for Libraries and Information Services Act (Act No. 6 of 2001)* provides for a council to advise the Minister of Arts, Culture, Science and Technology on LIS issues. The council interacts with all LIS role-players (at local, provincial or national level) and, most importantly, advises on policy as well as operational matters across the entire LIS system; it is therefore best placed for dealing with issues of coordination.

3.13.2 2017/18 Unit Achievements

The unit provides support in various educational activities as follows:-

1. **Poor Performing Schools** – various schools were supported with learning materials in order to improve pass rate. Schools such as Hlabatshane and Gengqe S.S.S. (*KSD LM*), Smuts Ndamase and Mabalengwe S.S.S. (*Nyandeni LM*), Mdutshane S.S.S., Mhlanganisweni S.S.S. (*PSJ LM*) Somagunya S.S.S. (*Mhlontlo LM*) were supported with learning materials such as Science Kits, Scientific Calculators, Microscopes, etc.

2. **Literacy Programs** – such as **International Literacy and National Book Week** (KwaNonesi J.S.S., Nyandeni LM,) **South African Library Week** (Tombo A/A, PSJ LM) and **World Book and Copyright Day** (Ngqeleni Library, Nyandeni LM) were also supported.
3. **Capacity Building Program** – six (6) Public Librarians were supported with **Conference Registration Fee** in order to attend LIASA (Library and Information Association of South Africa) Annual Conference at Gauteng Province. These librarians gained a lot of knowledge by interacting with their counterparts during the said conference.
4. **Marketing and Promotion of Mobile Library** – the Unit co-ordinated and facilitated the removal of Modular Library Unit (PSJ LM, Mgazana A/A, Mqhakama J.S.S., Ward-3) to Tombo Art Centre (PSJ LM, Tombo A/A, Ward-4). South African Library Week 2018 was celebrated at Tombo Art Centre with the aim of marketing and promoting the newly installed Modular Library Unit.
5. **Mobile Library Launch** – the Unit also co-ordinated and facilitated the launch of Mobile Library Truck at Gengqe S.S.S. (KSD LM, Gengqe A/A, Ward-21)

3.13.3 Targets for 2018/19

The Unit will support the following literacy programmes with available limited resource as listed Table below:-

Activity	Date	Local Municipality
1. International Literacy and National Book Week	08 September 2018	KSD Local Municipality (Qokolweni A/A)
2. 2019 South African Library Week (SALW)	18-23 March 2018	Mhlontlo Local Municipality
3. World Book & Copyright Day	May 2019	TBA
4. Procurement of Learning Materials for 2018 Poor Performed Schools	February	TBA

3.13.4 Challenges

The LIES Unit has experienced serious challenges to overcome problem of high rate of illiteracy within the district as follows:-

- Inadequate Budget
- Limited Number of public libraries
- High rate of theft in Modular Library Units
- Underutilized library facilities
- Poor condition of public libraries
- Shortage of school libraries
- Removing of Modular Library Units at Victor Poto S.S.S.
- Lack of Electronic Library Management System

- Outdate Library Collection
- Poor Grade-12 Results

3.13.5 Possible Solutions (*Recommendations*)

- Increase budget from Equitable Share;
- Establishment of public libraries by DSRAC in remote areas;
- Municipalities and DSRAC must employ security guard to safe guard public libraries;
- Acquisition of up-to-date relevant library materials is recommended;
- Norms and Standards for Infrastructure to improve the library standards;
- Budget allocation by DoE to support school libraries;
- Installation of Electronic Library Management System is vital in public libraries
- Extra classes during holidays and weekends is also recommended

3.14 Community Safety

As Community Safety, our core mandate is to ensure and works well within the confinements of the relevant legislative frameworks that governs community safety and security.

3.14.1 Legislative mandate as reflected in our IDP:

- **South African Constitution Act. 108 of 1996**
 - Section 151 and 152 – safer and sustainable community, through local government involvement
- **Community Safety & Security** Prioritize community safety & security Programmes focusing on crime prevention, school safety and coastal safety in partnership with relevant stakeholders (LM's and SAPS, Department Safety & Liaison). The main objectives is to promote innovative partnership-driven ways of reducing the current levels of crime to low levels and preventing crime from taking place in an integrated manner with various stakeholders e.g., SASSA, SAPS, Civilian Secretariat for Police Services, Safety and Liaison., other key stakeholders
- **These guidelines are from;**
- The White Paper on Safety and Security 2016, dealing with role of local government, State agencies and communities – in safety issues, creating cohesive and enabling environment were ...” all people are and feel safe”..
- **NDP 2030, Outcome 12, dealing with safer communities**
- Role of Government with a vision towards 2030, drawing energy from community participatory processes, and the centralized role of government through its sector departments and local government structures (Provinces, Metro's, DM's, LM's). Aims to eliminate poverty and inequality by inclusive economic growth, building capacity and leadership.

- **MTSF (Medium term strategic Framework) – 2013-18 (5 year strategic plan) focus on NDP)**
 - Reduce levels of contact crime
 - Secure South African Borders
 - Creating an efficient and effective criminal justice system
 - Increase levels of domestic stability
 - Secure the identity of everyone in South Africa
 - Securing cyber space in South Africa

3.14.2 Core mandate of Community Safety

- These strategies are implemented in line with other existing National and Provincial measures aimed both at tackling crime and addressing the underlying root causes of crime and violence, such as victim empowerment, substance abuse, child protection and community developmental Programmes with other role players.
- Supporting and advising on implementation of developmental and preventative diversion Programmes, improving community safety, strengthening families, promoting safety at schools with DoE
- Coastal safety supportive programmes, with the support of LM's, and SAPS Clusters which are additional recruitment of 80 life guards, 80 coastal safety patrollers, and 20 water falls patrollers during festive periods.
- Promote and support Crime prevention, risk reductions across various spheres of governance and advice Council accordingly.
- Monthly participate as a District in the Local SAPS clusters level (Mthatha & PSJ), in planning, meetings, programmes, to address rampant crime, find common solutions and intervention with other role players.
- Enhance and participate in reduction and identifying with relevant role players crime issues at scholar or community level, and designing/ support programmes of intervention through multi- stakeholder collaboration.
- Capacity building through workshop support and training for LM's safety initiatives, through multi stakeholder collaborations with partners in community safety; GIZ, SALGA, DSL, SAPS, LM's, DSD, to name a few.
- Promote the building of community social cohesion and improving the quality of life of all people which includes infrastructural development support for safer spaces through influencing, SPLUMA, LED, or infrastructure development towards "safer spacers" for communities, e.g. adequate street lighting, safe parks and recreational facilities, the built of high mast lighting in crime prone areas etc.
- This is further underpinned by supporting government's ongoing efforts to build better and safer communities that respect human rights and contribute to the government outcome "All People are and feel safe", *NDP Outcome 12*

3.14.3 Programmes achieved, highlights and plans

1. Launch of Coastal Safety program, December 2017 to end March 2018, local municipality

and CPF members, were contracted through various interactions. 80 coastal life guards, in 4 LM's and 80 coastal patrollers in 4 LM's, as well as 20 water falls patrollers. Programme was executed well, and provided job opportunities over the festive period December 2017 to March 2018, programme successes and challenges was audited April 2018, by Standing Committee on Community Services as lead by Cllr MMC. Nkungu.

2. The programme of awareness and capacity building 8 targets, Airport career exhibition and 1200 learners from various schools attended the career expo; safety material was distributed to scholar and a brief interaction via a 4 minute video on safety and possibly career opportunities in the safety and crime prevention, 28th. October 2017. SAMSA (South African Maritime Safety Authority), career exhibition, 27-28th. September 2017, we distributed safety awareness material and some pens, rulers, which also contained health awareness.
3. SAPS Cluster meetings attended, towards crime, risk reductions and inclusive community safety planning: 7 cluster meetings attended (Mthatha), 3 at Port St Johns (SAPS). This focus area is on community involvement through the cluster (Community Policing Forums Mthatha & PSJ). CPF's, in reducing crime and ensure participatory monitoring of SAPS, Business fraternity and Rural Safety Joining of communities in a participatory process of reducing crime, e.g. Bityi SAPS Rural Safety. This would be a future pilot project to roll out rural safety programmes, in areas rampant of crime, housebreaking, robberies, common assault, and stock theft (future plans).
4. Community Safety Supportive training and capacity building with Mhlontlo LM's, in partnership with DSL, Mbumba Consulting, GIZ., 30- 31st. August 2017, followed up with full workshop, 21st.-22nd. September 2018. Members attended, about 23 and workshop that followed, +-30 members attended (ward councillors, CDW's, portfolio head, SAPS, youth desks and CPF's. (Highlight)
5. Ngobozana AA, Community engagement from NDP Section of planning and monitoring, crime risk, community participatory processes, crime risk, hazard mapping in area of Ngobozana (Lusikisiki), in response to a Presidential Intervention, on issues of "Amafondo", this Risk analysis started around 14th. December and continued till March 2018. Community members attending about, 48 with SAPS, LM's officials and ORTDM X3 members. Engagements and follow up crime risk reductions and Community Risk Mapping was done. O.R. Tambo District as Community Safety with its partners in Community Safety: SALGA, GIZ (Deutsche Gesellschaft fuer Internationale Zusammenarbeit), DSL, AVCOC (agency dealing with multi-stakeholder and conflict resolution training – contracted at National Government – under National Secretariat of Policing), SAPS and safety with NDP office from Pretoria did further community work on safety, with Ingquza Hill LM. (highlight)
6. SALGA- DSL & GIZ / ORTDM workshop of 5-6 March 2018, on Community Safety for officials and councillors, focus on crime, crime awareness, risk assessments towards community safety planning, "transect walk", around communities (Slovo Park, Mandela Park, CBD and Madeira, Mthatha Plaza), Wards: 6,7,8,11,12,13,18, (26- only coastal absent). Getting a sense of how crime affects people in KSD LM. Designing plans towards crime reduction integration, working with all role players, Justice, SAPS, Social Development, Dep. of Correctional Services, Local Municipalities and relevant role-players. Municipalities' Community Safety sections and forums would be further strengthened through SALGA- GIZ- DSL and ORTDM support. Around 25 members attended the workshop, at Mthatha

Stadium.(highlight)

7. Capacity building programs on community safety was done with GIZ, SALGA, DSL, and AVOC with Local Municipalities and Districts. This was referred to as phase 01- 02 was done in East London SALGA Office – dealing with and understanding of crime, what gives raise to crime and is there a linkage between poverty and crime or crime and inequality coupled with social exclusion or deprivation. The Socio-ecological change model- tracing crime from childhood development to adulthood, through various community factors. Phase 01 – SALGA Offices: 8-10th.May. 28-31st.May at the SUMMIT (Phase 02 training. Phase 3 training was done 10-12th. July 2018, in ORTDM.
8. Dialogic change model training for District and local municipality (5 LM's) were represented, was done at Hlalanathi Guest House Mthatha, facilitated by DSL at Provincial level, GIZ and ORTDM. This session dealt with “dialogic change model”, identifying of key stakeholders in dealing with community change, perception of crime at Community level, and dealing with stakeholder participation, and having the right approach and people for community interventions, whether its crime related, social ill, dealing with conflict resolutions challenges etc. 26-28th. June 2018.
9. Safer Schools, assessment engagements where done, to look at “root causes of crime, violence, drug abuse and associated ills) involving school children. Interactions were done, (ORTDM Community Safety with Jenca SSS, St. Patrick, Ben Mali, Ntafufu SSS), other schools were identified by both DSL (Department of Safety & Liaison), DoE (Department of Education). Engaged through Police Forums e.g. Bityi: Circuit 6 (inland DoE), and Traditional Leaders.
 - Jongilizwe S.S.S.
 - Milton Mbekela S.S.S
 - Mtentu J.S.S.
 - Ngendeseni J.S.S.
 - Mkwazo Primary School
 - Chief N.Z. Mtirara S.S.S
 - Zwelinzima S.S.S
 - Entabeni J.S.S.
 - EMPA J.S.S.
 - E.N Seku J.S.S.
 - Majola S.S.S
 - Sigoyo J.S.S.
 - Qunu J.S.S.
 - Thandokazi Primary School

3.14.4 Future Plans will focus on:

1. The assessment reports on crime and safety challenges will give rise to programme/ project interventions within the new financial year 2018-19, addressing student challenges through a multi stakeholder collaboration, DSL, GIZ- VCP (violent and crime prevention Programmes), DSD, DoE, SAPS, etc. and communities.
2. Building community resilience to crime, through collaborated multi stakeholder's efforts.

3. Enhance and improved Coastal Safety programmes, through LM's involvement and ensure SLA'S are effective in addressing programme challenges
4. Ensure continuous involvement of communities in advising, designing, working and contributing to an environment where all people are and feel safe, *free from fear of harm, or crime* by encouraging programmes, projects for the LMs IDP, which must mainstream CSF's (community safety forums), and ensure a developmental approach to safer communities.
5. Future plans, for crimes at schools, and other social ills, would be address jointly with stakeholders DoE, DSD, DSL, LM's and District towards lasting – solutions (community awareness, safety audits, capacity building programmes, youth mentoring, youth camps, social workers: 1 on 1 counselling, sports against crime, NGO's specialization in problematic youth, gender base violence prevention, etc.)

3.14.5 Short comings/ challenges

1. The District to ensure its mandated supportive role to LM's, in community safety is enhanced, by staffing, budgeting and working tools (enabling tools).
2. Funding on local governance spheres towards socio- crime prevention, District wide remains severely constrained (Safety & Security Budget).
3. LM's to play a pivotal role in identifying and mainstreaming CSF's
4. Local Municipality and District to ensure CSF- programmes reflected in IDP's are sufficiently and adequately funded.

3.15 Social Development Section

The *Constitution of the Republic of South Africa, Chapter 7, Section 153* stipulates that, the developmental duties of the municipality as follow:

“A municipality must –

- a) Structure and manage its administration and budgeting and planning processes to give priority to basic needs of the community, and promote the social and economic development of the community and
- b) Participate in national and provincial development programs.”

Therefore from the above preamble, the section seeks to protect and promote rights of vulnerable groups by coordinating the mainstreaming of their basic needs & interests whilst improving livelihoods of indigent families under distress.

3.15.1 Legislative Frameworks

- The Constitution of the Republic of South Africa (Act 108 of 1996)
- Local Government: Municipal Systems Act 2000 (32 of 2000)
- Older Person's Act 2006 (13 of 2006)
- Children's Act 2005 (38 of 2005)

- Prevention and Treatment of Drug Dependency Act, 1992
- District Crime Prevention Strategy
- Draft District Social Relief Policy
- Social Relief Fund Act 2003 (59 of 2003)
- South African Social Security Agency Act 2004 (9 of 2004)

3.15.2 Staff Establishment

There is not a single staff member in this section and posts were recommended for advertisement but no shortlisting was done, a proposal for shortlisting/ re-advertisement was submitted.

3.15.3 Source of Funding

The only fund that the section depends upon is Equitable Share.

3.15.4 Projects/Programmes/Activities of the Section

- Moral Regeneration Life Skills Programs
- Early Childhood Development (**ECD**)
- Social Relief program(**SRD**)
- Child Protection Services

Moral Regeneration

Five (5) trainings for Moral Regeneration life skills were conducted in 5 local municipalities. Twenty (20) young individuals were trained in life skills in local municipalities. Topics discussed by the facilitator and young people were issues around behavior, decision making, emotional intelligence, and C.V writing and substance abuse. Life skills training was meant to equip young people on making the right life choices and eliminating moral decay.

Moral Regeneration life skills training were implemented in the following areas.

1. Ingquza Hill Lm in Mcobothini Location (Lusikisiki)
2. Port St Johns LM in Traffic Department (PSJ)
3. Nyandeni LM in Nciphizeni J.S.S (Libode)
4. Mhlontlo LM- Tshisane J.S.S (Qumbu)
5. King Sabata Dalidyebo LM- Video Call Center Boardroom (DSD; Bota Sigcawu)

Social Relief of Distress

- *Eleven families instead twenty received SRD assistance in four LMs, because this is a response program.*

Early Childhood Development

- *Establishment of ECD District Forum*

Child Protection Services

Five (5) trainings were conducted in 5 Local Municipalities. Ten (10) foster parents were trained per local Municipality in all 5 Local Municipalities totalling 50 foster parents on foster parenting. Topics discussed by the facilitators and foster parents included refresher on foster parenting, budgeting and importance of communication between a child and a parent.

Foster Parenting trainings were implemented in the following areas:

1. Ingquza Hill LM- DSD Boardroom (Lusikisiki)
2. Port St Johns LM- Agriculture Boardroom (PSJ)
3. Nyandeni LM- Old Garage Misty Mount
4. Mhlontlo LM- DSD Boardroom (Qumbu)
5. King Sabata Dalidyebo LM- Bosasa (Mthatha)

3.15.5 Areas of High concern

- Non-availability of staff.
This had a negative impact in the implementation of the above mentioned programmes and the functioning of the section as a whole.

3.15.6 Achievements based on the Annual report

3.15.7 Recommendations

- Employment is proposed as soon as possible in order to fast track service deliver

3.15.8 Plans

Moral Regeneration

- Conduct 5 Moral Regeneration Life skills training programs for 100 trainees (Youth in or out of school - 20 trainees per LM)

Social Relief of Distress

- 40 households to receive burial support

Early Childhood Development

- Facilitate registration of 180 Early Childhood Development Centres
- 4 ECD District Forums to be held
- Training of 25 ECD Practitioners (5 each per LM)

Child Protection Services

- 5 parenting skills training programmes conducted to capacitate 15 foster parents per LM.

3.16 Municipal Health Services

Environmental Health/Municipal Health Services is about creating and maintaining sustainable environments, which promote good public health. Environmental Health Services includes a package of Municipal Health Services as defined in the National Health Act 2003, (Act No 61 of 2003). It also refers to the theory and practice of ascertaining, correcting, controlling and preventing those factors in the environment that can potentially adversely affect the health of present and future generations.

3.16.1 Illegal dumps

Environmental Health Practitioner (EHP) encourages the waste generators to dispose their waste to the landfill site or disposal site, in accordance to the Norms and Standards and prescripts of the Act. Any indiscriminately disposal of waste is discouraged as it results to the degradation of the land and environment and/or vermin that cause contagious and infectious diseases.

The quarterly target set was 100% of identified and cleared illegal dumps in all local municipalities. The section managed to clear all the identified Illegal dumps in these municipalities – KSD, Ingquza Hill.

3.16.2 Communicable Diseases (Notifiable Medical Conditions)

A communicable disease is an illness that is transmitted through contact with disease-causing agents or microorganisms that cause an infection. Carriers of these microorganisms can include people, animals, food, surfaces, and air. However the common diseases that always erupt in the O.R.Tambo area are rabies and food poisoning. Among notifiable medical conditions the DM is also managing the newly declared notifiable disease called listeria. Listeriotic is a serious bacterial disease caused by the Gram-positive, rod shaped bacterium, *Listeria monocytogenes*. It is a serious, but treatable and preventable disease. The bacteria are widely distributed in nature and can be found in soil, water and vegetation. Listeriotic is usually spread through the ingestion of contaminated food products e.g. ready-to-eat meats and smoked fish products. And it present the following signs and symptoms; fever, myalgia, malaise and sometimes nausea or diarrhea. It can cause meningitis, headaches, confusion, stiff-neck, loss of balance or convulsions. MHS official

investigated all reported cases of listeriosis, however with problems of insufficient information from the health facilities. And DM is hampered by the unstructured method of reporting by the health institutions.

The quarterly target set was 100% of notifiable medical conditions investigated within 24hrs of reporting. Though following of the patients is very difficult and a tedious process sometimes the unit has managed to investigate all the reported cases of infectious / communicable diseases within the prescribed period of reporting.

3.16.3 Challenges

- **In illegal dumps** is recurring dumping of miscellaneous (debris and general refuse) waste in vacant plots and open fields.
- **In notifiable medical conditions** is insufficient data from the reporting institution or health facilities.

3.16.3 Solutions

- Expedite procurement of Tipper Truck.
- Encourage the Department of Health to resuscitate infection control committee.

COMPONENT E: SPECIAL PROGRAMMES

Special programmes are performed under the Office of the Executive Mayor which has 2 sections underneath as Executive Mayoral Office and Executive Mayoral Services. This department has a vacancy rate of 25%. Staff compliment as the end of June 2018 for Human Settlements department is depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
167	125	42	25%

The financial performance of this department is shown in the table below:

Details	2017/18			
	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 72,379,404.00	R 80,267,665.17	R	R
Capital Expenditure	R 1,000,000.00	R 2,800,000.00	R	R

3.17 Executive Mayoral Office

The O.R. Tambo District Municipality is a category C municipality constituted by five local municipalities. According to the Municipal Structures Act of 1998, section 83 (3), the district municipality has the following developmental mandates:

- Ensure district-wide Integrated Developmental Planning
- Provide district wide bulk services, in particular water and sanitation as the district is a Water Services Authority
- Building the capacity of local municipalities, and
- Promoting the equitable distribution of resources between local municipalities.

Furthermore, the Municipal Structures Act of 1998, section 19, requires the municipality to attain the following objectives:

- That the municipal council must annually review the needs of the community
- Give priority to the involvement of the community
- Develop mechanisms to consult communities and community organisms in performing its functions and exercising its powers.

3.17.1 Compliance with the Service Delivery and Budget Implementation Plan

In light of the above legislative mandate, the Executive Mayor has a plan to visit all local municipalities as part of the consultation process through the Mayoral Imbizo. The Executive Mayor will be visiting the Mhlontlo Local Municipality to conduct an Imbizo at the clustered wards.

Mayoral Imbizo's are part of the service delivery plan. The office has a target of achieving at least two Community Consultation sessions or interactions per quarter.

3.17.2 Mayoral Imbizos and Sectoral Engagements

Developmental Impact of the Mayoral Imbizo

The Mayoral Imbizo aims to achieve the following:

- Assessment of the community needs
- Bringing services closer to the people through the services on wheels initiative
- Clustering of sector departments to engage the communities on their mandates and services
- Aligning community needs with the municipal long-term plan.
- Educate communities on their rights and services to be expected from government.

There are 8 Mayoral Imbizos that were held in 2017/2018 financial year, 2 Imbizos held in each quarter. Mayoral Imbizos were held in the areas listed below:-

Venue	Municipality & Ward	Ward Councillor
Mankosi A/A	Nyandeni L.M. – Ward 26	Cllr Devete
Hlababomvu Community Hall	Ingquza Hill LM – Ward 02	Cllr Somana
Khanyalanga JSS	Mhlontlo LM – Ward 23	Cllr Mandleni
Lwandlana Great Place	King Sabata Dalindyebo LM - Ward 36	Cllr Nyoka
Newbright Sports Grounds	King Sabata Dalindyebo LM - Ward 09	Cllr Jadiso
Sginkqini Sports Grounds	Ingquza Hill LM – Ward 07	Cllr Didiza
Tyalara Great Place	King Sabata Dalindyebo LM - Ward 20	Cllr Nonkayi
Lukwethu Sports Grounds	King Sabata Dalinyebo LM - Ward 32	Cllr Mkhotheli

Successes

- Services on wheels were available in our Mayoral Imbizos from Government Departments like Home Affairs, SASSA, Social Development, Public Works, Health, Education, SAPS
- Water Tanks were Distributed to the Wards without water as a temporary measure
- Leaking pipes and not working taps were fixed
- Councillors to work with Department 12qof Water in ORTDM on identifying springs to be protected

- Youth were advised to apply on the OR Tambo Executive Mayor's bursary
- Communities were advised to form cooperatives and municipality will support them.

Military Veterans

- Worked with department of military veterans compiling database and profiling beneficiaries for them to benefit in the schemes that are being issued by dmv
- Assisted African Command Centre director with the training so that it can be able to open a shooting range
- Assisted military veterans with transport to various venues of importance like Luthuli house and dmv for submission of left database and profiling of military veterans beneficiaries
- Assisted military veterans with catering when they had an annual general meeting

Traditional leaders

Ex-combatants

Chaplaincy

The Chaplaincy is the O.R.Tambo District community structure of Clergy that serves under the office of the Executive Mayor. It was established to aid the municipality and O.R.Tambo District Municipality staff. The Chaplaincy assists with social needs, spiritual motivation, giving hope and advocates for non –violence and stability in communities.

An Arrive Alive prayer held at Mqanduli in July 2017 for handover of Ntsitshaneni access road and a prayer against the abduction of children in the area.

Arrive alive prayer at Khaya Majola praying for the end of road accidents due to stray animals at Viedgesville and a prayer for end of road accidents at Makhaphetshwini area.

The Chaplaincy held a prayer in January 2018 in partnership with flagstaff taxi association commemorating 9 car accidents victims who were nurses at Holy cross near Hlwahlwazi curve in 1987

The Chaplaincy accompanied by ex - offenders held a drug awareness campaign at Luthubeni, Mqanduli at E.L. Rooi foundation.

A prayer calling for peace between rival taxi – Border and Ncedo associations was held at Mthatha Town Hall

Awareness on teenage pregnancy was held at Dalindyebo S.S.S

One home one food garden and One Tree One Child

The **one home one garden** programme are Mayoral flagship programmes aimed at poverty alleviation and sustain needy households through support with vegetable seedlings. With the programme beneficiaries are taught how to plant vegetables to ensure maximum produce, they are also encouraged to sell surplus produce in order to buy other household necessities.

Beneficiary criteria:

- elderly
- child headed households,
- HIV/Aids affected,
- women
- and generally needy households.

One Tree One Child is aimed at making school children champions in the tree planting campaign, to love nature and to care for their environment. As children are the future custodians of greening. Through the One Tree One Child Mayoral flagship programme the Executive Mayor believes that by championing school children in tree planting campaign will help secure our environment and improve food security which in turn help future generations. The program seeks to achieve the following:

To improve the O.R Tambo District's food security by giving out fruit trees to children

To improve the district's environmental challenges brought by climate change by planting indigenous trees at school for the purpose of greening and as wind break.

Beneficiaries

- Primary Schools
- Secondary Schools
- Community organizations
- Communities through school children

So far 3831 vegetable trees and trees have distributed in the 2017/2018 financial year

District Growth and Development Unit

The District Growth and Development Unit seeks to intervene and heighten development within the district. The unit finds growth and development opportunities within the district, provincially, national and internationally.

17/18 Financial Year Programmes

Through the District Ambassadors/ Executive Mayor's Advisory Committee, the district municipality embarked on a study tour to the Tshwane University of Technology Chemical Station and the University of Limpopo Agro Food Technology Station. The purpose of the tour was to better understand the opportunities that both technology stations offer small businesses and cooperatives.

Following the study tour; both technology stations were invited to the district to attend a workshop and further visit the small businesses and cooperatives. The workshop and visits was held over three (3) days. This was followed by a meeting between the University of Limpopo, TARDI and ORTDM resolving to assist all agro processing businesses that were visited by testing and improving the products. Currently this process is in progress.

The Tswane University of Technology Chemicals Station committed to assisting Cleanex, owned by Ncebakazi Sobai, to also testing and improving the cleaning chemicals that she manufactures.

Challenges

The greatest challenge in the unit is that there is only one person that is in the Unit, thus making minimal progress over a long period and there can only be one department consulted at a time. The second challenge is that there is no budget allocated for the programmes that are initiated by the Ambassadors.

18/19 Financial Year Plans

There are currently consultations with other institutions to increase trainings of SMMEs and Corporative in order to increase their knowledge in running businesses.

The District Municipality is in consultation with both the technology stations and the Department of Science and Technology to have the technology stations available in the O. R. Tambo DM for its people and people of the Eastern Cape at large.

A study tour in Mozambique and Swaziland; to better our knowledge in Fish Farming and Arts & Crafts respectively.

To seek and attract investors in the district focusing, but not limited to; on infrastructure, tourism and agriculture.

3.18 Executive Mayoral Services

3.18.1 HIV and Aids, Communicable and Non Communicable Diseases

The National Strategic Plan 2017-2022 which has eight (8) goals set, aims to reduce new HIV infections by more than 60% – from an estimated 270000 in 2016 to below 100 000 by 2022, including elimination of mother-to-child HIV transmission. This must also trickle down to Provincial planning and Local level that is Municipal Planning, as HIV and AIDS is one of the biggest challenges the country faced to date. Municipal Integrated Development Plans must include and deal with issues around the rapid spread of HIV and AIDS.

The District has had an escalating HIV&AIDS containment prevalence, this has raised much concern, and the Executive Mayor as the District Chair of the Aids Council had to strengthen the quest to reduce the growing numbers of HIV&AIDS. The District has made a concerted effort in fostering cordial relations with key stakeholders in combating the disease and providing adequate information on the disease.

The District Aids Council, Local Aids Council and Ward AIDS Council have worked tirelessly to try and make sure the number decreases rapidly and providing support to Social labs in all Local Municipalities mostly focusing on the identified Hot Spots.

Ward Aids Forums have been established to try getting communities to take initiative and ownership in programs that alleviate the prevalence of the disease. Three Ward Aids Forums have been established in the King Sabatha Dalindyebo Local Municipality, with four in the Port St Johns area and two in Ingquza-Hill Local Municipality. Numerous HIV/Aids awareness campaigns were conducted in all five local municipalities. The campaigns incorporated ABC awareness, PMTCT awareness and youth educational programs that were held in several schools. The campaigns were conducted in conjunction with AmaKhomkhulu, Imbumba Yamakhosikazi Akomkhulu, and eNyandeni, Ndluzula, Emcwerheni and Ndimakude.

The Department has introduced a number of programmes like **Inkciyo and Ulwaluko programmes**.

The Office Executive Mayor launched the Inkciyo Programme which was held at Nyandeni Great Place. The Inkciyo programme has had awareness campaigns and fundraising initiatives for community benefit. The Inkciyo initiative is a cultural practice that celebrates virgin girls. The program is part of a campaign to instill pride in young girls for their decision to remain virgins. The program celebrates the existence of young girls and validates their power in a society that does not consistently nurture young girls.

In 2017/2018 financial year Inkciyo awareness campaigns were held at Ingquza Hill at

Ndimakude Komkhulu and District launch held at Nyandeni great place. In KSD – Inkciyo groups were supported to conduct a show-case and fund raising event in April 2017. 200 KSD - Inkciyo members benefited from training and capacity building programme in April 2017.

The Department further focused on Ulwaluko, this is a male circumcision ceremony, a cultural practice that symbolizes the transition from being a boy to being a man. The process of circumcision has jealously claimed the lives of many young men, through ignorance or negligence. The Eastern Cape remains the province with the highest number of lives claimed by circumcision and/or induced by the process.

The number of deaths has attracted national intervention programs with stringent rules regulating the process. Numerous campaigns have been held on the training of qualified Ingcibi, safe and healthy Amaboma to house young men.

Given this concern of young males dying as a result of male Circumcision/Ulwaluko, the Department intervened by making community awareness and empowerment campaigns on safe male circumcision.

3.18.2 Children and Education

The Constitution of the Republic of South Africa, 1996, South African School's Act 84 of 1996, National Education Policy Act 27 of 1996 states that National government as well as Provincial government must play a role in supporting schools, this also includes Local government, especially assisting school that are struggling.

The Eastern Cape has the lowest matric pass rate with an extremely compromised standard of education. The matric pass rate can be attributed to numerous factors which the district municipality is committed to solving piecemeal. The Office of the Executive Mayor has formed partnerships with stakeholders such as Anglo-Gold Ashanti to invest in numerous schools and making sure matric results are improved.

The partnership started in 2013, with a focus on 21 schools from different local municipalities. The programme is for the benefit of all Mathematics, Physical Science and English students in Grade 12 from the selected schools. The schools enrolled a number of 120 students, of which 116 acquired Bachelors passes, while 4 received Diplomas. The District received top achievers from 3 KSD schools, 1 in Mhlontlo and 1 in Ingquza-Hill local municipality. One of the learners from Holy Cross High School received a National Recognition Award.

The Office of the Executive Mayor also pride its self for providing support for the 2017/2018 financial year to poor performing schools in order to improve matric results in the district. The district supported 21 schools through the Star schools programme focusing on the best performing schools in the district as well as the 50 schools supported through the programme focused on the worst performing schools. This programme afforded the district an opportunity to Mobilize communities through ensuring that parents are involve in the Education of their Children. With the continued partnership with Anglo Gold Ashanti, special interventions were made through star-schools programmes, elevating the literacy rate within the district is one of the municipality's greatest passions.

In addition to the Star Schools programme, in the Office of the Executive Mayor identified 18 schools from around the district in pursuit of improving matric results and high-school turnover rate. School learners were awarded with scientific calculators, professional tutorials, home cells and on-site counseling to assist learners to manage exam anxiety.

The following schools were supported:

- Qumbu Town: Welsh School; Jongilizwe School; Daluhlanga School; Mchasa School and Somagunya School.
- KSD LM: Sea View School; Gengqe School; Upper Mpeko School; Zwelibangile School; Dalibaso School; Kwanobuhle School and Khulanathi School.
- Libode Mega: Ngqeleni School; Smuts Ndamase School; Vakele School; Mabhulana School; Nogemane School; Mangala School and Nyangilizwe School.
- Lusikisiki Town: Zwelibongile School; Botha Sigcawu School and Bodweni School.

Partnerships with Anglo-Gold Ashanti include the Career Exhibition where 2500 learners from over 36 schools from around the District are invited to learn on the various career options and opportunities available to young people. The career Expo aims to motivate young individuals to explore as many career options as they opt to. The South African National Defense Force and Military Veterans Ncise Military Base sent over 3000 learners to attend the career expo, so to broaden the knowledge of the learners.

The Tourism Sector together with the Department of Education also conducted a career expo at the airport hangers, over 2500 learners were in attendance. These Departments also drives the back to school campaign where more than 140 learners are provided with schooling garments and schooling equipment. The awarded schools were: Gilindoda JSS; Coza JSS; Mdingi JSS; Cetywayo JSS; Ngqwarha JSS and **Lands Ands JSS**.

An initiative to distribute reusable sanitary towels to young girl learners from indigent families that cannot afford monthly sanitary wear. The initiative demand is extremely high and the Office of the Executive Mayor has provided a fraction of young girls because of a limit in resources. Sanitary Towels were also distributed to school learners during the 67 minutes for Mandela.

The Office of the Executive Mayor believes that the protection and general welfare of children is extremely important, as the legislation prescribes that the best interests of the child are more important, and generally outweigh any other subordinate right.

The District together with the Department of Social Development led a Child Protection Week in Ingquza-Hill local municipality. The SAPS and Department of Health also joined arms in the initiative, by providing awareness on the importance of keeping a child safe. The initiative further highlighted to care-givers that neglecting the safety of the child is an offence.

TABLE 70: SCHOOLS SUPPORTED THROUGH THE STAR SCHOOLS PROGRAMME

LOCAL MUNICIPALITY	NAME OF SCHOOL
King Sabata Dalindyebo	Attwel Madala School St. Johns Collge Luthubeni School Ngwayibanjwa School Dudumayo School Holy Cross High School Sinolwazi Senior Secondary School (SSS)
Mhlontlo	Shawbury School Little Flower School Somagunya School Thandanani School St. Barths School
Nyandeni	Ndimakude High School Phangalele High School Sandi School St. Patricks School
Port St. Johns	Port St. Johns High School Gcinumthethe High School
Ingquza Hill	Toli Senior Secondary School Palmerton Senior Secondary School Phambili Senior Secondary School

3.18.3 Youth, People living with Disabilities Elderly, Women & Men

The District has been a frontrunner in uplifting the Youth; People living with disabilities, Elderly, Women and Men. A number of individuals from designated groups have been empowered and capacitated (Youth, People living with disabilities, Elderly, Women & Men) as a result the District partnered with external stakeholders, to gather with Anglo Gold Ashanti. The district has trained 100 people on free range egg production; 100 on project management, 50 young women were trained on various components of company registration, 50 women from KSD were trained on beading.

A women's dialogue were held to discuss issues and challenges facing women. The main aim of the dialogue was to allow women to reclaim their space in society. The dialogue was an upliftment program to give women a space to devise ways in which they will unapologetically exist and dominate without feeling inferior. To discuss issues that are specific to women and how to find space for those issues to be resolved.

The District held awareness on illnesses that are prevalent in society, these illnesses are Alzheimer, Dementia, Parkinson's et cetera and they are are common in our societies and are extremely misunderstood with accusations of witchcraft when people had fallen prey to the disease. The department educated communities so that they are able to seek the needed help and be able to handle the conditions. Cancer campaigns were held to educate communities on the importance of going for constant checks at local clinics in order for cancer disease to be detected at an early stage. The District municipality partnered up with Ingquza-Hill Disability Forum in training and conducting awareness campaigns for people with disabilities. Disabled people within the District experienced stigma, therefore, awareness campaigns allow individuals to own these conditions and seek assistant.

These initiatives aimed at creating a voice for the disabled and empower them. The initiatives through this program handed out nine wheelchairs to people in KSD and Mhlontlo local municipality. During the 67 minutes in honour of Nelson Mandela, family groups were also targeted; three (3) children with disability were provided with aid. The EFATA School for the Deaf is also an area of focus where the Office of the Executive Mayor supports initiatives and art works by the school, through exhibiting their craft during the Deaf International Conference in Johannesburg.

The Office of the Executive Mayor initiated Miss O.R. Tambo DM and has recorded a resounding success in developing and contributing to building a bright future for young women in O.R Tambo District as most contestants have completed a tertiary qualification and are working as professionals in their respected disciplines.

All winners over the years have been given a car on top of many other hampers, compliments of Vodacom. For the 2017 pageant, all 15 contestants were given the full wardrobe of all costumes they wore in the competition.

2.13.5 O.R Tambo Month and Nelson Mandela Day

The Office of the Executive Mayor has allocated a significant budget to celebrate the life and time of these international icons.

3.18.4 Academic Financial Assistance for Tertiary Students

The Education bursary is in response to a National crisis that saw the rise of the 'Fees Must Fall' campaign around the country which not only destabilised education but also halted educational practises for a while. The bursary is further in response to extreme need for educational funding by deserving students that face the wrath of financial exclusion although they maintain excellent grades.

Since 2006, the O.R Tambo District Municipality has been implementing a financial academic assistance programme to provide bursary funding for students (from O.R Tambo District Municipality). The Council approved to have a Bursary Committee within the O.R. Tambo District Municipality to award bursaries to deserving individuals from families that cannot afford tertiary education. The bursary committee awards bursaries only to students in South African accredited tertiary institutions.

The Office of Executive Mayor assists students who want to pursue Tertiary Education to apply for NSFAS, for the 2017/2018 financial year the district received a total number of 217 applications, of which 187 received financial academic assistance to study through NSFAS. The bursary fund continued to support 170 students for the 2017/2018 financial year.

COMPONENT G: SECURITY AND SAFETY

3.19 Disaster Risk Management

3.19.1 Legislative background

In line with international trends and our national objectives of efficient and effective management of our local resources, O.R. Tambo disaster management policy underscores the importance of preventing human, economic and property losses, and avoiding environmental degradation. Preparedness measures for more efficient rescue operations will always remain necessary, but there is common agreement that much greater attention should be directed to the introduction of preventive strategies aimed at saving lives and protecting assets before they are lost.

The primary responsibility for disaster management in South Africa rests with the government. In terms of section 41(l) (b) of the Constitution of the Republic of South Africa, all spheres of government are required to “secure the well-being of the people of the Republic”. Disaster management is listed as a functional area in Part A of Schedule 4 of the Constitution, meaning that both the national and provincial spheres of government are competent to develop and execute laws within this area and have powers and responsibilities in relation to disaster management. Disaster management has also been ‘assigned’ to local government through the promulgation of the Disaster Management Act, 2002 (Act no 57 of 2002).

The Disaster Management Act 57 of 2002 (as amended) is the primary legislation dealing with DM in the country. This Act provides for an integrated & coordinated disaster management policy that focuses on:

- Preventing or reducing the risk of disasters (Prevention);
- Mitigating the severity of disasters (Mitigation);
- Emergency preparedness;
- Rapid & effective response to disasters; and
- Post-disaster recovery and rehabilitation.

The Act also makes provision for the establishment and functioning of DM Centres across all spheres of government, disaster management volunteers; and matters incidental thereto.

The Act has explicit & distinct focus on DRR. It seeks the establishment of adequate structures necessary for the management of disasters with special emphasis on prevention and mitigation by all spheres of government. The Act calls for the establishment of institutional & governance structures to ensure integration of stakeholder participation & to adopt a holistic and organised approach to the implementation of policy and legislation. The Act recognises the multi-sectoral & multi-disciplinary nature of DM in the country. The Act also provides mechanisms for involvement in DM activities by private sector, traditional leaders, civil society, volunteers, etc. The Act also makes provision for the development of a municipal Disaster Management Framework.

3.19.2 Disaster Management function

In support of the core concepts of integration and uniformity the disaster management centre performs its duties in realisation of the four key performance areas (KPAs) supported by three performance enablers (PEs) as follows:

KPA 1:	Integrated Institutional Capacity for DRM
KPA 2:	Disaster Risk Assessment (DRA)
KPA 3:	Disaster Risk Reduction
KPA 4:	Disaster Response and Recovery
PE 1:	Information Management and Communication
PE 2:	Knowledge management
PE 3:	Funding

The location of the function in the municipal sphere must be given careful consideration as contrary to popular thinking, it is neither a line function nor an emergency service. It must be seen as a management function within the municipal arena. For it to fulfil its responsibilities, it must be located closest to the highest level of decision making and should be able to cut across municipal departments.

The disaster management unit within the Disaster Management Centre has a duty to coordinate all disasters or major incidents threatening to occur or which occurred in the area of the district. It further has a responsibility to advocate for integration and streamlining of DRR in all planned and existing municipal programmes and initiatives. The Centre further has a duty to

- (a) specialise in issues concerning disasters and disaster management in the municipal area;
- (b) promote an integrated and coordinated approach to disaster management in the municipal area, with special emphasis on prevention and mitigation, by-
 - (i) departments and other internal units within the administration of the municipality, and, in the case of a district municipality, also by departments and other internal units within the administration of the local municipalities in the area of the district municipality;
 - (ii) all municipal entities operating in the municipal area; and
 - (iii) other role-players involved in disaster management in the municipal
- (c) act as a repository of, and conduit for, information concerning disasters, impending disasters and disaster management in the municipal area;
- (d) act as an advisory and consultative body on issues concerning disasters and disaster management in the municipal area for -
 - (i) organs of state and statutory functionaries;
 - (ii) the private sector and non-governmental organisations; and
 - (iii) communities and individuals;
- (e) make recommendations regarding the funding of disaster management in the municipal area, and initiate and facilitate efforts to make such funding available;
- (f) make recommendations to any relevant organ of state or statutory functionary-

- (i) on draft legislation affecting this Act, the national disaster management framework or any other disaster management issue;
 - (ii) on the alignment of municipal legislation with this Act. The national disaster management framework and the relevant provincial disaster management framework; or
 - (iii) in the event of a local disaster, on whether a local state of disaster should be declared in terms of section 55;
- (g) promote the recruitment, training and participation of volunteers in disaster management in the municipal area;
 - (h) promote disaster management capacity building, training and education, including in schools, in the municipal area;
 - (i) promote research into all aspects of disaster management in the municipal area;
 - (j) give advice and guidance by disseminating information regarding disaster management in the municipal area, especially to communities that are vulnerable to disasters;
 - (k) exercise any powers and must perform any duties delegated and assigned to it in terms of section 14; and
 - (l) assist in the implementation of legislation referred to in section 2(1) (b) to the extent required by the administrator of such legislation and approved by the municipal council.
- (2) A municipal disaster management centre may engage in any lawful activity in the municipal area, whether alone or together with any other organisation, aimed at promoting the effective exercise of its powers and performance of its duties.

The disaster management unit within the centre has a duty and obligation to implement the Act, the O.R. Tambo Disaster Management Policy Framework and National guidelines. It has to also guide municipal departments and Ntinga Development Agency on matters related to disaster management and implementation of section 52 of the Act.

3.19.3 Targets for 2017/18

The centre within the disaster management unit had 19 targets to achieve during the previous financial year of which 4 were institutional and 15 departmental. The unit has achieved most of the targets and those it could not achieve were because of matters beyond the control of the unit. These are the targets for the year:

- 1) Number of Disaster satellite office sites established.
- 2) Number of LM's covered by Disaster early warning system.
- 3) Percentage of fire and emergency incidents responded to within 30 minutes for areas within a 50 kilometers radius.
- 4) Percentage of fire and emergency incidents responded to within 1 hour 45 minutes for areas more than 50 kilometers radius.
- 5) Number of District Disaster Risk profiles approved by Council.
- 6) Number of Disaster risk Management plans developed.
- 7) Number of Disaster Community Awareness campaigns conducted.
- 8) Number of Disaster Management Framework reviewed

- 9) Number of annual Disaster Evacuation Drills & Exercises performed
- 10) Number of Institutional Disaster Management Plans developed
- 11) Number of Disaster Knowledge Management facilities established
- 12) Number Disaster Response storage Facilities established
- 13) Number of monthly site meetings conducted on the development of satellite office
- 14) Number of Communication Systems upgraded
- 15) Number of Information Management Systems integrated to existing system within the Municipality
- 16) Number of fire awareness campaigns conducted
- 17) Number of vehicles purchased.
- 18) Number of Fire Fighting equipment purchased
- 19) Number of services equipment and shelter facilities established

3.19.4 Challenges

The Centre has experienced serious challenges in relation to how its role is perceived by municipal departments. This has been exacerbated by the placement of the function within the administration of the municipality contrary to section 45 of the DM Act. The Centre has faced difficulties in:

- Integration of DRR in municipal programmes, projects and initiatives, thus limiting how these contribute in sustainable development.
- Inadequate support in ensuring that effective structures are supported in entrenching DRR and mitigation across the district.
- Inadequate funding to invest in DRR, response and recovery and disaster mitigation activities.
- Streamlining of disaster management in municipal departments.
- Inadequate physical resources to support the function.
- 100% vacancy in the second layer of leadership in the unit resulting in crucial programmes and projects being poorly coordinated.

3.19.5 Recommendations

1. Filling of critical posts for Programme Managers within the section.
2. Reporting of the Centre directly to the Municipal Manager in line with the O.R. Tambo Disaster Management Policy Framework and section 45 of the DM Act.
3. Restructuring of budget votes with key areas of performance in line with supporting policy 4 to the O.R. Tambo Disaster Management Policy Framework.
4. Purchase of customised response vehicles for all five satellite offices and the main office.
5. Provide staff with job orientated car and cellphone allowance than the general arrangement.
6. Fill all vacancies to create stability and job security thus increase motivation and commitment to the job.
7. Take all staff in the section on a psychosocial analysis at least twice a year.
8. Organise annual team building exercises.

3.20 Fire Services

Throughout history, fires have inflicted a heavy cost in human infrastructure, and damaged to the environment in a manner capable of undermining socio economic development. The risk of fire in South Africa is influenced by a variety of socio-economic factors notably the rising levels of urbanisation which often result in the formal settlement comprised of shack built by highly combustible material and in close proximity to each other which heighten the risk of fire in these areas. The danger posed by fire to human lives, infrastructure and the environment has been demonstrated by some of the major fire that humanity has experienced over the years. The service operates under four key performance areas which narrated as follows:

- **Fire Operations** involve rendering of rescue; administration and emergency functions. This includes all day to day operations of the unit and all its four satellite fire stations.
- **Fire Prevention** which focuses on the application of legislation on prevention, mitigation and reduction of fire risks. It includes evaluation and analysis of building plans, advisory services, risk analysis and compliance inspections to buildings.
- **Training** sub unit involves undertaking in house trainings, simulations, drills and exercises. It also encourages readiness of equipment and personnel to deal with and respond to reported fire or other incidents requiring role of the service.
- **Fire Public Information, public education & public relations (PIER)** focuses on fire prevention through the engagement of communities, the private sector and other key role players. The sub unit also actively participate and facilitate operation and establishment of FPAs (Fire Protection Association).

Legislative Background

- Constitution of SA,
- Fire Brigade Services Act 99 of 1987,
- SANs 10090 - Community Protection against Fire,
- SANs 0400 - Building Regulations
- National Veld Forest Fire Act 101 of 1998

Targets for 2017/2018

1. Percentage of fire and emergency incidents responded to within 30 minutes for areas within a 50 kilometres radius
2. Percentage of fire and emergency incidents responded to within 1 hour 45 minutes for areas more than 50 kilometres radius
3. Number of fire awareness campaigns conducted
4. Number of vehicles purchased.
5. Number of Fire Fighting equipment purchased
6. Number of services equipment and shelter facilities established

Challenges

- Personal protective clothing as a question of compliance is not procured yet,
- Fire reservist are not yet activated formally,
- Our SDBIP does not talk to fire prevention as it is our mandate to prevent fire incidents from happening,
- The existing budget does not accommodate fire prevention projects,
- Shortage of staff,
- Shortage of fire-fighting equipment including vehicles,
- Fire service is operating without Bylaw and fire prevention tariffs in place.

Recommendations

- Intervention is required on the issue of PPC since it has a potential of exposing the DM to litigations,
- Formalise the appointment and use of fire Reservist in line with HR policies and legislation,
- Indicators in the SDBIP should reflect focus on all key performance areas of the service,
- Key posts should be filled to increase capacity of the unit and the disaster management centre,
- Purchase of high capacity and heavy-duty equipment to assist in tall buildings fires, HAZMAT and aircraft fire risks, and
- Support of Review, improve and implementation of By Laws by the administration and Council.

COMPONENT H: SPORTS AND RECREATION

3.21 Sports, Recreation, Arts, Culture & Heritage

3.21.1 Arts, Culture and Heritage

Culture has been recognised as being fundamental to the social and economic development of the country. The government's policy for local arts, culture and heritage need to be seen overarching context of building a just and equitable society where citizens are enabled to enjoy the social and economic benefits that flow from access to and participation in culture.

The aim of the unit is to develop and preserve ORTDM culture to ensure social cohesion and nation-building. It strives for arts, culture, and heritage sector contributing to sustainable economic development, influencing partnerships.

3.21.2 Legislative Framework

- The Constitution of South Africa, 1996
- National Heritage Council Act (No. 11 of 1999)

- National Art Council Act 1997, (No. 56 of 1997)
- National Resources Act (No. 25 of 1999)
- Culture Promotion Act (No. 35 of 1983)
- National Library of South Africa Act (No. 92 of 1998)
- White Paper on Arts, Culture and Heritage, 1996
- National Film Strategy, 2014

3.21.3 Functions of the Unit

- The unit is responsible for the co-ordination, facilitation, assistance and support to the LMs, sectors, stakeholders and individuals. It also facilitates, implement the development of Artistic, Cultural, and preservation of Heritage within the district municipality
- To provide support to associations of artists and to individuals involved in artistic and cultural activities
- To promote cultural interaction among different cultural components within the district.
- To encourage the development of a dynamic arts and culture sector
- To preserve and foster cultural values both at individual and collective levels

3.21.4 2017/2018 Financial Year Plans/Activities

- Paving landscaping of Mhlontlo Heritage Site
- National Arts Festival
- Macufe
- ORTDM Choral Choir Music Festival
- ORTDM Cultural Carnival
- ORTDM Film Training
- Dance and Drama Workshop
- Paving and landscaping of Ingquza Hill Heritage Site

3.21.5 Success Stories

- ORTDM Choral Choir Music Festival held on the 14&15 October 2017 in Mthatha at O.R. Tambo Southernwood Hall.
- ORTDM Cultural Carnival was held on the 28 October 2017 from Mthatha Community Arts Centre (Richardson Park) to Queens Park
- ORTDM Film Training was held in Port St Johns from the 29th October to the 2nd November 2017
- Dance and Drama Workshop was held in Port Elizabeth (Opera House) from the 19th -22nd March 2018, 5 artists from the local municipalities attended the workshop.
- The unit assisted in paving and landscaping of the battlefield site at the bottom of the hill where the 1960 Pondo people were massacred
- Bethusile Mcinga was also assisted with his new album launch at ORT Hall in Southernwood
- The unit assisted Lusanda Mcingas new recording album in King Williams Town

- It also assisted 8 ORTDM Writers, 10 Crafters, St Johns College (KSD LM), Tembelani Drama Group (Nyandeni LM) to participate in the National Arts Festival 2017
- The unit transported and accommodated 5 ORTDM Visual Artists to the MACUFE 2017
- Siyakhana Choral Group was assisted by the unit to release their 1st recording album which was recorded in Durban.
- It assisted Mthatha Praise and Worship Singers to participate in the Eastern Cape Gospel Extravaganza where they won a recording deal amounting to R90 000,00.

3.21.6 Challenges

- Shortage of human resource
- Shortage of office space
- Shortage of office equipment/ working tools
- Lack of cooperation from LMs
- Insufficient budget
- No alignment of programmes between the LMs, District and DSRAC.

3.21.7 Recommendations

- One Development Officer is needed
- At least one office is required
- Working tools such as printer with cartridges and video camera are needed.
- Enough budget is required
- Good alignment between the LMs, ORT and DSRAC is needed.

2018/2019 FINANCIAL PLANS/PROGRAMS

- Galvanised fencing of Mhlontlo, Ingquza Hill and SS Mendi Heritage sites
- Purchase film equipment for ORT Film Office
- Coffee Bay Cultural Heritage Festival 2018
- Construction of Monument at Qokolweni site
- Paving of Isinuka Heritage site
- Cultural and Creative Industries Federation of South Africa (CCIFSA) outreach/roadshows.
- Fine Art Exhibition
- Gospel Festival 2018
- Film Makers Study Tour in Durban
- Film Makers training and workshop
- National Arts Festival and Macufe

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.22 Executive and Council

The Executive arm of the municipality is politically headed by the Executive Mayor and administratively by the municipal manager. The District municipality is a non-delegated municipality with the Municipal Manager serving as the accounting officer and advisor to the Executive Mayor. The Executive Mayor has the power to elect a Mayoral Committee, which serves as an executive committee of council, to advise the Executive Mayor on executive decisions. The Mayoral Committee is made up of political Members of the Mayoral Committee (MMCs) which are equivalent to the number of executive departments within the municipality. The Executive Mayor reports to Council on all executive functions subsequent to Mayoral Committee meetings.

The Council is the legislative arm of the municipality which is headed by the Council Speaker. The legislative arm houses councillors which serve on different oversight committees. The legislative arm has section 79 committees which are politically headed by chairpersons and these serve as oversight committees to legislative departments. The legislative committees report to and compile reports to council on their oversight function. The legislative arm also houses the Office of the Chief Whip, which impartially takes care of all interests of political parties serving in council.

3.23 Financial Services

Financial services are performed under the Budget and Treasury Office which is headed by the Chief Financial Officer. The department is responsible for revenue collection, expenditure management, asset management and supply chain management. This department has a vacancy rate of 44%. Staff compliment as the end of June 2018 for this department is depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
187	105	82	44%

The financial performance of this department is shown in the table below:

	2017/18			
Details	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 141,590,116.00	R 142,169,729.75	R	R
Capital Expenditure	R 70,360,165.00	R 65,522,395.00	R	R

3.23.1 Debt Recovery

Debt Recovery R.00							
Details of the types of account raised and recovered	2016/17 Financial Year		2017/18 Financial Year			2018/19 Financial Year	
	Actual 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 to be billed	Estimated proportion of accounts billed that were collected (%)
Water and Sanitation							

3.23.2 Revenue Collection

With regards to municipal revenue, water supply remains a viable cost recovery mechanism and a primary source of revenue. Insufficient collection of revenue affects the growth of the municipal budget adversely hence the introduction of cost recovery measures. The aforementioned cost recovery measures will be enhanced by the review and development of financial policies that are to be tabled to Council for adoption.

In the quest to catapult revenue collections, a Revenue Enhancement Strategy was introduced, launched and implemented in all five local municipalities. The purpose of the initiative was to invite all rate payers to join in arms with the municipality, in surmounting their debt owed to the DM, while also introducing and incentivizing a culture of rate paying. The initiative saw much success with revenue collections improving by 11% from the 2016/17 financial year.

The department has sought for alternative sustainable sources of revenue generation to boost the municipality's cost recovery mechanisms; to reduce reliance on grants; and improve budget growth. The department has utilized high-earning investments, with an amount of R50.9million reported in returns. The District managed to raise R12million more from what was raised in the 2016/17 financial year.

3.23.3 Expenditure and Liability Management

Expenditure and Liability management is the responsibility of the accounting officer of the municipality, the Municipal Manager. Upon the instance where a municipality incurs unauthorized, irregular or fruitless and wasteful expenditure; the municipality must investigate the cause and

hold a person responsible. According to section 32 of the Municipal Finance Management Act, the municipal council must elect/nominate a council committee to investigate the unauthorized, fruitless and wasteful expenditure.

OR Tambo currently sits at an inflated amount of unauthorized, irregular or fruitless and wasteful expenditure, which has been historically accumulated since time immemorial. The accumulation of this amount is the reason the 2017-2022 council elected a council committee to investigate the deliberate or negligent authorization of a fruitless and wasteful expenditure.

The Committee presented a report to Council with the recommendations that some of the transactions should be condoned on the fact that there was value for money and the services were rendered. The committee then tabled the report to Council and the Council approved the condonement. In its approval the Council further requested the Committee to continue with further investigations of the remainder of the balance as well as the current irregular expenditure.

Irregular expenditure in the District is the result of the implementation of programmes and projects for water services and one of the major contributor is the agreement between the Municipality and Amatola Water Board which was crafted in line with the PFMA but does not comply with the MFMA. Moreover, the other major contributor is the use and mis-interpretation of Regulation 32 of the SCM Policy. Management is working tirelessly to regularize the contract of Amatola Water whilst it had taken a decision to discontinue utilizing Regulation 32 of the MFMA based on the challenges encountered.

3.24 Corporate Services

Human resources functions in the District are performed under Corporate Services Department. This department is the second with a high vacancy rate of 79%. Staff compliment as the end of June 2018 for this department is a depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
431	82	341	79%

The financial performance of this department is shown in the table below:

Details	2017/18			
	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 111,823,437.00	R 112,754,026.12	R	R
Capital Expenditure	R 1,900,000.00	R 2,150,000.00	R	R

3.25 Legal Services

There is an in-house legal service department which is functional. It supports other Local Municipalities within the district. There are legal advisors in some of the Local Municipalities, like Nyandeni, Ingquza Hill and King Sabata Dalindyebo Local Municipalities, whilst others do not have legal advisors and rely on external legal service providers (consultants).

The District through legal services unit managed to reduce the number of litigation by 44%. This demonstrate improvement from the percentage reduction of 25% in 2016/17 financial years.

The challenges identified are:

- Failure to respond to legal advisors' enquiries into matters arising from litigation;
- Non-compliance with legislative provisions;
- Binding the municipality without first soliciting legal opinion;
- A need to enhance the Human Resource Capacity of the Department in line with the proposed staff structure;
- Insufficient funds voted for operations and defence of litigation against the municipality;
- Exclusion of legal advisors in critical decision making processes, resulting in legally unsound decisions susceptible to legal challenges; and
- Poor corporate governance and due diligence by other departmental heads, resulting in poor decision making and dumping of overripe and non-defendable litigation matters at legal services.
- Overall, the units are not capacitated and lack capabilities and are unable to represent the institutions in the High Courts

3.26 Oversight for Service Delivery

The Legislative Services Department acts as the legislative arm of the municipality by being the home of the District Municipality Council. The Council is the highest decision making body within the municipality and remains independent to the executive arm.

One of the instrumental role(s) the Legislative Department plays is that of municipal oversight in all service delivery initiatives implemented by the executive.

This department has a vacancy rate of 17%. Staff compliment as the end of June 2018 for this department is a depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
59	49	10	17%

The financial performance of this department is shown in the table below:

	2017/18			
Details	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 58,394,821.00	R 68,899,360.55	R 68,899,361.00	-R 0.45
Capital Expenditure	R 1,000,000.00	R 1,000,000.00	R 1,000,000.00	R 0.00

The department is segmented into numerous oversight committees that are answerable to Council. The role of the committees is to ensure:

- Policies are implemented and adhered to;
- Budget is adequately allocated and utilized;
- Executive departments carry out their mandate as prescribed; and
- Service delivery and accountability are uncompromised.

The Municipal Public Accounts Committee (MPAC) remains at the helm of oversight and accountability with a mandate to ensure good governance in the municipality. The committee has legislated sittings that summon executive departments to account on the implementation of programs in a manner that is consistent with the approved municipal plans, allocated budget and legislation (and circulars). All executive departments are answerable to the MPAC and each department is invited at least once a month to account on the departments activities of the preceding month.

Every single executive department has a portfolio committee which is headed by a political head. Each portfolio committee sits every single month with the departmental head to decipher on programs, projects and matters relating to the department. The committees play an oversight role by making sure that the department adheres to and plays its role in the quest of delivering on services par excellence.

Every department has a role of doing physical verification of programs and projects. These projects are picked at random and/or when the need warrants a visit for verification. This happens throughout the year when committees go on site visits to verify the authenticity of implemented projects and programs. Physical verification remains the most credible oversight mechanism as it allows for greater stakeholder involvement.

The following table illustrates the projects that were physically verified by the MPAC

Table 55: Physical Verification of projects by MPAC

Project	Findings/ Complaints by Communities	Corrective Measure
Flagstaff Treatment Woks	Communities wanted the project to be fast tracked	ORTDM installed generators as an interim measure whilst awaiting Electrification from ESKOM
Port St. Johns	Poor performance of the Contractor was raised	The contract was terminated , a new contractor has been appointed and is currently on site
Upper Mhlahlana Treatment Woks	Communities wanted the project to be fast tracked	The department has appointed the Consultant and has started with the designs
Mqanduli Waste Water	Damages were identified on the plant	Department is busy with the assessment of the extent of damage to quantify the amount of work to be done

The legislative department has an inescapable mandate to ensure stakeholder relations are always maintained and enhanced through public participation. The petitions unit has a role of going to communities and dealing with petitions handed in to the Council Speaker's office. Petitions generally raise administrative concerns that emanate through communities concerns in service delivery. The petitions unit relays the concerns to the relevant departments, which then get responded to and provide a way forward in solving concerns raised.

The department has also held two Open Council with the theme 'Taking Council to the People.' The role of the Council was to go to a community and hold Council in a transparent and accountable fashion. During the Council, petitions that were handed in were dealt with, and an open dialogue session opened with members of the public being able to raise questions and have them answered.

3.27 Monitoring, Reporting and Evaluation

Monitoring, Reporting and Evaluation unit is under the Office of the Municipal Manager which is led by the Director together with other functions such as Risk Management, Legal Services, Integrated Development Plan, Intergovernmental Relations, Communications and the management of the Municipal Managers office.

This department has a vacancy rate of 30%. Staff compliment as the end of June 2018 for this department is a depicted in the table below:

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
44	31	13	30%

The financial performance of this department is shown in the table below:

Details	2017/18			
	Original Budget	Adjustment Budget	Actual	Variance to Budget
Operating Expenditure	R 62,131,071.00	R 60,012,429.71	R 60,012,430.00	-R 0.29

3.27.1 Monitoring, Reporting and Evaluation

The performance management system in ORTDM is driven by a Performance Management Policy/ Framework that was developed and adopted by the Council together with the Budget related policies in May 2017. This policy framework provides an overarching framework for managing performance in the ORTDM.

In order to drive the Policy and processes, a Performance Management Unit was established within the Office of the Municipal Manager. The Performance Management Unit is responsible for the coordination of the performance management cycle, namely, planning, monitoring, measurement, analysis, review and reporting.

Integrated development planning is the start of the performance management cycle and the successful implementation of such is driven through the Service Delivery and Budget Implementation Plan (SDBIP).

Management is held accountable for municipal performance through their Performance Agreements.

The ORTDM reports on performance formally every quarter through their Quarterly Performance Assessments Reports. A mid-year performance report as well as an Annual Performance Report which forms part of the Annual Report are published on an annual basis.

All planning and reporting documentation as well as the Sec.54 and 56 managers' Performance Agreements are published on the ORTDM website.

For the first time, the ORTDM took a management decision to introduce the Individual Performance Assessments for the Section 56 Senior Managers in compliance with relevant legislative and Policy Framework regulating the implementation of Performance Management System (PMS). In previous years the ORTDM has been focusing only on monitoring Institutional Performance which measures performance against set targets in the approved Service Delivery

and Budget Implementation Plan (SDBIP). The Mid-year assessments for individual section 56 Senior Managers which included first and second Quarter performance was therefore scheduled and conducted on the 4th and 5th of July 2018. The assessments were used to provide a coaching and capacitation platform between the Municipal Manager and Senior Managers directly accountable to him, and to prepare the institution for a formal and fully compliant annual performance assessment as provided by the relevant legislation and policy framework.

Plans for the 2018/2019 Financial Year

The five-year objective for performance management is to ensure district wide coordination of implementing, monitoring and evaluation of the IDP. One of the outcomes of this is the achievement of a clean audit opinion on pre-determined objectives. Notwithstanding the above, our main outcome will always be the improvement of performance of the ORTDM.

In order to meet our objective and ultimately our outcomes, the ORTDM will concentrate on the following initiatives for the 2018/19 financial year:

- Implementing an electronic performance management system;
- Evaluating performance of Sec. 54 and 56 managers at least twice per annum in accordance with the MSA Performance Regulations;
- Training and capacity building for Councillors and staff; and
- Various change management initiatives.

3.27.2 Municipal Reporting

The Performance Management Unit has made a concerted effort in strengthening the compliance culture within the institution. The unit introduced various forms of reporting mechanism for information sharing within and across departments in the municipality.

Reporting templates were given to departments to factor in information on programs as per SDBIP, so that service delivery targets are constantly worked on. Section heads are to sit with their subordinates on a weekly basis, so as to share information; while Directors sit with section heads on a monthly basis. The meetings with Directors are formal, and the filled in reporting templates are to be sent to the PMS unit for monitoring and evaluation monthly.

Performance Management Systems Platforms

According to section 83(2) of the Municipal Structures Act 117 of 1998 ‘functions and powers (1) must be divided in the case of a district municipality and the local municipalities within the area of the district municipality...’ The district municipality in subsection (3) is mandated ‘to seek to achieve the integrated, sustainable and equitable social and economic development of its area as a whole by, building the capacity of local municipalities in its area to perform their functions and exercise their powers where such capacity is lacking.’

The OR Tambo District Municipality sought to foster cordial relations with its local municipalities, with the aim to amicably debunk compliance issues. The district together with its local municipalities established platforms in which challenges and success stories are shared, with the aim to support one another.

The platforms discuss notions related to municipality’s functions and powers, compliance (including mSCOA), having credible IDPs and SDBIP such that functions are not duplicated between the district and local municipalities. The platforms forge ways of dealing with and mitigating risks, for which the risk register remains of paramount importance.

3.28 Internal Audit Services

There’s an in house Internal Audit function that is independent and that reports directly to the Audit Committee with dotted line responsibilities to the Municipal Manager. Currently the Internal Audit function has 9 staff members and 36% vacancy rate.

No. of Posts	No. of Filled Posts	Vacancies	Vacancy rate
14	9	5	36%

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It assists an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The situation in the district is as follows:

- Nyandeni, Ingquza Hill, King Sabata Dalindyebo and Mhlontlo Local Municipalities have functional internal audit functions, whereas Port St Johns Local Municipality, its Agency as well as Ntinga OR Development Agency are fully supported by the District Municipality, as the audits are performed by the District Internal Auditors;
- Audit committees in all the Local Municipalities are in place and functional;
- Ad-hoc support is provided to municipalities with functional internal audit units upon request i.e. Nyandeni LM, KSD LM and Ingquza Hill LM;
- All municipalities in the district have been audited by the Auditor General for the financial year;
- Furthermore, the District Municipality has since established a District Internal Audit Forum during the 2016/2017 financial year, with the intention of convening with the local municipalities on a quarterly basis for the purposes of information sharing.

Key challenges that have been identified in this area include the following:

- audit issues identified are not attended to, audit action plans not fully implemented;

- insufficient resources of Internal Audit Units;
- recommendations made by Internal Auditors not fully implemented;

3.28.1 Management Audit Action Plan

A thorough analysis and understanding of the AGSA's audit report and the causes of findings informed the development of the "Management Audit Action Plan", which has been summarised into the "Strategic Audit Action Plan 2016/17 document. The document gives an overview of the critical management and oversight actions necessary for the full implementation of the Management Audit Action Plan.

Management has identified the following areas deserving strategic focus in the implementation of the Management Audit Action Plan. These areas are:

- performance of a Pre-Audit exercise by internal audit on all prior accounts and figures that were qualified by the AGSA for audit by 30 June 2016 in order to minimise the impact of qualification on the restated 2014/15 figures;
- implementation of internal controls for identification, recording and reporting of irregular expenditure for the 2014/15, 2015/16 and 2016/17 financial years.
- Review and updating of the contracts register to enable accurate reporting of commitments;
- advising Council by 31 January 2016 on the establishment of a committee of council to investigate irregular, unauthorised and, fruitless and wasteful expenditure for the purposes of recovery, or write-off;
- establishment of Section 32 Ad-hoc committee during 2016/17 for investigation of irregular, unauthorized, fruitless and wasteful expenditure for the purposes of recovery, or write-off;
- Investigation and recommendation for recovery and/or write-off of irregular, unauthorized, fruitless and wasteful expenditure during 2016/17 financial year;
- review, updating and documentation of internal control processes (procedure manuals) for all key processes of the Municipality, followed by a change management process to ensure the attitude of council, management and staff on internal controls is transformed;
- implementation of a compliance monitoring functioning within departments coordinated by the Municipal Manager's office and the review of the 2016/17 SDBIP and implementation of corrective measures immediately after the approval of the budget adjustment by Council;
- council adoption of a stringent process for monitoring the implementation of the management audit action plan and consequence management in the event of failure to implement. The MAAP is a standing item of MANCO, Audit Committee and MAYCO; and
- departments to exercise strict asset management controls and accountability of assets under their custody, and Head of Departments to lead this process for their respective departments.

An AG report has been issued for the municipality with one qualification item and emphasis of matter. A Management Audit Action Plan has been developed to address the qualification matter and the emphasis of matter. The action plan was submitted to Council, together with the Annual Report at the Council meeting of 28 January 2017.

3.28.2 Audit Committee

The district municipality has a functional Audit Committee. The committee has skills to address financial matters, audit matters, performance management issues and legal issues. The functions of the Audit Committee are performed within the parameters of the Council-approved Audit Committee Charter. The Charter was approved in 2017. The Audit Committee sits once a quarter and its reports are submitted to Council at the end of each quarter.

The following table (Table 68) summarises the status of audit committees in the DM and the five LMs in the District:

Status of Audit Committees

Name Of The Organization	Audit Committee Status
Ntinga O.R. Tambo Development Agency	Committee is in place
Port St Johns Local Municipality	Committee is in place
King Sabata Dalindyebo Local Municipality	Committee is in place
Ingquza Hill Local Municipality	Committee is in place
Nyandeni Local Municipality	Committee is in place
Mhlontlo Local Municipality	Committee is in place

Table 69 below summarises the status of the internal audit function in the DM and the five LMs in the District:

Status of Internal Audit Function

Name Of The Organisation	Internal Status
Ntinga O.R. Tambo Development Agency	Shared with District Municipality i.e. fully supported by the District Internal Audit unit
Port St Johns Local Municipality	Shared with the District Municipality i.e. fully supported by the District Internal Audit unit
Port St Johns Development Agency	Shared with the District Municipality i.e. fully supported by the District Internal Audit unit
King Sabata Dalindyebo Local Municipality	In-house function but supported by the District on an Ad-hoc basis and attendance of Audit Committee meetings
Ingquza Hill Local Municipality	In-house function but supported by the District on an Ad-hoc basis
Nyandeni Local Municipality	In-house function but supported by the District on an Ad-hoc basis and attendance of Audit Committee meetings
Mhlontlo Local Municipality	In-house function(supported with 2 students and attendance of Audit Committee meetings)

3.29 Communications

Municipalities must ensure that they have a Communications Unit that empowers and encourages citizens to participate in democracy and improve the lives of all. This should ensure coherence of messages, open and extended channels of communication between the municipality and the people towards a shared vision. The District Municipality has a Communications Unit.

A District Communicators Forum (DCF) has been established and is functional, but a few local municipalities are not consistent in attending DCF meetings. Issues pertaining to the communication cluster are attended to by the relevant LMs. Communicators have been inducted on the role that they need to play in their respective municipalities. A Communication Strategy and Plan was approved by Council in April 2014. For the 2016-2021 term of Council, a Communications Policy and Strategy has not yet been developed.

The district created the communication mechanism in partnership with Vodacom, **Thetha-Nathi** that created an opportunity to enhance communication, and it addresses the issue of quick turnaround times when it comes to complaints by residents.

The challenges that the Communication Strategy and Plan seeks to address are the following:

- non- centralised communications;
- communications units not sufficiently resourced in terms of Human Resources and finances (communications units only have one official in the LMs);
- inconsistency in updating information in the municipal websites;
- negative perceptions in the Media;
- inconsistency in attendance of the DCF by some municipalities;
- lack of Corporate Identity;
- varying and inconsistent communication (internal and external);
- internal communication is not done properly;
- communication with external institutions that is poorly managed/channelled;
- service delivery communication to LM and communities;
- no clear communication between DM and LM councils (especially DM and LM council decisions);
- no proper coordination of communication in the district; and
- non-responsive Communication Strategy.

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

KPA 1: BASIC SERVICE DELIVERY AND INFRASTRUCTURAL DEVELOPMENT

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
1. Number of initiatives supported for promotion of library services	P001 Marketing and promotion of public library services	R 577,500	4	2	4	2	Fully effective	N/A	N/A
1. Number of programmes conducted to capacitate early childhood development practitioners	P002 Early Childhood development	R 665,500	New Indicator	25	New Indicator	0	Unacceptable performance	Delays in the signing of a Service Level Agreement between service provider and the DM halted progress towards the achievement of the indicator.	The indicator will be achieved in the first quarter of the 18/19 FY as all formalities have been concluded
1. Number of coastal and falls patrollers recruited	P003 Coastal and Falls Safety Programmes	R 2,140,000	80	180	80	180	Fully effective	N/A	N/A
2. Number of schools affected by crime participating in safety programmes	P004 School safety and crime prevention programme	R 220,500	New Indicator	2	New Indicator	0	Unacceptable performance	Interactions with the department of Education were scanty. The DM had to have interactions with schools directly so as to learn what the actual problems were. The engagements took longer than anticipated	Root causes and problems have been identified, so the implementation of programs will commence to address specific issues
1. Percentage of notifiable medical conditions investigated within 24hrs of reporting	P005 Management of communicable diseases	R 540,000	100%	100%	100%	100%	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
1. Percentage of reported illegal dumps cleared	P006 Waste Management	R 0	100%	100%	100%	100%	Fully effective	N/A	N/A
1. Number of sports and recreation initiatives supported	P007 Sports and recreation initiatives	R 2,343,500	New Indicator	7	New Indicator	9	Performance significantly above expectations	Two requests were made for assistance which the department could assist in including an event with people living with disabilities and 24 athletes from the District supported with transport to attend Two oceans marathon in Cape Town	N/A
2. Number of arts, culture and heritage initiatives supported	P008 Arts, culture and heritage initiatives	R 1,590,000	New Indicator	4	New Indicator	4	Fully effective	N/A	N/A
1. Percentage of households supported in disaster affected areas	P009 Disaster Impact Assessment and Relief	R 432,500	100%	100%	100%	100%	Fully effective	N/A	N/A
2. Number of Disaster satellite office sites established	P010 Disaster satellite sites	R 4,800,000	0	2	0	2	Fully effective	N/A	N/A
3. Number of LM's covered by Disaster early warning system	P011 Disaster Early Warning System	R 700,000	1	1	1	1	Fully effective	N/A	N/A
1. Percentage of fire and emergency incidents responded to	P012 Response time to fire incidents within 50km	R 1,740,000	100%	100%	100%	100%	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
within 60 minutes for areas within a 50 kilometer radius.									
2. Percentage of fire and emergency incidents responded to within 1 hour 45 minutes for areas more than 50 kilometers radius	P013 Response time to fire incidents with more than 50km		100%	100%	100%	100%	Fully effective	N/A	N/A
1. Number of partnership with NGO's /CBOs established on HIV/AIDS support	P014 NGO's /CBOs support on HIV/AIDS	R 2,090,786	1	5	1	5	Fully effective	N/A	N/A
2. Number of learners from poor families financially supported to access tertiary education	P015 Financial Aid Assistance	R 7,040,000	172	92	112	66	Performance not fully effective	There was a national policy pronouncement for free education and as such the District suspended the intake of new students in anticipation that these will be accommodated by the new policy.	The District will reduce the intake and devise means to complement the national policy support
3. Number of schools supported to improve matric results in the district	P016 Schools Support	R 2,205,000	21	45	21	71	Performance significantly above expectations	The total number assisted included 21 schools supported through the star schools programme focusing on the historically best performing in the district as well as	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
								the 50 schools supported through the programme focused on the worst performing schools in the district.	
4. Number of individuals from designated groups empowered and capacitated (Youth, People living with disabilities, Elderly, Women & Men)	P017 Capacity Building for vulnerable groups	R 5,348,714	New Indicator	1900	New Indicator	3728	Outstanding performance	This is as a result of programmes implemented in partnership with external stakeholders, including AngloGold Ashanti with the career exhibition etc.	N/A
5. Number of households benefiting from poverty alleviation initiatives	P018 Poverty Alleviation Initiatives	R 2,090,000	3511	3600	2027	3709	Fully effective	N/A	N/A
6. Number of towns included in the cleaning and greening programme	P019 Town Landscaping	R 500,000	9	9	9	9	Fully effective	N/A	N/A
1. Number of national and internationally aligned commemoration programmes implemented in honour of O.R Tambo	P020 O.R Tambo Month	R 2,684,000	New Indicator	9	New Indicator	9	Fully effective	N/A	N/A
2. Number of Nelson Mandela	P137 Nelson Mandela Day	R 770,000	new Indicator	4	New Indicator	4	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
Day events/initiatives conducted									
1. Number of houses built for destitute in Honour of O.R. Tambo Centenary	P021 Social Relief Housing	R 2,424,460	7	18	5	3	Unacceptable performance	Engineer was appointed during the third quarter and the processes of geotech and home enrollment are lengthy which has delayed the actual processes of construction	The houses will be built in 1st quarter of 2018/19. Consumer education has been done and contractors have already been introduced to the communities and construction has commenced
2. Number of housing units for Adam Kok farm workers constructed	P022 Adam Kok Farm Housing	R 3,200,000	0	9	0	0	Unacceptable performance	Delays in appointment of the contractor	The 04 units will be included in the target of the 01st quarter of 2018/19. The contractor is already on site.
3. Number of temporal structures distributed within ORTDM	P023 Temporal Structures	R 600,000	New Indicator	8	New Indicator	7	Performance not fully effective	Insufficient Funding as the Department had estimated funding for 08 units of temporal shelters but contractor contract amount allowed for 7 shelters to be erected.	The outstanding 01 Temporal Shelter has been included in the 2018/19 budget and will be provided during the first quarter of 2018/19.
1. Number of District Human Settlements Strategies submitted to Council	P024 District Housing Strategy	R 250,000	New Indicator	1	New Indicator	1	Fully effective	N/A	N/A
1. Percentage of waste recycled	P025 Landfill Management	R 0	15%	20%	15%	20%	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
1. Percentage of MIG projects which comply with environmental regulations	N/A	R 0	New Indicator	100%	New Indicator	100%	Fully effective	N/A	N/A
1. Number of Local Municipalities with roads assessed	P026 Alignment and coordination of RAMS with SANRAL programmes	R 2,931,000	New Indicator	5	New Indicator	5	Fully effective	N/A	N/A
2. Km of new sidewalks constructed	P027 Non-motorised transport	R 1,032,500	New Indicator	2km	New Indicator	0km	Unacceptable performance	The construction started late, since it is labour intensive methods by their nature it takes longer than normal	The construction is proceeding on site, the benefits of work opportunities seems to outweigh the consequences of completing the project late by community
3. Number of km's of roads upgraded (surfaced)	P028 Roads surfacing	R 8,200,000	2km	0	2km	0km	Not applicable	N/A	N/A
4. Number of km's of roads upgraded (unsurfaced)	P029 Roads unsurfacing		5km	6km	5km	0km	Unacceptable performance	The budget was not enough to do gravel and surface roads, the decision was to do gravel roads as they needed less effort than surfaced roads	The plan is to complete designs in the third quarter of 2018-19 and advertise in May 19 so the contractor may start in July 19 with construction
4. Percentage completion of the designs for the establishment of the Disaster Management Centre	P030 District Disaster Management Centre	R 1,000,000	0	100%	0%	100%	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
1. Blue drop status compliance	P031 Water Quality (Blue Drop)	R 525,000	46%	70%	46%	55%	Performance not fully effective	No Blue Drop Assessments were undertaken this year by DWS, however the municipality has appointed a service provider to conduct tests	The District has appointed Service Providers to undertake Blue Drop Support and capacity building of WSA to ensure state of readiness whenever the department will conduct assessments
2. Number of SANS 241 analysis conducted	P032 SANS 241 analysis		1	1	1	1	Fully effective	N/A	N/A
3. Green drop status compliance	P033 Effluent Quality (Green Drop)	R 525,000	26%	50%	26%	22%	Performance not fully effective	No Green Drop Assessments were undertaken this year by DWS, however the municipality has appointed a service provider to conduct tests	The District has appointed Service Providers to undertake Green Drop Support and capacity building of WSA to ensure state of readiness whenever the department will conduct assessments
1. Number of indigent households supplied with tanks and gutter for rainwater harvesting	P034 Rain water harvesting	R 1,050,000	150	250	100	40	Unacceptable performance	The service provider was appointed on time but could not deliver tanks as it declared to have no capacity, The service provider only delivered 40 out of 250 tanks	The tank bid is then divided in quarters and will be advertised on quotation basis during the first quarter of 2018/19

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
2. Number of purified mega liters of water carted and delivered to communities.	P035 Water Carting	R 65,000,000	150	150	189	150.1	Fully effective	N/A	N/A
3. Number of indigent households receiving free basic Water & Sanitation Services	P036 Free Basic Water & Sanitation Services	R 1,155,000	153000	153000	153000	153000	Fully effective	N/A	N/A
4. Percentage completion of phase 3 for Coffee Bay Regional Water Supply Scheme(RWSS)	P037 Coffee Bay Regional Water Supply Scheme(RWSS)	R 15,115,337	65%	100%	65%	83%	Performance not fully effective	The project had budget adjustments that was pending from COGTA which took more time and affected the implementation	The project will be accelerated in the new financial year
6. Percentage completion of Libode and Ngqeleni Corridor Bulk Water Supply Scheme(WSS)	P039 Libode and Ngqeleni Corridor Bulk Water Supply Scheme(WSS)	R 48,449,790	30%	45%	48%	55%	Performance significantly above expectations	Non-availability of material within the District was resolved hence the program catapulted progress	N/A
7. Percentage completion of Upper Mhlahlane1NS	P040 Upper Mhlahlane1NS	R 12,000,000	80%	99%	New Indicator	100%	Fully effective	N/A	N/A
8. Percentage completion of Mangxamfu Water Supply Phase 2	P041 Mangxamfu Water Supply Phase 2	R 3,501,454	80%	100%	New Indicator	80%	Performance not fully effective	The reservoir lining was vandalised	Contractor was awarded to rectify the damage.
9. Percentage completion of Port St Johns Regional Water Supply Scheme Phases (Phase 5)	P042 Port St Johns Regional Water Supply Scheme Phases (Phase 5)	R 18,046,626	0%	15%	New Indicator	22%	Performance significantly above expectations	The contractor was appointed earlier than anticipated and was able to work in the river earlier than anticipated	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
10. Percentage functionality of existing water schemes	P043 Functionality of existing water schemes	R 0	New Indicator	100%	New Indicator	70%	Performance not fully effective	Vandalism of schemes which include damaging critical parts, theft of engines, drying of water sources and poor maintenance, illegal connections are some of the reasons why it's difficult or impossible to meet 100% target on the schemes	The term contracts for M&E are to be appointed as it takes long to procure parts internally
11. Percentage completion of KSD PIP: Rosedale	P105 KSD PI: Rosedale	R 35,751,906	65%	100%	New Indicator	69%	Performance not fully effective	Poor performance of the contractor	Notice is to be issued to the contractor for poor performance
12. Percentage completion of KSD PIP: Mqanduli Corridor	P106 KSD PI: Mqanduli Corridor	R 4,000,000	88%	96%	88%	96%	Fully effective	N/A	N/A
13. Percentage completion of KSD PIP: Libode	P107 KSD PI: Libode	R 54,951,022	65%	95%	New Indicator	96%	Fully effective	N/A	N/A
14. Percentage completion of Rosedale /Highbury WTW	P108 Rosedale/Highbury	R 107,286,927	New Indicator	5%	New Indicator	0%	Unacceptable performance	The contractor was appointed late by Amatola Water	The site hand over has been done and work has commenced
15. Percentage completion of Thornhill	P109 Thornhill	R 42,222,222	91%	93%	New Indicator	96%	Fully effective	N/A	N/A
16. Percentage completion of Ntabasigogo Phase 3 Water Supply	P110 Ntabasigogo Phase 3 Water Supply	R 217,113	95%	97%	New Indicator	99%	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
17. Percentage completion of Flagstaff Regional Supply Scheme Phase 3	P111 Flagstaff Regional Supply Scheme Phase 3	R 5,750,000	90%	97%	90%	98%	Fully effective	N/A	N/A
18. Percentage completion of Flagstaff Regional Supply Scheme Phase 2	P112 Flagstaff Regional Supply Scheme Phase 2	R 12,587,772	90%	97%	New Indicator	99%	Fully effective	N/A	N/A
19. Percentage completion of Ntontela / Tembukazi GWD	P121 Ntontela / Tembukazi GWD	R 5,000,000	0%	20%	0%	100%	Outstanding performance	The contractor was requested to add more resources in the implementation and the project performance accelerated	N/A
20. Percentage completion of Ndzondeni, Bumanzi and surroundings BD: REPLACE (Ward 28 GWD)	P122 Ndzondeni, Bumanzi and surroundings BD: REPLACE (Ward 28 GWD)	R 2,500,000	0%	20%	0%	100%	Outstanding performance	The contractor was requested to add more resources in the implementation and the project performance accelerated	N/A
21. Percentage completion of KSD Ward 26 WS	P123 KSD Ward 26 WS	R 10,000,000	0%	80%	0%	95%	Performance significantly above expectations	Contractor performed better than planned	N/A
22. Percentage completion of Xurana and surrounds villages BD: REPLACE (Qunu Emergency Water Supply)	P124 Xurana and surrounds villages BD: REPLACE (Qunu Emergency Water Supply)	R 2,500,000	0%	20%	0%	100%	Outstanding performance	The contractor was requested to add more resources in the implementation and the project performance accelerated	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
23. Percentage completion of Upgrade the existing water supply at the Mqhekezweni village	P125 Upgrade the existing water supply at the Mqhekezweni village	R 20,000,000	0%	80%	0%	97%	Performance significantly above expectations	Contractor performed better than planned	N/A
24. Percentage completion of Spring protection and cart water to villages in ward 1	P126 Spring protection in ward 1	R 10,000,000	0%	20%	0%	100%	Outstanding performance	The contractor was requested to add more resources in the implementation and the project performance accelerated	N/A
25. Percentage completion of Borehole development in Wards 6,14,15,17,19 & 28	P127 Borehole development in Wards 6,14,15,17,19 & 28	R 5,000,000	0%	80%	0%	97%	Performance significantly above expectations	Contractor performed better than planned	N/A
26. Percentage completion of Mcobothini, Sidakwini and surrounds BD: REPLACE (Borehole Development in Ward 14 (32) Manzimahle)	P128 Mcobothini, Sidakwini and surrounds BD: REPLACE (Borehole Development in Ward 14 (32) Manzimahle)	R 2,500,000	0%	20%	0%	100%	Outstanding performance	N/A	N/A
27. Percentage completion of Borehole development within PSJ Wards 3 and 7	P129 Borehole development within PSJ Wards 3 and 7	R 14,500,000	0%	75%	0%	97%	Performance significantly above expectations	Contractor performed better than planned	N/A
28. Percentage completion of	P130 Borehole development	R 10,000,000	0%	95%	0%	97%	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
Borehole development within PSJ Wards 9 and 16	within PSJ Wards 9 and 16								
29. Percentage completion of Tholeni Spring protection	P131 Tholeni Spring protection	R 10,000,000	0%	60%	0%	97%	Outstanding performance	Contractor performed better than planned	N/A
30. Percentage completion of Bhakaneni and surrounds within Mhlontlo Ward 1 and 3 Borehole development	P132 Bhakaneni and surrounds within Mhlontlo Ward 1 and 3 Borehole development	R 2,500,000	0%	100%	0%	0%	Unacceptable performance	Delays were due to Eskom not responding as expected, Eskom reported delays of roads wayleaves from DoT	In areas with no problems of wayleave Eskom has started working on site therefore the target will be achieved in 2018/19 financial year
31. Percentage completion of Debeza, Lwandlana and surrounds within Ward 1 and 3 Borehole development	P133 Debeza, Lwandlana and surrounds within Ward 1 and 3 Borehole development	R 10,000,000	0%	87%	0%	99%	Fully effective	N/A	N/A
32. Percentage completion of Mvezo and Surrounds Water Supply	P134 Mvezo and Surrounds Water Supply	R 5,000,000	0%	65%	0%	99%	Outstanding performance	The work components that included source development were all rendered and the final report was produced	N/A
33. Percentage completion of Lower Tyholo and Surrounds Water Supply	P135 Lower Tyholo and Surrounds Water Supply	R 5,000,000	0%	100%	0%	100%	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
34. Percentage completion of Qhanqu (Mdeni and Surrounds) water supply	P136 Qhanqu (Mdeni and Surrounds) water supply	R 5,000,000	0%	10%	0%	14%	Outstanding performance	The contractor was requested to add more resources in the implementation and the project performance accelerated	N/A
1. Number of Ventilated Improved Pit (VIP) toilets provided	P044 Eradication of sanitation backlog	R 58,142,947	16000	5810	9216	2281	Unacceptable performance	Not enough projects in the PIP, projects were awarded late to contractors	Sanitation projects had been prioritised in 2018/19 FY and had been through BSC. The construction is progressing very well on appointed contracts
2. Number of public toilet facilities constructed	P045 Construction of ablution facilities	R 2,467,500	New Indicator	4	New Indicator	0	Unacceptable performance	The service providers were appointed to do superstructures and in Ngquza and Ntlaza are complete while in Mhlontlo and coffee bay are in progress	appointment of service providers to do septic tanks is in progress, two have been appointed waiting for two
3. Percentage completion of bulk sewer projects (Phase 2) - Flagstaff	P046 Flagstaff Bulk Sewer	R 15,500,000	40%	50%	40%	50%	Fully effective	N/A	N/A
4. Number of cubic meters of sludge removed	P047 VIP Sludge Management	R 3,000,000	New Indicator	1750	New Indicator	0	Unacceptable performance	The Service Provider was appointed late in June 18	The service provider has now signed the sla and areas to start with have been allocated

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
5. Percentage completion of Tsolo Waste Water Treatment Works (including Tsolo junction development)	P048 Tsolo Waste Water Treatment Works	R 24,000,000	15%	100%	New Indicator	100%	Fully effective	N/A	N/A
6. Percentage completion of Tsolo WWTW and raw water pump station (Phase Two)	P049 Tsolo WWTW and raw water pump station (Phase Two)	R 45,063,829	25%	70%	New Indicator	80%	Fully effective	There was poor performance by the contractor initially but after penalties were applied there has been improvement	Application of penalties
7. Percentage completion of Libode Sewers into Waterborne System	P050 Libode Sewers into Waterborne System	R 19,138,857	0%	30%	0%	25%	Performance not fully effective	The communities stopped the contractor on site, demanded that the already dug excavations be backfilled	The community is being engaged but the demand of the community hall is not finalised yet
8. Percentage completion of Mqanduli Bulk Sewer	P051 Mqanduli Bulk Sewer	R 7,670,427	85%	93%	92%	93%	Fully effective	N/A	N/A
9. Percentage completion of Northern outfall sewers (Bulk waterborne sanitation infrastructure to cover Mthatha West)	P113 Northern outfall sewers	R 6,066,401	98%	98%	New Indicator	98%	Not applicable	During SDBIP adjustment the target was revised and all targets for 17/18 removed. Therefore the project remained at 98% that it was at in the beginning of the financial year.	N/A
10. Percentage completion of Lusikisiki Waste	P114 Lusikisiki Waste Water Treatment works	R 9,780,126	95%	100%	96%	100%	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual 2017/2018	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
Water Treatment works									
1. Percentage reduction in year-to-year water losses in line with Water Affairs acceptable standards	P052 Water Losses	R 20,000,000	27%	26%	27%	0%	Unacceptable performance	Water losses could not be measured accurately due to lack of bulk meter installations	Finalize appointment of service provider to supply bulk meters by 30 September 2018
1. Average response time to complaints raised at the call centre	P053 Call Centre Management	R 0	New Indicator	8hours	New Indicator	8Hours	Fully effective	N/A	N/A

KPA 2: LOCAL ECONOMIC DEVELOPMENT

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
1. Number of individuals trained in building regulations	P054 NHBRC Community Capacity Building	R 367,000	20	60	64	98	Outstanding performance	There is a glaring need to capacitate emerging contractors, youth, disabled and women for Human Settlements development for the District.	N/A
1. Number of Economic Development and Spatial Planning Strategies and Frameworks compliant with SPLUMA developed	P055 Spatial Development Frameworks	R 1,100,000	New Indicator	3	New Indicator	3	Fully effective	N/A	N/A
1. Number of new jobs created (direct/indirect) in Regional Recycling	P056 Regional Recycling	R 3,000,000	New Indicator	220	New Indicator	474	Outstanding performance	Indirect jobs are on a walk-in basis and the buy-back centers had more walk-ins than anticipated	N/A
1. Number of Environmental Management planning projects implemented	P057 Environmental Management	R 888,355	New Indicator	4	New Indicator	4	Fully effective	N/A	N/A
1. Number of tourism related initiatives supported	P058 Tourism Education and Awareness	R 1,900,762	New Indicator	10	New Indicator	11	Fully effective	The department solicited exhibition space for Iziko Port Gold which was	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
								erroneously not included during reporting.	
1. Number of Agri-Park facilities and Value chain programs supported through sector coordination.	P059 Agri-Parks & Agro-Processing	R 6,050,000	3	3	3	3	Fully effective	N/A	N/A
2. Number of Rural Agro-Industrial Programs developed & implemented	P060 RAFI (Rural Agro-industrialisation Finance Initiative) Implementation	R 9,200,000	New Indicator	1	New Indicator	1	Fully effective	N/A	N/A
1. Number of aquaculture capacity building programmes conducted for enterprises (For formal and/ or informal enterprises)	P061 Aquaculture Capacity Building	R 767,500	1	1	1	1	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
2. Number of programmes implemented for Informal trade, Enterprises, Cooperatives and SMME's	P062 Informal Trade, Enterprises, Cooperatives and SMME's	R 850,000	4	4	1	5	Performance significantly above expectations	External departments usually solicit the support of REDP to partner up in trainings. These trainings are at an ad-hoc basis which are unplanned by the District. Mine Workers Development Agency Cooperatives Workshop was as a result of a partnership agreement and as such the District in partnership with MDA & Ntinga conducted the program. The Cooperatives Study workshop was as a result of cooperation with University of Limpopo, Tshwane University of Technology, WSU & Agricultural Research Council was also meant for cooperatives in the district.	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
3. Number of Incubatees supported	P063 Forestry Incubation	R 850,000	10	10	10	10	Fully effective	N/A	N/A
4. Number of Cooperatives supported	P064 Enterprise, Cooperatives and SMME's support	R 12,000,000	10	30	10	21	Performance not fully effective	Procurement processes halted progress and contributed to the non-achievement of the target.	Cooperatives have been awarded during July and August of 2018.
5. Number of jobs created through municipality's local, economic development initiatives including Expanded Public Works Programme	P065 Employment Creation	R 11,123,650	867	250	1777	250	Fully effective	N/A	N/A
7. Number of sector strategies developed and submitted to Council	P066 Sector strategies development	R 1,390,000	New Indicator	4	New Indicator	4	Fully effective	N/A	N/A
7. Number of trade and investment, SMME brochures developed	P067 Trade and investment, SMME brochures	R 250,000	New Indicator	2	New Indicator	0	Unacceptable performance	The research work preceding packaging was completed late due to lack of availability of relevant stakeholders	Various sub-teams were formed to fast track the work. Schedule of activities was developed to track the work progress. Brochures will be completed in the first quarter of 2018/19 year

KPA 3: FINANCIAL MANAGEMENT AND VIABILITY

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
1. Net debtors days	P068 Net debtors days	R 0	157 Days	30 Days	New Indicator	2511	Unacceptable performance	Gross Debtors to the municipality are excessive. Debtors are being billed excessively due to leakages. Bad Debt increasing as people are being billed although unable to pay	Full implementation of the debt collection policy by: 1) Embarking on a vigorous data cleansing of the consumer data base. 2) Appointing a service provider to perform debt collection for the municipality
2. Collection Rate	P069 Collection Rate	R 0	New Indicator	70%	New Indicator	104%	Outstanding performance	The District employed more initiatives for the collection towards the end of the financial year.	N/A
3. Cost coverage	P070 Cost coverage	R 0	1 - 4 Months	1 - 3 Months	New Indicator	3 Months	Fully effective	N/A	N/A
4. Percentage increase in district municipal billing	P071 Revenue	R 0	New Indicator	9%	New Indicator	11%	Performance significantly above expectations	There is a data cleansing project and there were properties that were not previously billed but have been identified for billing	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
5. Amount of future cash invested in high-earning investments	P072 Cash Investment	R 0	R22 Million	R25 Million	R35 Million	R 50.9 Million	Outstanding performance	Grants are not spent according to projections and the funds are accumulating interest	N/A
1. The percentage of a municipality's capital budget spent on capital projects identified for a particular financial year in terms of the municipality's integrated developmental plan	P073 Capital Budget	R 0	100%	100%	100%	100%	Fully effective	N/A	N/A
2. Percentage of payments processed within 30 days of receipt of valid invoice	P074 Payments	R 0	New Indicator	100%	New Indicator	100%	Fully effective	N/A	N/A
1. Percentage implementation of mSCOA Implementation Plan	P075 mSCOA	R 9 000 000	New Indicator	100%	New Indicator	100%	Fully effective	N/A	N/A
1. Number of Annual Financial Statements submitted to Auditor General by 31 August	P076 Annual Financial Statements	R 13,000,000	1	1	1	1	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
1. Percentage of budget classified as irregular expenditure	P077 Irregular Expenditure		New Indicator	0%	New Indicator	746%	Unacceptable performance	Amount of irregular expenditure emanates from prior years including Amatola Water	A committee has been established to investigate irregular expenditure. The Municipality will conduct workshops on SCM regulations to ensure that people will comply. The contract of Amatola Water which contributes to large amount of irregular expenditure has been reviewed and will be regularized
2. Percentage of bids processed within 90 days after closing date	P078 Supply Chain Management		New Indicator	100%	New Indicator	100%	Fully effective	N/A	N/A
1. Number of mSCOA compliant Budgets submitted to National Treasury by stipulated deadline date	P079 mSCOA compliant Budget		New Indicator	2	New Indicator	2	Fully effective	N/A	N/A

KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
1. Number of Mayoral committee meetings held	P080 Section 80 Committee Meetings	R 370,000	12	12	8	12	Fully effective	N/A	N/A
2. Number of Sector focused and Mayoral Imbizo's held	P081 Sector focused and Mayoral Imbizo	R 4,420,000	16	16	21	16	Fully effective	N/A	N/A
3. Number of Ambassador development initiatives conducted	P082 O.R Tambo Ambassador Development Initiatives	R 115,000	New Indicator	2	New Indicator	3	Outstanding performance	The office responded to a request for a workshop on chemical production and agro-processing that was made in partnership with the Department of REDP	N/A
1. Number of Municipal Oversight Model (MOM) imperatives (Annual Reports, Budget, Quarterly Reports and FIS) assessed	P083 Municipal Oversight Model	R 910,000	28	32	39	40	Outstanding performance	Addition 16 Analysis reports were produced during then financial year	N/A
2. Number of Ordinary and Open Council meetings held	N/A	R 3,100,000	6	6	6	7	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
3. Percentage of ward committees assessed	N/A	R 0	100%	100%	100%	100%	Fully effective	N/A	N/A
4. Number of Whippy imperatives supported	N/A	R 2,140,000	New Indicator	16	New Indicator	32	Outstanding performance	Committee study groups and council caucuses, whippy meetings sat more than expected due to high demand for political stability	N/A
5. Number of risk assessments conducted	P084 Implementation of Risk Strategy	R 767,500	1	4	1	4	Fully effective	N/A	N/A
6. Number of District Fraud hotlines established	P085 District Fraud Hotline		New Indicator	1	New Indicator	0	Unacceptable performance	The process for the establishment of the Hotline has been subjected to procurement processes and the specification took more than expected as the project has been the first of its nature in the institution	The tender has been advertised and is being evaluated for the award. Evaluation will be accelerated in order to award the tender and then table the matter to Council
7. Audit Opinion on Compliance (Laws & Regulations)	P086 Audit Opinion on compliance (Laws & Regulations)	R 0	Qualified	Unqualified	Qualified	Qualified	Performance not fully effective	The district obtained unqualified audit opinion as a result of capacity constraints, as well as the culture	The Municipality developed Management Action Plan that is aimed at addressing all

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
								of the people in relation to the procurement system	the issued raised by AG.
8. Number of Inter-Governmental Relations (IGR) partnerships formed	P087 IGR Partnerships	R 1,452,500	New Indicator	2	New Indicator	2	Fully effective	N/A	N/A
9. Number of quarterly reports submitted to Council on functionality of IGR	N/A		New Indicator	4	New Indicator	4	Fully effective	N/A	N/A
1. Number of quarterly communication Initiatives implemented	P088 Communication Initiatives	R 7,960,000	8	16	32	26	Outstanding performance	Ten additional adhoc activities were done as required by the requirements of the District	N/A
1. Number of municipal institutional performance reports submitted to Council	P089 Institutional Performance	R 1,260,000	6	6	6	6	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
2. Number of material findings raised by the Auditor General on the Audit of Performance Information	P090 Audit Opinion on Pre-determined objectives	R 7,112,500	2	0	Qualified	2	Unacceptable performance	The Performance Management System has not been fully adapted by the Municipal personnel and as such most of the information that was required by AG for system description could not be provided. Secondly, the AG did not agree with how the municipality was reporting in relation to indicators measuring percentage completion.	The Municipality developed Management Action Plan that is aimed at addressing all the issued raised by AG. A new way of reporting has been devised by the PMS team in collaboration with the Project Managers with regards to reporting of infrastructure projects.
3. Number of mSCOA compliant IDP's adopted by council	P091 mSCOA compliant IDP		1	1	0	1	Fully effective	N/A	N/A
4. Number of Service Delivery Budget and Implementation Plans approved by the Mayor	P092 Service Delivery Budget and Implementation Plan		1	1	1	1	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
5. Number of District Development Plan (DDP) vision 2030 initiatives conducted	P115 District Development Plan Initiatives	R 0	New Indicator	4	New Indicator	6	Outstanding performance	To ensure that development within the district runs smoothly, a need to conduct a land and investment summit was identified and the PSC was established and a concept document was developed.	N/A
1. Percentage reduction in litigation cases	P093 Litigations	R 6,375,000	New Indicator	25%	New Indicator	44%	Outstanding performance	There has been particular focus on negotiating all matters where the municipality does not have possibility to win. The panel of attorneys had assisted in analysing some of the matters.	N/A
1. Audit Opinion	P094 Audit Opinion	R 0	Qualified	Unqualified	Qualified	Qualified	Performance not fully effective	The District obtained qualified audit opinion as a result of irregular expenditure	The Municipality developed Management Action Plan that is aimed at addressing all the issued raised by AG.
2. Number of follow-up quarterly reports on Internal	P095 Follow-up audit	R 0	New Indicator	4	New Indicator	4	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
Audit, Audit Committee and Auditor-General issues compiled									
3. Number of Audit Committee meetings held	P116 Audit Committee	R 0	4	4	5	6	Outstanding performance	2 Special Audit Committee meeting were convened during the financial to consider District reports in order to ensure compliance.	N/A
4. Number of organisations provided with Internal Audit support	P117 Internal Audit Support	R 0	5	4	4	4	Fully effective	N/A	N/A
5. Number of risk-based internal audit plan approved by the Audit Committee	P118 Risk Based Internal Audit Plan	R 0	1	1	1	1	Fully effective	N/A	N/A
6. Number of MPAC technical support reports provided	P119 Technical Support MPAC	R 0	New Indicator	4	New Indicator	4	Fully effective	N/A	N/A

KPA 5: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
1. Average number of days taken to fill posts	P096 Recruitment and Selection	R 985,000	New Indicator	90 days	New Indicator	90 days	Fully effective	N/A	N/A
1. Percentage spent of the WSP budget	P097 Workplace skills Plan	R 10,627,500	100%	100%	100%	100%	Fully effective	N/A	N/A
1. Number of employment equity plans developed	P098 Employment Equity Plan	R 0	New Indicator	1	New Indicator	1	Fully effective	N/A	N/A
1. Percentage functionality of Local Labour Forum (LLF)	P099 Local Labour forum	R 157,500	New Indicator	100%	New Indicator	100%	Fully effective	N/A	N/A
2. Number of Departments with updated records at the registry	P100 Record Management	R 1,808,500	0	4	0	4	Fully effective	N/A	N/A
3. Number of employee wellness programmes implemented	P101 Wellness Programmes	R 1,075,000	4	4	4	4	Fully effective	N/A	N/A
4. Number of municipalities who have completed the Job Evaluation Process	P102 Job Evaluation	R 1,100,000	3	3	2	3	Fully effective	N/A	N/A
5. Number of IT related Audit Findings resolved	P103 Information Communication and Technology Controls	R 0	New Indicator	6	New Indicator	6	Fully effective	N/A	N/A

Indicator	Project	Budget Allocation 17/18	Baseline	Annual Target 2017/2018	Annual Actual 2016/2017	2017/18 Annual			
						Annual Actual	Performance Assessment	Reason for Deviation (For all under achieved and over achieved targets)	Corrective Action (To be specific with timelines)
6. Percentage of reported OHS Incidents investigated	P104 Occupational Health and safety	R 316,692	New Indicator	100%	New Indicator	100%	Fully effective	N/A	N/A

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

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 Employee Totals, Turnover and Vacancies

4.1.1 Total Number of Number of Municipal Employees per Department

Employees				
Description	2017/18			
	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	%
Water and Sanitation	772	667	105	14%
Technical Services	63	12	51	81%
Community Services	175	144	31	18%
Human Settlements	35	12	23	66%
Rural, Economic and Development Planning	107	25	82	77%
Budget & Treasury Office	187	105	82	44%
Corporate Services	431	82	349	81%
Internal Audit	14	9	5	36%
Legislative Services	59	49	10	17%
Executive Mayoral Office	117	88	29	25%
Office of the Municipal Manager	44	31	13	30%
Executive Mayoral Services	50	37	13	26%
TOTAL	2004	1261	793	40%

4.1.2 Turnover Rate

4.1.2.1 Turnover rate on top management positions

Vacancy Rate on Top Management Positions: 2017/18			
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
CFO	1	0	0.00
Director Water and Sanitation	1	0	0.00
Director Technical Services	1	1	100.00
Director Community Services	1	0	0.00
Director Human Settlements	1	0	0.00
Director Executive Mayoral Services	1	0	0.00
Director Legislative Services	1	0	0.00
Director Rural Economic Development and Planning	1	0	0.00
Director Internal Audit	1	1	100.00
Director Corporate Services	1	0	0.00
Director Office of the Municipal Manager	1	0	0.00
Total	12	2	16.67

4.1.2.2 Vacancy Rate on District Employees

Vacancy Rate on all District Employees				
Total number of employees	Vacant positions	New Employees (2017/18)	Resignations in 2017/18	Turnover Rate
1261	793	86	12	0.95%
117 (casual employees)				

4.1.2.3 Staff Turnover per Category and Post Level

Resignations/Terminations	
Senior Managers	02
Middle management	01
General staff	09
Total	12
Retirements	
Senior Managers	0

Middle management	01
General staff	09
Total Retirements	10
Deaths	
Senior Managers	0
Middle Managers	02
General staff	11
Total deaths	13

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.2 Policies

Policy	Status	Date Adopted by Council or Comment on failure to adopt
Attendance & Punctuality	New	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Essential user scheme	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Overtime policy	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Acting allowance policy	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Code of conduct policy	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Termination of services policy	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Bursary policy	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Subsistence & Travelling policy	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.

Policy	Status	Date Adopted by Council or Comment on failure to adopt
Integrated Employee/Employer Wellness	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Retention policy	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Whistle Blowing policy	New	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Sexual Harassment	New	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Information & Communication Technology	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.
Security Management & Access Control policy	Reviewed	The policy is scheduled to be tabled to Council in February 2019 after the Councillors have been workshopped on it.

4.3 Injuries, Sickness and Suspensions

The table below reflects on the resignations, injuries, death and pensions

Category	Number Of Employees
Injuries	01
Death	14
Pension	19
Contract expired	02
Resignations	11

The bae below illustrates the number and cost of injuries on duty incurred during the financial year:

Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	16	1	6%	3	60
p	16	1	6%	3	60

The table below illustrates the number of days and cost of sick leave for the financial year under review:

Salary band	Total sick leave	Employees using sick leave	Proportion of sick leave without medical certification	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	No.	%	No.	Days	R' 000
Unskilled skilled (TG 1-3)	297	10	3.4	461	0.25	
Semi Skilled (TG 4-8)	265	7	2.6	238	0.22	
Skilled Technical & Academically Qualified/Junior Management/Supervisors/foreman/superintendants (TG 9-13)	607	47	7.7	425	0.50	
Professionally qualified & experienced specialits (TG 14-18)	80	8	10.0	75	0.07	
Senior management (TG 18-22)	0		0.0	0	0.00	
MM and S57			0.0	10	0.00	
Total	1249	72	23.8	1209	1.03	0

During the financial year, the District suspended one employee and the details of the case are illustrated in the table below:

Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Gross insubordination & gross insolence	01-Dec-17	In progress & partly heard, however employee have initiated plea agreement but rejected conditions attached and that prompted employer to reconvene full hearing	Case in progress

The table below has the list of disciplinary cases that were handled during the financial year:

Position	Department	Area	Nature Of Offence	Progress	Date Finalized	Finding	Sanction
Process Controler	Water	Thornhill	Gross Derelction Of Duties	Finalized		Guilty	Dmotion, 10 Days Suspension Without Pay
General Worker	Water	Psj	Desertion	Finalized	04-Apr-18	Guilty	Dismissal
Plumber	Water	Thornhill	Desertion	Finalized	04-Apr-18	Guilty	Dismissal
Plumber	Water	Thornhill	Desertion	Finalized	04-Apr-18	Guilty	Dismissal
Customer Care Clerk	Water	Mqanduli	Abscondment/Awol	Finalized	31-Jul-18	Guilty	Final Written Warning, 10 Days Suspension Without Pay
General Foreman	Water	Mqanduli	Abscondment/Awol	Finalized	31-Jul-18	Guilty	Final Written Warning, 10 Days Suspension Without Pay
General Worker	Water	Mqanduli	Abscondment/Awol	Finalized	31-Jul-18	Guilty	Final Written Warning, 10 Days Suspension Without Pay
Station Commander	Fire	Nyandeni	Insurbodination , Ngeligence & Desertion	Finalized	09-Jan-18	Guilty	Dismissal
Senior Fire Fighter	Fire	Nyandeni	Desertion/Awol, Dishonesty	Finalized	19-Mar-18	Guilty	Dismissal

Position	Department	Area	Nature Of Offence	Progress	Date Finalized	Finding	Sanction
Driver	Legislative Services	Umtata	Fraud, Theft, Dishonesty	Finalized	06-Aug-18	Guilty	Dismissal
Project Accountant	Bto	Umtata	Fraud, Corruption And Gross Dishonesty	Finalized	23-Jul-18	Guilty	Dismissal

COMPONENT C: CAPACITATING MUNICIPAL WORKFORCE

4.4 Performance Rewards

The District is not yet at the stage of implementing performance rewards as it is still at the stage of developing individual performance management. However, over the year the district has been able to adopt the policy framework that serves to guide performance management. It also conducted evaluations of the Senior Management for the mid-term.

4.5 Skills Development and Training

Training interventions are structured according to the:

- Study assistance programme (Formal qualifications)
- Skills programmes/ Short courses
- Learner ships &
- Experiential training programme (student trainees and Internships)

Table: Skills Programme/ Short Course – Employed Leaners (18.1)

No	Learning Programme	Department	Duration of Training	Actual No. of Beneficiaries Trained	Name of Training Provider
1.	Occupational Health & Safety	CPS	3 days	1	IOSHA
2.	Graphic Design	REDP	Part 1 -12 days	1	Morning Star Design
3.	Strategic Business Management	WASS	04 Months	1	

No	Learning Programme	Department	Duration of Training	Actual No. of Beneficiaries Trained	Name of Training Provider
4.	SDF course	CPS	5 days	2	Pro- Active College
5.	Advanced Project Management	WASS, OEM, COMM SERV	8 days	16	LeMark Training & Dev.
6	Customer care training	LEG SERV, OMM, CPS & BTO	5 DAYS	20	Walter Sisulu University
7	Certificate programme in the dev and man. Of local gov	OEM	3 months	1	Wits University
8	Basic training officer course	Mhlontlo Local municipality	1 week	10	PE traffic training college
9	Secretary day annual conference	OMM,CPS, OEM, LEG SERV AND REDP	3 DAYS	19	MichTech Skills solution
10	National leadership development in SA	CPS	1 day	1	SABPP
11	Life coaching	CPS	6 months	2	New insight
12	Payroll module HR & BUDGET MODULES	BTO & CPS	5 DAYS	28	Payday
13	Payroll module	BTO	5 days	8	Payday
14	Launch of national leadership and payroll standards	CPS	1 day	4	SABPP
15	HR Standards workshop	CPS	1 day	13	SABPP
16	Annual conference Impsa	CPS, Mhlontlo LM & Nyandeni LM	3 days	13	IMPISA
17	Tax law	BTO	8 WEEKS (ON LINE)	2	University of Cape town
	TOTAL			142	

Table: Study Assistance- Employed Learners (18.1)

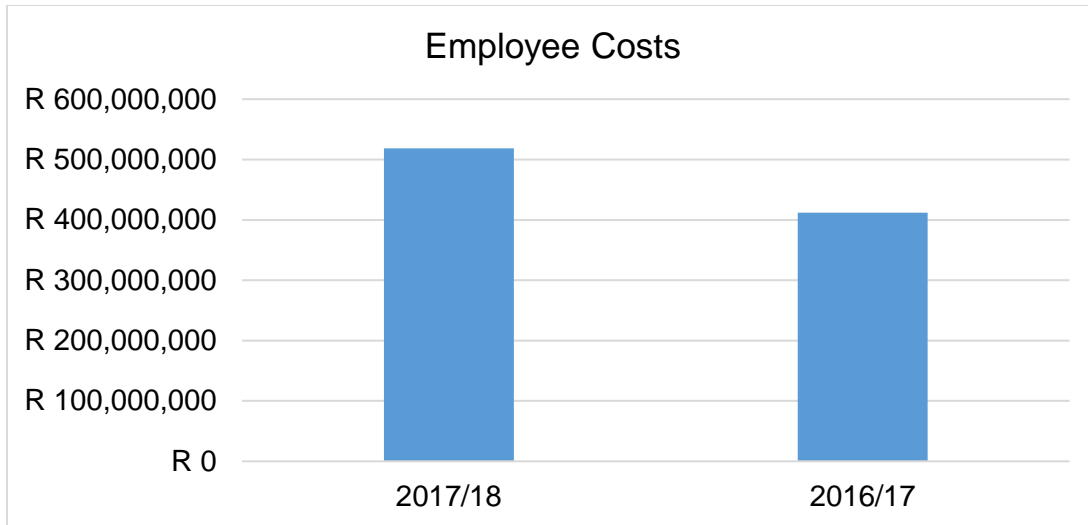
No	No of Beneficiary	Department	Name of Institution	Qualification/ Certificate
1	13	WASS, CPS, COM SERV, & OMM	UNIVERSITY OF FORT HARE	SHEQ management, Masters in Public admin, BA Public admin, Monitoring and evaluation, masters in library & advanced cert in Public admin
2	5	WASS	NMU	Msc Geography and B-tech degree
3	2	REDP & OEM	WSU	Bachelor of Laws
4	1	Com serv	Lyceum college	Bachelor of arts in disaster and safety management
5	6	BTO, REDP, OEMM & CPS	UNISA	Accounting science, bachelor of laws, LLB, Pgd In Applied Accounting Science & Pgd In Security Management
6	3	OMM, CPS & COM SERV	UFS	BSP (Hons) spatial planning, masters urban and regional planning & PGD in Disaster management
7	1	REPD	INST.MAN.ACC. AND STRATEGY	CIMA Diploma in management accounting
8	1	OEM	Wits University	Masters in Management
9	30	CPS , BTO	Regent Business School	B com HR, MBA, PGD in Management, Bachelor of Commerce
10	1	COMM SERV	Southern Business School	Diploma in Disaster Risk Management
11	69	WASS, CPS, BTO, LEG SERV, OEM, OMM	Wits Business School	Municipal Executives Financial Management Programme(CPMD)
12	16	CPS	Info Tech	Secretarial & Management skills with Computer Literacy
13	1	WASS	Learn fast Training Solutions	MCSA SOL server GIS course
14	9	REDP, COMM SERV, WASS, OMM	UJ	Advanced Certificate in Municipal Governance
15.	5	CPS	Boston College	Sports Management, Office Admin/ Secretarial Course,

No	No of Beneficiary	Department	Name of Institution	Qualification/ Certificate
				ND in IT, Advanced Computer
16.	15	LEG SERV, CPS, REDP, BTO	MANCOSA	Hons in Public Administration, Bcom IT, MBA, Bachelor of Public Administration, PGD in Project Management
Total	178			

Table: Learnership & Experiential Training (18.1 & 18.2)

No.	Learning Programme	Department/ Stakeholder	Actual No. of Beneficiaries Trained	Duration of Training	Name of Training Provider
1	Water and waste water Treatment Level 3	WASS	12	1 year	Asante
2	Water and Waste water Treatment Control/ Operational level2 (18.2) & (18.1)	WASS	40	1 year	Mahube Training & Dev
3	Water and waste water process Control/ Operation (18.1)Level 3	WASS	15	1 year	Water Academy
4	INTERNSHIPS	ALL DEPTS	55	1 year	OR TAMBO DM
5	STUDENT TRAINING	ALL DEPTS	64	6M – 18M	OR TAMBO DM
6	Mobile Artisan Training(Plumbing, Brick laying, Electricity & Carpentry)	Community	100	1 Month	Coega Dev Corporation
TOTAL BENEFICIARIES			186		

4.6 Employee Expenditure



Employee costs for the financial year under review has increased by R106M from the previous financial year. The filling of key vacant positions as well as annual salary increases of employees have affected this increase.

CHAPTER 5 – FINANCIAL PERFORMANCE

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

5.1 Statement of Financial Performance

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	268,583,183	-	268,583,183	230,491,347	(38,091,836)
Rental of fixed assets	55,000	-	55,000	89,795	34,795
Interest received (trading)	30,000,000	9,000,000	39,000,000	87,144,255	48,144,255
Operational revenue	327,807,679	15,125,424	342,933,103	131,242,282	(211,690,821)
Total revenue from exchange transactions	626,445,862	24,125,424	650,571,286	448,967,679	(201,603,607)
Revenue from non-exchange transactions					
Transfer revenue					
Transfers and subsidies	735,126,000	-	735,126,000	1,713,088,451	977,962,451
Income from Agency Services	-	-	-	77,383	77,383
Total revenue from non-exchange transactions	735,126,000	-	735,126,000	1,713,165,834	978,039,834
Total revenue from exchange transactions¹	626,445,862	24,125,424	650,571,286	448,967,679	(201,603,607)
Total revenue from non-exchange transactions¹	735,126,000	-	735,126,000	1,713,165,834	978,039,834
Total revenue	1,381,571,862	24,125,424	1,385,697,286	2,162,133,513	776,436,227
Expenditure					
Employee Related Costs	(418,202,541)	588,455	(417,614,086)	(511,495,491)	(93,881,405)
Remuneration of councillors	(17,589,496)	(9,490,814)	(27,080,310)	(18,578,491)	8,501,819
Depreciation and amortisation	(167,308,208)	6,000,000	(161,308,208)	(156,116,362)	5,191,846
Finance costs	-	-	-	(8,065,681)	(8,065,681)
Debt Impairment	(83,337,653)	-	(83,337,653)	(88,730,330)	(5,392,677)
Bulk purchases	(73,550,000)	(13,000,000)	(86,550,000)	(44,382,077)	42,167,923
Contracted Services	(108,346,804)	19,619,140	(88,727,664)	(219,987,097)	(131,259,433)
Transfers and Subsidies	(33,404,203)	(4,100,000)	(37,504,203)	(159,815,257)	(122,311,054)
Operational Costs	(456,129,910)	(23,938,998)	(480,068,908)	(350,532,960)	129,535,948
Total expenditure	(1,357,868,815)	(24,322,217)	(1,382,191,032)	(1,557,703,746)	(175,512,714)
	1,361,571,862	24,125,424	1,385,697,286	2,162,133,513	776,436,227
	(1,357,868,815)	(24,322,217)	(1,382,191,032)	(1,557,703,746)	(175,512,714)
Operating surplus	3,703,047	(196,793)	3,506,254	604,429,767	600,923,513
Loss on disposal of assets	-	-	-	(7,518,842)	(7,518,842)
Actuarial gains/losses	-	-	-	(9,798,000)	(9,798,000)
	-	-	-	(17,316,842)	(17,316,842)
	3,703,047	(196,793)	3,506,254	604,429,767	600,923,513
	-	-	-	(17,316,842)	(17,316,842)
Surplus / (Deficit) for the year	3,703,047	(196,793)	3,506,254	587,112,925	583,606,671

5.2 Grants

National: FMG Funds

Current-year receipts	2,045,000	1,710,000
Conditions met - transferred to revenue: Operating expenses	(2,042,065)	(1,710,000)
Other adjustments / Refunds	(2,935)	-
	<u>-</u>	<u>-</u>

National: WSIG Funds

Current-year receipts	124,000,000	109,739,000
Conditions met - transferred to revenue: Capital expenses	(108,536,202)	(96,763,259)
Other adjustments / Refunds	(15,463,798)	(12,975,741)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

This grant was received for the building and maintenance of water and sanitation infrastructure in the district. No funds have been withheld..

National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	-
Current-year receipts	327,500,000	343,183,000
Conditions met - transferred to revenue: Operating expenses	(36,676)	-
Conditions met - transferred to revenue: Capital expenses	(293,770,501)	(301,016,101)
Other adjustments / Refunds	(33,692,823)	(42,166,899)
	<u>-</u>	<u>-</u>

National: Department Roads and Transport

Current-year receipts	2,931,000	2,693,000
Conditions met - transferred to revenue	(2,582,978)	(2,338,066)
Other	(348,022)	(354,934)
	<u>-</u>	<u>-</u>

Nationa: EPWP Grant

Current-year receipts	4,811,000	3,213,000
Conditions met - transferred to revenue	(4,811,000)	(3,174,663)
Other adjustments / Refunds	-	(38,337)
	<u>-</u>	<u>-</u>

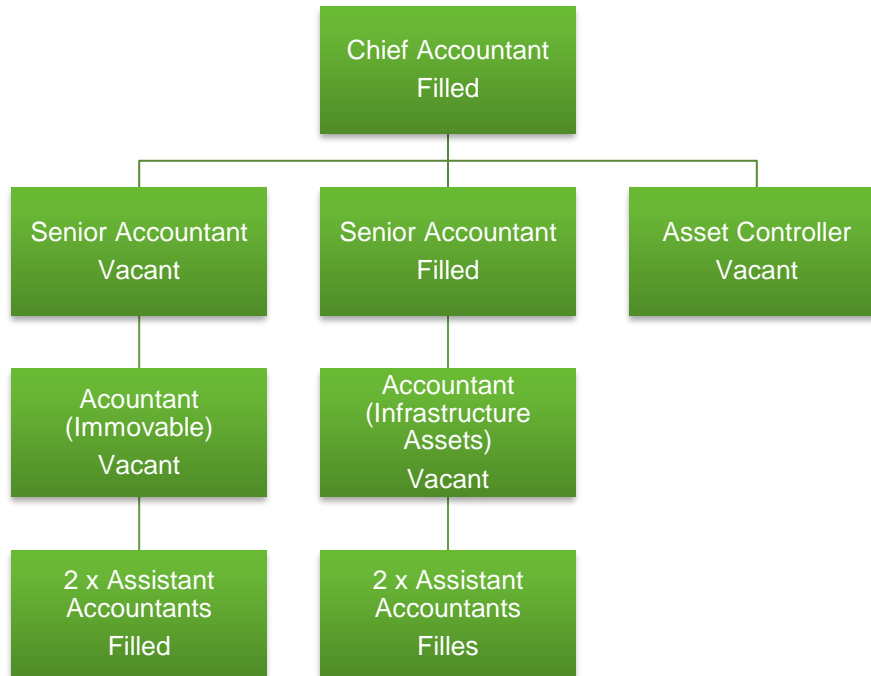
5.3 Asset Management

Asset management practice is not in a good state within our organisation due to non-adherence to asset management policy, which is an institutional problem. Assets are being moved without following proper procedures of filling asset removal forms, as a result during asset verification we always encounter problems with asset verification.

5.3.1 Key Elements from the Asset Management Policy

- The Municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of an asset needed to provide the minimum level of basic municipal services.
- The Municipality may not transfer ownership or otherwise dispose of an asset other than one contemplated above, but only after the Council, in a meeting open to the public has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the item and the economic and community value to be received in exchange for the asset.
- Every Head of Department shall, however, ensure that any item with a value in excess of R250 (two hundred and fifty rand) (incl. VAT), and with an estimated useful life of more than one year, shall be recorded on an inventory list. Every Head of Department shall ensure that the existence of items recorded on such inventory is verified from time to time, and at least once in every financial year, and any amendments which are made to such inventories pursuant to such stock verifications shall be retained for audit purposes.
- Only expenses incurred in the enhancement of an asset item (in the form of improved or increased services or benefits flowing from the use of such item) or in the material extension of the useful operating life of an asset item shall be capitalised.
- Expenses incurred in the maintenance or reinstatement of an asset item shall be considered as operating expenses incurred in ensuring that the useful operating life of the item concerned is attained, and shall not be capitalised, taking into account International Financial Reporting Standards in respect of the expenses concerned.
- Every Head of Department shall ensure that a maintenance plan in respect of every new infrastructure asset with a value of R100 000 (one hundred thousand rand) or more is promptly prepared and submitted to the Council for approval.
- If so directed by the Municipal Manager, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.
- The Head of Department controlling or using the infrastructure asset in question, shall annually report to the Council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the item concerned.
- If so directed by the Municipal Manager, the maintenance plan shall be submitted to the Council prior to any approval being granted for the acquisition or construction of the infrastructure asset concerned.
- The Head of Department controlling or using the infrastructure asset in question, shall annually report to the Council, not later than in July, of the extent to which the relevant maintenance plan has been complied with, and of the likely effect which any non-compliance may have on the useful operating life of the item concerned.

5.3.2 Organisational Structure of the Asset Management Unit



5.3.3 Staff Delegation

Listed below is the work plan for Asset Management

Property Plant and Equipment

Isolation of responsibilities and Segregations of duties for the current Asset Management staff is illustrated in the table below:

Roles and Responsibilities	Position
Manager	All functions
Chief Accountant	All functions
Land and Building	Assistant Accountant
Intangible assets and Leases	Assistant Accountant
Computers, Laptops and Insurance	Assistant Accountant
Furniture	Assistant Accountant
Motor Vehicles and its Insurance	Assistant Accountant

5.3.4 Issues under Development

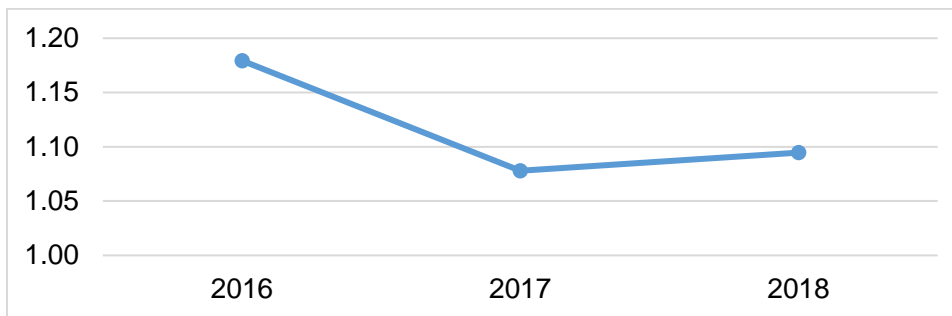
- The District requires an asset management system to import all asset registers, as currently the asset register is compiled manually on excel;
- Asset verification system to assist the municipality on verification;
- Staff trainings on GRAAP standards; and
- Recruitment of the Senior Accountant

5.3.5 Plans to Address the Development Issues

- Conversion of manual asset register into the system is in progress;
- Benchmark exercise for the procurement of asset management system will be conducted; and
- Capacitation of asset management staff will be done through training and workshops.

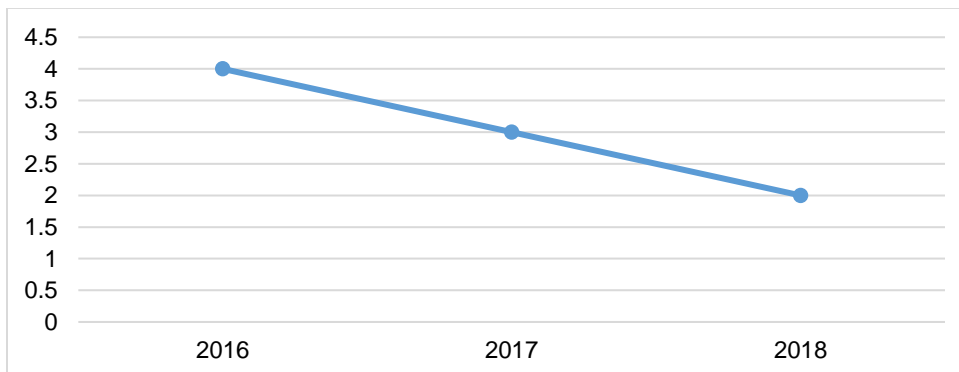
5.4 Financial Ratios based on Key Performance Ratios

5.4.1 Liquidity ratio



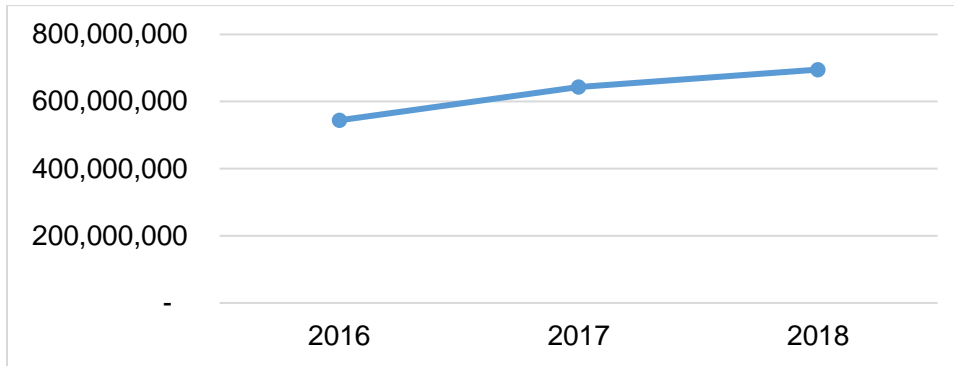
Current assets vs current liabilities. The District has less funds to maintain its assets.

5.4.2 Cost coverage



The ratio has decreased from the prior year. However, it is still within the norm of 1 - 3 months, which is evidence that the existing cash and cash equivalents can sufficiently cover up to two months expenditure even if no further cash were to be received for the next two months from year end. Thought this is within the norm, there is a continuous decline and that is a concern for the municipality.

5.4.3 Total outstanding service debtors

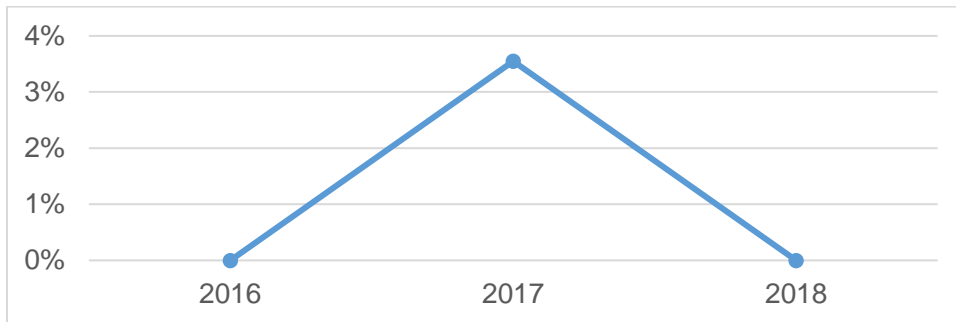


Total Outstanding Service Debtors: Measures how much money is still owed by the community for water and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

This ratio has worsened from the prior year. This is due to a number of consumers not paying their debts timeously.

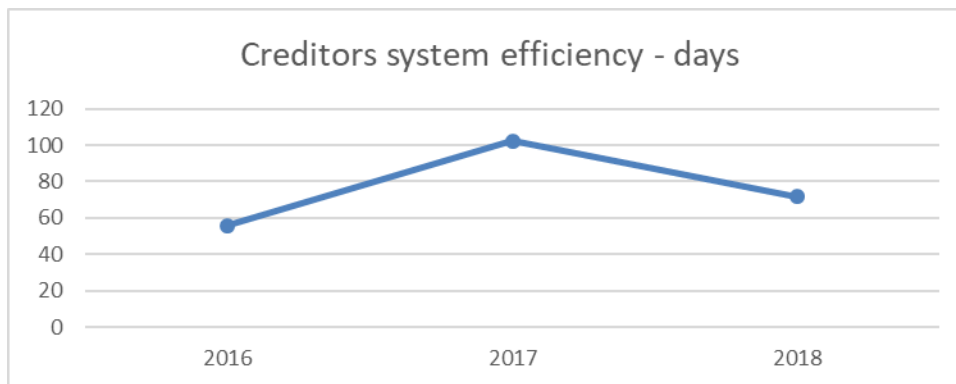
As the mandate of the municipality is to provide service delivery, it is often very hard to disconnect consumers that are not paying since some of the services provided by the municipality, like water, are basic needs that the consumers cannot live without. There have also been limited disconnections as a result data cleansing exercise that the District embarked on during the financial year. Another challenge are the water leaks within households in old locations such as Ngangelizwe etc. that leads to overcharging of consumers. When the consumers are billed, they dispute the readings.

5.4.4 Debt coverage



Debt Coverage: The number of times debt payments can be accommodated within operating revenue (excluding grants). This in turn represents the ease with which debt payments can be accommodated by the Municipality. The District maintained its status of having no borrowings.

5.4.5 Creditors system efficiency



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

The creditor's system efficiency ratio is continuing to worsen when compared to the previous financial year.

The norm is 30 days. The performance below the norm has been mainly as a result of the following:

1. Invoice disputes between Line Department and suppliers;
2. Withholding of payments for breach of contracts conditions;
3. Submissions of Invoices without sufficient documentation;
4. Failure of Service providers to review dates in the invoices;
5. Incorrect invoices submitted by suppliers (no vat registration numbers, incorrect invoice amounts and addresses); and
6. Verification of supplier banking details.

In terms of SCM processes, payments are only made if all disputes are resolved and correct invoices are submitted in the name of the municipality, which is in line with MFMA requirements. Furthermore, included in trade payables are retentions, which skew this ratio, as they are not required to be paid within 30 days.

The District has raw water debt from Water and Sanitation Department that will be paid off during the first quarter of 2018/19 financial year.

5.4.6 Capital charges to operational expenditure

The District does not have loans that it is servicing.

5.4.7 Employee costs



Employee cost: measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the operating expenditure multiplied by 100.

Employee related costs as a percentage of total revenue has increased from the prior year.

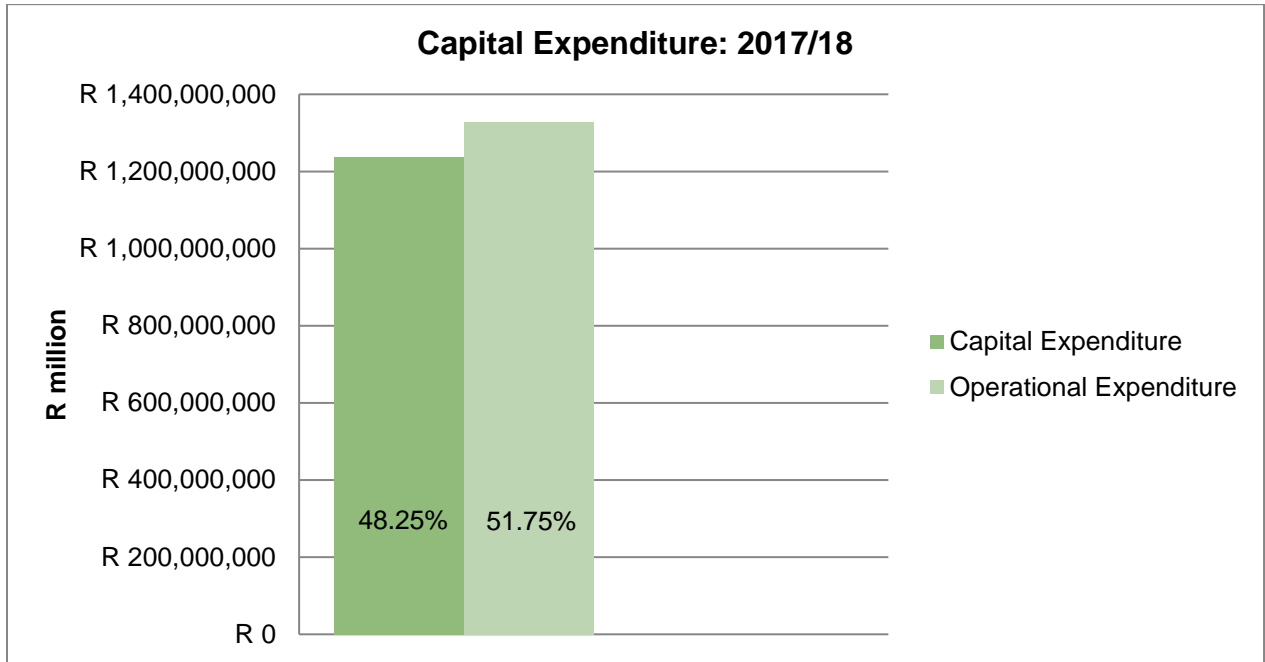
Notwithstanding this increase, the ratio remains within the norm of between 25% and 40% .This provides a demonstration that the district's expenditure is not misdirected to non-essentials or nonservice delivery related expenditure. The increase is mainly attributable to an increase in overtime payments and new appointments in key positions.

5.4.8 Repairs and maintenance

Repairs and maintenance are now classified under contracted services in line with MSCOA requirements.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.5 Capital Expenditure



5.6 Sources of Finance

	Original Budget	Adjustments	Final Budget	Actual Outcome	Variance	%ge Variance
Service Charges	268,583,183.00		68,583,183.00	230,491,347.00	-38,091,836.00	-14%
Rental of Assets	55,000.00		55,000.00	89,795.00	34,795.00	63%
Interest Received	30,000,000.00	9,000,000.00	39,000,000.00	87,144,255.00	48,144,255.00	123%
Other Revenue	327,807,679.00	15,125,424.00	342,933,103.00	131,242,282.00	-211,690,821.00	-62%
Transfer Recognised – Operating	735,126,000.00		735,126,000.00	1,713,088,451.00	977,962,451.00	133%
Income from Agency Services	-		-	77,383.00	77,383.00	0
	1,361,571,862.00	24,125,424.00	1,385,697,286.00	2,162,133,513.00	776,436,227.00	

Service Charges – Actual billing is corrected through data cleansing projects

Rental of Assets – Hall hire was more than projected

Interest Received – Non-payment of consumers and the investing of funds in high yielding investments resulted in variance

Other Revenue – Budget amounts include VAT and reserves whilst in GRAP; VAT is accounted for in accounts receivable and reserves under cash in cash flow

Transfer Recognised (Operating) – Budget reflects only the operating grants whilst actual outcome includes both operating and capital grants received

Income from Agency Services – Commission from garnishee orders was not budgeted for

5.7 Capital Spending on 5 Largest Projects

The table below illustrates capital expenditure of five largest projects implemented during 2017/18 financial year:

Name of Project	2017/18 Financial Year			Variance
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)
Mthatha Regional Water Supply - Thornhill to Mqanduli	28,156,803	0	50,287,285	-79%
Ngqeleni & Libode Corridor	48,449,790	0	191,214,716	-295%
Coffee Bay Regional Water Supply	15,115,337	0	29,849,434	-97%
Tsolo Sewer	75,513,829	0	51,783,783	31%
Port St Johns Regional Water Supply - Phase 5	18,046,626	0	11,138,458	38%

Name of Project - A	Mthatha Regional Water Supply - Thornhill to Mqanduli
Objective of Project	To provide primary bulk water infrastructure to KSD communities in Mthatha and Mqanduli towns and villages
Delays	Supply of material
Future Challenges	Do not foresee future challenges as yet
Anticipated citizen benefits	52529 Households
Name of Project - B	Ngqeleni & Libode Corridor
Objective of Project	To provide primary bulk water infrastructure to Ngqeleni and Libode towns and villages
Delays	Supply of material, land claims, as well as a challenge of kids that drowned in the trenches
Future Challenges	delay in the resolution of land claims
Anticipated citizen benefits	27461 Households
Name of Project - C	Coffee Bay Regional Water Supply
Objective of Project	To provide water to villages of KSD ward 24 and 25
Delays	Approval of additional funding by COGTA
Future Challenges	Do not foresee future challenges as yet
Anticipated citizen benefits	4647 Households
Name of Project - D	Tsolo Sewer
Objective of Project	To construct waste water treatment work to service Tsolo town and future development of Tso junction
Delays	Nonperformance of the service provider
Future Challenges	Do not foresee future challenges as yet
Anticipated citizen benefits	5047 Households
Name of Project - E	Port St Johns Regional Water Supply - Phase 5
Objective of Project	To provide water to communities of ward 12

Delays	The project started late due to levels of water
Future Challenges	More high levels of water
Anticipated citizen benefits	7734 sehods

5.8 Basic Service and Infrastructure Backlogs - Overview

All five the local municipalities, with the exception of Mhlontlo, show an increase in its population numbers. All five the LMs grow with regard to the number of households at a much faster rate than the Eastern Cape Province. In addition to this increase in the number of households, the average size per household steadily declines, not just in the district but also on a national level. The rate at which the household size diminishes in OR Tambo DM is also lower than the provincial average.

The increase of the population size in OR Tambo DM district is less because of people migrating into the region from elsewhere, compared to new births in households throughout the district and family members moving into the district or moving between households within the district and its municipalities. However a study undertaken by Global Insight in 2010 and the Community Survey 2016, suggests that population in the district will decline over the next decade. A key reason is migration from the district for economic reasons.

O.R. Tambo District housed 2.7% of the total South African population in 2016. Between 2011 and 2016, the population grew by 6.7%, which is close to the provincial growth rate of 6.6% in the same period. Ingquza Hill and KSD recorded the largest population growth rates of 8.9% and 8.1% between 2011 and 2016 respectively.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.9 Cash Flow

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis					
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
Figures in Rand					
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Service Charges	185,245,530	-	185,245,530	125,029,361	(60,216,169)
Grants	1,834,775,000	-	1,834,775,000	1,713,088,451	(121,686,549)
Interest income	30,000,000	9,000,000	39,000,000	91,672,456	52,672,456
Other receipts	327,862,679	15,125,424	342,988,103	162,094,604	(180,893,499)
	2,377,883,209	24,125,424	2,402,008,633	2,091,884,872	(310,123,761)
Payments					
Employee related costs	(435,792,037)	(8,902,359)	(444,694,396)	(523,196,982)	(78,502,586)
Suppliers Paid	(638,026,714)	(17,319,858)	(655,346,572)	(580,881,114)	74,465,458
Grants and Subsidies paid	(33,404,203)	(4,100,000)	(37,504,203)	(159,815,257)	(122,311,054)
	(1,107,222,954)	(30,322,217)	(1,137,545,171)	(1,263,893,353)	(126,348,182)
Total receipts	2,377,883,209	24,125,424	2,402,008,633	2,091,884,872	(310,123,761)
Total payments	(1,107,222,954)	(30,322,217)	(1,137,545,171)	(1,263,893,353)	(126,348,182)
Net cash flows from operating activities	1,270,660,255	(6,196,793)	1,264,463,462	827,991,519	(436,471,943)
Cash flows from investing activities					
Purchase of property, plant and equipment	(1,250,897,525)	13,268,630	(1,237,628,895)	(859,220,221)	378,408,674
Cash flows from financing activities					
(Decrease) / Increase in Long-term receivables	-	-	-	(38,795,339)	(38,795,339)
Net increase/(decrease) in cash and cash equivalents	19,762,730	7,071,837	26,834,567	(70,024,041)	(96,858,608)
Cash and cash equivalents at the beginning of the year	513,455,098	-	513,455,098	253,798,300	(259,656,798)
Cash and cash equivalents at the end of the year	533,217,828	7,071,837	540,289,665	183,774,259	(356,515,406)

5.10 Borrowing and Investments

The District maintained its status of having no borrowings during the financial year.

With regards to investments, the district made cash investments during the financial and earned R153 million. The investments were made in the following institutions:

Institution	Amount
FNB	R9.6 Million
ABSA Bank	R2.8 Million
Standard Bank	R7.3 Million
Nedbank	R5.5 Million
Investec	R131 Million

5.11 Public Private Partnership

The District does not have any Public Private Partnerships.

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 Supply Chain Management

The municipality has made a significant progress in developing and implementing the supply chain management policy and practices in compliance with the guidelines set out in the Supply Chain Management Regulations as well as the amended Preferential Procurement Regulations, 2017.

During the year under review, the municipality revised its Supply Chain Management Policy (SCMP) and aligned it with the amended Preferential Procurement Regulations, 2017. Included in the (SCMP) is the requirement that bidders who have been awarded tenders above R 30 million must sub-contract at least 30% of the value of the contract to various designated groups. Further in implementing the SCMP the municipality adheres to the requirements of trading only with people who are registered in the central supplier data base of the National Treasury.

Internal controls have also been strengthened by developing check list for compliance with SCM regulations in procurement. During the year under review, the municipality conducted various workshops in the local municipalities where SMME's where taken through the requirements that they need to comply with in order to benefit in the supply chain processes of the municipality.

The municipality is also participating in the transversal contract that have been entered to between National Treasury and various service providers. Participation in such contracts ensures that the risk of non-compliance with SCM regulations are minimised and that there is value for money in

procurement. Other procurement strategies have also been implemented such a appointment of term contract to ensure that the turnaround in procurement processes are minimised.

As part of its strategic improvement goal in reducing irregular expenditure, the municipality has abandoned the use of regulation 32 of the SCM regulations and has further reduced the use of regulation 36 of the SCM regulations.

All bid committees of the municipality are fully compliant to the requirements of regulations 27, 28 and 29 of the municipal supply chain management regulations.

The CFO as the head of the Budget and Treasury Office has fully achieved the minimum competency levels as required by regulation 5 of the Minimum Regulations on Minimum Competency Levels. A total number of four SCM officials have reached the prescribed levels of the minimum competency levels as per the MFMA Competency Regulations and Guidelines.

Currently the manager supply chain management unit is only left with three (3) modules to be fully compliant with the requirements of regulation 12 of the Minimum Regulations on Minimum Competency Levels.

5.13 Generally Recognised Accounting Practice (GRAP) Compliance

GRAP it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

The Municipality is fully GRAP compliant. The current year accounting framework is consistent with the previous year. The requirements as per the Accounting Standards Board have been taken into consideration to the improved Standards of GRAP.

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR GENERAL OPINION OF FINANCIAL STATEMENTS – 2016/17

6.1 Auditor General Reports: Year (2016/17)

The Municipality obtained qualified audit opinion for the 2016/17 financial year. Upon receipt of the audit report during December 2017, the Municipality conducted a thorough analysis and understanding of the AGSA's audit report. The findings informed the development of the "Management Audit Action Plan" (MAAP), which has been summarised into the "Strategic Audit Action Plan 2016/17 document. A MAAP is a tool that the Municipality uses to address the qualification matter and the emphasis of matter.

Management has identified the following areas deserving strategic focus in the implementation of the Management Audit Action Plan. These areas are:

- performance of a Pre-Audit exercise by internal audit on all prior accounts and figures that were qualified by the AGSA for audit by 30 June 2016 in order to minimise the impact of qualification on the restated 2014/15 figures;
- implementation of internal controls for identification, recording and reporting of irregular expenditure for the 2014/15, 2015/16 and 2016/17 financial years.
- Review and updating of the contracts register to enable accurate reporting of commitments;
- advising Council by 31 January 2016 on the establishment of a committee of council to investigate irregular, unauthorised and, fruitless and wasteful expenditure for the purposes of recovery, or write-off;
- establishment of Section 32 Ad-hoc committee during 2016/17 for investigation of irregular, unauthorized, fruitless and wasteful expenditure for the purposes of recovery, or write-off;
- Investigation and recommendation for recovery and/or write-off of irregular, unauthorized, fruitless and wasteful expenditure during 2016/17 financial year;
- review, updating and documentation of internal control processes (procedure manuals) for all key processes of the Municipality, followed by a change management process to ensure the attitude of council, management and staff on internal controls is transformed;
- implementation of a compliance monitoring functioning within departments coordinated by the Municipal Manager's office and the review of the 2016/17 SDBIP and implementation of corrective measures immediately after the approval of the budget adjustment by Council;
- council adoption of a stringent process for monitoring the implementation of the management audit action plan and consequence management in the event of failure to implement. The MAAP is a standing item of MANCO, Audit Committee and MAYCO; and
- departments to exercise strict asset management controls and accountability of assets under their custody, and Head of Departments to lead this process for their respective departments.

The action plan was submitted to Council, together with the Annual Report at the Council meeting of 28 January 2017.

COMPONENT B: AUDITOR GENERAL OPINION – 2017/18

6.2 Auditor General Report Year: (2017/18)

Report of the auditor-general to the Eastern Cape Provisional Legislature and the council on OR Tambo District Municipality

Report on the audit of the consolidated and separate financial statements

Qualified opinion

1. I have audited the consolidated and separate financial statements of the OR Tambo District 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 information for the year then ended, as well as the notes to consolidated and separate the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the OR Tambo District Municipality as at 30 June 2018 and financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2013 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2017 (Act No. 3 of 2017) (Dora).

Basis for qualified opinion

Commitments

3. The municipality did not correctly recognise its contractual commitments for the acquisition of property, plant and equipment as required by GRAP 17, *Property, plant and equipment (PPE)*. This was due to a lack of systems and processes in place at the municipality to ensure that commitments are correctly disclosed. Consequently, commitments disclosed in note 46 to the consolidated and separate financial statements are overstated by R579,3 million (2016-17: R936,1 million).

Property, plant and equipment

4. The municipality did not adequately assess the condition of the assets to determine whether there were any indications that its infrastructure assets may be impaired, as required by GRAP 17, *Property, plant and equipment and GRAP 21, impairment of non-cash generating assets*. I was unable to determine the impact of this lack of assessment as it was impractical for me to do so. Furthermore, an unreconciled difference of R96 million was identified between the opening balance in the fixed asset register and the opening balance of PPE for 2018, as well as the closing balance of PPE for 2017 disclosed in note 9 to the consolidated and separate financial statements. The municipality did not have adequate systems of internal control for reconciling transactions and events to the financial statements. As a result, I was unable to obtain the required evidence by alternative means. Consequently, I was unable to determine whether any adjustments were required to the PPE disclosed at R2,8 billion in the statement of financial position and note 9 to the financial statements.

5. The municipality did not recognise all items of PPE in accordance with GRAP 17, *Property plant and equipment*. Projects that were completed at year end were not transferred from work in progress to infrastructure. Consequently, infrastructure disclosed in note 9 to the consolidated and separate financial statements is understated by R312,8 million and work in progress disclosed in note 9 to the financial statements is overstated by the same amount.

Context for the opinion

6. 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 consolidated and separate financial statements section of this auditor's report.
7. 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.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Irregular expenditure

10. As disclosed in note 57 to the consolidated and separate financial statements, the municipality has accumulated irregular expenditure amounting to R2,9 billion, of which R833,7 million (2016-17: R2,5 billion) was written off during the 2017-18 financial year. Irregular expenditure incurred in the current year amounts to R982,9 million (2016-17: R1 billion). This resulted in a closing balance of R3,1 billion (2016-17: R2,9 billion) at the end of the 2017-18 financial year which has not been investigated by council.

Impairment loss

11. As disclosed in note 4 to the consolidated and separate financial statements, material impairment allowances of R623,45 million (2017: R535,44 million) was made against receivables from exchange transactions. The net movement in these allowances together with bad debt write-offs resulted in an impairment expense of R88,7 million (2017: R146,9 million) as disclosed in the statement of financial performance and note 4 to the consolidated and separate financial statements.

Material losses

12. As disclosed in note 60 to the consolidated and separate financial statements, material losses of R21,3 million (2017: R22, million) was incurred, which represents 47,28% (2016-17: 54,13%) of total bulk water purchases.

Restatement of corresponding figures

13. As disclosed in notes 48-50 to the consolidated and separate financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors discovered during the financial year ended 30 June 2018.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of accounting officer for the consolidated and separate financial statements

16. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
17. In preparing the financial statements, the accounting officer is responsible for assessing the 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 consolidated and separate financial statements

18. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.
19. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
21. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2018:

Development priorities	Pages in the annual performance report
KPA 1: Basic service delivery and infrastructure	x – x
KPA 4: Local economic development	x – x

23. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
24. I did not raise any findings on the usefulness and reliability of *KPA4: Local economic development* or on the usefulness of *KPA1: Basic service delivery and infrastructure*. The material findings in respect of reliability of the selected development priorities are as follows:

KPA 1: Basic service delivery and infrastructure

Various indicators

25. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of three of the 80 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below.

Indicator number	Indicator description	Planned achievement	Reported achievement
1_17_6_P039	Percentage completion of Thornhill	93%	95%
1_17_6_P039	Percentage completion of Libode and Ngqeleni Corridor Bulk Water Supply Scheme (WSS)	45%	45%
1_17_1_P034	Number of indigent households supplied with tanks and gutter for rainwater harvesting	250	50

26. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator number	Indicator description	Reported performance	Audited value
1_17_11_P105	Percentage completion of KSD PIP: Rosedale	93%	76%
1_17_13_P107	Percentage completion of KSD PIP: Libode	96%	92%
1_17_12_P106	Percentage completion of KSD PIP: Mqanduli Corridor	96%	95%
1_18_9_P113	Percentage completion of Northern outfall sewers (bulk waterborne sanitation infrastructure to cover Mthatha West)	98%	15%
1_17_3_P036	Number of indigent households receiving free basic water and sanitation services	153 000	187 000

Other matter

27. I draw attention to the matter below.

Adjustment of material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 1: *Basic service delivery and infrastructure*. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.

Achievement of planned targets

29. Refer to the annual performance report on pages x to x; for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings expressed on the reliability of the reported performance information in paragraphs 24 to 26 of this report.

Responsibilities of the accounting officer for the reported performance information

30. The accounting officer is responsible for the preparation of the annual performance report in accordance with the prescribed performance management and reporting framework, as set out in annexure D to this report, and for such internal control as the accounting officer determines is necessary to enable the preparation of performance information that is free from material misstatement in terms of its usefulness and reliability.

Auditor-general's responsibilities for the reasonable assurance engagement on the reported performance information

31. My objectives are to obtain reasonable assurance about whether the reported performance information for the selected development priorities presented in the annual performance report is free from material misstatement, and to issue a management report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that the assurance engagement conducted in accordance with the relevant assurance standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if they could reasonably be expected to influence the relevant decisions of users taken on the basis of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements, performance and annual report

34. The consolidated and separate 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, expenditure and disclosure items identified by the auditors in the submitted consolidated and separate financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the consolidated and separate financial statements receiving a qualified audit opinion.

Strategic planning and performance management

35. The performance management system and related controls were inadequate as it did not describe how the performance reporting processes should be managed, as required by municipal planning and performance management regulation 7(1).

Expenditure management

36. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
37. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. Most of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) policies.
38. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R21.6 million as disclosed in note 56 to the consolidated and separate financial statements, in contravention of section 62(1)(d) of the MFMA. Most of the disclosed fruitless and wasteful expenditure was caused by interest on overdue accounts.

Consequence management

39. Irregular expenditure incurred by the municipality was not all investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Asset management

40. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

Procurement and contract management

41. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c). Similar non-compliance was reported in the prior year.
42. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was reported in the prior year.
43. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
44. Some of the contracts were awarded through competitive bidding processes that were not adjudicated by the bid adjudication committee. Similar non-compliance was reported in the prior year.
45. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).
46. Some of the contracts and quotations were awarded to bidders based on pre-qualification criteria that were not stipulated in the original invitation for bidding and quotations, in contravention of the 2017 preferential procurement regulation 4(1) and 4(2).
47. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).

48. Some of the 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 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
49. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 preferential procurement regulation. Similar non-compliance was also reported in the prior year.
50. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5). Similar non-compliance was also reported in the prior year.
51. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.
52. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

Other information

53. 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 consolidated and separate financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
54. My opinion on the consolidated and separate 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.
55. 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 consolidated and separate financial statements and the selected priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
56. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

57. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation;

however, my objective was not to express any form of assurance on it. 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.

- Leadership has not established a compliance and performance culture within the municipality. This is further substantiated by the fact that no officials have been held accountable for past unauthorised, irregular and fruitless wasteful expenditure incurred. Leadership's inability to address and prioritise this critical area had a direct bearing on the number of compliance findings reported. Weekly and monthly reconciliations were not prepared for all financial items during the year. This is due to a lack of capacity to execute basic accounting functions. Internal controls were not in place as a limited number of key officials within the finance unit were responsible for performing multiple incompatible functions. Leadership was slow to respond to the recommendations made by the governance structures and external audit relating to the improvement of controls required for good governance and improved financial and performance reporting.

Auditor-General

East London

30 November 2018



Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

- I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

6.3 Management Audit Action Plan 2017/2018

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
Basis of Qualification (Qualification Paragraph)								
1	3	Commitments	The municipality did not correctly recognise its contractual commitments for the acquisition of property, plant and equipment as required by GRAP 17, Property, plant and equipment (PPE) This was due to a lack of systems and processes in place at the municipality to ensure that commitments are correctly disclosed. Consequently, commitments disclosed in note 46 to the consolidated and separate financial statements are overstated by R579,3 million (2016-17. R936,1 million).	<p>1. This was due to a lack of systems and processes in place at the municipality to ensure that commitments are correctly disclosed.</p> <p>2. The cause of the finding is the lack of proper record keeping and lack of regular reviews of the commitment register by management.</p> <p>3. Capital commitments still includes completed projects.</p>	<p>1. Management should ensure that:</p> <p>There are regular reviews and monitoring of the commitments schedule/ register to ensure that information in the register is free from errors.</p>	<p>1. Submission of a list of all capital projects register to Water and Sanitation Department for review of completeness and accuracy i.e. budget, expenditure, project status.</p> <p>2. Review and update Capital Commitments schedule i.e. confirmation of in-progress and completed projects.</p> <p>3. Prepare monthly Section 116 Reports for tabling in the Capital Project Steering Committee.</p> <p>4. Revive the Capital Project Steering Committee and its monthly sitting thereof i.e. review of terms of reference.</p>	<p>1. Chief Financial Officer.</p> <p>2. Director: Water and Sanitation.</p> <p>3. Director: Water and Sanitation.</p> <p>4. Director Office of the Municipal Manager.</p>	<p>1. 16 January 2019.</p> <p>2. 31 January 2019.</p> <p>3. 31 January 2019 (monthly).</p> <p>4. 25 January 2019.</p>

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
2	4	Property, plant and equipment	The municipality did not adequately assess the condition of the assets to determine whether there were any indications that its infrastructure assets may be impaired, as required by GRAP 17, Property, plant and equipment and GRAP 21, impairment of non-cash generating assets. I was unable to determine the impact of this lack of assessment as it was impractical for me to do so.	1. The assets were not assessed for possible indicators of impairment.	1. As most infrastructure assets relate to the supply of water to villages and communities covered by the O.R. Tambo District Municipality, the assets should be maintained to ensure the supply of water as well as avoid the need to impair assets. 2. Assets should be assessed annually for indications of impairment and the relevant adjustments should be made based on the results of the assessments.	1. Revive the Capital Project Steering Committee and its monthly sitting thereof i.e. review of terms of reference/conditional assessment. 2. To engage a service provider for review of the methodology on assessment of Infrastructure Assets. 3. To convene a workshop on preparation of conditional assessment and impairment of assets. 4. To conduct a conditional assessment for the assets identified by AGSA. 5. To conduct conditional assessment for the entire population of Infrastructure Assets.	1. Director Office of the Municipal Manager. 2. Director Office of the Municipal Manager. 3. Director Office of the Municipal Manager. 4. Municipal Manager. 5. Municipal Manager.	1. 25 January 2019 2. 31 January 2019. 3. 28 February 2019. 4. 31 March 2019. 5. 31 March 2019.

No.	Paragraph No.	Section	Paragraph/ summary	Root cause	Recommendation	Action	Responsibility	Due Date
			<p>Furthermore, an unreconciled difference of R96 million was identified between the opening balance in the fixed asset register and the opening balance of PPE for 2018, as well as the closing balance of PPE for 2017 disclosed in note 9 to the consolidated and separate financial statements. The municipality did not have adequate systems of internal control for reconciling transactions and events to the financial statements. As a result, I was unable to obtain the required evidence by alternative means. Consequently, I was unable to determine whether any adjustments were required to the PPE disclosed at R2,8 billion in the statement of financial position and note 9 to the financial statements.</p>	<p>1. The municipality did not have adequate systems of internal control for reconciling transactions and events to the financial statements. 2. No reconciliation was performed on the FAR and the Accounting records to ensure that the AFS agree to the underlying FAR.</p>	<p>1. The Fixed Asset Registers for all classes of assets should be kept up to date and should agree to the AFS and the accounting records. This can be done by preparing a reconciliation between the FAR and the AFS regularly to ensure that the FAR is complete and agree to the corresponding accounting records</p>	<p>1. Submission of the Work In-Progress (WIP) Register to Water and Sanitation to confirm completed projects and in-progress projects. 2. Revive the Capital Project Steering Committee and its monthly sitting thereof i.e. review of terms of reference/conditional assessment. 3. Submit the supporting documentation for all identified completed projects i.e. completion certificates, bill of quantities and drawings etc..</p>	<p>1. Chief Financial Officer. 2. Director Office of the Municipal Manager. 3. Director: Water and Sanitation</p>	<p>1. 16 January 2019. 2. 25 January 2019. 3. Monthly.</p>

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
3	5	Property, plant and equipment	The municipality did not recognise all items of PPE in accordance with GRAP 17, Property plant and equipment. Projects that were completed at year end were not transferred from work in progress to infrastructure. Consequently, infrastructure disclosed in note 9 to the consolidated and separate financial statements is understated by R312,8 million and work in progress disclosed in note 9 to the financial statements is overstated by the same amount.	1. There was also an inadequate review of the assets register to ensure its completeness.	1. Management should ensure that the fixed asset register is adequately reviewed. 2. Management should ensure that assets are capitalised when available to ORTDM for use and the various departments do not have contradicting reports.	1. Submission of the Work In-Progress (WIP) Register to Water and Sanitation to confirm completed projects and in-progress projects. 2. Revive the Capital Project Steering Committee and its monthly sitting thereof i.e. review of terms of reference/conditional assessment. 3. Submit the supporting documentation for all identified completed projects i.e. completion certificates, bill of quantities and drawings etc.	1. Chief Financial Officer. 2. Director Office of the Municipal Manager. 3. Director: Water and Sanitation	1. 16 January 2019. 2. 25 January 2019. 3. Monthly.
Emphasis of Matters								
4	10	Irregular expenditure	As disclosed in note 57 to the consolidated and separate financial statements, the municipality has accumulated irregular expenditure amounting to R2,9 billion, of which R833,7 million (2016-17: R2,5 billion) was written off during the 2017-18	1. The Council resolved on January 2018 that the MPAC should investigate the Unauthorised, Fruitless and Wasteful Expenditure identified in the 2016/17 and any	1. Management should ensure that compliance with MFMA, SCM regulations and policy is reviewed and monitored.	1. To facilitate finalisation of the investigation of the remaining Unauthorised, Irregular, Fruitless and Wasteful Expenditure. 2. Enforce implementation of consequence management on transgressors of SCM Policy.	1. Municipal Manager. 2. Municipal Manager and all HOD's.	1. 31 January 2019. 2. Ongoing.

No.	Paragraph No.	Section	Paragraph/ summary	Root cause	Recommendation	Action	Responsibility	Due Date
			financial year. Irregular expenditure incurred in the current year amounts to R982,9 million (2016-17: R1 billion). This resulted in a closing balance of R3,1 billion (2016-17: R2,9 billion) at the end of the 2017-18 financial year which has not been investigated by council.	2017/18 Unauthorised, Fruitless and Wasteful Expenditure (UIF). 2. Due to a number of transactions to be investigated, as service provider to asset on investigation appointed in the first quarter of 2017/18 financial year.				
5	11	Impairment loss	As disclosed in note 4 to the consolidated and separate financial statements, material impairment allowances of R623,45 million (2017: R535,44 million) was made against receivables from exchange transactions. The net movement in these allowances together with bad debt write-offs resulted in an impairment expense of R88,7 million (2017: R146,9 million) as	1. This is caused by inadequate review of calculations for impairment losses.	1. There should be a proper review of calculations for impairment losses to ensure accuracy and reasonable disclosure	1. Finalise development of Water Conservation Demand Management Plan and phase in its implementation. 2. Finalise appointment of a Debt Collector.	1. Director: Water and Sanitation 2.1. Chairperson of the Bid Evaluation Committee 2.2. Chairperson of the Bid Adjudication Committee 2.3. Municipal Manager	1. 29 March 2019 2.1. 25 January 2019 22 30 January 2019 2.3. 31 January 2019

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
			disclosed in the statement of financial performance and note 4 to the consolidated and separate financial statements.					
6	12	Material losses	As disclosed in note 60 to the consolidated and separate financial statements, material losses of R21,3 million (2017: R22, million) was incurred, which represents 47.28% (2016-17-54.13%) of total bulk water purchases.	1. This is caused by inadequate review of calculations for material losses.	1. There should be a proper review of calculations for material losses to ensure accuracy and reasonable disclosure	1. Installation of Bulk Water Metres. 2. Refurbishment of Water Metres.	1. Director: Water and Sanitation. 2. Director: Water and Sanitation.	1. 31 March 2019. 2. 31 March 2019.

No.	Paragraph No.	Section	Paragraph/ summary	Root cause	Recommendation	Action	Responsibility	Due Date
7	13	Restatement of corresponding figures	As disclosed in notes 48-50 to the consolidated and separate financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors discovered during the financial year ended 30 June 2018.	1. This is the results of minor delays experienced on finalisation of some components of the Annual Financial Statements e.g. Finalisation of Infrastructure Assets Register.	1. Management should ensure that AFS are prepared on time for review by relevant stakeholders and structures i.e. Audit Committee	1. The municipality will vigorously implement accounting policies and financial procedures in line GRAP standards and best practices regarding preparation of AFS. 2. Continuous timely preparation of the Annual Financial Statements to allow timely review of the AFS. 3. The service provider assisting the Municipality on preparation of AFS is on site throughout the financial year; assisting the Municipality in resolving some of the findings raised by Auditor General.	1. Chief Financial Officer. 2. Chief Financial Officer. 3. Chief Financial Officer.	1. 10 August 2019. 2. 10 August 2019. 3. Ongoing.
Other Matters								
8	25	AOPO (Reliability)	KPA 1: Basic service delivery and infrastructure I was unable to obtain sufficient appropriate audit evidence for the reported achievements of three of the 80 indicators relating to this programme. This was due to limitations	1. The cause of the above finding is lack of adequate review of the APR by management 2. This was due to limitations placed on the scope of my work.	1. Management should ensure that the information submitted for audit is complete. Moreover, management should ensure that information that relates to its indicators is stores in a manner that will be	1. Access all the information/documentation regarding the projects that were originally appointed by Department of Water and Sanitation i.e. tender documents, Bill of Quantities 2. Assess all the Bill of Quantities (BOQ's) that	1. Director: Office of the Municipal Manager. 2. Director: Office of the Municipal Manager. 3. Director: Office of the	1. 28 February 2019. 2. 28 February 2019. 3. 28 February 2019.

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
			<p>placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below.</p> <ol style="list-style-type: none"> 1. Percentage completion of Thornhill; 2. Percentage completion of Libode and Ngqeleni Corridor Bulk Water Supply Scheme (WSS) 3. Number of indigent households supplied with tanks and gutter for rainwater harvesting 		easily accessible as to obtain any information and documents in a timeous fashion.	were amended and they be approved by the Engineer and the Client for implementation 3. Review the SDBIP for all the KPI's and Performance Targets that do not meet the smart principle.	Municipal Manager.	

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
9	26	AOPO (Reliability)	<p>The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:</p> <ol style="list-style-type: none"> 1. Percentage completion of KSD PIP: Rosedale 2. Percentage completion of KSD PIP: Libode. 3. Percentage completion of KSD PIP: Mqanduli Corridor 4. Percentage completion of Northern outfall sewers (bulk waterborne sanitation infrastructure to cover Mthatha West) 5. Number of indigent households receiving free basic water and sanitation services 	1. The cause of the above finding is lack of adequate review of the APR by management				

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
10	35	Strategic planning and	The performance management system and related controls were inadequate as it did not describe how the performance reporting processes should be managed, as required by municipal planning and performance management regulation 7(1).	1. PMS Policy not reviewed to correct the gaps raised by Auditor General.	1. Management should ensure that the PMS Policy is reviewed.	1. Full implementation of the PMS Policy.	1. Director: Office of the Municipal Manager.	1. 30 June 2019.
11	36	Expenditure management	36. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.	This may lead to a material non-compliance with the MFMA and may be reported on the audit report.	Management should review the current controls in place with regards to the payment of invoices to ensure consistent adherence to legislation. An electronic register of all invoices received could be kept and monitored for timeous payment. This should be periodically reviewed to identify invoices that are delayed in payments in order to make the necessary follow ups.	1. All the invoices must be submitted to the CFO's Office.	1. All HOD's.	1. 31 January 2019.

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
12	37		Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. Most of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) policies.	<ol style="list-style-type: none"> 1. Capacity constraints within the SCM Unit and the institution at large and also lack of understanding the legislation and regulations. 2. Poor procurement planning within the Institution. 3. Poor control environment (attitude towards controls and compliance) within the Municipality. 4. Overriding of controls by some Senior Management. 	1. Management should enforce consequence management to ensure that the SCM Policy is complied with.	<ol style="list-style-type: none"> 1. To facilitate finalisation of the investigation of the remaining Unauthorised, Irregular, Fruitless and Wasteful Expenditure. 2. Enforce implementation of consequence management on transgressors of SCM Policy. 	<ol style="list-style-type: none"> 1. Municipal Manager. 2. Municipal Manager and all HOD's. 	<ol style="list-style-type: none"> 1. 31 January 2019. 2. Ongoing.
13	38		Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R21,6 million as disclosed in note 56 to the consolidated and separate financial statements, in contravention of section 62(1)(d) of the MFMA.	<ol style="list-style-type: none"> 1. Capacity constraints within the SCM Unit and the institution at large and also lack of understanding the legislation and regulations. 2. Poor procurement 	1. Management should enforce consequence management to ensure that the SCM Policy is complied with.	<ol style="list-style-type: none"> 1. To facilitate finalisation of the investigation of the remaining Unauthorised, Irregular, Fruitless and Wasteful Expenditure. 2. Enforce implementation of consequence management on transgressors of SCM Policy. 	<ol style="list-style-type: none"> 1. Municipal Manager. 2. Municipal Manager and all HOD's. 	<ol style="list-style-type: none"> 1. 31 January 2019. 2. Ongoing.

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
			Most of the disclosed fruitless and wasteful expenditure was caused by interest on overdue accounts.	planning within the Institution. 3. Poor control environment (attitude towards controls and compliance) within the Municipality. 4. Overriding of controls by some Senior Management.				
14	39	Consequence management	Irregular expenditure incurred by the municipality was not all investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.	1.The Council resolved on January 2018 that the MPAC should investigate the Unauthorised, Fruitless and Wasteful Expenditure identified in the 2016/17 and any 2017/18 Unauthorised, Fruitless and Wasteful Expenditure (UIF). 2. Due to a number of transactions to be investigated, as	1. Management should enforce consequence management to ensure that the SCM Policy is complied with.	1. To facilitate finalisation of the investigation of the remaining Irregular Expenditure identified in the AG Report 2. Enforce implementation of consequence management on transgressors of SCM Policy.	1. Municipal Manager 2. Municipal Manager and all HOD's	1. 31 January 2019 2. Ongoing.

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
				service provider to asset on investigation appointed in the first quarter of 2017/18 financial year.				
15	40	Asset management	An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.	<p>1. The municipality did not have adequate systems of internal control for reconciling transactions and events to the financial statements.</p> <p>2. No reconciliation was performed on the FAR and the Accounting records to ensure that the AFS agree to the underlying FAR.</p>	<p>1. The Fixed Asset Registers for all classes of assets should be kept up to date and should agree to the AFS and the accounting records. This can be done by preparing a reconciliation between the FAR and the AFS regularly to ensure that the FAR is complete and agree to the corresponding accounting records</p>	<p>1. Submission of the Work In-Progress (WIP) Register to Water and Sanitation to confirm completed projects and in-progress projects.</p> <p>2. Revive the Capital Project Steering Committee and its monthly sitting thereof i.e. review of terms of reference/conditional assessment.</p> <p>3. Submit the supporting documentation for all identified completed projects i.e. completion certificates, bill of quantities and drawings etc..</p>	<p>1. Chief Financial Officer.</p> <p>2. Director Office of the Municipal Manager.</p> <p>3. Director: Water and Sanitation</p>	<p>1. 16 January 2019.</p> <p>2. 25 January 2019.</p> <p>3. Monthly.</p>

No.	Paragraph No.	Section	Paragraph/ summary	Root cause	Recommendation	Action	Responsibility	Due Date
16	41	Procurement and contract management	Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c). Similar non-compliance was reported in the prior year.	1. The Municipality does not follow SCM policies and procedures correctly.	1. Management should ensure that compliance with MFMA, SCM regulations and policy is reviewed and monitored.	1. Enforce implementation of consequence management on transgressors of SCM Policy.	1. Municipal Manager and all HOD's	1. Ongoing.
17	42		Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was reported in the prior year.	1. Management does not review bidders' documents to ensure that all of the applicable information is included in the files before they are submitted for audit	1. Management should ensure that all winning bidders documents are attached before submitting to the Auditor General.	1. Enforce implementation of the Central Supplier Database (CSD) for compliance.	1. Municipal Manager and all HOD's	1. Ongoing.
18	43		Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a) and the	1. Non-compliance with the SCM Regulations.	1. Management should ensure compliance with SCM Regulations.	1. The Municipality will ensure compliance to the SCM Regulations.	1. Municipal Manager and all HOD's	1. Ongoing.

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
			Preferential Procurement Regulations.					
19	44		Some of the contracts were awarded through competitive bidding processes that were not adjudicated by the bid adjudication committee. Similar non-compliance was reported in the prior year.	1. Non-compliance with the SCM Regulations.	1. Management should ensure compliance with SCM Regulations.	1. The Municipality will ensure compliance to the SCM Regulations.	1. Municipal Manager and all HOD's	1. Ongoing.
20	45		Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).	1. Poor planning-projects are not planned timeously to cater for proper procurement processes.	1. Management must effectively apply and monitor each step in the SCM policy, from initiation to completion.	1. The Municipality will ensure compliance to the SCM Regulations, where there is an emergency request for approval from the Accounting Officer will be made as per Regulation 22	1. Municipal Manager and all HOD's.	1. Ongoing.
21	46		Some of the contracts and quotations were awarded to bidders based on pre-qualification criteria that were not stipulated in the original invitation for bidding and quotations, in contravention of the 2017 preferential procurement regulation 4(1) and 4(2).	1. Non-compliance with the SCM Regulations.	1. Management should ensure compliance with SCM Regulations.	1. All the invitation for tenders will include criteria for evaluation.	1. Municipal Manager and all HOD's.	1. Ongoing.

No.	Paragraph No.	Section	Paragraph/ summary	Root cause	Recommendation	Action	Responsibility	Due Date
22	47		Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB regulations 17 and 25(7A).	1. Management does not monitor compliance with CIDB requirements.	1. Management should ensure that tenders are awarded to contractors that qualify for them as per the CIDB regulations. Management must monitor and review compliance with all applicable regulation.	1. Management will monitor compliance with CIDB requirements.	1. Chairpersons of the Bid Committees and Municipal Manager.	1. Ongoing.
23	48		Some of the 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 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.	1. This is due to the lack of monitoring of compliance with all the applicable SCM regulations and controls to ensure compliance with all the applicable regulations.	1. Management should implement controls to ensure compliance with all the applicable regulations. Management should monitor compliance with all applicable regulations.	1. Bid Specification Committee will ensure that all the Specifications approved comply with the DTI requirements on the Local Content. 2. SCM Unit will monitor to ensure that all requests for quotations take into account the DTI requirements on Local Content.	1. Bid Specification Committee Chairperson. 2. Chief Financial Officer.	1. Ongoing. 2. Ongoing.
24	49		Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the	1. This is due to the lack of monitoring of compliance with all the applicable scm regulations and controls to ensure compliance with all	1. Management should implement controls to ensure compliance with all the applicable regulations. Management should monitor compliance	1. Bid Specification Committee will ensure that all the Specifications approved comply with the DTI requirements on the Local Content. 2. SCM Unit will monitor to ensure that all requests	1. Bid Specification Committee Chairperson. 2. Chief Financial Officer.	1. Ongoing. 2. Ongoing.

No.	Paragraph No.	Section	Paragraph/ summary	Root cause	Recommendation	Action	Responsibility	Due Date
			2017 preferential procurement regulation. Similar non-compliance was also reported in the prior year.	the applicable regulations.	with all applicable regulations.	for quotations take into account the DTI requirements on Local Content.		
25	50		Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5). Similar non-compliance was also reported in the prior year.	1. This is due to the lack of monitoring of compliance with all the applicable scm regulations and controls to ensure compliance with all the applicable regulations.	1. Management should implement controls to ensure compliance with all the applicable regulations. Management should monitor compliance with all applicable regulations.	1. Bid Specification Committee will ensure that all the Specifications approved comply with the DTI requirements on the Local Content. 2. SCM Unit will monitor to ensure that all requests for quotations take into account the DTI requirements on Local Content.	1. Bid Specification Committee Chairperson. 2. Chief Financial Officer.	1. Ongoing. 2. Ongoing.
26	51		Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.	1. The cause of the above finding is due to lack of controls by management to ensure compliance with MFMA with regards to contract management.	1. Management should ensure that all extensions or contract amendments above 15% for other goods and services and 20% for infrastructure are approved by delegated authority and proposed amendments tabled before council.	1. Ensure that all contracts extensions are approved by the relevant delegated official. 2. Ensure that supporting documents/records for extended contracts are available for audit purposes.	1. Director Office of the Municipal Manager. 2. All Head of Departments.	1. Ongoing. 2. Ongoing.

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
27	52		The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.	1. The cause of the above finding is due to lack of controls by management to ensure compliance with MFMA with regards to contract management.	1. Management should implement controls to ensure compliance with contract management requirements per MFMA. Contracts should be properly monitored on a monthly basis to ensure timeous completion and efficient use of municipality resources.	1. Compile performance reports for all the service providers/contracts on a monthly basis	1. All Head of Departments.	1. Monthly
Internal Control Deficiencies								

No.	Paragraph No.	Section	Paragraph/ summary	Root cause	Recommendation	Action	Responsibility	Due Date
28	57	Internal control deficiencies	<p>I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation;</p> <p>however, my objective was not to express any form of assurance on it. 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.</p> <p>1. Leadership has not established a compliance and performance culture within the municipality. This is further substantiated by the fact that no officials have been held accountable for past</p>	<p>1. This is due to a lack of capacity to execute basic accounting functions. Internal controls were not in place as a limited number of key officials within the finance unit were responsible for performing multiple incompatible functions.</p> <p>2. Capacity constraints within the SCM Unit and the institution at large and also lack of understanding the legislation and regulations.</p> <p>3. Poor procurement planning within the Institution.</p> <p>4. Poor control environment (attitude towards controls and compliance) within</p>	<p>1. Management should ensure that there are control measures in place which are regularly reviewed and implemented.</p> <p>2. Management should ensure that consequence management is implemented for all the people failing to comply with established internal controls.</p>	<p>1. Municipality to use Term Contracts.</p> <p>2. Appointment of SCM Staff (population of SCM organogram).</p> <p>3. Ongoing implementation of Irregular Expenditure Compliance Checklist.</p> <p>4. Irregular Expenditure Registers prepared monthly and presented to Management Committee (MANCO) and quarterly to MPAC.</p> <p>5. Checklist attached on requisitions to be reviewed and signed by the Head of Departments (Directors).</p> <p>6. Conduct awareness campaigns on the Anti-fraud and Anti- corruption Policy</p> <p>7. Enforce implementation of consequence management on transgressors of SCM Policy.</p>	<p>1. MM and All Head of Departments.</p> <p>2. MM and All Head of Departments.</p> <p>3. CFO.</p> <p>4. CFO and All Head of Departments.</p> <p>5. CFO and Manager: SCM.</p> <p>6. Director Office of the MM.</p> <p>7. Municipal Manager and all HOD's.</p>	<p>1. Ongoing.</p> <p>2. 30 June 2019.</p> <p>3. Ongoing.</p> <p>4. Monthly.</p> <p>5. Ongoing.</p> <p>6. Quarterly.</p> <p>7. Ongoing.</p>

No.	Paragraph No.	Section	Paragraph/summary	Root cause	Recommendation	Action	Responsibility	Due Date
			<p>unauthorised, irregular and fruitless wasteful expenditure incurred. 2. Leadership's inability to address and prioritise this critical area had a direct bearing on the number of compliance findings reported.</p> <p>3. Weekly and monthly reconciliations were not prepared for all financial items during the year. This is due to a lack of capacity to execute basic accounting functions. Internal controls were not in place as a limited number of key officials within the finance unit were responsible for performing multiple incompatible functions.</p> <p>4. Leadership was slow to respond to the recommendations made by the governance structures and external audit relating to the improvement of controls required for good governance and improved</p>	<p>the Municipality.</p> <p>5. Overriding of controls by some Senior Management.</p>				

No.	Paragraph No.	Section	Paragraph/ summary	Root cause	Recommendation	Action	Responsibility	Due Date
			financial and performance reporting.					

APPENDICES

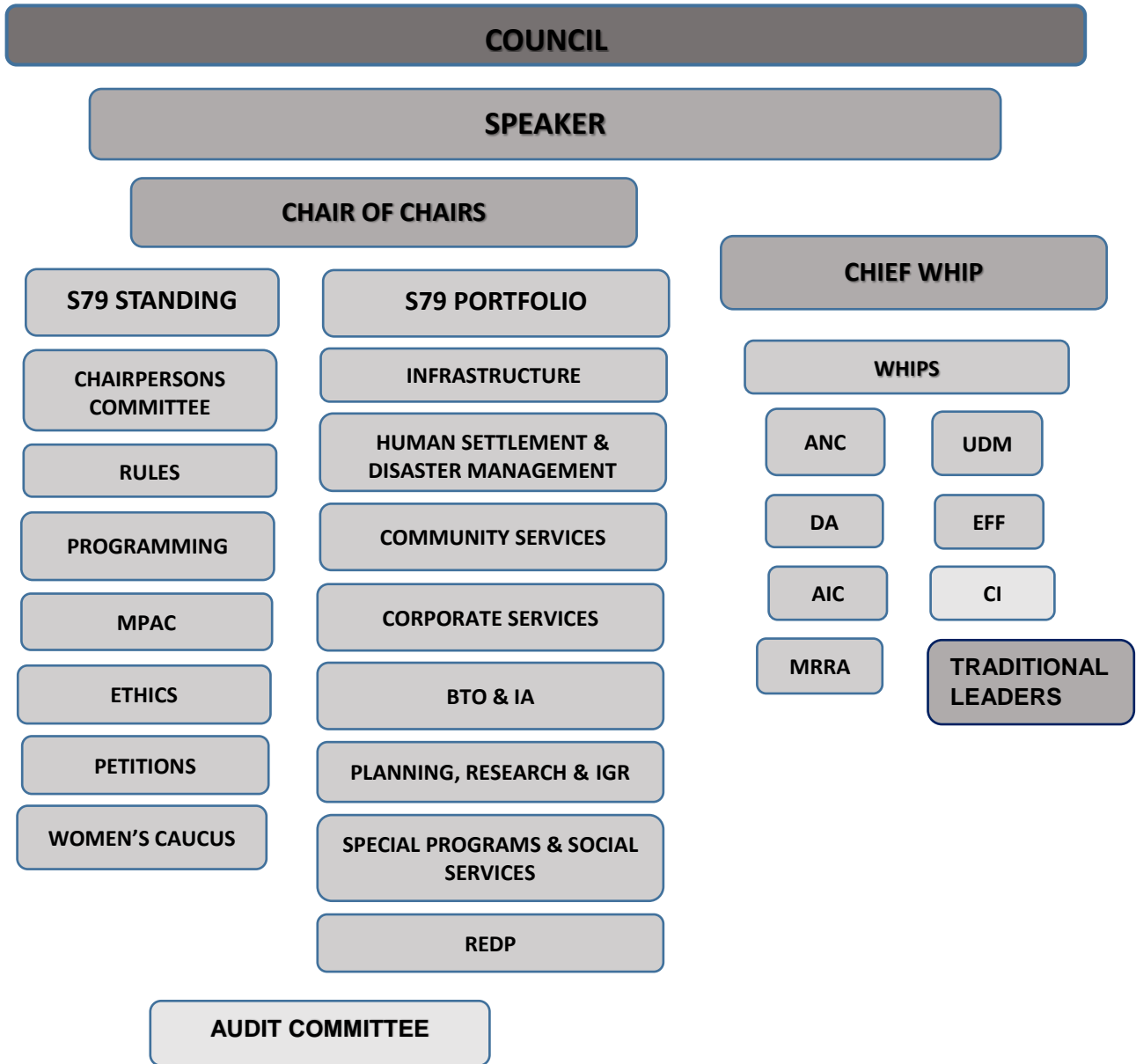
APPENDIX A – COUNCILLORS: COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

1. List of Council Members

NO	SURNAME & INITIAL	DESIGNATION
1	Nkompela X.	SPEAKER
2	Meth N.	EXECUTIVE MAYOR
3	Sokanyile T.	CHIEF WHIP
4	Nogumla R.Z	DEPUTY EXECUTIVE MAYOR
5	Ngozi W.	MMC: INFRASTRUCTURE
6	Ngqongwa N.	MMC: BTO
7	Mdoda Z.	MMC: CORPORATE SERVICES
8	Mdledle N.	MMC: COMMUNITY SERVICES
9	Sabona J.	MMC: REDP
10	Mjokovana D.	MMC: HUMAN SETTLEMENT & DISASTER
11	Godongwana S.	MMC: SPECIAL PROGRAMMES & SOCIAL SERVICES
12	Giyose R.M	MMC: PLANNING ,RESEARCH & IGR
13	Dambuza M.	MMC: TECHNICAL SERVICES
14	Gantsho A.A	CHAIR OF CHAIRS
15	Gcinindawo N.	CHAIRPERSON : ETHICS & MEMBERS INTEREST
16	Pepping P.N	CHAIRPERSON: MPAC
17	Cwecwe N.	CHAIRPERSON: WOMENS CAUCUS
18	Rolobile L.	CHAIRPERSON : PETITIONS AND PUBLIC PARTICIPATION
19	Mandita K.	CHAIRPERSON: BTO
20	Nkungu M.I	CHAIRPERSON: COMMUNITY SERVICES
21	Kuluta N.	CHAIRPERSON: REDP
22	Gusana Z.	CHAIRPERSON: INFRASTRUCTURE & TECHNICAL SERVICES
23	Mcimbi T.E	CHAIRPERSON: IGR
24	Mziba L	CHAIRPERSON: CORPORATE SERVICES
25	Fono N.	CHAIRPERSON: HUMAN SETTLEMENT
26	Mgaweni T.	CHAIRPERSON: OCMOL
27	Ntshoyi N.P.	CHAIRPERSON: SPECIAL PROGRAMS
28	Sabisa T.N.	CHAIRPERSON: TECHNICAL SERVICES
29	Bara B.	CLLR
30	Begezi N.	CLLR
31	Bokwe F.	CLLR
32	Bunzana M.	CLLR
33	Cube Z.	CLLR
34	Dudumayo B.R	CLLR
35	Dumisa T.	CLLR

NO	SURNAME & INITIAL	DESIGNATION
36	Gaxeni F.	CLLR
37	Gqetywa N.I.	CLLR
38	Gqwetha B.	CLLR
39	Ketwa U.	CLLR
40	Mabasa S.N.	CLLR
41	Mabongo L.	CLLR
42	Madwantsi P.	CLLR
43	Malghas B.	CLLR
44	Malghas U.	CLLR
45	Matanzima S.	CLLR
46	Mbangatha N.	CLLR
47	Mbewu B.S.	CLLR
48	Mchithakali N.	CLLR
49	Mjoji L.	CLLR
50	Mkontwana N.	CLLR
51	Msakeni M.	CLLR
52	Mzimane N.	CLLR
53	Ndude L.M.	CLLR
54	Nkani N.	CLLR
55	Ntukuntezi L.S.	CLLR
56	Pato T.Z.	CLLR
57	Qangani S.	CLLR
58	Tshotsho L.	CLLR
59	Xangayi C.T.	CLLR
60	Nkosi Dudumayo M.	TRADITIONAL LEADER
61	Nkosi Groom J.J.	TRADITIONAL LEADER
62	Nkosi Mdutshane A.C.G.	TRADITIONAL LEADER
63	Nkosi Meji N.	TRADITIONAL LEADER
64	Nkosi Mjoji P.A.	TRADITIONAL LEADER
65	Nkosi Mtirara B.P.	TRADITIONAL LEADER
66	Nkosi Mtirara M.	TRADITIONAL LEADER
67	Nkosi Ndabeni V.	TRADITIONAL LEADER
68	Nkosi Ndamase N.	TRADITIONAL LEADER
69	Nkosi Ndamase H.	TRADITIONAL LEADER
70	Nkosi Ranuga M.	TRADITIONAL LEADER

APPENDICE B – COMMITTEE AND COMMITTEE PURPOSES



STRUCTURE OF SECTION 79 COMMITTEES

SECTION 79 STANDING COMMITTEE	CHAIRPERSON	SECTION 79 OVERSIGHT PORTFOLIO COMMITTEES	CHAIRPERSON
1. Rules Committee	Cllr X. Nkompela	1. Special Programmes and Social Services	Cllr. T. Gaweni
2. Programming Committee		2. Planning, Research and IGR	Cllr. T. Mcimbi
3. Chairperson's Committee	Cllr. A. Gantsho	3. Human Settlements and Disaster Management Committee	Cllr. N. Fono
4. Municipal Public Accounts Committee (MPAC)	Cllr. N. Pepping	4. Community Services Portfolio Committee	Cllr. M. Nkungu
5. Ethics and Members Interest Committee	Cllr. N. Gcinindawo	5. Corporate Services	Cllr. L. Mziba
6. Multiparty Women's Caucus	Cllr. N. Cwecwe	6. Infrastructure and Technical Services	Cllr. Z. Gusana
7. Petitions and Public Participation Committee	Cllr. M. Dambuza	7. Budget, Treasury and Internal Audit	Cllr. K.D. Mandita
		8. Rural and Economic Dev. Committee	Cllr. N. Kuluta

SCOPE OF THE TERMS OF REFERENCE (PURPOSE) FOR S79 STANDING COMMITTEES

SECTION 79 STANDING COMMITTEE	SCOPE OF THE TERMS OF REFERENCE
1. Rules Committee	<ol style="list-style-type: none"> 1. To promote the realisation of the vision, strategic objectives and priorities of O.R. Tambo District Municipality. 2. To assist the Council in developing and administering Standing Rules for Council meetings for its efficient functioning of the committees of Council. 3. To develop, advise and monitor the implementation of Council's policy with regard to Civic Functions and presentations. 3. To diligently perform its power and functions in terms of these terms of references. 4. To promote adherence to appropriate dress code for all council and committee meetings.
2. Programming Committee	<ol style="list-style-type: none"> 1. To oversee and regulate the programming of Council's agenda and proceedings. 2. To recommend a Programme of debates. 3. To diligently perform its power and functions in terms of these terms of references.

SECTION 79 STANDING COMMITTEE	SCOPE OF THE TERMS OF REFERENCE
3. Chairperson's Committee	<p>1. To oversee and regulate the functioning of the Section 79 Standing Committees and Portfolio Committees activities\ programmes, and reporting.</p> <p>2. To strengthen the oversight role and accountability played by council committees.</p> <p>3. To diligently perform its power and functions in terms of these terms of references.</p>
4. Municipal Accounts Committee (MPAC) Public	<p>3.1 ROLE OF THE MPAC</p> <p>The Committee is accountable to Council and is operating as an overseer and makes recommendations to the Council for its consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the Accounting Officer, Heads of Departments, officials and other members of senior management. The role of the Committee is to assist the Council to ensure that:</p> <p>3.1.1 The municipality fulfils its constitutional mandate of service delivery to the community and achieves the set objectives;</p> <p>3.1.2 The municipality is managed in an efficient, effective and ethical, corruption and fraud free manner ; and</p> <p>3.1.3 The municipal resources are utilised in an economic manner.</p> <p>3.2 AUTHORITY OF THE MPAC</p> <p>The MPAC Committee has the authority as per the SALGA recommendations:</p> <p>3.2.1 To call the Executive and/or any Councillor to report on any matter reported in terms of finances to ensure that every cent is accounted for.</p> <p>3.2.2 To oversee all programmes of the municipality and to investigate value for money on projects – overseeing the planning and implementation of projects against expenditure.</p> <p>3.2.3 To request, access information and monitor such based on suspicion of imprudent financial management.</p> <p>3.2.4 to instruct the Executive and any other committee members, management and other employees to be present at a given meeting to hear and answer for themselves and for possible interview and input regarding items of the agenda.</p>

SECTION 79 STANDING COMMITTEE	SCOPE OF THE TERMS OF REFERENCE
	<p>3.2.5 To direct any matter for investigation through the relevant investigation Departments, Office of the Auditor General and law enforcement agencies within its terms of reference.</p> <p>3.2.6 To have unrestricted access through the Office of the Accounting Officer to employees of Council, information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of carrying out its duties and responsibilities.</p> <p>3.2.7 To seek any information (and have access) it requires from any MMC/Councillor. All MMCs and Councillors are directed to co-operate with any request made by the Committee.</p> <p>3.2.8 MPAC shall have direct access to internal and external auditors and may direct investigations in any matter when necessary.</p> <p>3.2.9 The Committee should have permanent referral as they become available, of –</p> <ul style="list-style-type: none"> (a) all accounts and financial statements of the municipality; (b) all reports of the Auditor-General; (c) all reports of the Audit Committee; (d) Information on compliance (see section 128 and 133 of the MFMA); (e) Information in respect of any disciplinary actions taken in terms of the Municipal Finance Management Act (MFMA); (f) Information in respect of transgressions in terms of the MFMA. <p>3.2.10 The Committee also has the right to summon any person to give evidence before it, or to require any person or institution to report to it. In the interest of accountability, the Committee may call individuals who were responsible at the time of the events, even though they may since have resigned from the municipality.</p> <p>3.2.11 Receive technical support from the Internal Audit office.</p> <p>3.2.12 The committee must hold public hearings and instruct other committee members, management and other employees to be present at a given meeting to hear and answer for themselves and for possible interview and input regarding items of the agenda.</p>

SECTION 79 STANDING COMMITTEE	SCOPE OF THE TERMS OF REFERENCE
	<p>3.2.13. The committee must monitor the extent to which its recommendations and those of the AG are carried out.</p> <p>3.2.14 The committee must invite and receive submissions from the public.</p> <p>3.2.15 The committee must undertake fieldwork (i.e. oversight visits within the municipality) to get first-hand information on any municipal matters.</p> <p>3.2.16 The committee must consider recommendations and reports from the Audit Committee.</p> <p>3.2.17 MPAC may consider any financial reports or financial statements jointly with the Audit Committee.</p> <p>3.2.18 MPAC must consider the oversight reports of the portfolio committees with regard to quarterly performance, budget expenditure and focused intervention study.</p> <p>3.2.19 The committee must ensure that the municipality complies with the provisions of the King IV Report.</p> <p>3.2.20 MPAC requires the executive to attend its meetings where required, and will not be able to engage the municipal manager (accounting officer) and senior management in the absence of the executive or political office bearers, as this will encroach on the role of the executive who has the responsibility for oversight over the administration of the municipality.</p> <p>The MPAC is not authorised to:</p> <ul style="list-style-type: none"> (a) Discuss matters that are still under investigation or <i>sub-judice</i>, but can in-committee receive progress reports on matters under investigation. (b) Report to Council on allegations not investigated. (c) Call any person outside Council (e.g. contractor, service provider, etc.) to account for the monies of the municipality and municipal entities where such outside person is implicated in the forensic investigation report.
5. Ethics and Members Interest Committee	<p>(1)To promote adherence to the Code of Conduct for councilors.</p> <p>(2)To develop, advise and monitor the implementation of Council's policy with regard to councilor's welfare and benefits.</p> <p>(3)To diligently perform its power and functions in terms of these terms of references.</p> <p>(4)To promote adherence to council standing orders.</p>

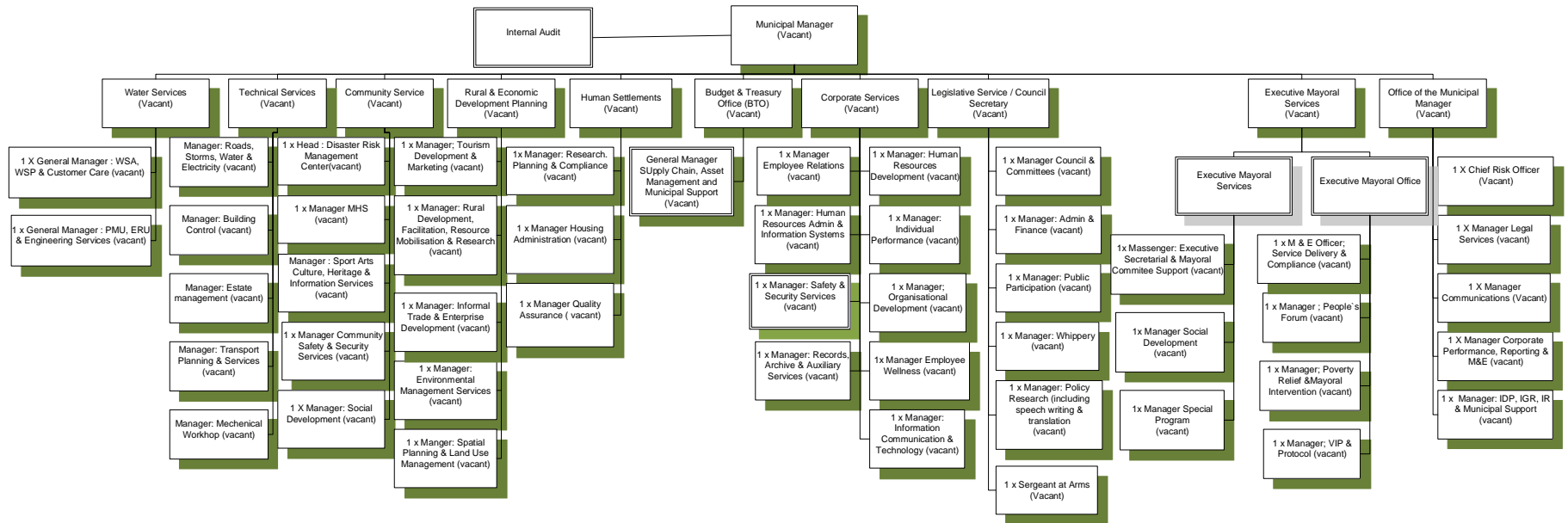
SECTION 79 STANDING COMMITTEE	SCOPE OF THE TERMS OF REFERENCE
	(5)To promote adherence to appropriate dress code for all council and committee meetings.
6. Multiparty Women’s Caucus	<p>1. To act as an advisory, influencing and consultative body by representing the interests and concerns of women members in Council and making submissions to the Council.</p> <p>2. To engage on empowerment issues with women in political structures outside Council.</p>
7. Petitions and Public Participation Committee	<p>1.to encourage active involvement of communities and community organisations in the affairs of the municipality;</p> <p>2.to increase the effectiveness of Public Participation in the affairs of the municipality;</p> <p>3.to ensure the consideration, monitoring and tracking of petitions lodged to the municipality;</p> <p>4.to ensure that timeous feedback is given to Petitioners;</p> <p>5.to ensure adherence to Community Complaints and Petitions Handling Policy; Public Participation Policy; and Public Participation Strategy;</p>

SCOPE OF THE TERMS OF REFERENCE (PURPOSE) FOR S79 PORTFOLIO COMMITTEES

SECTION 79 PORTFOLIO COMMITTEES NAME	PURPOSE
<p>1.Infrastructure Services & Technical Services Portfolio Committee</p> <p>2.Human Settlement and Disaster Management Portfolio Committee</p> <p>3.Corporate Services</p> <p>4.Community Services</p> <p>5.Budget & Treasury Office (BTO) and Internal Audit</p> <p>6.Planning, Research and Intergovernmental Relations</p> <p>7.Special Programs and Social</p>	<p>(1)The Committee maintains oversight on the Member of the Mayoral Committee (MMC), and the department in fulfilling their responsibilities, including the implementation of policies, By-laws, regulations and other applicable legislation.</p> <p>(2)To fulfil its oversight responsibility, the Committee must scrutinize and oversee the extent to which the department is fulfilling its Constitutional obligations in respect of –</p> <ul style="list-style-type: none"> (i) the local government matters listed in Part B of Schedule 4 and Part B of Schedule 5, and any other matter assigned to it by national or provincial legislation; and (ii) the promotion and fulfilment of all the rights enshrined in Chapter 2 - the Bill of Rights, sub-sections 7 – 39;

SECTION 79 PORTFOLIO COMMITTEES NAME	PURPOSE
<p>Services Portfolio Committee</p> <p>8.REDP</p>	<p>(3)To scrutinize the reports of the department, for submission to Council pursuant to the requirements of, but not limited to, the Structures, Systems and Finance Acts respectively and to report to Council with recommendations;</p> <p>(4)To scrutinize the reports of institutions established by Chapter 9 of the Constitution, in particular, the reports of the Auditor-General to the extent that reflections on the department are made by the Auditor-General.</p> <p>(5)To establish mechanisms that will enable the Committee to undertake Focused Intervention studies and Oversight visits;</p> <p>(6)To facilitate the participation of the public in the oversight processes of the Committee; and</p> <p>(7)To ensure the scrutiny and review of the efficacy of policies and By-laws made, as a means of ensuring accountable and responsive local government.</p>

APPENDIX C- THIRD TIER ADMINISTRATIVE STRUCTURE



APPENDIX D – FUNCTIONS OF MUNICIPALITY/ ENTITY

	O.R. Tambo
Water	Yes
Sanitation	Yes
Municipal Health	Yes
Electricity Reticulation	No
Air pollution	-
Building regulation	-
Child care facilities	-
Fire fighting	Yes
Local Tourism	Yes
Municipal Airports	Yes
Municipal Planning	Yes
Public Transport	Yes
Pontoons and ferries	-
Disaster Management	Yes
Storm water	-
Trading regulation	-
Beaches and amusement facilities	-
Billboards and advertisements	-
Cemetries, parlours and crematoria	-
Cleansing	-
Traffic packing	-
Street lighting	-
Street trading	-
Refuse removal dumps and solid waste disposal	-
Public places	-

APPENDIX E & F WARD REPORTING & INFORMATION

APPENDIX G – REPORT OF THE MUNICIPAL AUDIT COMMITTEE

AUDIT COMMITTEE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

1. INTRODUCTION

As required by Section 166(2) of the Municipal Finance Management Act, 56 of 2003, the Audit Committee report is prepared as prescribed by Section 166(2) of the MFMA and in line with the recommendations of the King IV report on Corporate Governance for South Africa 2016 and its Code of Governance Principles. The Audit Committee performs its duties in accordance with its approved Charter by the Municipal Council and the MFMA.

The terms of reference are set out in the Audit Committee Charter, which is approved by Council and it's continuously reviewed and updated for changes in legislation, business circumstances, and corporate governance practices. The Audit Committee confirms that, it has complied with its statutory obligations and has discharged its duties in accordance with the Charter.

The role of the Committee is defined in its charter and cover amongst others the following:-

- To advise Council and management on matters relating to accounting policies, safeguarding of assets, the operation of adequate systems of financial control, recording and reporting, and the preparation of financial statements in compliance with the applicable legal requirements and applicable accounting standards;
- Provide an oversight role on the development and implementation of the entity-wide- financial risk management;
- To approve the Risk-based Three (3) Year Rolling Plan and the Annual Plans proposed by the both Internal and External Auditors and ensure coordination between their audit activities;
- To advise Council on matters relating to performance management;
- AC approves and monitor Internal Audit 3-Year Rolling Plan.
- To recommend the appointment or termination of the Director: Internal Audit; and evaluates the effectiveness of Internal Audit unit.
- Review the Audit Strategy and regularly engage external auditors on matters relating to annual audit.

2. MEMBERSHIP

- | | |
|----------------------|------------------------------------|
| 1. Mr. S. Simelane | Chairperson, appointed in May 2016 |
| 2. Mr. PH. Songo | Appointed in May 2016 |
| 3. Ms. S. Makhathini | Appointed in May 2016 |
| 4. Mr. M. Msiwa | Appointed in September 2016 |
| 5. Ms. N. Mketsu | Appointed in September 2016 |

None of the above members are officials of the Municipality or its Entities. All the members of the Committee are independent, with no interests in the management or conduct of the business of the Municipality.

3. ATTENDANCE REGISTER

Meetings:

The Audit Committee held three meetings in the year under review. The attendance at the meetings was as following:

Member Name	28/08/2017	28/09/2017	13/11/2017	18/01/2018	20/02/2018	18/05/2018	19/06/2018
Mr. S. Simelane	P	P	P	P	P	P	P
Ms. S. Makhathini	A	P	P	P	P	P	P
Ms. N. Mketsu	P	A	A	A	P	P	A
Mr. P. Songo	P	A	A	P	A	A	A
Mr. M. Msiwa	A	A	P	P	P	A	P

*

P = Present

A = Apologized

The Auditor-General has a standing invitation to attend Audit Committee meetings. The Municipal Manager, Chief Financial Officer, Chief Risk Officer, Director: Internal Audit, and other key executive members are required to attend the meetings of the Committee. The Internal Auditor, Auditor-General, and Management are afforded individual closed sessions with the Committee.

4. SUMMARY OF THE MAIN ACTIVITIES UNDERTAKEN BY THE AUDIT COMMITTEE DURING THE YEAR UNDER REVIEW.

In line with the MFMA and the King IV report on Corporate Governance, the Audit Committee executed the following activities during the year:-

4.1 Internal Audit

- Considered the adequacy of resources and effectiveness of the Internal Audit function, which included the approval of the Annual Operational and Three –Year Rolling Risk-Based Internal Audit Plan;
- Approved Internal Audit Charter for the year;
- Reviewed the reports from Internal Audit related to the work performed as per approved Annual Plan relating to the adequacy and effectiveness of the organisation's internal control environment, systems, and process together with the adequacy and appropriateness of the related management's corrective action plan(s).

4.2 External Audit

- Reviewed and supported the audit strategy of the External Auditor, with specific reference to the proposed audit scope, approach, and audit fees;
- Considered with management the quality and effectiveness of the External Audit process, areas of concern and the improvement plans being developed to mitigate identified risks;
- Recommended for submission of Annual Financial Statements by Council to Auditor General;
- Reviewed the significant accounting practices, judgements and estimates adopted by the organisation in the application of Generally Recognised Accounting Practices (GRAP), and found those to be appropriate;
- Reviewed the significant accounting policies adopted by the organisation and all proposed changes in accounting policies and practices, and recommended any changes considered appropriate in terms GRAP to Council for approval;
- Reviewed the Management Letter and the Audit Report from the External Auditor concerning the effectiveness of the organisation's internal control environment, systems, and process;
- Reviewed the adequacy and effectiveness of the Management Audit Action Plan;
- Monitored the implementation of the Management Audit Action Plan, and
- Ensured that, there is a process for the Audit Committee to be informed of any reportable irregularities identified and reported by the external auditor.

4.3. Draft Annual Report 2016/17

Both the Municipality and Entities Annual Reports for 2016/17 were discussed. The Committee raised amongst other things the following issues with management;

- Corrective action to address poor performance were not clear in some instances,
- Performance Assessment on directors not effected yet,
- Concern regarding the PMS Manager vacant position,
- Portfolio of evidence not being presented for some targets, and
- It was noted that some targets were not SMART. Management was advised to take action to rectify targets to be SMART.

Overall

In general, the report, in particular to the service delivery part of the Annual Report gives an account of how the Municipality has performed against its set targets, which allows the users of the report to assess whether the Municipality has performed according to the set targets or not.

The Municipality obtained a Qualified Audit opinion, which the Committee notes.

The Committee supported the submission of the APR to the Auditor General pending that the recommended changes are effected prior submission. It was also resolved that management should submit POE's to the AG before close of business on 31 August 2017.

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5. OTHER MATTERS

- Provided oversight to Council in discharging its duties relating to the organisation's systems of internal control, risk management, compliance, and Information and Communication Technology (ICT) governance;
- Reviewed and monitored the organisation's compliance with applicable legislation and regulations, including without limitations, the MFMA, and Treasury Regulations thought the reports of both Internal and External Auditors;
- Reviewed management's reports on items of Fruitless and Wasteful and Irregular Expenditure as well as losses through criminal conduct; and
- Completed the annual Audit Committee self-assessment survey.

5.1 Annual Evaluation of the Control Environment by the Committee

As required by the MFMA and King Report on Corporate Governance, the Audit Committee has performed annual assessment and evaluation of the organisation's systems of internal controls together with the effectiveness of the finance function, including the competency of the Director: Internal Audit, the results are presented below:-

5.2 The effectiveness of internal control environment

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that, liabilities and working capital are efficiently managed.

In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the Risk-based Audit Plan, as well as the identification of corrective actions to any deficiencies in the system of internal controls and proposes enhancements to the controls and processes. From the various reports of the Internal Audit Function, inclusive the report of the External Auditor, it was noted that, there were weaknesses in the system of internal controls.

5.3 Evaluation of the Annual Financial Statements

The Committee reviewed the Unaudited Annual Financial Statements for the 2017/2018 financial year as required section 166(b) of the MFMA.

The Audit Committee concur with and accept the Auditor General's report on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements should be accepted and read together with the report of the Auditor General.

5.4 Assessment of the Finance Function and Competency of the Chief Financial Officer

Through the assessment of the Internal Audit's reports and the final report of the External Auditor, the Committee has evaluated the adequacy and effectiveness of the financial

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function. The Committee is of the view that, there is extensive improvement required in relation to the financial control environment as a result of the outcome of both Internal Audit and External Audit report.

5.5 Evaluation of Internal Audit Function

The Audit Committee has evaluated the reports of Internal Audit Function and is satisfied with the competency of the head of Internal Audit and the Internal Audit Function. Despite the Audit Plan not being completed, Audit Committee commends Internal Audit for the efforts made towards completion of the Operational Risk-based Audit Plan for the year.

The Committee noted and accepted the resignation of the Director Internal Audit during February 2018.

5.6 Risk Management Function

In our view, risk management was established at the Municipality through the appointment of the Risk Officers to capacitate the unit. The Risk management founding documents were reviewed by Audit Committee and recommended for approval.

The Committee noted and accepted the resignation of the Chief Risk Officer in December 2017.

6. CONCLUSION

This report is submitted to Council for consideration. Our recommendations are meant to assist with the improvement of control environment and internal controls in general. Council is urged to support the implementation of the Audit Committee recommendations by management.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

S. Simelane CA(SA)
Chairperson: Audit Committee

APPENDIX H- LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

The municipality had no long-term contracts or Public Private Partnership contract during the current financial year.

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
ORTDM SCMU 02- 17/18	WATER SUPPLY INFRASTRUCTURE GRANT PROGRAMME - GROUNDWATER SOURCE DEVELOPMENT TO IDENTIFIED VILLAGES	25-Oct- 17	KIMOPAX EASTERN CAPE PTY LTD	4,195,695.90	3,680,435.00
ORTDM SCMU 44- 17/18	OR TAMBO CULTURAL CARNIVAL AND MUSIC FESTIVAL	25-Oct- 17	LAZOLA MEDIA	2,500,000.00	2,192,982.46
S110: Chris Hani DC	Implementation of the RURAL AGRO- INDUSTRIES AND FINANCIAL INITIATIVE (RAFI) OR TAMBO DISTRICT MUNICIPALITY.	15-Nov- 17	CHRIS HANI CO-OPERATIVE DEVELOPMENT CENTRE	9,305,580.22	
ORTDM SCMU 04- 17/18	BOREHOLE DEVELOPMENT WITHIN WARD 9 & 16 PHASE 1B	13-Dec- 17	Tiki Tiki JV Mnadi Civils	9,976,486.36	8,751,303.82
MIS 216 547	FLAGSTAFF SEWER RATIFICATION AND TREATMENT PLANT PHASE 2: CONSTRUCTION OF MAIN PUMP STATION, PUMPING MAIN AND OUTFALL SEWER	13-Dec- 17	Egxeni Engineering cc	39,478,399.05	34,630,174.61

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
ORTDM SCMU 40- 17/18 - A	BOREHOLE DEVELOPMENT IN WARDS 6,14,15,17,19&28: MPUTSHANE/ CIBENI WATER DISTRIBUTION UPGRADE	13-Dec-17	Bitline SA	12,523,685.79	10,985,689.29
ORTDM SCMU 42- 16/17	2016/17 REFURBISHMENT, REPLACEMENT, AND REPAIRS OF EXISTING SEWAGE PUMP STATIONS (KING SABATA DALINDYEBO)	13-Dec-17	Manco Bussiness Enterprise Pty Ltd	6,537,301.66	5,734,475.14
ORTDM SCMU 01- 17/18	MQHEKEZWENI WATER SUPPLY PHASE 2	13-Dec-17	Mnadi Civils	18,496,190.89	16,224,728.85
ORTDM SCMU 21- 17/18	RENDERING OF SECURITY SERVICES KSD LOCAL MUNICIPALITY	13-Dec-17	Madolo Security and Cleaning Services	23,625,600.00	20,724,210.53
ORTDM SCMU 20- 17/18	RENDERING OF SECURITY SERVICES MHLONTLO / NYADENI LOCAL MUNICIPALITY	13-Dec-17	Tyekes Security Services	9,858,513.60	8,647,818.95
ORTDM SCMU 03- 17/18	Borehole Development within Ward 3 & 7 Phase 1B: Dangwana and Ngqwaleni Villages	13-Dec-17	LG Construction cc	11,037,310.98	9,681,851.74
MIS 216 354	Port St. Johns Regional Water Supply Scheme: Phase 5 - Completion of Raw Water Abstraction Works, Pump Stations and	19-Dec-17	Tipp-Con (Pty) Ltd	31,994,054.81	28,064,960.36

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
	Associated Infrastructure				
MIS 204 539	Construction of Phase 1A of the New Libode Waste-Water Treatment Works	19-Dec-17	Thubalam Trading cc	45,359,701.45	39,789,211.80
ORTDM SCMU 41-17/18	Term contract service provider to supply, erect, dismantle and transport temporal shelters	19-Dec-17	Prefab Guru	84,588.45	
S110: Eskom	Connection for Flagstaff Bulk Water Supply phase 1	30-Jan-18	Eskom	9,432,023.18	
ORTDM SCMU 53-17/18	Tholeni Spring Protection: Mfundisweni Village	22-Feb-18	Egxeni Engineering cc	7,200,000.00	6,315,789.47
ORTDM SCMU 12-17/18	Development of Water Safety Plans and Annual Process Audits for O.R Tambo Water Supply Systems	22-Feb-18	Aurecon	1,196,174.64	1,049,276.00
ORTDM SCMU 06-17/18	Development of Water Conservation and Demand Management Plan	22-Feb-18	Joat Consulting Pty Ltd	489,060.00	429,000.00
ORTDM SCMU 42-17/18	Appointment of a Professional Engineer for Geotechnical Investigation, Foundation & House Plan Design and Project Management for Social Relief Houses	22-Feb-18	Mekan Engineering Services Pty Ltd	1,217,520.00	1,068,000.00
MIS 243 725 A	Construction of VIP Toilets in Ingquza Hill Ward 19A	22-Feb-18	Boboshe Trading Enterprises	7,852,080.60	6,887,790.00
ORTDM SCMU 38-16/17 Mtshabe	Appointment of Legal Experts (Re-advertisement)	22-Feb-18	N.Z Mtshabe Incorporated		-

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
ORTDM SCMU 38-16/17 W.T	Appointment of Legal Experts (Re-advertisement)	22-Feb-18	Wycliff Thibela Mngandi Inc T/A WT Mngandi and Associates		-
ORTDM SCMU 38-16/17 Notyesi	Appointment of Legal Experts (Re-advertisement)	22-Feb-18	Mvuzo Notyesi Incorporated		
ORTDM SCMU 38-16/17 Mbabane	Appointment of Legal Experts (Re-advertisement)	22-Feb-18	Mbabane Sokhutu Incorporated		
ORTDM SCMU 38-16/17 Tonise	Appointment of Legal Experts (Re-advertisement)	22-Feb-18	Tonise Attorneys		
ORTDM SCMU 39-17/18	Supply, Delivery and Off-loading of Water Treatment Chemicals for a period of 3 years	22-Feb-18	IFA Lethu Technology cc	1,300.00	1,140.35
ORTDM SCMU 27-17/18 Beacon	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Beacon Consulting Engineers	15,000,000.00	13,157,894.74
ORTDM SCMU 27-17/18 Ziinzame BHO PSJ WARD 9 & 16	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	2,817,335.25	

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
ORTDM SCMU 27- 17/18 Ziinzame BHD PSJ WARD 3 & 7	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	2,727,412.96	
ORTDM SCMU 27- 17/18: Ziinzame Mqhekezweni Water Supply Phase 2	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	3,404,606.20	
ORTDM SCMU 27- 17/18 Ziinzame BHAKANENI AND SURROUNDS BHD WARDS 1 & 3	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	1,718,263.98	
ORTDM SCMU 27- 17/18 : Ziinzame THOILENI	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	2,197,594.52	

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
	Projects for a period of 3 years: Stand-alone Scheme				
ORTDM SCMU 27-17/18 Ziinzame BHO wards 6,14,15,17,19 and 26	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	1,495,742.86	
ORTDM SCMU 27-17/18 Ziinzame Debeza	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	2,470,024.34	
ORTDM SCMU 27-17/18: Ziinzame KSD BHD ward 26	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	3,301,821.48	2,896,334.63

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
ORTDM SCMU 27- 17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Nathoo Mbenyane Engineers Pty Ltd		-
ORTDM SCMU 27- 17/18 Tshashu	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Tshashu Consulting and Project Managers	5,318,682.00	4,665,510.53
ORTDM SCMU 27- 17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Emzansi Engineering Pty Ltd		-
ORTDM SCMU 27- 17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital	22-Feb-18	Chew Bowen and Marais Africa Pty Ltd		-

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
	Projects for a period of 3 years: Stand-alone Scheme				
ORTDM SCMU 27- 17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	EAS - Maisha JV		
ORTDM SCMU 27- 17/18 Likithande	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	Likithande Engineers and Project Managers	2,971,842.11	
ORTDM SCMU 27- 17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	SMEC SA		

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
ORTDM SCMU 27- 17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Stand-alone Scheme	22-Feb-18	JG Afrika Pty Ltd		-
ORTDM SCMU 23- 17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	Emzansi Engineering Pty Ltd		-
ORTDM SCMU 23- 17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	EAS - Maisha JV		-
ORTDM SCMU 23- 17/18 Thuso Ntsonyeni	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital	22-Feb-18	Thuso Consultants	12,116,906.94	10,628,865.74

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
	Projects for a period of 3 years: Bulk Water Supply				
ORTDM SCMU 23-17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	Likithande Engineers and Project Managers		
ORTDM SCMU 23-17/18 Leko	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	Leko Engineering Consultants	20,930,829.40	
ORTDM SCMU 23-17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	IX Engineers		

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
ORTDM SCMU 23- 17/18	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	Beacon Consulting Engineers		
ORTDM SCMU 23- 17/18: MIS 263 393 Kwanyathi	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	Vuv'amu Pty Ltd	6,491,584.95	
ORTDM SCMU 23- 17/18 Ziinzame Dumasi	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	1,000,000.00	
ORTDM SCMU 23- 17/18 Ziinzame Mqanduli	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital	22-Feb-18	Ziinzame Consulting Engineers Pty Ltd	122,902,986.00	

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
	Projects for a period of 3 years: Bulk Water Supply				
ORTDM SCMU 23- 17/18 Umpisi	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	Umpisi	20,000,000.00	
ORTDM SCMU 23- 17/18 Aurecon	Request for Proposals for Panel of Professional Service Providers required for Planning, Design and Construction Monitoring of O.R. Tambo Capital Projects for a period of 3 years: Bulk Water Supply	22-Feb-18	Aurecon	48,826,427.95	
ORTDM SCMU 54- 17/18	Debeza Lwandlana Water Supply Scheme: Bhala Phase 1 Village	22-Feb-18	Mabona Civils and Plant Hire	11,990,429.53	
ORTDM SCMU 52- 17/18	KSD Ward 26 Water Supply Scheme: Ntlangaza Village	21-Mar-18	Tyekes Plant Hire and Construction	8,786,586.77	
ORTDM SCMU 22- 17/18	Construction of VIP toilets in KSD Ward 22	21-Mar-18	Bitline SA 1060 cc	6,515,534.34	
ORTDM SCMU 08- 17/18	Supply and delivery of Water Tanks, Stands and Fittings	21-Mar-18	Batabile Construction Services CC	4,365,561.60	
MIS 262 878 A	Construction of VIP Toilets in Nyandeni Ward 4A	21-Mar-18	Sosk Civils and Building Construction cc	4,032,381.78	

Contracts for financial period 2017/18					
Contract No.	Contract description	Award Date	Service Provider	Total Contract Value (incl. VAT)	Total Contract Value (excl. VAT)
MIS 262 878 B	Construction of VIP Toilets in Nyandeni Ward 4B	21-Mar-18	Sosk Civils and Building Construction cc	4,032,381.78	
MIS 215 679	Construction of VIP Toilets in Mhlontlo Ward 2	21-Mar-18	Bitline SA 1060 cc	7,507,967.04	
MIS 240 258	LUKHWETHU WATER SUPPLY AND SURROUNDING VILLAGES	Apr-18	BMI Infrastructure Development Pty Ltd	1,000,000.00	
ORTDM SCMU 40-17/19 B	Borehole development in ward 6,14,15,17,19 & 28: Cebeni Springs upgrade and reticulation	11-Apr-18	Tiki Tiki JV Mnadi Civils	10,422,287.28	
MIS 262 849 B	Construction of VIP toilets inNyandeni ward 2B	11-Apr-18	Mnandi Civils	7,686,774.90	
ORTDM SCMU 48-17/18	Construction and enrolment with NHRBC of nine (9) farm worker houses at Adam Kok	08-May-18	Prefab Guru	2,269,585.38	
MIS 262 849 A	Construction of VIP toilets in Nyandeni ward 2A	08-May-18	Eyethu Projects and Plant Hire	6,607,559.70	
ORTDM SCMU 02-17/18 W	Training of early childhood development practitioners for a period of 12 months	08-May-18	Wazi Educational Support	932,387.00	
ORTDM SCMU 59-17/18	Appointment of a service provider to the event management of the OR Tambo District Municipality - State of the address	30-May-18	Da Brains Events	2,211,431.60	

APPENDIX I- SERVICE PROVIDER PERFORMANCE SCHEDULE

APPENDIX J- DISCLOSURE OF FINANCIAL INTERESTS

The Municipal Manager and Section 56 Managers had no financial interests during the financial year 2017/18.

APPENDIX K- REVENUE COLLECTION PERFORMANCE (BY VOTE AND SOURCE)

		Vote 1	Vote 2	Vote 3	Vote 4	Vote 5	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10	Vote 11	Vote 12
Revenue from exchange transactions	Totals	Exec. & Council	Fin. & Admin	Planning & Dev	Health	Community Services	Housing	Public Safety	Sports & Recreation	Environmental	Roads	Water	Tourism
Service charges	230,269,381.00	-	-	-	-	-	-	-	-	-	-	230,269,381.00	-
Rental of facilities and equipment	89,795.00	-	89,795.00	-	-	-	-	-	-	-	-	-	-
Interest earned - External Investments	52,465,123.00	-	52,465,123.00	-	-	-	-	-	-	-	-	-	-
Interest earned - Outstanding debtors	36,952,171.00	-	-	-	-	-	-	-	-	-	-	36,952,171.00	-
Operational revenue	151,828,164.00	-	139,924,099.00	11,904,065.00	-	-	-	-	-	-	-	-	-
Other gains on continued operations	4,285,693.00	-	-	4,285,693.00	-	-	-	-	-	-	-	-	-
	475,890,327.00	-	192,479,017.00	16,189,758.00	-	-	-	-	-	-	-	267,221,552.00	-
Revenue from non-exchange transactions													
Income from agency services	77,383.00	-	77,383.00	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies	1,713,604,190.00	194,955,295.00	227,258,553.00	99,918,963.00	7,140,920.00	14,270,167.00	13,707,237.00	31,004,543.00	7,335,786.00	28,761,620.00	26,942,174.00	1,058,647,508.00	3,661,424.00
Equitable share	728,170,000.00	194,955,295.00	225,213,553.00	94,601,386.00	7,140,920.00	14,270,167.00	13,707,237.00	31,004,543.00	7,335,786.00	28,761,620.00	24,354,694.00	83,163,375.00	3,661,424.00
Other Subsidies	506,577.00	-	-	506,577.00	-	-	-	-	-	-	-	-	-
National: EPWP	4,811,000.00	-	-	4,811,000.00	-	-	-	-	-	-	-	-	-
National: FMG	2,045,000.00	-	2,045,000.00	-	-	-	-	-	-	-	-	-	-
National: MIG	573,177,429.00	-	-	-	-	-	-	-	-	-	-	573,177,429.00	-
National: Municipal Water Infrastructure grant	108,536,202.00	-	-	-	-	-	-	-	-	-	-	108,536,202.00	-
National: Department of Roads and Transport	2,587,480.00	-	-	-	-	-	-	-	-	-	2,587,480.00	-	-
National: RBIG	293,770,502.00	-	-	-	-	-	-	-	-	-	-	293,770,502.00	-
Total revenue	2,189,571,900.00	194,955,295.00	419,814,953.00	116,108,721.00	7,140,920.00	14,270,167.00	13,707,237.00	31,004,543.00	7,335,786.00	28,761,620.00	26,942,174.00	1,325,869,060.00	3,661,424.00

APPENDIX L- CONDITIONAL GRANTS RECEIVED (EXCLUDING MIG)

GRANT	ALLOCATION
MIG	R 645 218 000.00
RBIG	R 343 183 000.00
WISG	R 124 000 000.00

APPENDIX M- CAPITAL EXPENDITURE: NEW & UPGRADE RENEWAL PROGRAMMES: INCLUDING MIG & NEW



O. R. TAMBO DISTRICT MUNICIPALITY

VISA	DM	LH	NAME OF PROJECT	PROJECT COST (RMB) to complete the project indicated on the Business Plan	WBG 2017/2018 ALLOCATED BUDGET	AMOUNT TRANSFERRED BY DM	EXPENDITURE/PROJECTS PROGRESS REPORT : June 2018		PLANNED COMPLETION DATE	DATE COMPLETED	Planned job creation	Planned households to be served	JOBS CREATED (Direct + New in current month)	HOUSEHOLDS SERVED (Direct + New in current month)	CHALLENGES/ COMMENTS
							2017/2018 EXPEND BY VISA TO DATE	BALANCE ON 2017/2018 ALLOCATION							
	ORTDM	IKM	Thabazimbi Township Growth and Development	509 385.12	R 509 385.12	R 509 385.12	R 0.00		28-Jan-18	28-Jun-18	50	5344		9344	All Drilling has been completed, with only yield test results outstanding.
	ORTDM	KSD	KSD West 24 Berends Development	17 021 810.00	R 17 021 810.00	R 17 021 810.00	R 0.00		28-Jun-18	28-Jun-18	40	2401	35	2401	The project is practically complete, the contractor is busy with stage 2.
	ORTDM	KSD	Upgrade the existing water supply at the Mythenbos Village	22 316 679.98	R 22 316 679.98	R 22 316 679.98	R 0.00		28-Jun-18	28-Jun-18	25	353	353	353	The project is practically complete, the contractor is busy with stage 2.
	ORTDM	PSJ	Spring Protection and Cart Roads to Village within Wards	589 385.12	R 589 385.12	R 589 385.12	R 0.00		28-Jun-18	28-Jun-18	20	1601	1601	1601	All Drilling has been completed, with only yield test results outstanding.
	ORTDM	PSJ	Development in Wards 3 and 7 of PSJ LM Berends	22 634 307.40	R 22 634 307.40	R 22 634 307.40	R 0.00		28-Jun-18	28-Jun-18	42	4577	4577	4577	The project is practically complete, the contractor is busy with stage 2.
	ORTDM	PSJ	Development in Wards 3 and 7 of PSJ LM Berends	11 775 288.40	R 11 775 288.40	R 11 775 288.40	R 0.00		28-Jun-18	28-Jun-18	33	3442	3442	3442	The project is practically complete, the contractor is busy with stage 2.
	ORTDM	Whitvlei	Development within Wards 1 and 3 of Whitvlei	2 540 000.00	R 2 540 000.00	R 2 540 000.00	R 0.00		28-Jun-18	28-Jun-18	57	3364	3364	3364	Awaiting Etern contractor to go to site
	ORTDM	Whitvlei	Development within Wards 14, 15, 17, 18 and 20 of Whitvlei	21 703 493.93	R 21 703 493.93	R 21 703 493.93	R 0.00		28-Jun-18	28-Jun-18	30	9536	9536	9536	The project is practically complete, the contractor is busy with stage 2.
	ORTDM	Meadow	Thabazimbi Spring Protection	9 027 240.00	R 9 027 240.00	R 9 027 240.00	R 0.00		28-Jun-18	28-Jun-18	46	4001	4001	4001	The project is practically complete, the contractor is busy with stage 2.
	ORTDM	Ngqweni	Defence Landfills and Services	12 153 610.00	R 12 153 610.00	R 12 153 610.00	R 0.00		28-Jun-18	28-Jun-18	39	760	760	760	The project is practically complete, the contractor is busy with stage 2.
	ORTDM	KSD	Lower Thabazimbi and Berends Berends Development	490 456.01	R 490 456.01	R 490 456.01	R 0.00		28-Jun-18	28-Jun-18	30	2500	2500	2500	All Drilling has been completed, with only yield test results outstanding.
	ORTDM	KSD	Thabazimbi and Berends Berends Development	490 456.01	R 490 456.01	R 490 456.01	R 0.00		28-Jun-18	28-Jun-18	40	2500	2500	2500	All Drilling has been completed, with only yield test results outstanding.
	ORTDM	Ngqweni	Thabazimbi, Berends and Berends Berends Development	589 385.12	R 589 385.12	R 589 385.12	R 0.00		28-Jun-18	28-Jun-18	30	1716	1716	1716	All Drilling has been completed, with only yield test results outstanding.
	ORTDM	Ngqweni	Thabazimbi, Berends and Berends Berends Development	490 456.01	R 490 456.01	R 490 456.01	R 0.00		28-Jun-18	28-Jun-18	36	2067	2067	2067	All Drilling has been completed, with only yield test results outstanding.
	ORTDM	Ngqweni	Thabazimbi, Berends and Berends Berends Development	589 385.12	R 589 385.12	R 589 385.12	R 0.00		28-Jun-18	28-Jun-18	25	1482	1482	1482	All Drilling has been completed, with only yield test results outstanding.
				124 000 000.00	124 000 000.00	124 000 000.00	R 0.00				561	46131	50	46129	

FOR IMPLEMENTATION
 NAME : N. MABHAMB
 DESIGNATION: PROJECT MANAGER
 SIGNATURE *N. Mabham*
 DATE 06/07/2018

TOTAL ALLOCATION TRANSFERRED	R 124 000 000.00
EXPENDITURE TO DATE	R 124 000 000.00
TOTAL BTA BALANCE	R
EXPENDITURE IN PERCENTAGE (%)	100.00
BUDGET OF FUNDS TO DATE	
TOTAL BUDGET ALLOCATION	R 124 000 000.00
TOTAL TRANSFERRED TO DATE	R 124 000 000.00
EXPENDITURE TO DATE	R 124 000 000.00

APPENDIX N & O - CAPITAL PROGRAMMES BY PROJECT CURRENT YEAR

APPENDIX P- SERVICE CONNECTION BACKLOG AT SCHOOLS AND CLINICS

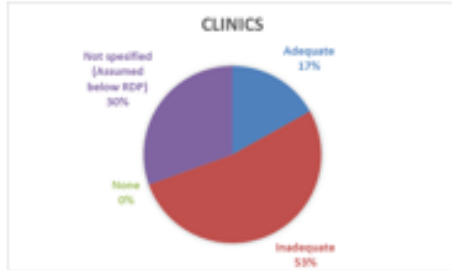


Figure A-33: Clinics Water Level of Service



Figure A-34 Health Centres Water Level of Service

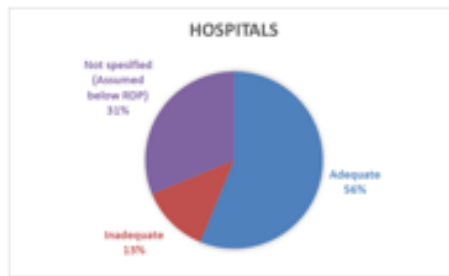


Figure A-35 Hospitals Water Level of Service

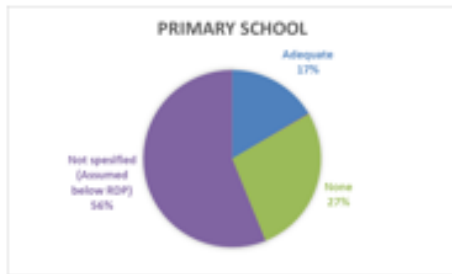


Figure A-36 Primary Schools Water Level of Service

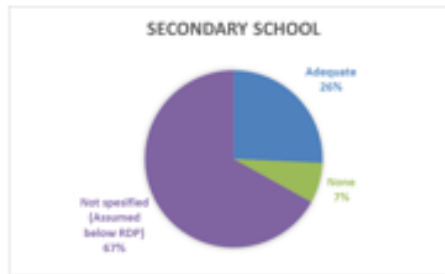


Figure A-37 Secondary School Water Level of Service



Figure A-38 Special Needs Schools Water Level of Service

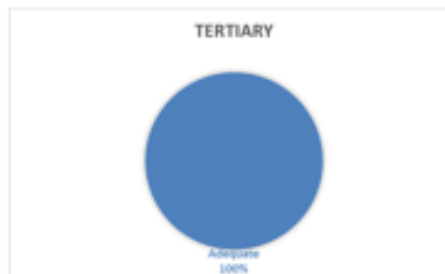


Figure A-39 Tertiary Education Water Level of Service

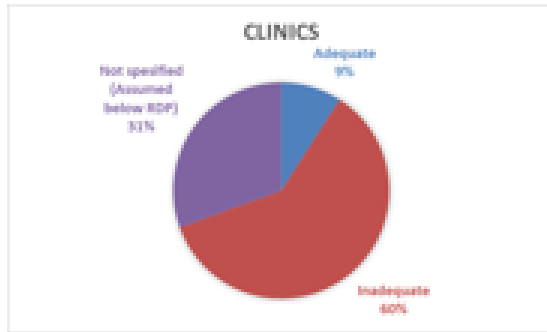


Figure A-40 Clinics Sanitation Level of Service

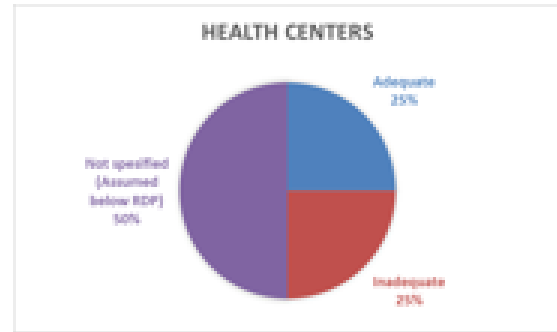


Figure A-41 Health Centres Sanitation Level of Service

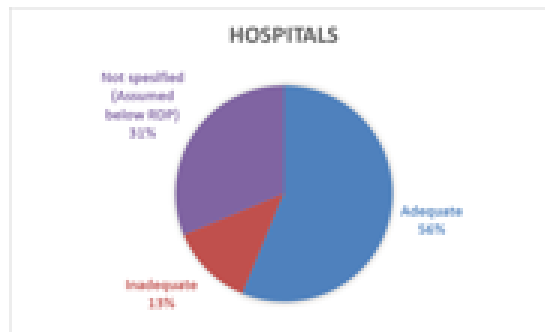


Figure A-42 Hospitals Sanitation Level of Service

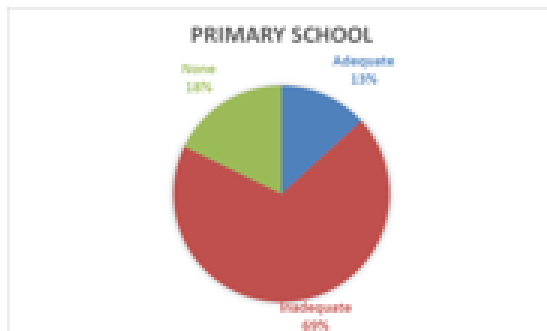


Figure A-43 Primary Schools Sanitation Level of Service

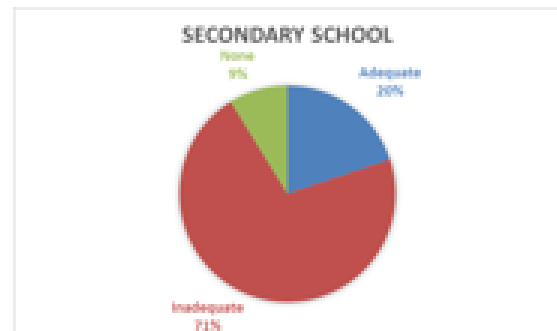


Figure A-44 Secondary Schools Sanitation Level of Service

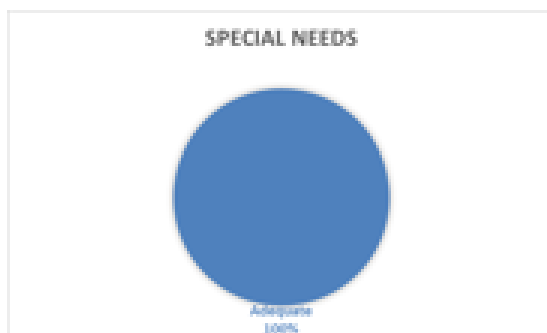


Figure A-45 Special Needs Schools Sanitation Level of Service

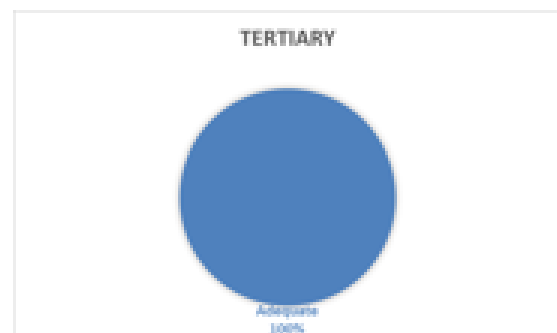


Figure A-46 Tertiary Education Sanitation Level of Service

APPENDIX Q- SERVICE BACKLOG EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Backlog on Electricity

Municipality	Historic Backlog	Eskom Electrified	Remaining Backlog	Ach %	Rema %
KSD	79181	72295	6886	91.3	8.7
Nyandeni	58720	58208	512	99	1
PSJ	49501	49287	214	99.5	0.5
Mhlontlo	38551	37066	1485	96	4
Ngquza Hill	43162	43162	0	100	0
TOTAL	269115	260018	9097	96.6	3.4

OR Tambo	Remaining Backlog	New Extensions	Current Total Backlog
KSD	6886	2500	9386
Nyandeni	512	2400	2912
PSJ	214	2554	2768
Mhlontlo	1485	6755	8240
Ingquza	0	2800	2800
TOTAL	9097	17009	26106

Backlog Information and Housing Needs

ORTDM has a housing backlog of approximately 158 143 houses. Nyandeni LM has the highest number of backlogs at, 41 892, whilst PSJ and KSD are the lowest at 22 000 respectively. The table below outlines the backlogs per the Census results of 2011.

APPENDIX R- DECLARATIONS OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

The municipality did not make any loans out or provide grants to any organisations during the current financial year.

APPENDIX S - DECLARATION OF RETURNS NOT MADE IN DUE TIME MFMA S71

All Section 71 reports were submitted with 10 working days of the month as required by section s71 of the MFMA

APPENDIX T: NATIONAL AND PROVINCIAL OUTCOME FOR LOCAL GOVERNMENT

All functional areas of the Municipality have been covered by the report.

VOLUME II
VOLUME II: ANNUAL FINANCIAL STATEMENTS





O.R. TAMBO
DISTRICT MUNICIPALITY
OR Tambo District Municipality
(Registration number : DC15)
Consolidated Annual Financial Statements
for the year ended 30 June 2018



OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

General Information

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

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COD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IGRAP	Interpretations of Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPAS	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 CIMP)
Controlled entity	an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the controlling entity)
Controlling entity	an entity that has one or more controlled entities
Economic entity	a group of entities comprising a controlling entity and one or more controlled entities

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

General Information

EXECUTIVE MAYOR:	Meth N.
SPEAKER:	Nkompele X.
MEMBERS OF THE MAYORAL COMMITTEE	
Meth N.	Executive Mayor
Nogumla R.Z.	Deputy Executive Mayor
Ngobu W.	MMC: Infrastructure Services
Ngoongwa N.	MMC: Budget and Treasury Office & Internal Audit
Mkomo N.Z.	MMC: Corporate Services
Mdledle N.	MMC: Community Services
Sabona J.	MMC-REDP
Mjokwana D.	MMC: Human Settlement & Disaster Management
Godongwana S.	MMC: Special Programmes & Social Services
Gijose R.M.	MMC: Planning, Research & Integrated Governmental Relations
Dambuzi M.B.	MMC: Technical Services
GRADING OF THE LOCAL AUTHORITY:	Grade 5
AUDITORS:	
External:	Auditor General
Internal:	Own Staff
PRIMARY BANKER:	First National Bank
REGISTERED OFFICE:	
Magwa House	Private Bag X6043
Nelson Mandela Drive	MTHATHA
MTHATHA	5099
5099	
Telephone: (047) 501-6400; Facsimile: (047) 501-6455	
E-Mail: ortambodm@ortambodm.org.za	
MUNICIPAL MANAGER:	
O.N. Hlazo (047) 501-6400	owenh@ortambodm.gov.za
CHIEF FINANCIAL OFFICER:	
M.E. Moleko (047) 501-7011	moabim@ortambodm.gov.za

OR Tambo District Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2018

NINGA DEVELOPMENT AGENCY

Registered Office: Old Government Printers Building, 6 Textile Road, Valindela Heights, MTHATHA, 5099

Postal Address: P.O. Box 1134, MTHATHA, 5099

Website: www.ntinga.org.za

Chief Executive Officer: Nkosi M.A.

Chief Financial Officer: Moko L.

Secretary: Mringswa N.

1. APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Consolidated Annual Financial Statements, which are set out on pages 8 to 83, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 55 of 2003) and which I have signed on behalf of the municipality.

These Consolidated Annual Financial Statements will be presented to the Council for information during October 2018.



O.N. HLAZO
MUNICIPAL MANAGER
30 SEPTEMBER 2018



M.E. MOLEKO
CHIEF FINANCIAL OFFICER
30 SEPTEMBER 2018

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

1. MEMBERS OF COUNCIL

CONCILLOR	PARTY	PARTY REP.	LM REP.
Mkontwana N.	ANC	No	Yes
Msakeni M.	ANC	No	Yes
Mvungo O.H. (Deceased)	AIC	No	Yes
Nkose L.M.	UDM	Yes	No
Nkari N.	ANC	No	Yes
Nonkothamo N. (Resigned-21/07/2017)	ANC	No	Yes
Ntshoyi N.	ANC	No	Yes
Nkuntzezi L.	ANC	No	Yes
Pato T.Z.	CI	No	Yes
Ongani S.	ANC	No	Yes
Tsholiso L.	EFF	No	Yes
Nkompele X.	ANC	Yes	No
Sokanyile T.	ANC	Yes	No
Nggongwa N.	ANC	No	Yes
Mtoda N.Z.	Yes	Yes	No
Miedle N.	ANC	No	Yes
Mpkovana D.	ANC	No	Yes
Godongwana S.	ANC	Yes	No
Glyose R.M.	ANC	Yes	No
Gcinindzwo N.	ANC	No	Yes
Kuluta N.	ANC	Yes	No
Gusana Z.	ANC	No	Yes
Fono N.	ANC	No	Yes
Mgweni T.	ANC	No	Yes
Bira S.	DA	No	Yes
Bezezi N.	ANC	Yes	No
Bokwe F.	ANC	No	Yes
Cube Z.	DA	No	Yes
Dudumayo B.R.	UDM	Yes	No
Gaxeni F.	ANC	No	Yes
Kelwa U.	EFF	Yes	No
Mabasa S.N.	DA	No	Yes
Gqwetha B.	UDM	No	Yes
MabongoL.	ANC	Yes	No
Madwantsi P.	ANC	No	Yes
Maighas B.	MRRRA	No	Yes
Matshanzima S.	ANC	No	Yes
Mabongana N.	ANC	No	Yes
Mbesu B.S.	DA	No	Yes
Mcimbi T.E.	ANC	No	Yes
Mtiki N. (Resigned - 28/03/2018)	ANC	No	Yes
Meth N.	ANC	No	Yes
Gantsho A.A.	ANC	Yes	No
Mandla K.D.	ANC	Yes	No
Ngozi W.	ANC	Yes	No
Nogumia R.Z.	ANC	Yes	No
Pepping P.N.	ANC	Yes	No
Sabisa TS	ANC	Yes	No
Sabona J.	ANC	Yes	No
Xangayi CT	DA	Yes	No
Cwecwe N.	ANC	No	Yes
Dombouza M.B.	ANC	No	Yes
Dumisa T.V.	ANC	No	Yes
Khupelo T.E. (Deceased)	ANC	No	Yes
Mziba L.	ANC	No	Yes
Nkungu M.L.	ANC	No	Yes
Bunzaha M.	UDM	No	Yes
Mzimane N.F.	UDM	No	Yes
Maighas U.	ANC	No	Yes
Mjoli L. (from March 2018)	ANC	No	Yes
Gqetywa N.I. (from October 2017)	ANC	No	Yes
Rolobile I. (from May 2018)	ANC	No	Yes
Mchithakali N.	ANC	No	Yes

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

NTINGA DEVELOPMENT AGENCY:

DIRECTORS:

Chairman:

Mr. S. Mase

Other Members:

Mr M. Msiwa

Mrs U. Mize

Dr L. Ndabeni

Prof. L. Majova-Songca

Ms N. Bam

Dr. N.L. Ndudane

Mr. M. Pupuma

Mrs. N. Ngewu

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



O.N. HLAZO
MUNICIPAL MANAGER
30 SEPTEMBER 2018

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

Foreword

I am pleased to present the O.R. Tambo District Municipality's Consolidated Annual Financial Statements for the year ended 30 June 2018. These statements, when read together with the annual report, provide a measure of our progress in line with our Integrated Developmental Plan (IDP) which is a product of high quality consultation between the municipality and its inhabitants.

We also use these statements as a tool to deepening our communications with our stakeholders. I would like to take this opportunity to thank the municipality's and municipal entities' leadership, both politically and administratively, for their effort in advancing the will of the people. I would like to thank all officials from the Budget and Treasury Department, starting from the most junior to the most senior one, for your patience, perseverance, dedication and commitment to our strategic objectives. Your hard work, blood and sweat is helping us to turn O.R. Tambo District Municipality to be among the government institutions that are able to account for public resources.

During the 2017/18 financial year O.R. Tambo District Municipality continued to deliver equitable services to its inhabitants.

With our financial and human resources stretched, we try to stretch every cent to reach more people and attain more value from money. Growing the economy is one of our strategic priorities. We continually seek partnerships in the development of our municipality, both in the public and the private sector. We appreciate the need to foster strong partnerships across all spheres of government and to nurture our partnerships with our stakeholders and communities, and to remain relevant and accessible to these stakeholders. We seek to create a platform where community issues, such as new ideas for development or service delivery challenges, can be addressed. We are committed to principles of good governance and our goal is to remain transparent in the process of executing our responsibilities. We are also committed to the enhancement of our governance process and we wish to translate this into tangible results. These results will include strong financial controls, improved financial performance and, most importantly, the attainment of an unqualified audit opinion.

To achieve all the above, we require improved performance, both politically and administratively, strict adherence to government policy, effective implementation of council resolutions from administration and unwavering support from our communities. It is every citizen's civic duty to ensure that the greater good of society is protected, harnessed and nurtured. It is in the best interest of each person from our region to unite behind a common purpose of seeing rapid economic growth which results in the creation of new jobs, new business opportunities and safe communities to live in.



CLR N. METH
EXECUTIVE MAYOR
30 SEPTEMBER 2018

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017 Restated*	2018	2017 Restated*
Assets					
Current Assets					
Inventories	3	21,354,721	20,893,353	20,372,360	20,694,091
Receivables from exchange transactions	4	66,405,410	55,062,221	54,803,123	54,820,261
Receivables from non-exchange transactions	5	16,731,513	6,155,674	17,946,348	12,608,564
VAT receivable	6	132,675,556	82,238,804	132,675,556	82,238,804
Deferred tax	7	1,866,427	-	-	-
Cash and cash equivalents	8	214,654,514	291,314,534	183,774,258	253,798,300
		453,688,141	455,664,586	419,571,645	424,160,020
Non-Current Assets					
Property, plant and equipment	9	6,024,044,452	5,349,900,582	5,969,112,756	5,338,354,350
Intangible assets	10	4,989,027	1,901,754	4,344,880	1,087,462
Investment property	11	2,200,000	2,200,000	2,200,000	2,200,000
Heritage Assets	12	247,025	90,000	247,025	90,000
Biological assets	13	11,232,450	20,954,697	-	20,194,646
Long-term receivables	14	1,199,163	1,199,163	1,199,163	1,199,163
		6,043,912,117	5,376,246,196	5,977,103,824	5,363,125,621
Total Assets		6,497,600,258	5,831,910,782	6,396,675,469	5,787,285,641
Liabilities					
Current Liabilities					
Consumer deposits	15	2,930,638	1,604,949	2,930,638	1,604,949
Provisions	16	3,623,000	2,211,000	3,623,000	2,211,000
Payables from exchange transactions	17	406,367,740	380,241,446	398,905,047	379,289,784
Payables from non-exchange transactions	18	2,371,592	4,034,359	1,029,629	3,115,416
Unspent conditional grants and receipts	19	160,256	7,229,655	-	-
		415,453,226	395,321,409	406,488,314	386,221,149
Non-Current Liabilities					
Long-Term Liabilities	20	-	38,795,339	-	38,795,339
Employee benefit Liabilities	21	87,087,052	64,042,052	87,087,052	64,042,052
		87,087,052	102,837,391	87,087,052	102,837,391
Total Liabilities		502,540,278	498,158,800	493,575,366	489,058,540
Net Assets		5,995,059,980	5,333,751,982	5,903,100,103	5,298,227,101
Accumulated surplus	22	5,995,059,980	5,333,751,982	5,903,100,103	5,298,227,101

* See Note 2 & 49 & 48

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017 Restated*	2018	2017 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	23	230,269,381	206,822,345	230,269,381	206,822,345
Rental of facilities and equipment	24	89,795	822,311	89,795	35,118
Interest earned - External investments	25	52,465,123	39,503,639	50,192,084	36,400,429
Interest earned - Outstanding debtors	25	36,952,171	45,914,379	36,952,171	46,914,379
Operational revenue	26	151,828,164	134,176,919	139,924,099	130,902,542
Other gains on continued operations	27	4,285,693	2,547,922	-	2,614,672
Total revenue from exchange transactions		475,890,327	430,787,515	457,427,530	423,689,485
Revenue from non-exchange transactions					
Transfer revenue					
Income from agency services	28	77,383	407,060	77,383	65,599
Transfers and subsidies	29	1,713,604,190	1,429,049,049	1,713,097,613	1,426,214,034
Total revenue from non-exchange transactions		1,713,681,573	1,429,456,109	1,713,174,996	1,426,279,633
Total revenue	41	2,189,571,900	1,860,243,624	2,170,602,526	1,849,969,118
Expenditure					
Employee related costs	31	(545,646,494)	(436,330,870)	(511,372,184)	(406,506,676)
Remuneration of councillors and board members	32	(20,304,599)	(17,749,620)	(18,578,491)	(16,746,729)
Depreciation and amortisation	33	(163,241,351)	(164,455,907)	(159,225,217)	(161,764,357)
Impairment Loss	34	(89,117,912)	(147,042,015)	(88,730,330)	(146,934,160)
Finance costs	35	(9,151,978)	(12,769,623)	(9,120,208)	(12,674,463)
Bulk purchases	36	(44,257,284)	(42,406,949)	(44,257,284)	(42,406,949)
Contracted services	37	(229,343,841)	(174,490,806)	(224,773,940)	(169,585,112)
Transfers and subsidies	38	(65,830,681)	(112,119,877)	(165,544,591)	(158,157,195)
Inventory Consumed	39	(41,553,803)	(26,844,223)	(33,734,169)	(22,588,021)
Operational costs	40	(299,824,707)	(254,034,357)	(293,076,268)	(247,551,395)
Total expenditure		(1,508,272,650)	(1,388,244,247)	(1,548,412,682)	(1,384,915,057)
Operating surplus					
Gain on disposal of assets and liabilities		300,514	237,146	-	-
Loss on Disposal of Assets		(7,518,842)	(903,737)	(7,518,842)	(903,737)
Fair value adjustments		(4,841,351)	(205,500)	-	(136,500)
Actuarial gains/losses	21	(9,798,000)	(534,000)	(9,798,000)	(534,000)
Assets written off		-	(14,848,063)	-	(14,848,063)
		(21,857,679)	(16,254,154)	(17,316,842)	(16,422,300)
Surplus before taxation		659,441,571	455,745,223	604,873,002	448,631,761
Taxation		(1,866,427)	-	-	-
Surplus for the year		661,307,998	455,745,223	604,873,002	448,631,761

* See Note 2 & 49 & 48

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Opening balance as previously reported	4,886,339,869	4,886,339,869
Adjustments		
Correction of errors	(8,333,106)	(8,333,106)
Balance at 01 July 2016 as restated*	4,878,006,763	4,878,006,763
Surplus for the year	455,745,223	455,745,223
Total changes	455,745,223	455,745,223
Restated* Balance at 01 July 2017	5,333,751,982	5,333,751,982
Changes in net assets		
Surplus for the year	661,307,998	661,307,998
Total changes	661,307,998	661,307,998
Balance at 30 June 2018	5,995,059,980	5,995,059,980
Note(s)		
Economic Entity		
Opening balance as previously reported	4,857,928,446	4,857,928,446
Adjustments		
Correction of errors	(8,333,106)	(8,333,106)
Balance at 01 July 2016 as restated*	4,849,595,340	4,849,595,340
Changes in net assets		
Surplus for the year	448,631,761	448,631,761
Total changes	448,631,761	448,631,761
Restated* Balance at 01 July 2017	5,298,227,101	5,298,227,101
Changes in net assets		
Surplus for the year	604,873,002	604,873,002
Total changes	604,873,002	604,873,002
Balance at 30 June 2018	5,903,100,103	5,903,100,103
Note(s)		

* See Note 2.8.49 & 48

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2018	2017 Restated*	2018	2017 Restated*
Cash flows from operating activities					
Receipts					
Service Charges		131,458,266	127,560,412	131,458,266	129,030,900
Government Grants and Subsidies		1,713,610,317	1,414,280,433	1,713,097,612	1,426,214,034
Interest income		93,845,495	59,707,960	91,672,456	56,604,750
Other receipts		177,278,825	124,791,261	165,201,781	125,359,839
		2,116,292,903	1,726,340,066	2,101,430,115	1,737,209,523
Payments					
Employee related costs		(538,769,494)	(428,605,766)	(504,495,184)	(402,817,676)
Suppliers Paid		(290,065,462)	(214,073,318)	(263,803,348)	(206,526,645)
Finance Costs		(1,369,978)	(7,752,623)	(1,338,208)	(7,657,463)
Other payments		(450,648,223)	(374,149,373)	(484,440,818)	(427,514,980)
Remuneration of Councillors		(20,304,599)	(17,749,620)	(18,576,491)	(16,746,729)
		(1,301,157,756)	(1,042,330,700)	(1,282,656,049)	(1,061,263,493)
Net cash flows from operating activities		815,135,147	684,009,366	818,774,066	675,946,030
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(849,468,294)	(802,234,562)	(844,656,125)	(800,458,621)
Proceeds from sale of property, plant and equipment	9	607,921	539,085	-	-
Purchase of intangible assets	10	(4,969,617)	(805,184)	(4,969,617)	-
Purchases of heritage assets	12	(157,025)	-	(157,025)	-
Purchase of biological assets	13	(1,203,766)	(318,000)	-	-
Proceeds from sale of biological assets	13	2,210,963	1,957,702	-	1,907,802
Decrease / (increase) in Long-term receivables		-	(1,513)	-	(1,513)
Net cash flows from investing activities		(852,999,828)	(800,862,472)	(850,002,767)	(798,552,332)
Cash flows from financing activities					
(Repayments) / Acquisitions of Long term loans		(38,795,339)	38,795,339	(38,795,339)	38,795,339
Repayment of borrowings		-	(20,434)	-	(20,434)
Net cash flows from financing activities		(38,795,339)	38,774,903	(38,795,339)	38,774,905
Net increase/(decrease) in cash and cash equivalents		(76,660,020)	(78,078,203)	(70,024,040)	(83,831,397)
Cash and cash equivalents at the beginning of the year		291,314,534	369,392,737	253,796,296	337,629,697
Cash and cash equivalents at the end of the year	8	214,654,514	291,314,534	183,774,256	253,798,300

* See Note 2.8.49 & 48

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Economic Entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	268,583,183	-	268,583,183	230,269,381	(38,313,802)	A1
Rental of facilities and equipment	55,000	-	55,000	89,795	34,795	A2
Interest income	30,000,000	9,000,000	39,000,000	89,417,294	50,417,294	A3
Operational revenue	327,807,679	13,559,174	341,366,853	151,828,164	(189,538,689)	A4
Other gains on continued operations	-	-	-	4,285,693	4,285,693	A5
Total revenue from exchange transactions	626,445,862	22,559,174	649,005,036	475,890,327	(173,114,709)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	735,126,000	-	735,126,000	1,713,604,190	978,478,190	A6
Income from Agency Services	-	-	-	77,383	77,383	A7
Total revenue from non-exchange transactions	735,126,000	-	735,126,000	1,713,681,573	978,555,573	
Total revenue	1,361,571,862	22,559,174	1,384,131,036	2,189,571,900	805,440,864	
Expenditure						
Employee Related Costs	(418,202,541)	588,455	(417,614,086)	(545,646,494)	(128,032,408)	A8
Remuneration of councillors	(17,589,496)	(9,490,814)	(27,080,310)	(20,304,599)	6,775,711	A9
Depreciation and amortisation	(167,308,208)	6,000,000	(161,308,208)	(163,241,351)	(1,933,143)	
Finance costs	-	-	-	(9,151,978)	(9,151,978)	A10
Debt Impairment	(83,337,653)	-	(83,337,653)	(89,117,912)	(5,780,259)	A11
Bulk purchases	(73,550,000)	(13,000,000)	(86,550,000)	(44,257,284)	42,292,716	A12
Contracted Services	(108,346,804)	19,619,140	(88,727,664)	(229,343,841)	(140,616,177)	A13
Transfers and Subsidies	(33,404,203)	(4,100,000)	(37,504,203)	(65,830,681)	(28,326,478)	A14
Inventory Consumed	-	-	-	(41,553,803)	(41,553,803)	A15
Operational Costs	(456,129,910)	(22,372,748)	(478,502,658)	(299,824,707)	178,677,951	A16
Total expenditure	(1,357,868,815)	(22,755,967)	(1,380,624,782)	(1,508,272,650)	(127,647,868)	
Operating surplus	3,703,047	(196,793)	3,506,254	681,299,250	677,792,996	
Gain on disposal of assets	-	-	-	300,514	300,514	A17
Loss on disposal of assets	-	-	-	(7,518,842)	(7,518,842)	A18
Fair value adjustments	-	-	-	(4,841,351)	(4,841,351)	A19
Actual gains/losses	-	-	-	(9,798,000)	(9,798,000)	A20
Surplus / (Deficit) for the year before tax	3,703,047	(196,793)	3,506,254	659,441,571	655,935,317	
Taxation	-	-	-	(1,866,427)	(1,866,427)	
Surplus / (Deficit) after taxation	3,703,047	(196,793)	3,506,254	661,307,998	657,750,125	

OR Tambo District Municipality

(Registration number : DC15)
Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	17,721,409	-	17,721,409	21,354,721	3,633,312	B1
Receivables: Non-exchange	7,041,890	-	7,041,890	16,731,513	9,689,623	B2
Receivables: Exchange	218,672,696	-	218,672,696	66,405,410	(152,267,286)	B2
VAT receivable	-	-	-	132,675,556	132,675,556	B3
Deferred tax	-	-	-	1,866,427	1,866,427	B3
Cash and cash equivalents	681,763,306	7,071,837	688,835,143	214,654,514	(474,180,629)	B4
	925,199,301	7,071,837	932,271,138	453,688,141	(478,582,997)	
Non-Current Assets						
Biological assets	15,034,893	-	15,034,893	11,232,450	(3,802,443)	B5
Investment property	-	-	-	2,200,000	2,200,000	B6
Property, plant and equipment	9,299,775,946	(13,268,630)	9,286,508,316	6,024,044,452	(3,262,463,864)	B7
Intangible assets	2,634,722	-	2,634,722	4,989,027	2,354,305	B8
Heritage Assets	-	-	-	247,025	247,025	B9
Receivables from exchange transactions	-	-	-	1,199,163	1,199,163	B10
	9,317,446,561	(13,268,630)	9,304,177,931	6,043,912,117	(3,260,265,814)	
Total Assets	10,242,645,862	(6,196,793)	10,236,449,069	6,497,600,258	(3,738,848,811)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	382,568,671	(5,803,168)	376,765,503	406,367,740	29,602,237	
Payables from non-exchange	-	-	-	2,371,592	2,371,592	B11
Consumer deposits	3,000,000	-	3,000,000	2,930,638	(69,362)	
Unspent conditional grants and receipts	-	-	-	160,256	160,256	B12
Provisions	-	-	-	3,623,000	3,623,000	B13
	385,568,671	(5,803,168)	379,765,503	415,453,226	35,687,723	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	87,087,052	87,087,052	B14
Other liabilities	100,000	-	100,000	-	(100,000)	
	100,000	-	100,000	87,087,052	86,987,052	
Total Liabilities	385,668,671	(5,803,168)	379,865,503	502,540,278	122,674,775	
Net Assets	9,856,977,191	(393,625)	9,856,583,566	5,995,059,980	(3,861,523,586)	
Reserves						
Accumulated surplus	9,856,977,191	(393,625)	9,856,583,566	5,995,059,980	(3,861,523,586)	

OR Tambo District Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service Charges	185,245,530	-	185,245,530	131,458,266	(53,787,264)	C1
Grants	1,834,775,000	-	1,834,775,000	1,713,610,317	(121,164,683)	C2
Other receipts	357,862,679	24,125,424	381,988,103	271,224,320	(110,763,783)	C3
	<u>2,377,883,209</u>	<u>24,125,424</u>	<u>2,402,008,633</u>	<u>2,116,292,903</u>	<u>(285,715,730)</u>	
Payments						
Employee related costs	(435,792,037)	(8,902,359)	(444,694,396)	(538,769,494)	(94,075,098)	C4
Suppliers Paid	(638,026,714)	(17,637,858)	(655,664,572)	(696,557,580)	(40,893,008)	
Grants and Subsidies paid	(33,404,203)	(4,100,000)	(37,504,203)	(65,830,681)	(28,326,478)	C5
	<u>(1,107,222,954)</u>	<u>(30,640,217)</u>	<u>(1,137,863,171)</u>	<u>(1,301,157,755)</u>	<u>(163,294,584)</u>	
Net cash flows from operating activities	1,270,660,255	(6,514,793)	1,264,145,462	815,135,148	(449,010,314)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(1,250,897,525)	13,268,630	(1,237,628,895)	(849,468,295)	388,160,600	C6
Proceeds from sale of property, plant and equipment	-	-	-	607,921	607,921	C7
Purchase of Heritage assets	-	-	-	(157,025)	(157,025)	C8
Purchase of Biological Assets	-	-	-	(1,203,766)	(1,203,766)	C9
Purchase of other intangible assets	-	-	-	(4,989,617)	(4,989,617)	C10
Proceeds from sale of biological assets	-	-	-	2,210,953	2,210,953	C11
Net cash flows from investing activities	(1,250,897,525)	13,268,630	(1,237,628,895)	(852,999,829)	384,629,066	
Cash flows from financing activities						
(Repayments) / Acquisitions of Long term loans	-	-	-	(38,795,339)	(38,795,339)	C12
Net increase/(decrease) in cash and cash equivalents	19,762,730	6,753,837	26,516,567	(76,660,020)	(103,176,587)	
Cash and cash equivalents at the beginning of the year	513,455,098	-	513,455,098	291,314,534	(222,140,564)	
Cash and cash equivalents at the end of the year	533,217,828	6,753,837	539,971,665	214,654,514	(325,317,151)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
A1 - <u>Service Charges</u> - Correction of billing through data cleansing.						
A2 - <u>Rental of facilities</u> - Hall was hired more than anticipated.						
A3 - <u>Interest Received</u> - Non payment of consumers resulted in increase in interest on debtors and investing in high yielding investments resulted in higher interest on investments.						
A4 - <u>Other Revenue</u> - Budget includes VAT and reserves whilst in GRAP, VAT is in accounts receivable and reserves in cashflow.						
A5 - <u>Other gains on continued operations</u> - No Gains were projected.						
A6 - <u>Government grants and subsidies</u> - Budget only reflects the operating grants whilst actual includes the revenue recognised on both capital and operating grants.						
A7 - <u>Income from Agency services</u> - Commission from the garnishee was not budgeted for as this is as per request by the credit providers.						
A8 - <u>Employee Related Costs</u> - Actual includes the wages for the casual workers which are outside payroll system whilst in budget, only salaries from payroll system.						
A9 - <u>Remuneration of councillors</u> - increment budgeted for was more than the actual increment on the councillors.						
A10 - <u>Finance costs</u> - Interest paid on DWA account for water. The debt was anticipated to be negotiated and no interest was budgeted for.						
A11 - <u>Debt Impairment</u> - Non payment of consumers resulting in increase in impairment of debtors.						
A12 - <u>Bulk Purchases</u> - Budget for bulk purchases included amount related to the settlement of long outstanding debt with DWA, actual payments made towards the old debts went against the creditors balance.						
A13 - <u>Contracted Services</u> - Budget includes the security services whilst in actual, all professional fees are included.						
A14 - <u>Transfers and Subsidies</u> - Budget includes the allocation for Ntanga Development agency whilst actual includes other funding for events in community.						
A15 - <u>Inventory Consumed</u> - This item was budgeted for under operational costs but due to materiality of the actual figures it was disclosed separately on the face of Statement of Financial Performance.						
A16 - <u>Operational Costs</u> - Certain items that were budgeted for under general expenditure has moved to Contracted services and Inventory consumed.						
A17 - Was not projected in budget.						
A18 - Was not projected in budget.						
A19 - Was not projected in budget.						
A20 - Was not projected in budget.						
B1 - <u>Inventories</u> - Inventory not utilised as projected resulting in more stock on hand than projected.						
B2 - <u>Receivables</u> - Debt impairment resulted in lesser net balance than expected.						
B3 - <u>VAT Receivable</u> - National Treasury template for the budget not aligned to GRAP and the VAT is included on receivable from non exchange. Delayed SARS refunds also resulted in high VAT balance.						
B4 - <u>Cash and Cash equivalents</u> - Increase in salary cost, operational project cost and delayed VAT payments by SARS resulted in low cash reserves.						
B5 - <u>Biological assets</u> - Births and Wearing were projected less than actual.						

OR Tambo District Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

- B6 - Investment Property - Projected to be reclassified to PPE in budget.
- B7 - Property Plant and Equipment - Budget includes the all MIG expenditure whilst in actual outcomes, only expenditure that meets the PPE criteria.
- B8 - Intangible Assets - The variance is mainly due to re-assessment of asset useful life.
- B9 - Heritage assets - Budgeted for under Other assets.
- B10 - Non-Current Receivables - Long term debtors were not budgeted for as it was anticipated that the amounts would be paid.
- B11 - Payables from non exchange transactions - Budget tables reflects the trade and other payables which combines the payables from exchange and non exchange transactions whilst in the AFS, these are separated hence there is no budget for non exchange transactions
- B12 - Unspent Conditional Grants Ntinga - Not budgeted for as the entity anticipated to spend all the funds.
- B13 - Provisions - Provisions were not budgeted for.
- B14 - Benefit obligation not projected in the budget
- C1 - Service Charges - Actual collections on water and sanitation services were lesser than budgeted for.
- C2 - Grants - The variance is mainly due to the grant revenue is budgeted for inclusive of VAT where as the actual figure are exclusive of VAT
- C3 - Other Receipts - VAT refunds less than budgeted for due to ongoing VAT audit that delays the refund.
- C4 - Employee Related Costs - Actual includes the wages for the casual workers which are outside payroll system whilst in budget, only salaries from payroll system.
- C5 - Grants and Subsidies Paid - Increase results from community projects budgeted under operational costs however actual expenditure re-classified to grants and subsidies.
- C6 - Purchase of property plant and equipment - Underspending is mainly due to the classification treatment of MIG spending on VIP toilets. In budget, the total spending on MIG is classified as capital expenditure whilst in the AFS, only expenditure that meets the asset criteria are capitalised. MIG spending on VIP toilets do not meet the asset criteria hence the difference.
- C7 - Proceeds on sale of property plant and equipment - Proceeds on sale were not budgeted for.
- C8 - Purchase of Heritage - Budgeted for under property plant and equipment.
- C9 - Purchase of biological assets - Not budgeted for by Ntinga, funded from grants received from OR Tambo.
- C10 - Purchase of Intangible assets - Budgeted for under Property, Plant and Equipment.
- C11 - Proceeds on sale of biological assets - Proceeds on sale were not budgeted for.
- C12 - Repayment of Borrowings - Budgeted for under Bulk purchases.

Accounting Policies

OR Tambo District Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2018

1. Presentation of Consolidated Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of finance, including any interpretations, guidelines and directives issued by the Accounting Standard Board and the Municipal Finance Management Act (Act 56 of 2003). The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except where indicated otherwise. They are presented in South African Rand.

1.1 Changes in Accounting policy and comparability

For the years ended 30 June 2018 and 30 June 2017 the municipality adopted the framework as set out in paragraph 1 above. The details of any resulting changes in Accounting policy and comparative restatements are set out below and in the relevant notes to the financial statements.

Those standards of GRAP and interpretations of such standards applicable to the operations of the municipality, are therefore as follows:

- GRAP 1 - Presentation of Financial Statements (as revised in 2010)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 4 - The Effects of changes in Foreign Exchange Rates (as revised in 2010)
- GRAP 5 - Borrowing Costs
- GRAP 6 - Consolidated and Separate Financial Statements
- GRAP 7 - Investments in Associates
- GRAP 8 - Interest in Joint Ventures
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
- GRAP 10 - Financial Reporting in Hyperinflationary Economies (as revised in 2010)
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised in 2010)
- GRAP 13 - Leases (as revised in 2010)
- GRAP 14 - Events After the Reporting Date (as revised in 2010)
- GRAP 15 - Investment Property (as revised in 2010)
- GRAP 17 - Property Plant and Equipment (as revised in 2010)
- GRAP 18 - Segment Reporting
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 - Impairment of non-cash-generating assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of cash-generating assets
- GRAP 27 - Agriculture
- GRAP 31 - Intangible Assets
- GRAP 100 - Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- GRAP 105 - Transfer of functions between entities under common control
- GRAP 106 - Transfer of functions between entities not under common control
- GRAP 107 - Mergers

OR Tambo District Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

Standards Issued, Not Yet Effective Date

- GRAP 20 - Related Party Disclosures
- GRAP 32 - Service Concession Arrangements: Grantor
- GRAP 34 - Separate Financial Statements
- GRAP 35 - Consolidated Financial Statements
- GRAP 36 - Investments in Associates and Joint Ventures
- GRAP 37 - Joint Arrangements
- GRAP 38 - Disclosure of Interests in Other Entities
- GRAP 108 - Statutory Receivables
- GRAP 109 - Accounting by Principals and Agent
- GRAP 110 - Living and Non-living resources

Interpretations - Approved and effective

- IGRAP 1 - Applying the Probability Test on Initial Recognition of Exchange Revenue
- IGRAP 2 - Changes in Existing Decommissioning Restoration and Similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting
- IGRAP 6 - Loyalty Programmes
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distributions of Non-cash Assets to Owners
- IGRAP 10 - Assets Received from Customers
- IGRAP 11 - Consolidation - Special Purpose Entities
- IGRAP 12 - Jointly Controlled Entities - Non-Monetary Contributions
- IGRAP 13 - Operating Leases - Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 - Revenue - Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible Assets - Website Costs (effective 1 April 2013)

Interpretations – Approved and not yet effective

- IGRAP 17 - Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
- IGRAP 18 - Interpretation of the Standard of GRAP on Recognition and Derecognition of Land
- IGRAP 19 - Liabilities to Pay Levies

1.2 Critical Judgement, Estimates and Assumptions

In the application of the municipality's Accounting policies, which are described below, management is required to make judgments, estimates and assumptions about the carrying amounts and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Revenue Recognition

Accounting policy 1.16.1 on revenue from exchange transactions and Accounting policy 1.16.2 on revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from exchange transactions) and GRAP 23 (Revenue from non-exchange transactions). As far as Revenue from non-exchange transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the significant risks and rewards of ownership of the goods and when service is rendered, whether the service has rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that the revenue in the current year is appropriate.

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Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.2 Critical Judgement, Estimates and Assumptions (continued)

Financial Assets and liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement. Accounting Policy 1.14 on Financial Assets Classification and Accounting Policy 1.14 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 (Financial Instruments)

Impairment of Financial Assets

Accounting policy 1.14 on impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial assets recorded during the year is appropriate

Impairment of Trade receivables:

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of receivables from exchange transactions and that of receivables from non-exchange transactions are disclosed in notes 3 and 4 to the Annual Financial Statement

Fair Value Estimations

As described in Accounting policy 1.12 the municipality subsequently measures its Biological assets in terms of the fair value model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the valuations, and more specific as follows:

Biological Assets

The fair value less estimated point-of-sale costs used to value Biological assets requires management to make certain assumptions which are subject to change. The current assumptions are as follows:

- Cattle are valued at the prevailing market rates, as determined by breed, genetic, merit and age, less point-of-sale costs.
- Fruit trees, harvest and vegetables are valued by way of arms's length transaction that would have been applied / prevailing in replacing the existing fruit trees, harvest and vegetables with new fruit trees, harvest and vegetables.

Useful lives of Property, Plant and Equipment, Intangible assets and Investment Property

As described in Accounting policies 1.8.3 and 1.9.1, the municipality depreciates its Property, Plant and Equipment (excluding land) and amortises its Intangible assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of the assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on the management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time

OR Tambo District Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.2 Critical Judgement, Estimates and Assumptions (continued)

Impairment: Write-down of Property, Plant and Equipment, Intangible Assets and Investment Property

Accounting policy 1.13 on impairment of assets, Accounting policy 1.9.1 on intangible assets - Subsequent measurement, amortisation and impairment and Accounting policy 11.2 on Inventory - Subsequent measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of intangible assets and write-down of inventories to the lowest of the cost and net realisable value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash generating assets) and GRAP 26 (Impairment of Cash generating assets). In particular, the calculation of the recoverable service amount for PPE and intangible assets and net realisable value for Inventories involves significant judgement by management

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Intangible assets Investment Property, Heritage assets and biological assets are disclosed in notes 2, 7, 8, 9, and 10 to the Annual Financial statement, if applicable.

Water Inventory

The estimation of Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the capacity of the reservoir. Furthermore, the length and width of all pipes are taken into account in determining the volume of the water on hand at year-end.

Defined Benefit Plan liabilities

As described in Accounting Policy 1.18 employee benefits - Post-employment benefits municipality obtains actuarial valuations of its Defined benefit plan liabilities, the defined benefit obligations of the municipality that were identified are post-retirement health benefit obligations and Long-service awards. The estimated liabilities are recorded in accordance with the requirement of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant notes to the Annual Financial Statements

Provisions and Contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring Contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations

Budget Information

Deviations between the budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the Annual Financial Statements

1.3 Presentation currency

These consolidated annual financial statements are presented in South African Rand, rounded off to the nearest Rand which is the functional currency of the economic entity.

1.4 Going concern assumption

These consolidated annual financial statements have been prepared on a Going Concern Basis.

1.5 Offsetting

Assets, Liabilities Revenues and Expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

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Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.6 Standards, Amendments to Standards and interpretations issued but not yet effective

The following standards of GRAP and interpretations of such standards which are issued but not yet effective, are applicable to the municipality:

Standards Issued and Effective

GRAP 1 - Presentation of Financial Statements (as revised in 2010)

GRAP 32 Service Concession agreement grantor - Issued 2013

GRAP 108 Statutory Receivables - Issued September 2013

GRAP 17 Service Concession Agreements where a Grantor controls a significant Residual Interest in an Asset

Where a standard of GRAP is approved and effective, it replaces the equivalent of International Public sector accounting Standard, International Financial Reporting Standards or SA Generally accepted Accounting Practice. Where a standard of GRAP has been issued but is not yet effective, the municipality may select to apply the principles established in that standard in developing appropriate Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following standard of GRAP that have been issued but not yet effective, in developing appropriate Accounting Policies dealing with the following related party transactions, but have have not yet adopted this standard.

GRAP 20 Related Party disclosures (Revised)

1.7 Net Assets

Included in the Net assets of the municipality are the following reserves that are maintained in terms of specific requirements

1.7.1 Accumulated Surplus

1.8 Property, plant and equipment

1.8.1 Initial recognition

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 year.

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 economic entity and the cost of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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Consolidated Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Property, plant and equipment (continued)

1.8.2 Subsequent Measurement

Subsequent expenditure relating to the property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

1.8.3 Depreciation

Depreciation on assets other than land is calculated on cost using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost significant in relation to the cost item is depreciated separately.

Item	Depreciation method	Average useful life
Buildings		
• Improvements	Straight line	10 - 80 years
Plant and machinery	Straight line	2 - 20 years
Furniture and fittings	Straight line	5 - 20 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	5 - 20 years
IT equipment		
• Computer Equipment	Straight line	5 years
Infrastructure		
• Roads and Paving	Straight line	5 - 67 years
• Sewerage	Straight line	5 - 100 years
• Storm Water	Straight line	7 - 100 years
• Water	Straight line	5 - 76 years
Emergency equipment	Straight line	5 - 10 years
Specialist Vehicles	Straight line	10 - 15 years
Bins and Containers	Straight line	5 years

The asset's residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectation differ from the previous estimate.

1.8.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

1.8.5 Infrastructure

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Enrapture assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.8.6 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.8.7 Leased assets

Assets capitalised under finance lease are depreciated over their expected useful lives on the same basis as property, plant and equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

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1.8 Property, plant and equipment (continued)

1.8.8 Derecognition

The carrying amount of an item of property, plant and equipment is 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 derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are classified as revenue.

Gains or losses are calculated as difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposal and are included in the Statement of Financial Performance as gain or loss on disposal of property, plant and equipment.

1.9 Intangible assets

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is possible that the expected future economic benefits or service potential that attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of the new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the asset so that it will be available for use.
- management intends to complete the intangible asset and use or sell it.
- there is an ability to use or sell the intangible asset.
- it can be demonstrated how the intangible asset will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and use or sell the intangible asset are available; and
- the expenditure attributable to the asset during its development can be measured reliably.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 and GRAP 26.

Intangible asset initially recognised at cost. The cost of an intangible asset is purchase price and other costs attributed to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at not cost, or for a nominal cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could be measured at its value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.9.1 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives. The residual value of intangible assets with finite lives is zero, unless an active market exists. Where intangible assets are deemed to have indefinite useful lives, such intangible assets are not amortised, however, such intangible assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives::

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1.9 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software, other	Straight line	4 years

Intangible assets are annually tested for impairment as described in Accounting Policy 8 on Impairment of assets, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

1.9.2 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the proceeds of disposal and the carrying value, and is recognised in the Statement of Financial Performance.

1.10 Investment property

1.10.1 Initial Recognition

Investment property includes property (land or a building, or both land and buildings held under a finance lease) held to earn rentals and / or for capital appreciation, rather than held to meet service objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at a cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at the date of completion, including all directly attributable borrowing costs.

Based on management's judgement, the following criteria have been applied to distinguish investment property from owner occupied property or property held for resale:

- Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- Land held for a currently undetermined future use (if the municipality has not determined that it will use the land owner-occupied property for short-term sale in the ordinary course of operations, the land is recognised as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality;
- A property owned by the municipality and leased out at a below market rental; and;
- Property that is being constructed or developed for future use as investment property;

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;

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Accounting Policies

1.10 Investment property (continued)

(d) Property that is leased to another entity under a finance lease;

(e) Property held to provide goods and services and also generates cash inflows; and;

(f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment;

1.10.2 Subsequent Measurement

Investment property is accounted for in accordance with the cost model as set out in GRAP 16 (at their cost prices less accumulated Depreciation). The municipality has no intention of selling its land and buildings and thus the Cost Model would represent the value of all land and buildings more fairly. The change has resulted in the municipality's Annual Financial Statements providing reliable and more relevant information about the value of Buildings and Land, based on the intended use of these assets in line with all valuation method of all other assets

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 10 - 80 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

1.10.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) 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

Property that is leased to another entity under a finance lease;

1.11 Heritage assets

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

1.11.1 Initial Recognition.

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

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1.11.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

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1.11 Heritage assets (continued)

1.11.3 Derecognition

The carrying amount of an item of Heritage Assets is 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 item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

1.12 Biological assets

A Biological Asset is defined as a living animal or plant. Agricultural Produce is the harvested product of the municipality's Biological Assets.

1.12.1 Initial Recognition

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

Biological Assets are initially recognised at fair value less cost to sell on its acquisition date. The fair value of an item of Biological Assets is the transaction price or the market price.

Agricultural Produce is initially recognised at fair value less costs to sell at the date of the harvest. The municipality applies the measurement methods as described in Accounting Policy 15 on inventories.

1.12.2 Subsequent Measurement

Subsequently all Biological Assets are measured at fair value less cost to sell on the reporting date. The fair value of an item of Biological Assets is the transaction price or the market price.

A gain or loss arising from the initial recognition of an item of Biological Assets at fair value less cost to sell and from a change in fair value at the reporting date shall be recognised in the Statement of Financial Performance.

A gain or loss arising from the initial recognition of an item of Agricultural Harvest at fair value less estimate point of sale cost at the date of the harvest shall be recognised in the Statement of Financial Performance.

1.12.3 Derecognition

The carrying amount of an item of Biological Assets is 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 item of Biological Assets is included in the Statement of Financial Performance when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (at fair value) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Biological Assets.

1.13 Impairment of Assets

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets

1.13.1 Impairment of cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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1.13 Impairment of Assets (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

1.13.2 Impairment of Non-Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

1.14 Financial Instruments

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

1.14.1 Initial Recognition

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1.14 Financial instruments (continued)

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.14.2 Fair value assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

1.14.3 Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

1.14.4 Financial Assets - Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial Assets measured at Amortised Cost are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.

Financial Assets measured at Fair Value are financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

Financial Assets measured at Cost are investments in residual interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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Accounting Policies

1.14 Financial instruments (continued)

Classification

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Class	Category
Long-term Receivables	Financial asset measured at amortised cost
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-exchange Transactions	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents – Bank	Financial asset measured at amortised cost
Bank, Cash and Cash Equivalents - Cash	Financial asset measured at fair value
Current Portion of Long-term Receivables	Financial asset measured at amortised cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

1.14.5 Financial Liabilities

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- Financial Liabilities measured at fair value
- Financial Liabilities measured at amortised cost
- Financial Liabilities measured at cost

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Class	Category
Long-term Liabilities	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost
Payables from Non-exchange Transactions	Financial liability measured at amortised cost
Current Portion of Long-term Liabilities	Financial liability measured at amortised cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

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Accounting Policies

1.14 Financial instruments (continued)

Initial and Subsequent Measurement

Financial Assets

Financial assets measured at Amortised cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost

Financial assets measured at Fair value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

Financial Liabilities

Financial Liabilities measured at Fair Value.

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment Financial assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets measured at amortised cost:

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the Effective Interest Rate Method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables 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 receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

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Accounting Policies

1.14 Financial instruments (continued)

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Financial assets measured at cost:

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

Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.15 Inventories

Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

-Consumable Stores, Raw Materials, Work-in-Progress and Finished goods.

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the First-in-First-out Method for cost of commodities.

-Water Inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

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Accounting Policies

1.15 Inventories (continued)

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the First-in-First-out Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

-Other Inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.16 Revenue Recognition

General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

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.

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Accounting Policies

1.16 Revenue Recognition (continued)

Revenue from Exchange Transactions

Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Interest, royalties and dividends

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

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

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

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

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

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

Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor. Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Sale of Goods (including Houses)

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Accounting Policies

1.16 Revenue Recognition (continued)

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

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- (e) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (f) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

Public Contributions

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Government Grants and Receipts

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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Accounting Policies

1.17 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.18 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for nonaccrual benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Defined contribution plans

A Defined Contribution Plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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Accounting Policies

1.18 Employee benefits (continued)

Defined benefit plans

A Defined Benefit Plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

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.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

Where applicable the municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

NB: The municipality currently does not have any employees that fall under Defined Benefit Pension Plan

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Accounting Policies

1.19 Leases

Classification

Leases are classified as Finance Leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as Operating Leases

The Municipality as lessee

Finance leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a Straight-line Basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Determining whether an Arrangement contains a lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

1.20 Grants-in-Aid

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

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

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

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Accounting Policies

1.21 Value Added Tax

Value Added Tax assets and liabilities

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

The entities account for Value Added Tax on the Invoice Basis in accordance with section 15(1) of the Value-Added Tax Act (Act No89 of 1991).

1.22 Unauthorised expenditure

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for 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.

1.23 Irregular expenditure

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

1.24 Fruitless and wasteful expenditure

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure 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 Material Losses

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-in-First-Out Method as defined by GRAP 12 (inventories).

1.26 Changes in Accounting Policies, Estimates and Errors

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

1.27 Treatment of Administration and Overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

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Accounting Policies

1.28 Contingent Assets and Contingent Liabilities

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements

1.29 Commitments

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- 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 Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

1.30 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councilors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.31 Events after 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 Notes to the Annual Financial Statements.

1.32 Comparative figures

Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

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Accounting Policies

1.32 Comparative figures (continued)

The approved budget covers the period from 1 July 2017 to 30 June 2018.

1.33 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.34 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the economic entity to distinguish cash-generating assets from non-cash-generating assets are as follows:

1.35 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.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

2. General Information

OR Tambo District Municipality (the municipality) is a local government institution in Mthatha, Eastern Cape Province, and has 5 local municipalities under its jurisdiction. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

Ningya OR Tambo Development Agency is a municipal entity in Mthatha, Eastern Cape Province. The addresses of its registered office and principal place of business are disclosed in the introduction and overview of the Annual Report. The principal activities of the entity are disclosed in the Annual Report.

3. Inventories

Consumable stores	21,219,296	20,616,192	20,236,935	20,416,930
Water	135,425	277,161	135,425	277,161
	21,354,721	20,893,353	20,372,360	20,694,091

Inventories are held for own use and measured at the lower of the cost and current replacement cost. No write downs of inventory to Net Realisable Value were required.

Inventory expensed during the year R40 751 288 (2017: 22 410 725).

The cost of water production for the year amounted to R2.02 per kilolitre (2017: R1.70 per kilolitre).

No inventories have been pledged as collateral for liabilities of the municipality

4. Receivables from exchange transactions

Gross balances				
Water	424,947,788	347,782,305	424,947,788	347,782,305
Sewerage	107,866,023	83,516,412	107,866,023	83,516,412
Other Receivables	156,580,315	159,323,977	154,440,140	158,968,341
	689,394,126	590,622,694	687,253,951	590,267,058

Less: Allowance for impairment

Water	(378,267,093)	(306,306,381)	(378,267,093)	(306,306,381)
Sewerage	(96,367,992)	(76,454,314)	(96,367,992)	(76,454,314)
Other receivables	(148,353,631)	(152,799,778)	(147,815,743)	(152,686,102)
	(622,988,716)	(535,560,473)	(622,450,828)	(535,446,797)

Net balance

Water	46,680,695	41,475,924	46,680,695	41,475,924
Sewerage	11,498,031	7,062,098	11,498,031	7,062,098
Other receivables	8,226,684	6,524,199	6,624,597	6,282,239
	66,405,410	55,062,221	64,803,323	54,820,261

Water

Current (0 - 30 days)	10,400,677	6,216,365	10,400,677	6,216,365
31 - 60 days	5,353,997	3,713,027	5,353,997	3,713,027
61 - 90 days	3,989,254	2,402,685	3,989,254	2,402,686
91 - 120 days	26,936,767	29,143,846	26,936,767	29,143,846
	46,680,695	41,475,924	46,680,695	41,475,924

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
4. Receivables from exchange transactions (continued)				
Sewerage				
Current (0 -30 days)	2,004,979	1,428,535	2,004,979	1,428,535
31 - 60 days	1,477,962	1,000,492	1,477,962	1,000,492
61 - 90 days	1,016,236	585,838	1,016,236	585,838
91 - 120 days	6,998,854	4,047,233	6,998,854	4,047,233
	11,498,031	7,062,098	11,498,031	7,062,098
Other (specify)				
Current (0 -30 days)	1,843,873	337,393	1,225,120	362,970
31 - 60 days	406,903	278,093	21,239	302,986
61 - 90 days	9,406	312,120	9,406	327,628
91 - 120 days	5,966,502	5,596,593	5,368,632	5,288,655
	8,226,684	6,524,199	6,624,397	6,282,239

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
4. Receivables from exchange transactions (continued)				
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	10,092,833	10,092,833	10,092,833	10,092,833
31 - 60 days	10,473,836	8,396,202	10,473,836	8,396,202
61 - 90 days	10,042,859	8,875,788	10,042,859	8,875,788
+90 days	513,144,872	401,396,805	513,144,872	401,396,805
	543,754,400	428,761,628	543,754,400	428,761,628
	(527,362,978)	(420,595,950)	(527,362,978)	(422,229,959)
	16,391,422	8,365,678	16,391,422	6,531,669
Industrial commercial				
Current (0 -30 days)	6,513,818	5,579,338	6,513,818	5,579,338
31 - 60 days	4,779,020	4,228,232	4,779,020	4,228,232
61 - 90 days	3,502,794	5,867,201	3,502,794	5,867,201
91 - 120 days	75,313,459	70,767,269	75,313,459	70,767,269
	90,109,091	84,439,040	90,109,091	84,439,040
	(77,161,738)	(80,933,701)	(77,161,738)	(81,463,518)
	12,947,353	3,505,339	12,947,353	2,975,522
National and provincial government				
Current (0 -30 days)	5,544,714	5,806,523	5,544,714	5,806,523
31 - 60 days	3,446,960	3,659,727	3,446,960	3,659,727
61 - 90 days	2,490,269	2,726,558	2,490,269	2,726,558
91 - 120 days	24,073,651	34,904,612	29,573,651	34,904,612
	-	-	-	-
	35,555,594	47,097,420	41,055,594	47,097,420
Other				
Current (0 -30 days)	3,758,939	3,904,284	3,758,939	3,642,475
31 - 60 days	1,630,344	3,203,384	1,630,344	2,990,617
61 - 90 days	947,321	1,922,436	947,321	1,686,148
+90 days	13,724,364	83,764,041	15,582,137	78,433,081
	(18,290,973)	(91,157,777)	(17,926,112)	(85,170,212)
	1,769,995	1,636,368	3,992,629	1,582,109
Total				
Current (0 -30 days)	25,910,304	25,122,127	23,172,943	25,121,171
31 - 60 days	20,330,160	19,271,778	19,677,982	19,271,778
61 - 90 days	16,983,243	17,155,695	17,483,178	17,155,695
91 - 120 days	626,170,028	583,967,787	626,920,337	582,135,306
	689,393,735	645,517,387	687,254,440	643,683,950
	(622,988,325)	(590,455,166)	(622,451,317)	(588,863,689)
	66,405,410	55,062,221	64,803,123	54,820,261
Less: Allowance for impairment				
Current (0 -30 days)	(13,181,360)	(17,304,723)	(13,181,360)	(17,113,300)
31 - 60 days	(12,824,783)	(14,407,071)	(12,824,783)	(14,286,273)
61 - 90 days	(12,468,282)	(14,006,339)	(12,468,282)	(13,839,544)
91 - 120 days	(584,514,291)	(489,842,341)	(583,976,403)	(490,236,680)

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
4. Receivables from exchange transactions (continued)				
	(622,988,716)	(535,560,473)	(622,450,828)	(535,446,797)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(535,560,473)	(442,040,051)	(535,446,797)	(442,040,051)
Contributions to allowance	(87,792,713)	(161,860,430)	(87,004,031)	(161,746,754)
Debt impairment written off against allowance	364,470	68,340,008	-	68,340,008
	(622,988,716)	(535,560,473)	(622,450,828)	(535,446,797)
5. Receivables from non-exchange transactions				
Prepayments - Deposits	192,597	375,738	-	-
Short-term loans	2,500	18,805	2,500	18,805
Sundry Debtors	17,177,980	6,430,275	18,564,677	13,172,098
Other control accounts	57,825	96,315	57,825	96,315
Impairments	(699,389)	(765,459)	(678,654)	(678,654)
	16,731,513	6,155,674	17,946,348	12,608,564
Short-term Loans mainly comprise temporary advances made to local municipalities which are repayable within 12 months.				
Sundry Debtors are in respect of debts outstanding at year-end on normal business transactions entered into by the municipality				
The municipality does not hold deposits or other security for its Receivables. None of the Receivables have been pledged as security for the municipality's financial liabilities.				
The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.				
In determining the recoverability of Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.				
No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.				
The following Loans and Receivables are included in the total amount of the Provision for Impairment				
Government Subsidy Claims	-	-	-	-
Sundry Debtors	699,389	765,459	678,654	678,654
	699,389	765,459	678,654	678,654
6. VAT Receivable				
VAT	132,675,556	82,238,804	132,675,556	82,238,804
Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.				
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.				
7. Deferred Tax				
Deferred tax asset	1,856,427	-	-	-

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Figures in Rand	Economic entity		Controlling entity		
	2018	2017	2018	2017	
8. Cash and cash equivalents					
Cash and cash equivalents consist of:					
Cash on hand	8,567	9,352	-	-	
Bank balances	58,163,749	105,275,860	55,488,504	99,896,044	
Short-term deposits	156,482,198	186,029,322	128,285,754	153,902,256	
	214,654,514	291,314,534	183,774,258	253,798,300	
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts					
Current Investment Deposits					
Short-term deposits	156,482,198	186,029,322	128,285,754	153,902,256	
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6% to 7.47% (2017: 6.8% to 8.20%) per annum.					
Deposits attributable to Unspent Conditional Grants	-	-	-	-	
Deposits attributable to Creditors	156,482,198	186,029,322	128,285,754	153,902,256	
	156,482,198	186,029,322	128,285,754	153,902,256	
The municipality and entities 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
ORT - First National Bank - Current Account - 539 9013 7772	55,445,214	99,786,164	58,293,853	55,488,504	99,896,044
Ntinga - FNB - Account Number 62166804742 (Primary Bank Account)	2,644,168	5,157,522	1,142,214	2,644,168	5,185,305
Ntinga - FNB - Account Number 6216680472 (Salaries Account)	11,074	12,220	8,713	11,074	12,220
Ntinga - Trading Account 62254987351	(2,326)	-	-	5,462	-
Ntinga - Kei Fresh current account 62192051698	14,540	-	-	14,540	-
Kei Fresh Produce: First National Bank- Current Account	-	-	-	-	182,292
					253,075
Total	58,112,670	104,955,906	59,444,780	58,163,748	105,275,861
The municipality does not have any overdraft current account facilities with its banker and therefore does not incur interest on overdraft current accounts. Interest is earned at different rates per annum on favourable balances.					
The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.					
No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.					



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9. Property, plant and equipment

Economic entity

2018			2017		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value

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9. Property, plant and equipment (continued)

Economic Entity

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,983,917	-	3,983,917	26,869,794	-	26,869,794
Furniture and fixtures	26,342,389	(15,939,638)	10,402,751	25,423,538	(13,244,903)	12,178,635
Transport assets	61,035,346	(25,043,364)	35,991,982	74,331,361	(26,622,157)	47,709,204
IT equipment	6,724,940	(4,643,738)	2,081,202	6,730,061	(4,467,359)	2,262,702
Infrastructure	5,530,203,384	(2,446,835,452)	3,083,367,922	5,089,697,807	(2,307,504,798)	2,782,193,009
Other property, plant and equipment	115,772,172	(6,904,678)	108,867,494	196,477,582	(97,634,934)	98,842,648
Infrastructure WIP	2,721,576,010	-	2,721,576,010	2,364,276,806	-	2,364,276,806
Leased Infrastructure	375,105	(375,082)	23	375,105	(375,082)	23
Machinery and equipment	6,868,801	(4,027,345)	2,841,456	8,656,149	(4,634,621)	4,021,528
Total	8,472,882,064	(2,503,769,307)	5,969,112,757	7,792,838,203	(2,454,483,854)	5,338,354,349

Reconciliation of property, plant and equipment - Economic entity - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Land	26,985,794	-	-	22,885,877	(22,885,877)	-	26,985,794
Furniture and fixtures	12,178,635	2,548,617	(484,865)	-	(59,801)	(3,779,835)	10,402,751
Transport assets	47,709,204	3,781,457	(8,020,658)	-	(1,873,639)	(5,604,382)	35,991,982
IT equipment	2,262,702	182,811	(17,288)	-	(3,597)	(343,426)	2,081,202
Infrastructure	2,782,193,009	-	-	447,693,929	-	(146,519,016)	3,083,367,922
Other property, plant and equipment	110,272,881	29,848,567	-	8,344,521	(4,106,343)	(3,562,314)	140,797,312
Infrastructure WIP	2,364,276,806	819,422,055	-	-	(462,122,851)	-	2,721,576,010
Leased Infrastructure	23	-	-	-	-	-	23
Machinery and equipment	4,021,528	972,498	(102,249)	-	(520,287)	(1,530,034)	2,841,456
	5,349,900,582	856,756,005	(8,625,060)	478,924,327	(491,572,395)	(161,339,007)	6,024,044,452

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2017

	Opening balance	Additions	Write-offs	Disposals	Transfers received	Transfers	Depreciation	Total
Land	26,985,794	-	-	-	-	-	-	26,985,794
Furniture and fixtures	15,511,929	2,501,785	(2,153,301)	(64,773)	-	-	(3,617,005)	12,178,635
Transport assets	63,468,325	10,437,241	(10,379,210)	(4,344,057)	-	-	(11,473,095)	47,709,204
IT equipment	3,362,256	800,864	(431,962)	(78,965)	19,493	(15,638)	(1,393,346)	2,262,702
Infrastructure	2,751,584,212	4,248,284	-	-	160,502,011	-	(134,141,498)	2,782,193,009
Other property, plant and equipment	118,481,828	1,974,469	-	(301,946)	-	-	(9,881,470)	110,272,881
Infrastructure WIP	1,744,129,988	780,648,829	-	-	-	(160,502,011)	-	2,364,276,806
Leased Infrastructure	74,610	-	-	-	-	-	(74,587)	23
Machinery and equipment	7,167,922	1,623,026	(1,883,584)	(50,761)	-	-	(2,835,075)	4,021,528
	4,730,766,864	802,234,498	(14,848,057)	(4,840,502)	160,521,504	(160,517,649)	(163,416,076)	5,349,900,582

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling Entity - 2018

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	26,869,794	-	-	(22,885,877)	-	-	3,983,917
Furniture and fixtures	12,178,635	2,548,617	(484,865)	(59,801)	-	(3,779,835)	10,402,751
Transport assets	47,709,204	3,781,457	(8,020,658)	(1,873,639)	70,913	(5,675,295)	35,991,982
IT equipment	2,262,702	182,811	(17,288)	(3,597)	-	(343,426)	2,081,202
Infrastructure	2,782,193,009	2,711,130	-	437,736,754	-	(139,272,971)	3,083,367,922
Other assets - Buildings	98,842,649	26,605,215	-	(9,688,913)	-	(6,891,458)	108,867,493
Infrastructure WIP	2,364,276,806	808,054,403	-	(450,755,199)	-	-	2,721,576,010
Leased Infrastructure	23	-	-	-	-	-	23
Machinery and equipment	4,021,528	972,498	(102,249)	(520,287)	-	(1,530,034)	2,841,456
	5,338,354,350	844,856,131	(8,625,060)	(48,050,559)	70,913	(157,493,019)	5,969,112,756

Reconciliation of property, plant and equipment - Controlling Entity - 2017

	Opening balance	Additions	Write-offs	Disposals	Transfers received	Transfers	Depreciation	Total
Land	26,869,794	-	-	-	-	-	-	26,869,794
Furniture and fixtures	15,511,929	2,501,785	(2,153,301)	(64,773)	-	-	(3,617,005)	12,178,635
Transport assets	63,468,325	10,437,241	(10,379,210)	(4,344,057)	-	-	(11,473,095)	47,709,204
IT equipment	3,362,256	800,864	(431,962)	(78,965)	19,493	(15,638)	(1,393,346)	2,262,702
Infrastructure	2,751,580,755	4,248,284	-	-	160,502,011	-	(134,138,041)	2,782,193,009
Other assets - Buildings	105,594,968	198,590	-	-	270,656	-	(7,221,565)	98,842,649
Infrastructure WIP	1,744,129,988	780,648,829	-	-	-	(160,502,011)	-	2,364,276,806
Leased Infrastructure	74,610	-	-	-	-	-	(74,587)	23
Machinery and equipment	7,167,922	1,623,026	(1,883,584)	(50,761)	-	-	(2,835,075)	4,021,528
	4,717,760,547	800,458,619	(14,848,057)	(4,538,556)	160,792,160	(160,517,649)	(160,752,714)	5,338,354,350

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	2018	2017	2018	2017

9. Property, plant and equipment (continued)

Assets pledged as security

The municipality did not pledge any of its assets as security. The municipality's obligations under Finance Leases (see Note 19) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

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 under Contracted Services

	2018	2017	2018	2017
Land and Buildings	1,116,123	4,115,731	1,116,123	4,115,731
Infrastructure - Sanitation	10,547,867	15,103,360	10,547,867	15,103,360
Infrastructure - Water	71,079,593	65,086,907	71,079,593	64,084,137
Other Assets	5,023,252	2,682,990	4,806,680	3,008,411
	87,766,835	86,988,988	87,550,263	86,311,639

Transfers-out amounting to R437 736 754 included to the 2018 note above includes R13 018 669 transferred to Municipalities.

Delayed Projects

No projects that are currently in progress are experiencing significant delays.

Work-in-progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below.

	2018	2017	2018	2017
Infrastructure: Roads	-	10,759,072	-	10,759,072
Infrastructure: Sewerage	213,456,386	77,635,925	213,456,386	77,635,925
Infrastructure: Water	2,518,484,489	2,289,780,247	2,518,484,489	2,289,780,247
Buildings	1,490,186	1,594,861	1,490,186	1,594,861
	2,733,431,061	2,379,770,105	2,733,431,061	2,379,770,105

10. Intangible assets

Municipality	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	15,023,190	(10,034,163)	4,989,027	10,270,072	(8,368,318)	1,901,754

Controlling entity	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	13,771,653	(9,426,773)	4,344,880	8,782,036	(7,694,574)	1,087,462

Reconciliation of intangible assets - Economic entity - 2018



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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

10. Intangible assets (continued)

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,901,754	4,989,617	(1,902,344)	4,989,027

Reconciliation of intangible assets - Economic entity - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,136,398	805,184	(1,039,828)	1,901,754

Reconciliation of intangible assets - Controlling Entity - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,087,462	4,989,617	(1,732,199)	4,344,880
Ward based database	-	-	-	-
	<u>1,087,462</u>	<u>4,989,617</u>	<u>(1,732,199)</u>	<u>4,344,880</u>

Reconciliation of intangible assets - Controlling Entity - 2017

	Opening balance	Amortisation	Total
Computer software, other	2,099,105	(1,011,643)	1,087,462

Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31). All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality.

8.1 Significant intangible assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

8.2 Intangible assets with indefinite useful lives

The municipality amortises all its Intangible Assets and non of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year.

8.3 Impairment of intangible assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

8.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

8.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

11. Investment property

Economic entity	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,200,000	-	2,200,000	2,200,000	-	2,200,000

Controlling entity	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	2,200,000	-	2,200,000	2,200,000	-	2,200,000

Estimated Fair Value of Investment Property at 30 June

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on Investment Property.

Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

Delayed Projects

No projects that are currently in progress are experiencing significant delays.

12. Heritage Assets

Economic entity	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	247,025	-	247,025	90,000	-	90,000

Controlling entity	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	247,025	-	247,025	90,000	-	90,000

Reconciliation of heritage assets Economic entity - 2018

	Opening balance	Additions	Total
Historical buildings	90,000	157,025	247,025

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

12. Heritage Assets (continued)

Reconciliation of heritage assets Economic entity - 2017

Historical buildings	Opening balance	Total
	90,000	90,000

Reconciliation of heritage assets Controlling Entity - 2018

Historical buildings	Opening balance	Additions	Total
	90,000	157,025	247,025

Reconciliation of heritage assets Controlling Entity - 2017

Historical buildings	Opening balance	Total
	90,000	90,000

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Heritage Assets of the municipality.

Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

Delayed Projects

No projects that are currently in progress are experiencing significant delays.



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Figures in Rand

13. Biological assets

Municipality

2018			2017		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
11,000,470		11,000,470	20,051,677		20,051,677

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Figures in Rand

13. Biological assets (continued)

Reconciliation of biological assets - Economic entity - 2017

	Opening balance	Additions	Additions through transfer of functions / mergers	Decreases due to harvest / sales	Disposals	Transfers received	Gains or losses arising from changes in fair value	Depreciation	Total
Trees in a plantation forest	10,103,500	-	-	-	-	-	1,714,717	-	11,818,217
Sheep	2,800	-	-	-	-	-	-	(1,200)	1,600
Cattle	6,510,046	318,000	1,480,951	(1,957,702)	(318,406)	2,409,085	692,905	-	9,134,879
	<u>16,616,346</u>	<u>318,000</u>	<u>1,480,951</u>	<u>(1,957,702)</u>	<u>(318,406)</u>	<u>2,409,085</u>	<u>2,407,622</u>	<u>(1,200)</u>	<u>20,954,696</u>

All of the municipality's Biological Assets are held under freehold interests and no Biological Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Biological Assets of the municipality.

Fruit Trees in Plantation and livestock classified as Bearer Biological Assets at carrying value are made up as follows:

OR Tambo District Municipality

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Figures in Rand

13. Biological assets (continued)

Figures in Rand

Trees in Plantation

Cattle

Sheep

Subtotal

Controlling Entity - Actual Count		Controlling Entity - Value	
2018	2017	2018	2017
-	18,370	-	11,818,217
-	1,471	-	8,376,428
-	-	-	-
-	19,841	-	20,194,645
-	19,841	-	20,194,645

Bearer Biological Assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. At 30 June 2018 livestock held for sale comprised 67 cattle (2017: 1 471).

Figures in Rand

Cattle

Sheep

Subtotal

Economic Entity - Actual Count		Economic Entity Value	
2018	2017	2018	2017
67	1,538	11,232,450	9,134,879
-	1	-	1,600
67	19,909	11,232,450	9,136,479
67	1,539	11,232,450	9,136,479

Bearer Biological Assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity. At 30 June 2017 livestock held for sale comprised 67 cattle (2017: 1 538 cattle and 1 sheep).

Biological Assets carried at Fair Value

The municipality's Biological Assets is valued annually at 30 June at fair value by an independent, professionally qualified, valuator. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar assets.

14. Receivables from exchange transactions

Consumer debtors - Water

1,199,163 1,199,163 1,199,163 1,199,163

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

14. Receivables from exchange transactions (continued)

The municipality does not hold deposits or any other security for its Long-term Receivables. No Long-term Receivables have been pledged as security for the municipality's financial liabilities. Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

15. Consumer deposits

Water	2,930,638	1,604,949	2,930,638	1,604,949
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Consumer Deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid or accrued on Consumer Deposits held.

16. Provisions

Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19)	496,000	175,000	496,000	175,000
Current Portion of Long-term Service Liability (See Note 19)	3,127,000	2,036,000	3,127,000	2,036,000
	<u>3,623,000</u>	<u>2,211,000</u>	<u>3,623,000</u>	<u>2,211,000</u>

The movement in provisions are reconciled as follows:

30 June 2018	Long-term Service	Post-retirement health care
Balance at beginning of year	2,036,000	175,000
Transfer from non-current	3,127,000	496,000
Expenditure incurred	(2,036,000)	(175,000)
	<u>3,127,000</u>	<u>496,000</u>

30 June 2017	Long-term Service	Post-retirement health care
Balance at beginning of year	2,113,252	62,496
Transfer from non-current	2,036,000	175,000
Expenditure incurred	(1,073,000)	(127,000)
(Over) / Under-Provision	(1,040,252)	64,504
	<u>2,036,000</u>	<u>175,000</u>

Employee benefit cost provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .51.

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



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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
17. Payables from exchange transactions				
Trade payables	250,399,889	253,534,679	249,279,307	258,556,813
Payments received in advanced	12,857,780	4,667,052	12,850,105	4,575,619
Retentions	21,136,952	22,170,154	21,136,952	22,170,154
Staff bonuses	14,022,018	7,859,310	13,150,024	7,069,965
Staff leave	54,074,365	47,304,577	50,930,131	43,288,012
Other Creditors	1,732,188	974,412	2,591	-
VAT Accrued account	52,144,548	43,711,162	51,555,937	43,629,221
	406,367,740	380,241,446	398,965,047	379,289,784

Staff Bonuses accrue to the staff of the entity on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

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 policies in place to ensure that all payables are paid within the credit timeframe.

18. Payables from Non-exchange transactions

Sundry Creditors	1,213,236	371,863	1,213,236	371,863
Salaries control accounts	711,363	3,215,523	(183,607)	2,743,553
SURUDECO - Baziya Sustainable Village Project	446,973	446,973	-	-
	2,371,572	4,034,359	1,029,629	3,115,416

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Eastern Cape Development Corporation	-	249,974	-	-
Department of Economic Development Environmental Affairs and Tourism	-	306,720	-	-
ECDC Co-Operative Trust Fund	-	552,915	-	-
Department of Agriculture	-	5,917,489	-	-
Other Grant Providers	160,256	158,734	-	-
Provincial and National Government Grants	-	43,823	-	-
	160,256	7,229,655	-	-

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 28 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. As at end of June 2018 the municipality had no unspent grants.

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
20. Long-Term Liabilities				
Department of Water Affairs (DWA)				
Total outstanding amount	-	88,795,339	-	88,795,339
Current Portion - (included in Trade creditors)	-	(50,000,000)	-	(50,000,000)
	-	38,795,339	-	38,795,339

Summary of Arrangements

The long term portion of the liability emanates from an over due account of bulk water supplied by the Department of Water Affairs to OR Tambo District Municipality. The municipality and DWA reached an interest free agreement for the settlement of the outstanding debt over a period of 24 months. The current portion of R27 346 214 is included in current liabilities under Trade creditors.

21. Employee benefit liabilities

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

Carrying value				
Present value of the defined benefit obligation-wholly unfunded	(63,412,861)	(50,718,861)	(63,412,861)	(50,718,861)
Present value of the defined benefit obligation-party or wholly funded	(23,674,191)	(13,323,191)	(23,674,191)	(13,323,191)
	(87,087,052)	(64,042,052)	(87,087,052)	(64,042,052)
Post-retirement health care benefits liability				
Opening balance	50,718,861	38,767,565	50,718,861	38,767,565
Contributions by plan participants	13,190,000	12,126,496	13,190,000	12,126,496
Assumed in an entity combination	(496,000)	(175,000)	(496,000)	(175,000)
	63,412,861	50,718,861	63,412,861	50,718,861

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by PriceWaterhouseCoopers, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

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

OR Tambo District Municipality

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
21. Employee benefit liabilities (continued)				
In-service Members (Employees)	548	466	548	466
In-service Non-members (Employees)	619	529	619	529
Continuation Members (Retirees, widowers and orphans)	7	5	7	5
	<u>1,174</u>	<u>1,000</u>	<u>1,174</u>	<u>1,000</u>

The liability in respect of past service has been estimated as follows:

In-service Members (Employees)	47,899,000	39,288,000	47,899,000	39,288,000
In-service Non-members (Employees)	12,602,000	9,647,000	12,602,000	9,647,000
Continuation Members (Retirees, widowers and orphans)	3,408,000	1,959,000	3,408,000	1,959,000
	<u>63,909,000</u>	<u>50,894,000</u>	<u>63,909,000</u>	<u>50,894,000</u>

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

-Bestmed	- Bonitas
- Fedhealth	- GEMIS
- Hosmed	- Keyhealth
- LA Health	- Liberty
- Medshield	- Resolution Health
- Samwumed	

The Current-service Cost for the year ending 30 June 2018 is estimated to be R6 568 000, whereas the cost for the ensuing year is estimated to be R9 099 000 (30 June 2017: R3 001 000 and R6 568 000 respectively).

Net expense recognised in the statement of financial performance

Current service cost	6,568,000	3,001,000	6,568,000	3,001,000
Past service cost	50,893,681	38,829,681	50,893,681	38,829,681
Interest cost	6,419,000	3,791,000	6,419,000	3,791,000
Actuarial (gains) losses	203,000	5,399,000	203,000	5,399,000
Settlement	(175,000)	(127,000)	(175,000)	(127,000)
	<u>63,908,681</u>	<u>50,893,681</u>	<u>63,908,681</u>	<u>50,893,681</u>

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.90 %	12.00 %	9.90 %	12.00 %
Medical cost trend rates	8.30 %	11.10 %	8.30 %	11.10 %
Proportion of employees opting for early retirement	1.50 %	0.81 %	1.50 %	0.81 %

Expected Retirement age		2018	2017
Expected Retirement Age - Females		63	63
Expected Retirement Age - Males		63	63

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
21. Employee benefit liabilities (continued)				
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	63,908,861	50,893,681	63,908,861	50,893,681
Unfunded Accrued Liability	63,908,861	50,893,681	63,908,861	50,893,681
Total Benefit Liability	<u>63,908,861</u>	<u>50,893,681</u>	<u>63,908,861</u>	<u>50,893,681</u>

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

Current service cost	6,568,000	3,001,000	6,568,000	3,001,000
Interest cost	6,419,000	3,791,000	6,419,000	3,791,000
Actuarial losses / (gains)	203,000	5,399,000	203,000	5,399,000
	<u>13,190,000</u>	<u>12,191,000</u>	<u>13,190,000</u>	<u>12,191,000</u>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Increase:	-	-	-	-
Effect on the aggregate of the current service cost and the interest cost	3,508,000	3,093,000	3,508,000	3,093,000
Effect on the defined benefit obligation	13,494,000	11,632,000	13,494,000	11,632,000
Decrease:	-	-	-	-
Effect on the aggregate of the current service cost and the interest cost	(2,962,000)	(2,509,000)	2,962,000	(2,509,000)
Effect on the defined benefit obligation	(11,614,000)	(9,103,000)	11,614,000	(9,103,000)

The municipality expects to make a contribution of R9 099 000 (2017: R6 568 000) to the Defined Benefit Plans during the next financial year.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

21. Employee benefit liabilities (continued)

Long Service Awards Liability

Balance at beginning of year	13,323,191	16,069,939	13,323,191	15,652,191
Contributions to provision	13,476,000	(710,748)	13,478,000	(293,000)
Transfer to Current Provisions	(3,127,000)	(2,036,000)	(3,127,000)	(2,036,000)
	<u>23,674,191</u>	<u>13,323,191</u>	<u>23,674,191</u>	<u>13,323,191</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Longservice Bonus Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by PriceWaterhouseCoopers, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1 170 (2017: 802) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2018 is estimated to be R2 520 000, whereas the cost for the ensuing year is estimated to be R3 209 000 (30 June 2017: R1 886 000 and R2 520 000 respectively).

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

Discount rates used	8.81%	8.70%	8.81%	8.70%
Expected Retirement Age - Females		63	63	63
Expected Retirement Age - Males		63	63	63

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

Balance at the beginning of the year	15,359,191	18,183,191	15,359,191	18,183,191
Current service costs	2,520,000	1,888,000	2,520,000	1,888,000
Interest cost	1,363,000	1,226,000	1,363,000	1,226,000
Benefits paid	(2,036,000)	(1,073,000)	(2,036,000)	(1,073,000)
Actuarial losses / (gains)	9,595,000	(4,865,000)	9,595,000	(4,865,000)
	<u>26,801,191</u>	<u>15,359,191</u>	<u>26,801,191</u>	<u>15,359,191</u>

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

Present value of fund obligations	26,801,191	15,359,191	26,801,191	15,359,191
Unfunded Accrued Liability	26,801,191	15,359,191	26,801,191	15,359,191
Total Benefit Liability	26,801,191	15,652,191	26,801,191	15,652,191

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

Current service cost	2,520,000	1,888,000	2,520,000	1,888,000
Interest cost	1,363,000	1,226,000	1,363,000	1,226,000
Actuarial losses / (gains)	9,595,000	(4,865,000)	9,595,000	(4,865,000)
	<u>13,478,000</u>	<u>(1,751,000)</u>	<u>13,478,000</u>	<u>(1,751,000)</u>

The history of experienced adjustments is as follows:

Present Value of Defined Benefit Obligation	26,801,191	15,359,191	26,801,191	15,359,191
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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

21. Employee benefit liabilities (continued)

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:				
Effect on the aggregate of the current service cost and the interest cost	134,780	1,131,000	134,780	1,131,000
Decrease:				
Effect on the defined benefit obligation	1,210,000	1,210,000	1,210,000	1,210,000
Effect on the aggregate of the current service cost and the interest cost	(134,780)	(999,000)	(134,780)	(999,000)
Effect on the defined benefit obligation	(1,624,000)	(1,086,000)	(1,624,000)	(1,086,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The municipality expects to make a contribution of R3 209 000 (2017: R2 520 000) to the defined benefit plans during the next financial year.

22. Accumulated surplus

The Accumulated Surplus consists of the following Internal Funds and Reserves:

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	5,995,059,980	5,333,751,982	5,903,100,103	5,298,227,101
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Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

23. Service charges

Sale of water	182,034,409	164,031,226	182,034,409	164,031,226
Sewerage and sanitation charges	48,234,972	42,791,119	48,234,972	42,791,119
	<u>230,269,381</u>	<u>206,822,345</u>	<u>230,269,381</u>	<u>206,822,345</u>

The amounts disclosed above for revenue from charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Additional text

24. Rental of facilities and equipment

Premises				
Venue hire	89,795	822,311	89,795	35,118

Rental revenue earned on Facilities and Equipment is in respect of non-financial rented out.

25. Interest Earned

Bank Accounts	6,495,873	11,492,337	6,495,873	11,442,739
Investments	45,969,250	28,011,302	43,696,211	24,957,690
	<u>52,465,123</u>	<u>39,503,639</u>	<u>50,192,084</u>	<u>36,400,429</u>

Interest revenue				
Outstanding Billing Debtors	36,952,171	46,914,379	36,952,171	46,914,379
	<u>89,417,294</u>	<u>86,418,018</u>	<u>87,144,255</u>	<u>83,314,808</u>

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
26. Operational revenue				
Sundry Income	151,828,164	134,176,919	139,924,099	130,902,542
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.				
27. Other gains gains on continued operations				
Gains in fair value of biological assets	4,285,693	2,547,922	-	2,614,672
28. Income from agency services				
Commission	77,383	407,060	77,383	65,599

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
29. Transfers and subsidies				
Operating grants				
Equitable share	728,170,000	669,303,000	728,170,000	669,303,000
Other Subsidies	506,577	1,509,392	-	391,532
Eastern Cape Development Corporation Grant	-	425,330	-	-
Department of Economic Development and Environmental Affairs	-	88,452	-	-
Eastern Cape Development Corporation Co-Operative Grant	-	743,155	-	-
	728,676,577	672,069,329	728,170,000	669,694,532
Conditional grants				
National: EPWP	4,811,000	3,174,663	4,811,000	3,174,663
National: FMG	2,045,000	1,710,000	2,045,000	1,710,000
National: MIG	573,177,429	353,855,479	573,177,429	353,855,479
National: Municipal Water Infrastructure grant	108,536,202	96,763,259	108,536,202	96,763,259
National: Department of Roads and Transport	2,587,480	-	2,587,480	-
National: RBIG	293,770,502	301,016,101	293,770,502	301,016,101
	984,927,613	756,519,502	984,927,613	756,519,502
	1,713,604,190	1,428,588,831	1,713,097,613	1,426,214,034

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to the communities in the district. All water supply customers receive a monthly allocation of free water. This translates into a subsidy of R38.43 (2017: R36.24) per month towards the consumer account, which subsidy is determined annually by council. Furthermore, the municipality carts water to the urban and rural areas in the district as part of service delivery. No funds have been withheld.

National: EPWP Grant

Current-year receipts	4,811,000	3,213,000	4,811,000	3,213,000
Conditions met - transferred to revenue: Operating expenses	(4,811,000)	(3,174,663)	(4,811,000)	(3,174,663)
Other adjustments / Refunds	-	(38,337)	-	(38,337)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

Expanded Public Works Programme Grants was allocated to the municipality for the environmental and water infrastructure projects. No funds have been withheld.

National: FMG Funds

Current-year receipts	2,045,000	1,710,000	2,045,000	1,710,000
Conditions met - transferred to revenue	(2,042,065)	(1,710,000)	(2,042,065)	(1,710,000)
Other	(2,935)	-	(2,935)	-
	-	-	-	-

Conditions still to be met - remain liabilities (see note 19).

The Financial Management Grant is paid by the National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

National: MIG Funds

Current-year receipts	645,218,000	519,099,000	645,218,000	519,099,000
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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
29. Transfers and subsidies (continued)				
Conditions met - transferred to revenue	(58,040,884)	(44,949,144)	(58,040,884)	(44,949,144)
Conditions met - transferred to revenue: Capital expenses	(505,127,382)	(403,181,617)	(505,127,382)	(403,181,617)
Other adjustments / Refunds	(72,049,734)	(70,968,239)	(72,049,734)	(70,968,239)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of water and sanitation infrastructure where previously there were no infrastructure in order to provide for water as basic need. No funds have been withheld.

In terms of MFMA circular No 48 all conditional allocations (excluding interest earned thereon) that at year-end are not utilised, must revert back to the 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.

A total amount of R90 million was withheld due to under spending

National: MSIG Funds

Conditions still to be met - remain liabilities (see note 19).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Water Services Infrastructure Grant (WSIG)

Current-year receipts	124,000,000	109,739,000	124,000,000	109,739,000
Conditions met - transferred to revenue	(108,536,202)	(96,763,259)	(108,536,202)	(96,763,259)
Other adjustments / Refunds	(15,463,798)	(12,975,741)	(15,463,798)	(12,975,741)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

This grant was received for the building and maintenance of water and sanitation infrastructure in the district. No funds have been withheld.

National: Department Roads and Transport

Current-year receipts	2,931,000	2,693,000	2,931,000	2,693,000
Conditions met - transferred to revenue	(2,582,978)	(2,338,066)	(2,582,978)	(2,338,066)
Other	(348,022)	(354,934)	(348,022)	(354,934)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 19).

This grant was allocated to assist the municipality to set up a rural roads asset management system. No funds have been withheld.

National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	-	-	-
Current-year receipts	327,500,000	343,183,000	327,500,000	343,183,000
Conditions met - transferred to revenue	(36,576)	-	(36,576)	-
Conditions met - transferred to revenue: Capital expenses	(293,770,501)	(301,016,101)	(293,770,501)	(301,016,101)
Other adjustments / Refunds	(33,692,823)	(42,166,899)	(33,692,823)	(42,166,899)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
29. Transfers and subsidies (continued)				
Conditions still to be met - remain liabilities (see note 19).				

This grant was received for the building and maintenance of water and sanitation infrastructure in the district. No funds have been withheld.

Ntinga Development Agency: Provincial Grants

Balance unspent at beginning of year	-	-	43,824	43,824
Conditions met - transferred to revenue	-	-	(43,824)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,824</u>

Conditions still to be met - remain liabilities (see note 19).

Provide explanations of conditions still to be met and other relevant information.

Ntinga Development Agency: OR Tambo District

Balance unspent at beginning of year	-	-	6,239,782	300,349
Current-year receipts	-	-	32,821,584	52,605,040
Conditions met - transferred to revenue	-	-	(37,455,415)	(46,665,607)
	<u>-</u>	<u>-</u>	<u>1,605,951</u>	<u>6,239,782</u>

Conditions still to be met - remain liabilities (see note 19).

Provide explanations of conditions still to be met and other relevant information.

Ntinga Development Agency: Other Grant and Subsidy Providers

Balance unspent at beginning of year	-	-	158,733	158,733
Current-year receipts	-	-	508,434	-
Conditions met - transferred to revenue	-	-	(506,910)	-
	<u>-</u>	<u>-</u>	<u>160,257</u>	<u>158,733</u>

Conditions still to be met - remain liabilities (see note 19).

Provide explanations of conditions still to be met and other relevant information.

30. Public contributions and donations

Conditions still to be met - remain liabilities (see note 19)

Provide explanations of conditions still to be met and other relevant information

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
31. Employee related costs				
Basic	342,622,610	268,994,997	316,444,030	247,020,232
Bonus	28,144,911	15,839,172	26,632,358	14,716,996
Medical aid - company contributions	14,081,396	11,401,858	14,081,396	11,401,858
UIF	2,466,932	1,965,995	2,378,573	1,865,199
SDL	6,423,504	3,539,292	6,212,353	3,334,313
Other payroll levies	25,768	70,455	25,768	70,455
Leave pay provision charge	15,376,520	11,815,967	14,644,519	11,409,544
Travel, motor car, accommodation, subsistence and other allowances	2,297,295	2,299,956	-	-
Overtime payments	20,046,128	16,833,855	20,046,128	16,822,317
Long-service awards	806,072	-	806,072	-
Accrual allowances	1,912,934	3,590,208	1,164,022	2,427,695
Car allowance	36,455,545	33,973,074	36,455,545	33,973,074
Housing benefits and allowances	17,044,656	11,409,294	17,044,656	11,409,294
Telephone allowance	4,976,839	1,479,916	4,314,257	867,500
Contributions: Group Life Insurance	9,199,629	7,607,793	9,008,874	7,307,234
Defined Benefit Plan expense	6,568,000	4,889,000	6,568,000	4,889,000
Termination benefits	37,297,754	40,592,302	35,545,632	38,991,605
	545,646,494	436,303,134	511,372,184	406,506,676
REMUNERATION OF SECTION 57 EMPLOYEES:				
Remuneration of municipal manager				
Annual Remuneration	1,180,633	1,085,044	1,180,633	1,085,044
Car Allowance	210,369	186,631	210,369	186,631
Bonuses	90,280	89,435	90,280	89,435
Contributions to UIF, Saiga, Group life and SDL	53,193	58,918	53,193	58,918
Leave Benefits	221,499	215,205	221,499	215,205
Cellphone Allowance	18,000	49,378	18,000	49,378
Housing Subsidy	240,000	240,000	240,000	240,000
Other allowances	-	3,680	-	3,680
	2,013,974	1,928,291	2,013,974	1,928,291
Remuneration of the Chief Executive Officer - Ntinga				
Basic Salary	1,204,636	1,120,515	-	-
Travel Allowance	120,847	106,131	-	-
Cellphone Allowance	47,527	41,740	-	-
Bonuses	88,955	84,495	-	-
Contributions to UIF, Saiga, Group life and SDL	147,785	147,366	-	-
Leave Benefits	273,758	-	-	-
	1,883,508	1,500,247	-	-
Remuneration of Chief Finance Officer				
Annual Remuneration	1,139,736	1,093,088	1,139,736	1,093,088
Car Allowance	511,736	488,067	511,736	488,067
Contributions to UIF, Saiga, Group life and SDL	58,131	61,230	58,131	61,230
Other allowances and benefits	4,758	-	4,758	-
Cellphone Allowance	-	37,268	-	37,268
Leave Benefits	634,736	-	634,736	-
	2,349,097	1,679,653	2,349,097	1,679,653

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
31. Employee related costs (continued)				
Remuneration of the Chief Financial Officer - Ntinga				
Basic Salary	941,906	934,309	-	-
Travel Allowance	112,692	112,941	-	-
Cellphone Allowance	37,029	44,418	-	-
Bonuses	71,301	69,280	-	-
Contributions to UIF, Saiga, Group life and SDL	110,134	124,044	-	-
	1,273,062	1,284,992	-	-
Remuneration of directors: Chief of Staff				
Annual Remuneration	1,121,698	1,035,093	1,121,698	1,035,093
Car Allowance	317,584	196,469	317,584	196,469
Bonuses	92,920	86,258	92,920	86,258
Contributions to UIF, Saiga, Group life and SDL	49,095	36,416	49,095	36,416
Other allowances and benefits	-	37,253	-	37,253
Housing Subsidy	120,000	120,000	120,000	120,000
	1,701,297	1,511,489	1,701,297	1,511,489
Remuneration of director: Community and Social Affairs				
Annual Remuneration	1,231,216	1,194,431	1,231,216	1,194,431
Car Allowance	234,948	246,864	234,948	246,864
Bonuses	110,756	101,496	110,756	101,496
Contributions to UIF, Saiga, Group life and SDL	51,679	58,552	51,679	58,552
Leave Benefits	232,653	23,531	232,653	23,531
Other Allowances	366	-	366	-
	1,861,618	1,624,874	1,861,618	1,624,874
Remuneration of the director: Human Resources				
Annual Remuneration	1,323,554	1,262,304	1,323,554	1,262,304
Car Allowance	-	7,884	-	7,884
Contributions to UIF, Saiga, Group life and SDL	48,102	51,233	48,102	51,233
Cellphone Allowance	-	6,501	-	6,501
Leave Benefits	214,304	-	214,304	-
	1,585,960	1,327,892	1,585,960	1,327,892
Remuneration of the director: Human Settlement				
Annual Remuneration	546,125	-	546,125	-
Car Allowance	137,084	-	137,084	-
Contributions to UIF, Medical and Pension Funds	22,233	-	22,233	-
Other	638	-	638	-
	706,080	-	706,080	-
The Director for Human Settlement was appointed during the current financial year.				
Remuneration of the director: Office of the Executive mayor				

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	2018	2017	2018	2017
31. Employee related costs (continued)				
Annual Remuneration	1,202,034	1,043,560	1,202,034	1,043,560
Car Allowance	120,000	120,000	120,000	120,000
Bonuses	92,454	-	92,454	-
Contributions to UIF, Saiga, Group life and SDL	47,634	47,383	47,634	47,383
Cellphone Allowance	-	37,944	-	37,944
Leave Benefits	334,375	-	334,375	-
	1,796,507	1,248,887	1,796,507	1,248,887
Remuneration of the director: Rural and Economic Development				
Annual Remuneration	1,411,766	1,353,652	1,411,766	1,353,652
Car Allowance	190,609	124,595	190,609	124,595
Bonuses	119,400	105,525	119,400	105,525
Contributions to UIF, Saiga, Group life and SDL	55,021	59,668	55,021	59,668
Cellphone Allowance	-	26,274	-	26,274
Leave Benefits	415,155	-	415,155	-
Other Allowances	5,688	3,214	5,688	3,214
	2,197,639	1,672,928	2,197,639	1,672,928
Remuneration of the director: Internal Audit				
Annual Remuneration	701,625	698,513	701,625	698,513
Car Allowance	193,420	301,931	193,420	301,931
Contributions to UIF, Saiga, Group life and SDL	30,932	47,216	30,932	47,216
Cellphone Allowance	-	22,455	-	22,455
Leave Benefits	109,063	-	109,063	-
Other Allowances	-	805	-	805
	1,035,040	1,270,920	1,035,040	1,270,920
Remuneration of the director: Speaker's Office / Legislature				
Annual Remuneration	1,060,302	990,567	1,060,302	990,567
Car Allowance	180,000	223,293	180,000	223,293
Bonuses	81,732	83,252	81,732	83,252
Contributions to UIF, Saiga, Group life and SDL	43,246	48,568	43,246	48,568
	1,365,280	1,345,680	1,365,280	1,345,680
Remuneration of the director: Technical Services				
Annual Remuneration	-	491,465	-	491,465
Car Allowance	-	72,371	-	72,371
Bonuses	-	74,453	-	74,453
Contributions to UIF, Saiga, Group life and SDL	-	25,657	-	25,657
Leave benefits	-	90,942	-	90,942
Cellphone Allowance	-	13,769	-	13,769
Housing Subsidy	-	31,200	-	31,200
Provident Fund	-	21,000	-	21,000
	-	820,857	-	820,857

The position for Director: Technical Services was vacant throughout the current financial year.

Remuneration of the director: Water Services

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	2018	2017	2018	2017
31. Employee related costs (continued)				
Annual Remuneration	1,116,214	103,670	1,116,214	103,670
Contributions to UIF, Saiga, Group life and SDL	45,583	4,339	45,583	4,339
Cellphone Allowance	16,000	2,162	16,000	2,162
Housing Subsidy	74,642	-	74,642	-
Provident Fund	81,600	-	81,600	-
Medical Aid	35,098	-	35,098	-
	1,369,137	110,171	1,369,137	110,171
Remuneration of the Chief of staff: Legislature				
Annual Remuneration	1,323,554	250,396	1,323,554	250,396
Car Allowance	21,999	-	-	-
Contributions to UIF, Saiga, Group life and SDL	46,254	10,215	-	10,215
	1,391,817	260,611	1,323,554	260,611
Remuneration of the director: Municipal Managers Office				
Annual Remuneration	1,265,477	1,114,941	1,265,477	1,114,941
Car Allowance	94,825	66,120	94,825	66,810
Contributions to UIF, Saiga, Group life and SDL	43,181	45,462	43,181	45,462
Other Allowances	-	690	-	690
	1,403,483	1,227,213	1,403,483	1,227,903
Remuneration of the Senior Manager Water Services - Ntinga				
Basic Salary	755,632	706,263	-	-
Travel Allowance	99,506	92,996	-	-
Cellphone Allowance	16,204	15,144	-	-
Bonuses	34,195	33,225	-	-
Contributions to UIF, Saiga, Group life and SDL	74,015	67,505	-	-
	979,552	915,134	-	-
Remuneration of the Corporate Service Manager - Ntinga				
Basic Salary	792,920	704,002	-	-
Travel Allowance	110,797	86,936	-	-
Cellphone Allowance	10,069	10,523	-	-
Bonuses	28,099	27,303	-	-
Contributions to UIF, Saiga, Group life and SDL	69,598	59,779	-	-
	1,011,483	888,543	-	-
Remuneration of the Senior Manager Trading Enterprises - Ntinga				
Basic Salary	477,686	689,569	-	-
Travel Allowance	58,472	92,136	-	-
Cellphone Allowance	18,809	30,139	-	-
Bonuses	38,210	37,127	-	-
Contributions to UIF, Saiga, Group life and SDL	41,533	75,149	-	-
	634,710	925,120	-	-

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
31. Employee related costs (continued)				
Staff Leave Benefits				
Municipal Manager	221,499	215,205	221,499	215,205
Chief Financial Officer	634,736	-	634,736	-
Director: Community and Social Affairs	232,653	-	232,653	-
Director: Internal Audit	109,063	-	109,063	-
Director: Office of the Executive Mayor	334,375	-	334,375	-
Director: Rural and Economic Development	415,155	-	415,155	-
Director: Technical Services	-	90,942	-	90,942
	1,947,481	306,147	1,947,481	306,147
32. Remuneration of councillors and board members				
Executive Mayor	987,510	952,731	987,510	952,731
Deputy Executive Mayor	790,539	772,989	790,539	772,989
Mayoral Committee Members	7,323,317	5,397,504	7,323,317	5,397,504
Speaker	787,794	810,538	787,794	810,538
Councillors	8,035,993	8,812,967	8,035,993	8,812,967
Board Members	1,726,108	1,002,891	-	-
Traditional Leaders	653,338	-	653,338	-
	20,304,599	17,749,620	18,578,491	16,746,729

In-kind benefits

The Councillors occupying the position of Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. Each of these Councillors are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Chairman and all Board Members are part-time. In order to enable them to carry out their responsibilities efficiently and effectively, they are provided with computer equipment with data bundles.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at less than market related rate. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time bodyguard and a full-time driver.

33. Depreciation and amortisation

Property, plant and equipment	161,339,007	163,416,076	157,493,018	160,752,714
Intangible assets	1,902,344	1,039,831	1,732,199	1,011,643
	163,241,351	164,455,907	159,225,217	161,764,357

34. Impairment losses

Debt impairment	89,117,912	147,042,015	88,730,330	146,934,160
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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
35. Finance Costs				
Employee benefit obligation: Interest Cost	7,782,000	5,017,000	7,782,000	5,017,000
Other interest paid	1,969,978	7,752,623	1,938,208	7,657,463
	9,151,978	12,769,623	9,120,208	12,674,463

Finance charges constitute the interest paid on overdue accounts, mainly King Sabata Dalindyebo Municipality, Eskom and Telkom.

36. Bulk purchases

Water	44,257,284	42,406,949	44,257,284	42,406,949
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Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Water is purchased from the Department of Water Affairs.

37. Contracted services

Professional Services	38,302,879	17,033,507	36,912,672	16,560,368
Outsourced Services	36,949,991	47,512,201	34,863,838	43,801,350
Contractors	154,090,971	109,945,098	152,997,430	109,223,394
	229,343,841	174,490,806	224,773,940	169,585,112

38. Transfers and subsidies

Grants paid to ME's

Ningya Development Agency	-	14,324,403	89,392,650	54,421,940
Transfers to Municipalities	-	3,374,227	-	3,374,227
	-	17,698,630	89,392,650	57,796,167

Other subsidies

Community projects	1,547,076	7,775,044	1,547,076	13,714,835
Free Basic Services	25,479,847	52,692,961	35,801,107	52,692,361
Local Municipalities	13,584,056	16,539,659	13,584,056	16,539,659
Social Aid	25,219,702	17,414,183	25,219,702	17,414,183
	65,830,681	94,421,247	76,151,941	100,361,028
	65,830,681	112,119,877	165,544,591	158,157,195

Community Projects are in respect of community cultural programs, low cost housing and catering & transport cost within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Local Municipalities are in respect of assistance to municipalities in the district under control of the municipality.

Municipal Entities are in respect of assistance to entities under control of the municipality to enable the entities to fulfil their mandates.

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
39. Inventory Consumed				
General stores	9,976,719	3,249,096	9,976,719	3,249,096
Water	23,757,450	19,338,926	23,757,450	19,338,926
Abattoir	5,051,620	2,051,008	-	-
Farm Implements	2,768,014	2,205,194	-	-
	41,553,803	26,844,223	33,734,169	22,588,021
40. Operational costs				
Advertising, Publicity and Marketing	8,267,919	10,231,830	8,000,391	10,030,114
External Audit Fees	11,473,569	10,224,145	9,780,293	8,048,619
Bank charges, Facility and Card fees	673,081	567,862	512,445	456,806
Animal vaccination	278,572	236,108	-	-
Capex expenditure control	-	(1,516,712)	-	(1,516,712)
Cleaning	257,256	173,877	-	-
Assets less than capital threshold	474,739	-	474,739	-
Water and electricity	44,994,316	44,208,994	43,378,822	43,080,367
Entertainment	60,795	321,825	60,795	308,590
Expenditure incurred on conditional grants	89,210,845	37,915,417	91,460,315	40,237,686
Farm operations	-	772,840	-	772,840
Wet fuel	11,048,455	9,669,890	10,396,012	8,932,957
Hire charges	35,685,944	39,070,710	34,947,010	38,352,008
External computer services	464,996	403,445	142,946	248,700
Insurance	3,412,349	2,912,620	2,689,740	2,277,517
Bargaining council	4,494,470	4,594,510	4,494,470	4,594,510
Licence Fees	1,247,926	1,396,423	1,172,657	1,362,139
Municipal Services - Assessment rates	-	1,566,862	-	1,566,862
Other General Expenses	10,615	1,718,286	-	966,927
Packaging	129,303	250,039	-	-
Courier and delivery service	132,221	162,506	131,066	161,299
Printing, publications and books	1,927,172	3,229,972	1,546,793	2,956,656
Uniform and protective clothing	850,710	1,919,046	634,422	1,686,333
Staff Development and Wellness	-	7,100	-	-
Professional bodies, membership and subscriptions	189,841	196,207	80,568	63,896
Communication	9,277,899	9,952,797	8,812,728	9,565,493
Leamership and Internships	5,208,658	7,623,281	5,891,396	7,271,806
Travelling and Subsistence	64,783,663	62,708,277	63,903,530	62,419,832
Registration fees	4,569,393	516,200	4,565,130	516,200
Workmen's Compensation Fund	-	3,000,000	-	3,000,000
	299,824,707	254,034,357	293,076,268	247,551,395
Material losses				
Distribution losses				
Water losses	-	22,816,450	-	22,816,450

No other extra-ordinary expenses were incurred.

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	2018	2017	2018	2017
41. Revenue				
Other Gains on continued operations	4,285,693	2,547,922	-	2,614,672
Service charges	230,269,381	206,822,345	230,269,381	206,822,345
Rental of facilities and equipment	89,795	822,311	89,795	35,118
Interest earned	89,417,294	86,418,018	87,144,255	83,314,808
Other revenue	151,828,164	134,176,919	139,924,099	130,902,542
Government grants & subsidies	1,713,604,190	1,429,049,049	1,713,097,613	1,426,214,034
Income from agency services	77,383	407,060	77,383	65,599
	2,189,571,900	1,860,243,624	2,170,602,526	1,849,969,118
The amount included in revenue arising from exchanges of goods or services are as follows:				
Other Gains on Continued Operations	4,285,693	2,547,922	-	2,614,672
Service charges	230,269,381	206,822,345	230,269,381	206,822,345
Rental of facilities and equipment	89,795	822,311	89,795	35,118
Interest earned	89,417,294	86,418,018	87,144,255	83,314,808
Other revenue	151,828,164	134,176,919	139,924,099	130,902,542
	475,890,327	430,787,515	457,427,530	423,689,485
The amount included in revenue arising from non-exchange transactions is as follows:				
Government grants & subsidies	1,713,604,190	1,429,049,049	1,713,097,613	1,426,214,034
Income from Agency Services	77,383	407,060	77,383	65,599
	1,713,681,573	1,429,456,109	1,713,174,996	1,426,279,633
42. Auditors' remuneration				
Fees	11,473,569	10,224,145	9,780,293	8,048,619
A detailed analysis of audit fees is disclosed under note 54				
43. Financial instruments disclosure				
Categories of financial instruments				
Economic entity - 2018				
Financial assets				
	At fair value	At amortised cost	Total	
Receivables from Exchange transactions - Other Loans	-	1,199,163	1,199,163	
Receivables from Exchange - Sewerage	-	11,498,031	11,498,031	
Receivables from Exchange - Water	-	46,680,695	46,680,695	
Receivables from Exchange - Other Receivables	-	8,226,684	8,226,684	
Receivables from Non-Exchange - Short-term Loans	-	2,500	2,500	
Receivables from Non-Exchange - Sundry debtors	-	16,691,742	16,691,742	
Cash and cash equivalents - Call deposits	-	156,482,198	156,482,198	
Cash and cash equivalents - Bank Balances	-	58,163,749	58,163,749	
Cash and cash equivalents - Cash Flots and Advances	8,567	-	8,567	
	8,567	298,944,762	298,953,329	

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	2018	2017	2018	2017

43. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost		Total	
Payables from exchange transactions - Trade Creditors		250,399,889		250,399,889
Payables from exchange transactions - Retentions		21,136,952		21,136,952
Payables from exchange transactions - Other Creditors		1,694,917		1,694,917
		<u>273,231,758</u>		<u>273,231,758</u>

44. Other Gains and losses

Gains in fair value of biological assets	4,285,699	2,547,922	-	2,614,669
Losses in fair value of biological assets	(4,841,351)	(205,500)	-	(135,500)
	<u>(555,658)</u>	<u>2,342,422</u>	<u>-</u>	<u>2,478,169</u>

Gains and Losses in Fair Value of Biological Assets are attributable to continuing operations.

45. Related Party Transactions

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

Interest of Related Parties

No Related Party Interests have been identified/declared for the two financial years under review.

O R Tambo Ninga Development Agency is wholly controlled by the municipality.

O R Tambo Ninga Development Agency is utilising free offices provided by the municipality.

Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councilors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 12 to the Annual Financial Statements.

Compensation of Related Parties

Compensation of Key Management Personnel and Councilors is set out in Notes 30, 31 Statement of Remuneration of Management, to the Annual Financial Statements. The names and positions of key management personnel are as follows:

Controlling Entity
 Hlazo C.N. Municipal Manager
 Moleko M. Chief Financial Officer
 Matomele B. Director: Municipal Managers Office
 Dunywa P.A.X. Director: Rural Economic Development Programme
 Mnyanda N. Director: Human Settlement
 Madzizela - Director: Community and Social Services
 Mbalane N. Director: Office of the Executive Mayor
 Velein A. Director: Water and Sanitation Services
 Tseane T. Director: Legislature
 Mphako F. Director: Human Resources
 Nogwanya S. Chief of Staff - Office of the Executive Mayor
 Solshethe K. Director: Internal Audit (Resigned)
 Sondaba M. Chief of Staff - Legislature:

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Controlled Entity

Nkosi M.A. Chief Executive Officer
 Mbiko L. Chief Financial Officer
 Kanise Z. Senior Manager Water Services
 Mviko V. Corporate Service Manager
 Makupula L. Senior Manager Trading Enterprises

Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

Grants paid by the Municipality:

The amounts below include a grant that the municipality pays to Ninga Development Agency for operations at Adam Kok Farms. Farm Assets belong to the municipality and the entity is only responsible for operations.

Ninga OR Tambo Development Agency	-	14,324,403	89,392,630	54,421,940
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46. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Investments in controlled entities

	408,662,968	165,268,554	408,662,968	165,268,554
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Not yet contracted for and authorised by accounting officer

• Investments in controlled entities

	-	-	-	-
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Total capital commitments

Already contracted for but not provided for

	408,662,968	165,268,554	408,662,968	165,268,554
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Total commitments

Authorised capital expenditure

	408,662,968	165,268,554	408,662,968	165,268,554
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This committed expenditure relates to infrastructure and will be financed from Government grants.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
47. Contingencies				
MUNICIPALITY				
(i) Claims for Services Rendered:				
Claims in lieu of services rendered have been lodged against the municipality. A matter for the removal of the sewer pond R400 000 and R600 000 relating to demand for access to a reliable supply of sufficient pot-hole water.	-	-	1,000,000	-
(ii) Failure to honour a Cession Agreement:				
Claims relating to breach of cession agreement. The municipality is contesting the claim based on legal advice. The outcome of the case is still uncertain.	-	-	600,000	903,507
(iii) Claim for Payments to Unauthorised Accounts:				
Claims have been lodged for making payments to unauthorised accounts. The municipality is contesting the claims. The outcome of the cases are still uncertain.	-	-	546,280	546,280
(iv) Labour Cases:				
Labour claims have been instituted against the municipality and are being contested. The outcome of is still uncertain.	-	-	8,706,503	-
(v) Claim for Damages Suffered:				
0	-	-	-	-
Claim for damage suffered due to non-payment	-	-	32,019,025	-
Claim for damage suffered due to loss of life	-	-	3,350,000	-
	-	-	35,369,025	-
NTINGA DEVELOPMENT AGENCY				
Man Truck & Bus (Pty) Ltd, The Entity is a second defendant on a matter involving a collision between a truck and a cow at Adam Kok Farms.	-	-	218,254	-
CE Du Plessis and 2 other vs OR Tambo District Municipality. Defendant is OR Tambo District Municipality and Ntinga is the second respondent. Plaintiff alleges that their respective properties were damaged by fires which came from Adam Kok Farms owned by ORTDM and managed by Ntinga. The matter is being defended by the municipality.	-	-	1,781,524	-
Zandisile Kanise vs OR Tambo District Municipality. Defendant is OR Tambo District Municipality and Ntinga is the second respondent. Mr. Z.L. Kanise is employed by Ntinga. As per request of ORTDM he was seconded at ORTDM, Executive Mayor Office without any documentation. It is alleged that he acted as a Policy Analyst on secondment from Ntinga.	-	-	2,000,000	-

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	2018	2017	2018	2017
47. Contingencies (continued)				
Bentile Mumba vs Kei Fresh Produce Market (Incorporated to Ntinga on 1 July 2017). The matter is between Kei Fresh Produce Market and its former employee. It happened before the market was transferred to Ntinga by the municipality. The matter relates to an alleged unfair labour practice.	-	-	500,000	-
Kholeka Joni vs Kei Fresh Produce Market (Incorporated to Ntinga on 1 July 2017). The matter is between Kei Fresh Produce Market and its former employee. It happened before the market was transferred to Ntinga by the municipality. The matter relates to an alleged unfair labour practice.	-	-	1,000,000	-
	-	-	5,499,778	-
	-	-	51,721,586	1,449,787
48. Prior period errors				
Accounts Receivables from Exchange transactions				
Accounts receivables from exchange transactions and Impairment by the same amount were restated due to debtors that were incorrectly overcharged.				
Conditional Grant Revenue recognised				
-Conditional grant revenue was adjusted down by R90 000 000 which is the amount that was withheld but the municipality used its own funding and recognised revenue.				
-Revenue recognised from Conditional grant expenditure was restated by R7 037 313 being payments that were duplicated resulting in overstatement of expenditure.				
Conditional Grant expenditure				
Conditional grant expenditure was adjusted down by R90 000 000 which is expenditure incurred on capital projects affected by the MIG grant withheld.				
Conditional grant was adjusted down by R7 037 314 which is duplicated capital projects expenditure.				
Capital Commitments				
The total amount for commitments has been restated from R1 006 154 737 to R165 268 553 due to overstatement in the prior year.				
Payables from Exchange transactions:				
Payables from Exchange transactions were adjusted by R7 669 204 being prior year unrecorded liabilities.				
VAT Receivable:				
VAT receivable was adjusted by R1 143 913 being VAT on prior year unrecorded liabilities and VAT on duplicated payment.				
Sundry Creditors				
Sundry creditors were restated by R15 595 198 being infrastructure creditors incorrectly accrued for.				
Irregular Expenditure				
The irregular expenditure for the prior year was restated from R2 630 184 542 to R2 957 800 035 due to understatement of prior year figure.				
Receivables from Non-exchange transactions:				
Receivables from Non-exchange transactions were adjusted by R449 877 being debit that were erroneously included under Payables from Nonexchange transactions.				
Interest earned - External Investments:				
Prior year interest earned was adjusted by R24 200 being interest for interest for 2017/18 that was recorded in 2016/17.				
Cash and Cash Equivalents:				
Prior year balance for Cash and Cash Equivalents was adjusted down by R24 200 being interest for interest for 2017/18 that was recorded in 2016/17.				
Finance Costs:				

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	2018	2017	2018	2017

48. Prior period errors (continued)

Finance costs were adjusted by a total amount of R6 768 193 being interest cost on Post employee benefits of R 5 027 085 and interest on late payments of R1 741 107 previously included under Operations Costs.

49. Prior-year adjustments

Presented below are those items contained in both statement of financial position and the statement of financial performance that have been affected by prior-year adjustments:

MSCOA Implementation

The implementation of Municipal Standard Chart of Accounts (MSCOA) in 1 July 2017 introduced new changes in the classification of expenditure and assets resulting in reclassification of comparative figures for certain lines items in both the face and notes to annual financial statements. The effects of the reclassification are as follows:

Statement of financial position

Controlling entity - 2018

	Note	As previously reported	Correction of error	Restated
Receivables from Non-exchange Transactions		12,158,687	449,877	12,608,564
Property, Plant and Equipment		5,360,762,090	(22,407,740)	5,338,354,350
Cash and Cash Equivalents		253,822,500	(24,200)	253,798,300
Payables from Non-exchange Transactions		(18,710,614)	15,595,198	(3,115,416)
VAT Receivable		83,382,717	(1,143,913)	82,238,804
Accumulated Surplus		5,313,427,075	8,333,114	(5,321,760,189)
Payables from exchange transactions		(371,620,585)	(7,669,204)	(379,289,789)
		-	(6,866,868)	-

Statement of financial performance

Controlling entity - 2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Contracted Services		44,831,711	239,895	124,513,506	169,345,217
Repairs and Maintenance		86,490,925	-	(86,490,925)	-
Transfers and Subsidies		149,404,629	-	8,732,566	158,137,195
Operational Costs		410,095,516	(92,383,449)	(70,160,672)	247,551,405
Finance Costs		5,906,270	6,768,193	-	12,674,463
Employee Costs		411,062,457	(5,530,581)	974,800	406,526,676
Government grants and subsidies received		(1,523,251,348)	97,037,314	-	(1,426,214,034)
Inventory Consumed		-	177,296	22,410,725	22,410,725
Actual Gains / (Losses)		-	534,000	-	534,000
Interest earned - External Investments		(36,424,629)	24,200	-	(36,400,429)
(deficit) Surplus for the year		(451,884,469)	6,866,868	-	(445,017,601)

50. Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 48 and 49).

Due to 2017 implementation of MSCOA, certain comparative figures have been reclassified (Note 45). The implementation of MSCOA became effective for periods beginning on or after 1 July 2017.

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	2018	2017	2018	2017

51. Risk management

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes xx to the Annual Financial Statements

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

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	2018	2017	2018	2017

51. Risk management (continued)

Market risk

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

Foreign exchange risk

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

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	2018	2017	2018	2017

51. Risk management (continued)

Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for sewerage and water services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;

- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties. They have been included in the Provision for Impairment of Consumer Debtors.

52. Going concern

(i) On 31 May 2018 the Council adopted the 2018/19 to 2020/21 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

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52. Going concern (continued)

(i) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

53. Events after the reporting date

During the council meeting held on the 30th July 2018, the Controlling entity (Municipality) condoned Irregular and wasteful expenditure amounting to R97 864 105 relating Anatolia Water contract.

54. Private Public Partnerships

The municipality was not a party to any Private Public Partnerships during the year under review.

55. Unauthorised expenditure

Municipality

Opening balance	1,005,909	2,277,804,145	1,005,909	2,277,804,145
Add: Unauthorised expenditure current year	-	1,005,909	-	1,005,909
Less: Approved by the council or condoned	-	(2,277,804,145)	-	(2,277,804,145)
	-	-	-	-
	-	-	-	-
	1,005,909	1,005,909	1,005,909	1,005,909

56. Fruitless and wasteful expenditure

Opening balance	23,359,527	24,270,168	23,359,527	24,246,870
Add: Fruitless expenditure current year	1,401,985	7,657,467	1,338,208	7,657,467
Less: Approved by the council or condoned	-	(8,566,108)	-	(8,544,810)
	24,761,512	23,359,527	24,697,736	23,359,527

Details of fruitless and wasteful expenditure.

Municipality - Fruitless and wasteful expenditure relates to interest paid the Department of Water Affairs before and interest free agreement was reached.

Ntanga - Fruitless and wasteful expenditure relates to eleven cows that were transferred to Umkanku Red Meat Abattoir from Adam Kok Farms for slaughtering and selling. It was discovered that they were vaccinated and were not suitable for sale and human consumption.

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	2018	2017	2018	2017

57. Irregular expenditure

Opening balance	2,991,677,719	4,491,134,523	2,991,656,739	4,491,132,303
Add: Irregular Expenditure - current year	993,631,066	1,041,343,634	993,560,980	1,041,322,654
Less: Amounts condoned	(833,740,086)	(2,540,800,438)	(833,740,086)	(2,540,798,218)
Less: Amounts recoverable (not condoned)	-	-	-	-
Less: Amounts not recoverable (not condoned)	-	-	-	-
	3,151,568,699	2,991,677,719	3,151,477,633	2,991,656,739

Details of irregular expenditure - current year

	Disciplinary steps taken/criminal proceedings
Expenditure contrary to SCM Procedures on inviting of Quotations - R60 811 891 (2017: R131 468 185)	No actions taken - to be submitted to Council for condonement.
Expenditure contrary to SCM Procedures on awarding of Contracts- R932 748 999 (2017: R909 854 469)	No actions taken - to be submitted to Council for condonement.
Ntanga - Expenditure contrary to SCM Procedures on inviting of Quotations - Rml (2017: R20 980)	No actions taken - to be submitted to Board for condonement.
Ntanga - Expenditure contrary to SCM Procedures on awarding of Contracts- R70 085 (2017: Rml)	No actions taken - to be submitted to Board for condonement.

58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	-	-	-	-
Current year subscription / fee	4,472,470	1,021,295	4,472,470	1,021,295
Amount paid - current year	(4,472,470)	(1,021,295)	(4,472,470)	(1,021,295)
Amount paid - previous years	-	-	-	-
	-	-	-	-

Audit fees

Opening balance	380,497	557,775	259,329	557,775
Current year subscription / fee	13,288,421	11,307,275	11,470,945	9,173,691
Amount paid - current year	(13,172,690)	(10,926,780)	(11,234,046)	(8,914,363)
Amount paid - previous years	(259,329)	(557,775)	(259,329)	(557,775)
	236,899	380,497	236,899	259,329

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2018 and is payable by 31 July 2018.

PAYE and UIF

Opening balance	347,967	347,967	6,939	6,939
Current year subscription / fee	102,675,982	78,094,661	96,169,580	73,557,731
Amount paid - current year	(102,106,379)	(78,094,661)	(96,169,580)	(73,557,731)
Amount paid - previous years	(6,939)	-	(6,939)	-
	910,631	347,967	-	6,939

The balance represents PAYE, SOL and UIF deducted from the June 2018 payroll. These amounts were paid during July 2018.

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
58. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Pension and Medical Aid Deductions				
Opening balance	(6,038)	(6,038)	-	-
Current year subscription / fee	82,590,001	69,504,098	79,284,606	67,073,514
Amount paid - current year	(82,590,001)	(69,504,098)	(79,284,606)	(67,073,514)
	<u>(6,038)</u>	<u>(6,038)</u>	<u>-</u>	<u>-</u>
VAT				
VAT receivable	132,675,556	82,238,804	131,656,127	81,412,269

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017
58. 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	
Gwadiso V.O.	-	14,157	14,157	
Mziba L.	-	20,790	20,790	
Maighas U.	-	6,622	6,622	
Tsholiso L.	-	43,627	43,627	
Mzimane NP	-	18,118	18,118	
Mbangatha N.	-	81,682	81,682	
Mkwantsi P.N.	-	5,490	5,490	
Gqwetha A.B.	-	65,209	65,209	
Giyose RM	-	21,724	21,724	
Sandlana B.G.	-	16,126	16,126	
Mandla K.D.	-	15,473	15,473	
	-	<u>309,018</u>	<u>309,018</u>	
30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R	
Bunzana M.	-	15,405	15,405	
Mandla K.D.	-	10,712	10,712	
Mgugudo N.O.	-	75,784	75,784	
Sockwa M.	-	10,421	10,421	
Ndwayiba W.N. & N.A.	-	9,596	9,596	
Mogabuka Z.W.	-	1,572	1,572	
Mabongo L.	-	18,307	18,307	
Mziba L.	-	9,974	9,974	
Mbangatha N.	-	9,883	9,883	
Mzimane N.	-	13,494	13,494	
Gwadiso V.O.	-	3,756	3,756	
Zimele M.	-	20,752	20,752	
Matomane S.	-	21,001	21,001	
Kwaza N.	-	24,748	24,748	
Mamve N.	-	9,275	9,275	
Tsholiso B.L.	-	38,318	38,318	
Mbangatha S.S.	-	8,578	8,578	
Mkwantsi P.N.	-	1,318	1,318	
Gqwetha A.B.	-	56,675	56,675	
	-	<u>359,570</u>	<u>359,570</u>	

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Figures in Rand	Economic entity		Controlling entity	
	2018	2017	2018	2017

59. Deviation from supply chain management regulations

Paragraph 12(1) 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 written/verbal quotations, formal written quotations and a competitive bidding process, depending on the specified threshold values.

Paragraph 36 of the above mentioned gazette also provides that the accounting officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12 (1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulation. These deviations have also been reported to Council.

The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticability in following the official procurement processes.

Incident	2018	2017	2018	2017
Emergency in terms of SCM Policy	105,401,304	30,797,736	105,401,304	30,797,736
Impractical to obtain quotations	11,144,432	5,628,732	4,722,222	1,930,359
Sole provider of goods and services in area	10,312,178	5,186,121	10,312,178	8,438,632
	126,857,914	42,612,589	120,435,704	41,166,727

60. Bulk water losses in terms of section 125 of the MFMA

	Lost Units	Tariff	Value
30 June 2018 - Unaccounted Water Losses	10,606,302	2.02	21,424,730
30 June 2017 - Unaccounted Water Losses	13,421,441	1.7	22,816,450
			-

Water Losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

Volumes in KL / year	2018	2017	2018	2017
Water Inventory Opening Balance	163,034	62,189	163,034	62,189
System Input Volume	22,271,517	24,790,633	22,271,517	24,790,633
Billed Consumption	(11,719,858)	(11,156,047)	(11,719,858)	(11,156,047)
Free Basic Water Provided	(41,256)	(115,500)	(41,256)	(115,500)
Water Inventory Closing Balance	(67,135)	(163,034)	(67,135)	(163,034)
Distribution Loss	(10,606,302)	(13,421,441)	(10,606,302)	(13,421,441)
	-	-	-	-

Percentage Distribution Loss	47.28%	54.13%
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	Economic entity	Controlling entity
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1. Group Cashflow Workings

	Controlling Entity	Ntinga	Inter-Co. Transactions	Economic Entity
Receipts				
Service Charges	131,458,266	-	-	131,458,266
Government Grants and Subsidies	1,713,097,612	43,778,456	(43,265,761)	1,713,610,317
Interest Income	91,872,456	2,273,039	-	93,945,495
Other receipts	165,201,781	12,597,748	(520,704)	177,278,825
Payments				
Employee related costs	(504,495,184)	(34,274,310)	-	(538,769,494)
Suppliers Paid	(263,803,348)	(26,255,986)	(6,128)	(290,065,462)
Interest Paid	(1,338,208)	(31,770)	-	(1,369,978)
Other payments	(494,440,816)	-	43,792,593	(450,648,223)
Remuneration of Councillors	(18,578,481)	(1,726,108)	-	(20,304,589)
Net cash flows from operating activities	818,774,068	(3,638,921)	-	815,135,147
Cash flows from investing activities				
Purchase of property, plant and equipment	(844,856,127)	(4,612,167)	-	(849,468,294)
Purchase of biological assets	-	(1,203,766)	-	(1,203,766)
Proceeds from sale of assets (PPE)	-	607,921	-	607,921
Purchase of Heritage assets	(157,025)	-	-	(157,025)
Decreases due to harvest / Sale of biological assets	-	2,210,953	-	2,210,953
Purchase of intangible assets	(4,989,617)	-	-	(4,989,617)
	(850,002,769)	(2,997,059)	-	(852,999,828)
Cash flows from financing activities				
(Repayments) / Acquisitions of Long term loans	(38,795,339)	-	-	(38,795,339)
Net increase(decrease) in cash and cash equivalents	(70,024,040)	(6,635,981)	-	(76,660,021)
Net increase(decrease) in cash and cash equivalents	253,798,300	37,516,235	-	291,314,535
Cash and cash equivalents at the end of the year	183,774,260	30,880,254	-	214,654,514

* See Note 2 & 49 & 48

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The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited

