

**DITSOBOTLA LOCAL MUNICIPALITY
ANNUAL REPORT
2017/18**



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CHAPTER 1 – MAYOR’S FOREWARD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

A. MUNICIPAL VISION AND MISSION STATEMENT



B. IDP OBJECTIVE AND PRIORITIES

OBJECTIVES	IDP PRIORITIES
<ul style="list-style-type: none">➤ Develop organizational staff and promote skills development➤ To ensure the advancement of employment equity in the workplace.➤ To ensure the effective and efficient municipal administration supportive of service delivery goals	<ul style="list-style-type: none">➤ The provision of basic services such as water, sanitation, electricity and refuse removal➤ Housing➤ Roads and storm water➤ Social facilities such as community halls, recreational facilities and➤ Unemployment

A. FOREWORD

Foreword

MAYOR'S FOREWORD

The strategic objective of council remains the improvement of the quality of the lives of the people. We take seriously the values of good governance and we need to inculcate a culture of excellence and accountability. Our emphasis lies on delivering services in a speedier and efficient manner to contribute to the reduction and ultimately the eradication of prevalent service delivery backlog.

Our emphasis on the year ahead and beyond is to reinforce public participation processes by introducing focused sector meetings on a regular basis, which will sit to assess community impressions about the work of our different municipal departments. This will also help us to reinforce our consultation strategy because we are committed to leading our people in a manner that takes their genuine concerns into account.

We are still haunted by the high level of unemployment in our municipality and our EPWP programme still plays a major role in poverty relief. We still encourage the establishment of cooperatives to help numbers of our people in particular youth to exit the unemployment rank and move to being self-employed and to create sustainable jobs over the long period.

The untimely resignation of Mr Tsatsi George Ramagaga left an already ailing municipality more wounded than ever in the senior management level since the municipality had only one senior official in the form of the Chief Financial Officer and no senior managers (directors). Mr L.J. Dintwe (the only senior manager and substantive Chief Financial Officer) was appointed the Acting Municipal Manager immediately after the resignation of the substantive Municipal Manager.

We place high premium on managing the municipality well, being accountable for public funds, and safeguarding of public assets. To this effect, the municipality through council resolution took a firm stance to request secondment for suitably qualified persons as Acting Municipal Manager and Acting Chief Financial Officer respectively from the MEC of Local Government & Human Settlement to help steer the municipality in the right direction in our quest to strengthen senior management capacity.

The MEC seconded Mr T. Mopeloa and Mr J. Moipolai to be the Acting Municipal Manager and CFO respectively and Mr Mopeloa was removed by council resolution from his seconded responsibility due to a total collapse of relations with council. The council had to await the MEC's concurrence to recall the seconded Acting Municipal Manager. The seconded Acting Municipal Manager then approached a labour court to seek a relief which saw him reinstated.

During a short period of reinstatement a seconded Acting Municipal Manager entered into series of contractual agreements of procurement and payments settlement agreements worth millions which the municipality could not afford and these agreements, some are now litigations and some like that of UMS Utility have been cancelled amicably whilst others are on a legal process. The MEC then only after the second letter addressed for her attention and a visit by the Inter-Ministerial Task Team, released Mr Mopeloa from his responsibilities effective immediately and then Mr Moipolai was appointed to the Acting Municipal Manager position.

This is brought to the surface to indicate the struggle we are waging on filling up senior management positions and stabilising the municipality at senior management level.

The Inter-Ministerial Task Team saw our municipality receiving an intervention model in a form of SANDF for a sole purpose of unblocking sewer networks and MISA intervening on the infrastructure of water and sanitation. These interventions have assisted our municipality a lot in particular on sanitation.

The municipality is faced with serious service delivery backlogs amongst others such as illegal dumping, refuse removal in our towns and township, aged infrastructure such as roads, water and sanitation etc. We have engaged and continue to engage the district municipality to take full responsibility on services that are their mandate and it has culminated into signing of memorandum of understanding. This will enhance our performance in providing communities with services.

The ultimate point of departure is that we must deliver service to the people.

A handwritten signature in blue ink, appearing to be 'T.D. Buthelezi', written over a light blue circular stamp or watermark.

Cllr T.D. BUTHELEZI
THE MAYOR

C.3 PUBLIC PARTICIPATION: METHODS OF ENGAGEMENTS

Section 17(1) of the Municipal System Systems Act prescribes mechanisms, processes and procedures for community participation.

Public participation falls under the office of the Speaker. Ward committees have been formed and hold regular meetings.

The role of the Mayor has been to convene consultative meetings on the IDP and the Budget. Over the years’ residents have been convened through Imbizo’s to make inputs on both the IDP and the Budget. A representative forum was convened comprised of different departments, Eskom and other state-owned agencies to comment on the IDP during its annual review.

C.4 FUTURE ACTION PLAN

PERFORMANCE MANAGEMENT	GOVERNANCE
<ul style="list-style-type: none"> > PMS training be done for all councilors > Monitoring of performance of the directorates be delegated to the Chairpersons of the respective portfolio committees > The oversight related to the performance appraisals of the Directors be delegated to the Chairpersons of the Portfolio committees and a composite report be submitted to council 	<ul style="list-style-type: none"> > Terms of reference be developed for each portfolio committee > Administrative support to the portfolio committee be centralized under committee administration to improve reporting and synergy > Portfolio committee should develop a system to track implementation of council resolutions related to their respective portfolios > The terms of reference of the portfolio committees should include monitoring the implementation of the performance targets set-out in the technical SDBIPs and Manager’s Performance Contracts to improve accountability
INTERVENTIONS	ADMINISTRATION
<ul style="list-style-type: none"> > A thorough assessment be conducted on the achievements and short comings of the intervention in order to avoid repeating the same mistakes that led to the intervention > Future interventions if any should be coupled with allocation of resources to address the service backlogs and improve systems and controls 	<ul style="list-style-type: none"> > Adoption of the draft human resource strategy > Adoption of the draft and reviewed policies such as: PMS Framework, Recruitment and Training, Acting, Training and Development, Code of Conduct, Employee Wellness, Occupational Health and Safety etc. > Adopt the draft revised organizational structure > Appointment of senior managers (Section 57 Staff) > Stabilization of the labor environment
FINANCES	AUDIT MATTERS

<ul style="list-style-type: none"> > Development and implementation of the Revenue Enhancement Strategy > Adopt the Financial Recovery Plan > Implementation of the credit control and debt collection > Data cleansing to ensure correct billing > Consumer education and involvement in credit control > Improve customer services 	<ul style="list-style-type: none"> > Establishment of the internal audit services > Develop and adopt fraud prevention strategy > Establish and train the supply chain committee and unit > Centralize record keeping to improve audit environment > Review BTO Structure and train staff > Submission of the outstanding oversight committee reports to the PPAC and the AG and relevant institutions
ELECTRICITY	WATER AND SANITATION
<ul style="list-style-type: none"> > Implementation of the master plan and further sourcing of funds > Intensification of the credit control to improve revenue and pay Eskom in time > Replacement of old infrastructure to curb electricity losses > Continue identifying INEP infill projects 	<ul style="list-style-type: none"> > Boreholes be tested and refurbished by the district > Water meters be installed to balance the water usage > Economic water tariff be introduced > Credit control be implemented > Proper SLAs be signed between the district and the municipality to avoid uncertainties > Waste pipe was revamped. Asbestos pipes be replaced

C.5 AGREEMENTS / PARTNERSHIP INITIATIVES

There is collaboration with the district to provide water and sanitation services as per the division of powers and functions by the responsible Minister. Eskom continue to provide electricity in many areas where the municipality is not a provider and it is rolling out the INEP programme. The housing programme is rolled out where the municipality, amongst others, facilitates the identification of land, beneficiaries and link to services. Relationships have been forged with the provincial government with the roll out of primary health care services in the clinics, library services and a myriad of other traffic related functions like issuing of licenses, vehicle testing, license renewals etc.

C.6 CONCLUSION: FINAL THOUGHTS ON THE YEAR

The new term has just started and we take this opportunity to thank the previous council for the work well done and we assure the community that we will do everything possible to improve service delivery

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

1.1.1 OVERALL PERFORMANCE OVERVIEW: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

The Municipal Finance Management Act orders the municipality to prepare for each financial year performance report reflecting;

- (a) The performance of the municipality and of each external service provider during the financial year.
- (b) Comparison of such performance with the targets and performance in the previous financial year.

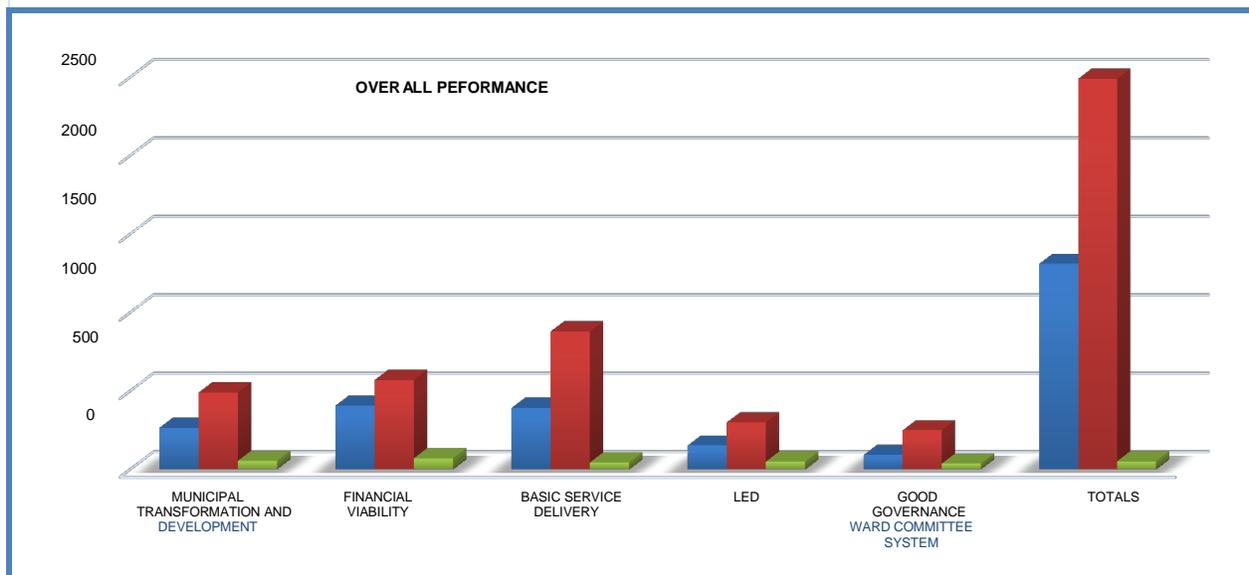
In preparing the report, Management considered the Service Delivery and Budget Implementation Plan (SDBIP) for 2017/18. A thorough assessment of the performance of each directorate was done based on the SDBIP which was adopted by council.

Each Key Performance Area was scored based on the report presented by the managers and evidence provided. Scores were allocated from 0-10 using the following scoring matrix based on evidence produced

0	Not Achieved at all
1-4	Somewhat achieved
4-6	Partly achieved
7-8	Good Performance
9	Very close to achieving it
10	Fully Achieved

The overall performance is 52.6 % that has been achieved as follows:

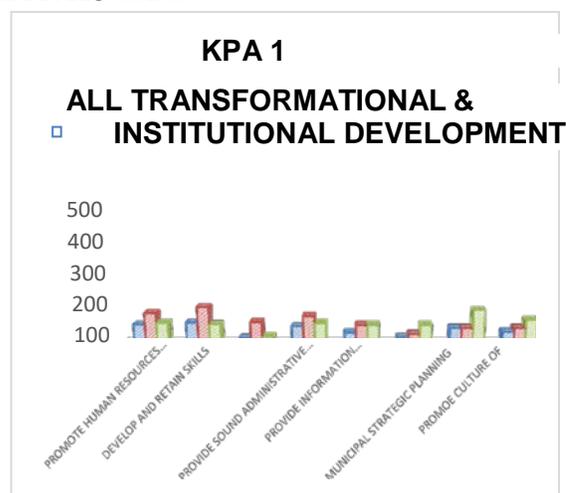
KEY PERFORMANCE AREA	TOTAL SCORED OBTAINED	TOTAL SCORE ALLOCATED	PERCENTAGE OBTAINED
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	265	490	54.08
MUNICIPAL FINANCIAL VIABILITY	407	570	71.40
BASIC SERVICE DELIVERY AND INFRASTRUCTURE	393	880	44.60
LOCAL ECONOMIC DEVELOPMENT AND SPATIAL RATIONAL	153	300	51
GOOD GOVERNANCE PUBLIC PARTICIPATION AND WARD COMMITTEE SYSTEM	93	250	37.2
TOTALS	1311	2490	52.63



Departments are identified and clustered under 5 key performance areas as indicated in the above diagram. For purpose of clarity, each Key Performance Area will be summarized.

1.1.2 MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

This KPA mainly include all the functions under Corporate Services and Council Administration. The overall performance is 54%. Several HR Policies have been either reviewed or developed such as the remuneration, job evaluation, employee wellness, recruitment and selection, training and development, code of conduct, occupational health and safety. A draft Human Resource Strategy has been



developed as well, although not yet approved by council.

The department is busy reviewing the organizational structure to align it with the IDP, taking into consideration the resource constraints. Only critical posts will have to be prioritized by each department, taking into cognizance the overall service delivery improvement plan of the municipality. Training has also been done including Employees (169) ABET Training (53), Councilors (13), Minimum Competency requirement training (12) *albeit* none of the ward committee's members have been trained during the reporting period.

The area that still needs attention and mainly accounts to the low scores under this KPA is the area of labour relations and the general provision of conducive employee climate. Not all the disciplinary cases where reported as required.

The LLF did not sit regularly, the wellness programme is not well coordinated and the internal and regular performance reviews are not always held. This is an area that particularly needs improvement. The area of Information Technology needs special attention for possible improvement.

It is pleasing to report that the amended IDP and the SDBIP was adopted in time. However, there is still a need to roll-out training on PMS especial the adopted PMS Policy framework to ensure that it is understood by all the employees and councilors. Regular appraisals should be held.

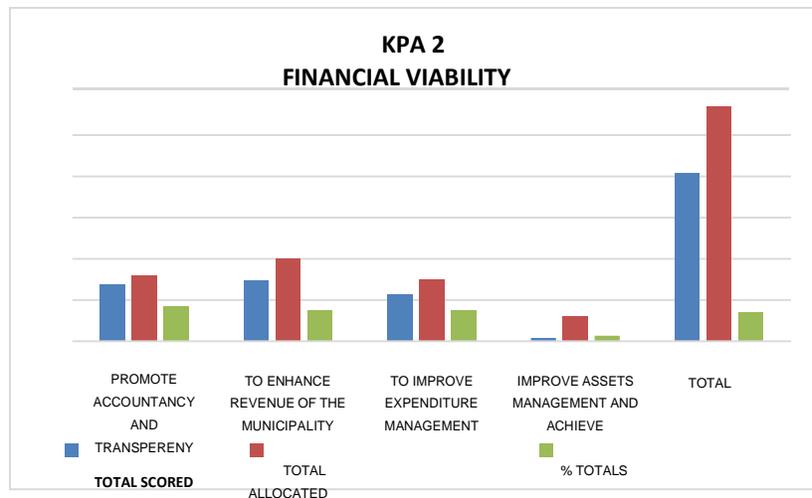
1.1.3 MUNICIPAL FINANCIAL VIABILITY

This Key Performance Area focuses mainly on the Budget and Treasury Office. It is the highest scoring KPA, with an overall of 71%. The sub areas under this KPA include compliance (MFMA) and regulatory framework, revenue enhancement, expenditure management, assets management and clean audit matters. According to the assessment the budget and its adjustment was adopted together with its policies. Section 71 (Budget Statements) and quarterly financial reports are prepared and submitted to council. There is a need to improve on submitting same reports for regular audit purposes.

The supply chain reports are not submitted regularly due to capacity constraints.

Municipality does not have dedicated Supply Chain Unit ; such the function has been Performed on an ad-hoc basis

With regard to revenue management, the draft revenue enhancement strategy has been developed together with the financial recovery plan.



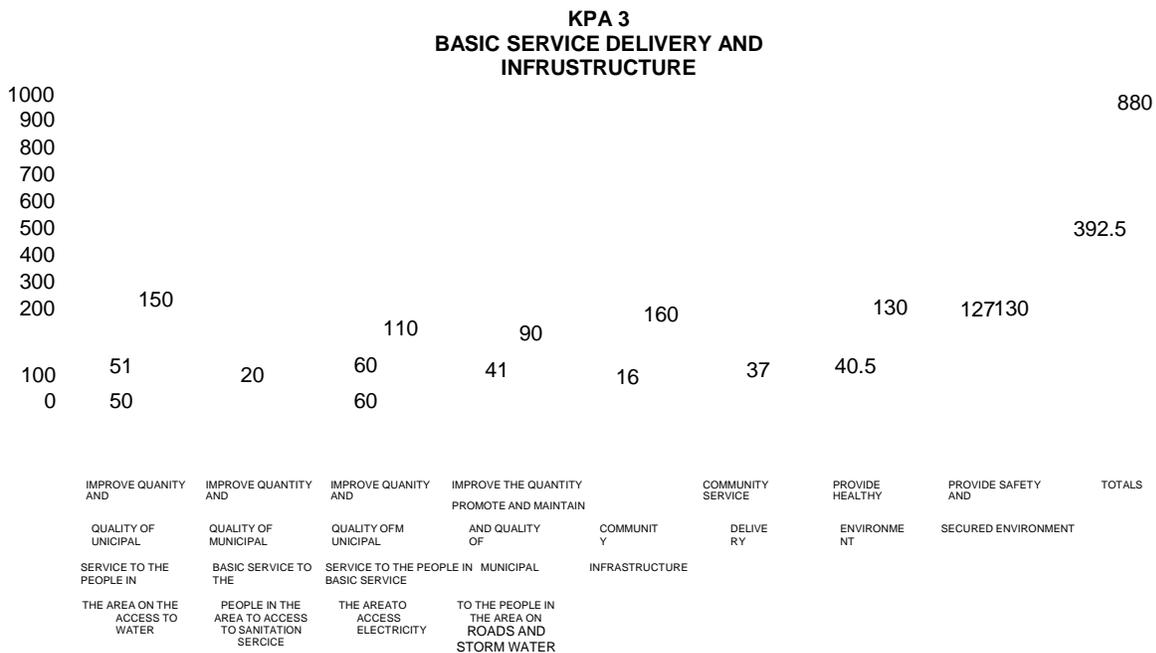
The latter still needs to be work-shopped for buy-in and optimum resource utilization. Revenue collection is reported to have improved to 56%, so is reduction on outstanding debtors. Prepaid electricity meters have been installed and billing is done timeously every month. About 9,700 Indigent households receive FBS.

The issue of fruitless expenditure (F&W) as a result of interest charged by creditors is a cause for concern. Due to low cash flow, some of the mandatory credits are not been promptly serviced leaving the municipality under a serious cash strain.

The municipality is also experiencing a series of disclaimer audit opinions due to lack of internal capacity and other historical queries. Although the Provincial Treasury has deployed experts in the past, the situation has not yet improved due to lack of internal capacity and BTO that is overstretched. The area of internal audit capacity needs urgent attention. An audit action plan has been developed and attached to this report.

1.1.4 BASIC SERVICES AND INFRASTRUCTURE

This is the biggest and arguably the key delivery performance area of the municipality with a worrying 44% performance rating. It includes all service units like: water and sanitation, roads and storm water, electricity, community infrastructure and services such as waste, cemeteries, halls, parks, environment, safety and licensing services. See table below:

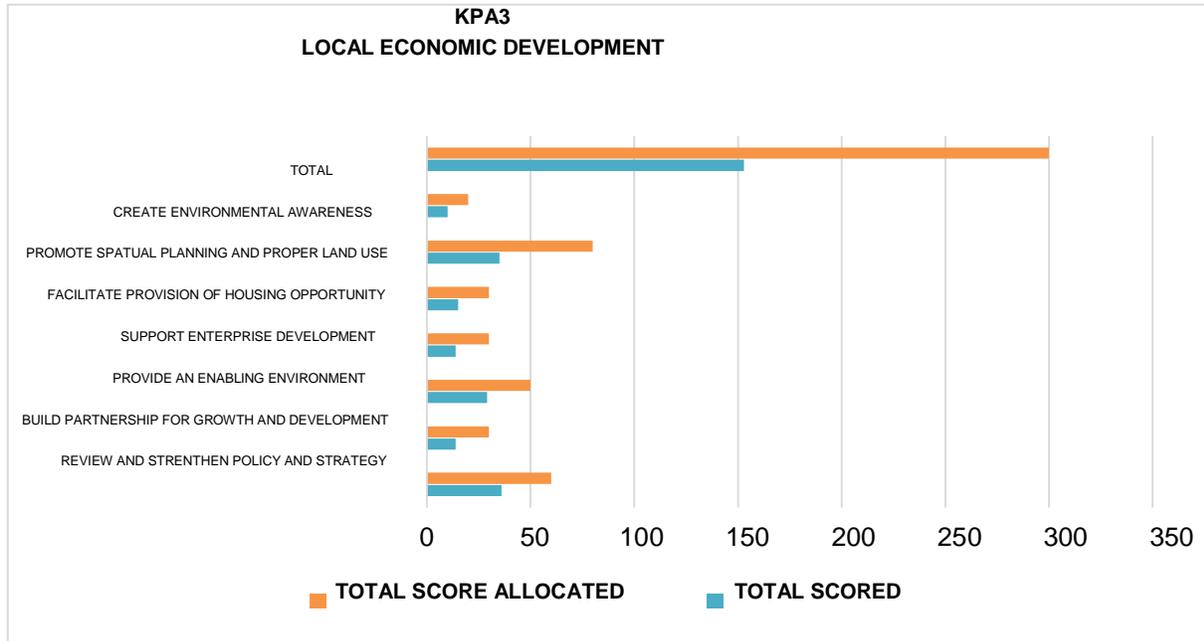


The performance highlights are as follows

- Paved roads
- Development of the Electricity master plan
- The starting of a weight bridge
- Refuse collection
- The rollout of the INEP Programme
- The improved roll-out of housing development
- Improvement in the MIG expenditure

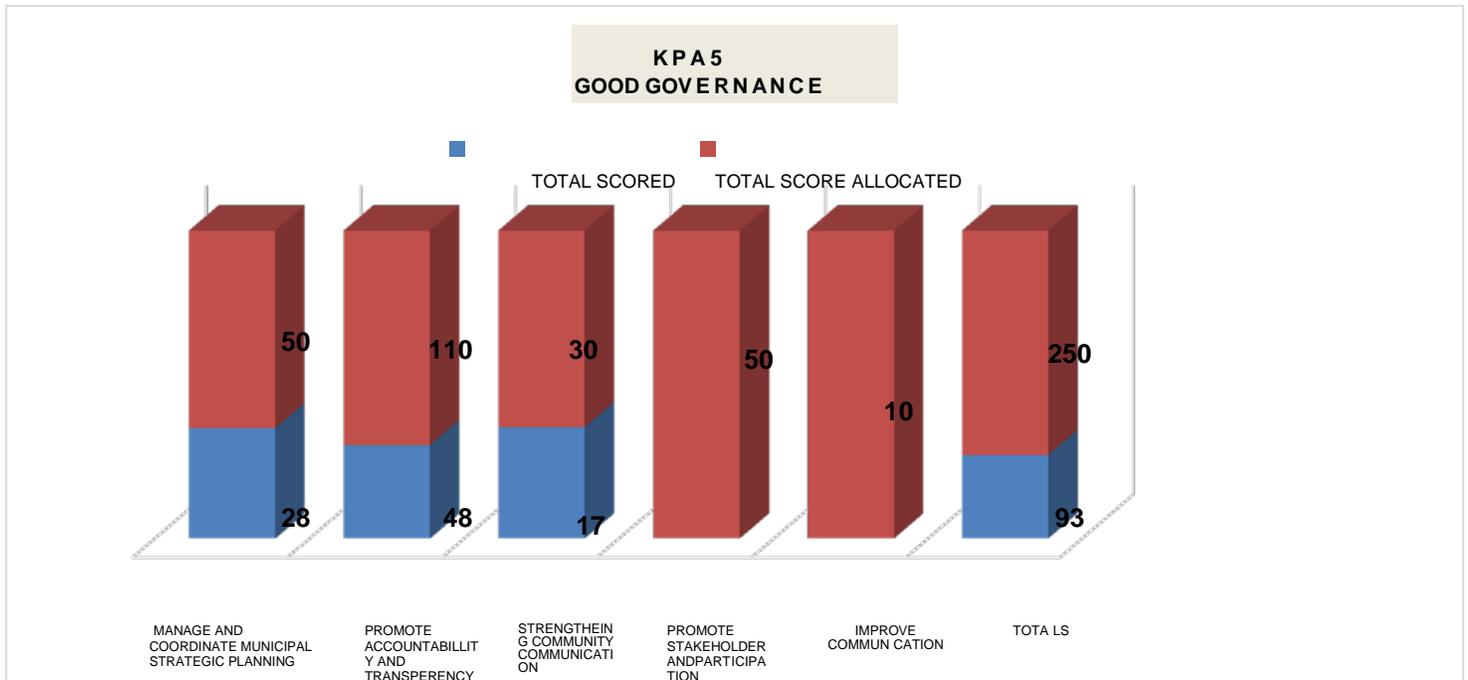
The huge challenges remain in the water losses, lack of maintenance plans and, furthermore shortage of maintenance staff and equipment.

1.1.5 LOCAL ECONOMIC DEVELOPMENT AND SPATIAL RATIONALE



1.1.6 GOVERNANCE, PUBLIC PARTICIPATION AND WARD COMMITTEE SYSTEM

The ward committees have been established and area functional. Meetings are held and feedback regularly submitted to council.



1.1.7 CONCLUSION

There is room for improvement on all performance aspects of the municipality. The most important area to be improved is the collection of revenue and improved financial management. Without finances and sustainable revenue streams, the municipality will not be able to improve services and residents will not be encouraged to pay for services. Internal waste has to be stopped and replaced with prudent financial management.

The appointment of senior and competent managers is critical for the success of the municipality. It is also important to secure the support of the province in order to initiate other programmes and improve the systems because the municipality cannot just rely on its internal resources to improve its regulatory environment.

The fact that the municipality has endured a series of disclaimers through-out its mid-term period remains a huge challenge. This has been caused mainly by the lack of internal audit capacity, lack of internal audit committee structure and having to rely on the district, poor internal control systems etc. This is a frank assessment aimed at assisting the municipality to turn the situation around for future prosperity. Every effort will have to be done to develop this internal audit capacity to complement the efforts of MPAC.

Reporting to council on a quarterly basis will be a priority. Council Committees will have to be strengthened through proper delegation of powers and administrative support, which must be in a form of central secretariat services, to enable them to play a meaningful oversight role within their allocated departments. This will strengthen the role of EXCO and council in general as the committees will have a better understanding and mandate to give strategic direction to their respective departments.

The draft report is hereby submitted to council for consideration and later processing through the oversight committee. Further improvements on the report will be done after receiving comments from the office of Auditor general and other relevant authorities or departments.

1.2 MUNICIPAL FUNCTION, POPULATION AND ENVIROMENTAL OVERVIEW

In order to stimulate growth and reduce poverty, it is essential to improve the supply, quality and affordability of infrastructure services. The unmet demands are huge, and investments have not yet matched demand in order to satisfy the provision of basic service requirements. However, the municipality is obligated to perform its powers and function in accordance with the constitution.

The Census 2011 conducted by Statistics South Africa (2011) indicates that the population of DLM has grown to 168,902. The household numbers have also increased to 44,500 in 2011. The population growth stands at 1.35% p.a. and the unemployment rate 28.30 compared to a slightly higher average of the district municipality which is 5.0. The average population density in most parts of the DLM is less than one person per hectare.

The gender profile/ratio of the DLM indicates a slight dominance of female at 51% as in comparison to 49% male presence. This trend is similar to that of the NWP and the District Municipality (NMMDM). The age profile of the municipality indicates that its population remains fairly young with people of 19 years and younger constituting 43.5% of the total population. This figure alone indicates that a significant number of young people will be entering the economically active age category over the next five years and would be seeking employment opportunities.

Cross –cutting issues

Within the DLM the challenge of addressing problems associated with cross-cutting issues is placed in the Office of the Mayor. These issues include HIV/Aids, Gender, Disability, Youth and Children, and Poverty Alleviation.

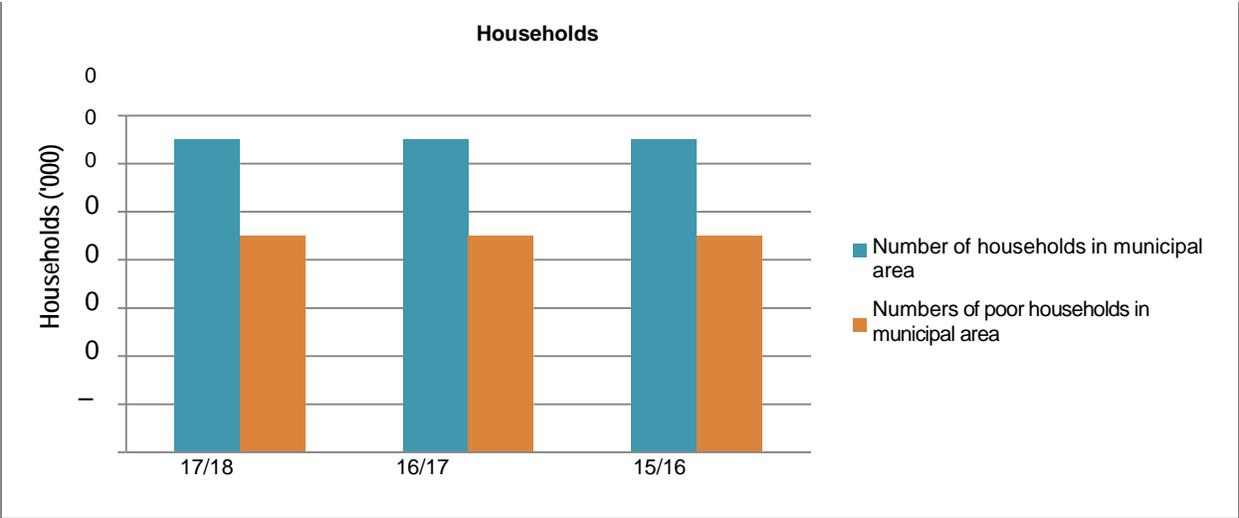
Gender Equity

The correction of inequalities that hampers women empowerment and progress on the economic and social front within the DLM remains a priority matter. The following are the main challenges faced mainly by women:

- Social injustices against women due to violent crime and domestic violence;
- Vulnerability to HIV/Aids;
- Poverty as many are household heads with children to take care of; and
- Less representation on social structures.
- The prevalence of poverty among women is mostly in rural areas with most targeted economic development initiatives by the municipality not being sustainable

Population Details									
Population '000									
Age	Year -2017/18			Year -2016/17			Year 2015/16		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 – 4	10717	10038	20755	10717	10038	20755	10717	10038	20755
Age: 5 – 9	9087	8774	17861	9087	8774	17861	9087	8774	17861
Age: 10 – 19	16262	15505	31767	16262	15505	31767	16262	15505	31767
Age: 20 – 29	15271	14267	29538	15271	14267	29538	15271	14267	29538
Age: 30 – 39	11850	11091	22941	11850	11091	22941	11850	11091	22941
Age: 40 – 49	9193	9072	18265	9193	9072	18265	9193	9072	18265
Age: 50 – 59	6866	7078	13944	6866	7078	13944	6866	7078	13944
Age: 60 – 69	3677	4291	7968	3677	4291	7968	3677	4291	7968
Age: 70 – 120	2375	3490	5865	2375	3490	5865	2375	3490	5865
Data sourced from sheet SA9 2011census									

Demographics	Basis of calculation	1996 Census	2001 Census	2007 Survey	Year -2	Year -1	Year 0
Population:168 902		527	685	802	169	169	169
Females aged 5 – 14		87	95	105	16	16	16
Males aged 5 – 14		102	112	124	16	16	16
Females aged 15 – 34		153	169	185	11	11	11
Males aged 15 – 34		185	204	224	12	12	12
Unemployment : 14829							
Number of households in municipal area 64894					45	45	45
Number of poor households in municipal area 44 500					65	65	65



Housing Backlog per Settlement

Settlement	Number
Tlhabologang	2000
Boikhutso	2000
Itekeng	1500
Blydeville	1500
Verdwaal	800
TOTAL	7800

INFORMATION SUPPLIED BY THE HOUSING DEPARTMENT OF DLM

SOCIO ECONOMIC STATUS						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
Year 2017/18	7800	14829	64894	42246	Nil	23660
Year 2016/17	8800	14829	64894	42246	Nil	23660
Year 2015/16	9272	14829	64894	42246	Nil	23660

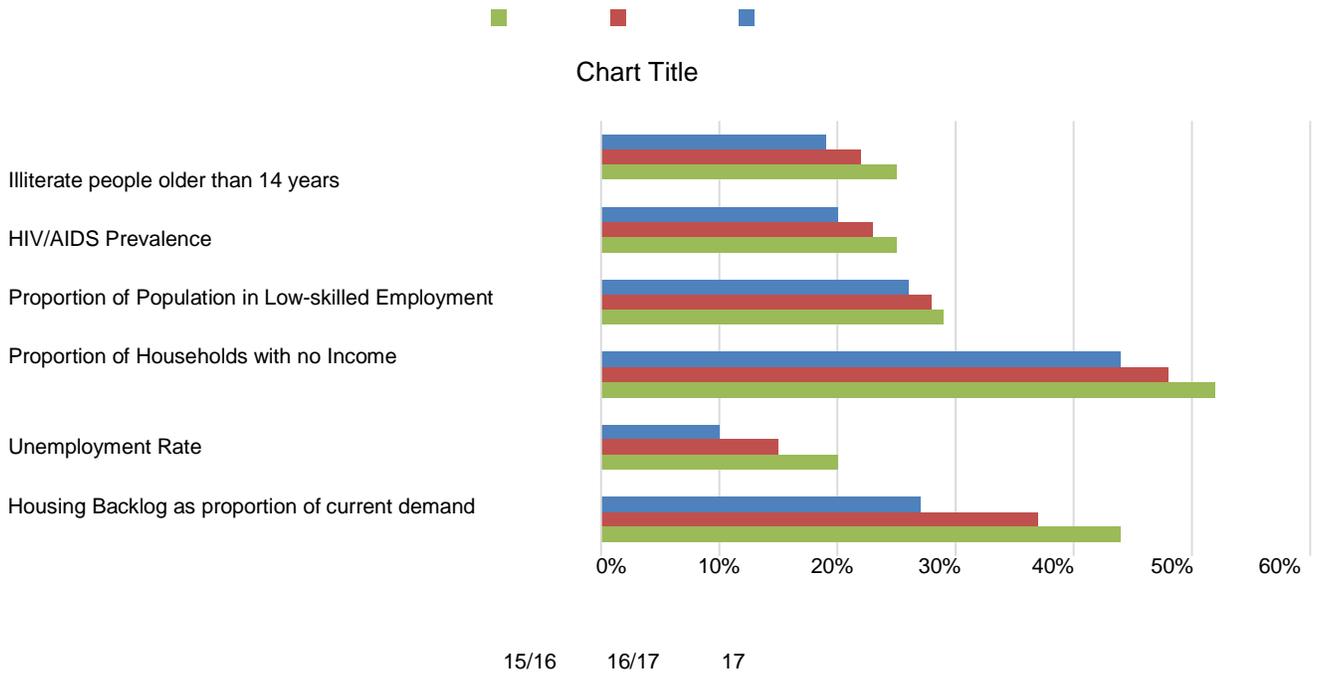
NB: HOUSING BACKLOG ONLY INCLUDING ESTABLISHED TOWNSHIPS AND ONE VILLAGE

FURTHER INFORMATION DETAILS ON UNEMPLOYEMENT

Space-Time Research CENSUS2011		Created on 14 April 2015		
Geography by Official employment status for Person adjusted				
	Employed	Unemployed	% unemployed	
NW384: Ditsobotla	37557	14717	28	
Carlisonia	81	35	30	
Ditsobotla NU	13668	2222	14	
Bakerville	273	168	38	
Grasfontein	103	85	45	
Welverdiend	104	174	63	
Sheila	246	245	50	
Bodibe	2175	1857	46	
Itsoseng	3672	3061	45	
Verdwaal	668	675	50	
Matila	76	53	41	
Lichtenburg	8444	2122	20	
Boikhutso	4591	1763	28	
Springbokpan	151	135	47	
Tlhabologang	2012	1531	43	
Coligny	681	113	14	
Itekeng	580	476	45	
Biesiesvlei	32	2	7	

Space-Time Research Web page: www.str.com.au

Chart Title



OVERVIEW OF NEIGHBORHOOD WITHIN DLM

Space-Time Research CENSUS 2011				
	POPULATION			HOUSEHOLDS
	Male	Female	Total	
NW384: Ditsobotla	85297	83605	168902	43826
Carlisonia	474	491	964	263
Ditsobotla NU	22773	17097	39870	9484
Bakerville	1192	1249	2441	685
Grassfontein	295	315	610	212
Grasfontein	354	388	741	215
Wolverdiend	411	477	888	223
Sheila	843	835	1678	389
Bodibe	10322	11366	21688	4973
Itsoseng	9249	10710	19959	5968
Verdwaal	3876	4228	8104	1911
Matila	637	730	1368	352
Lichtenburg	13168	13169	26338	7483
Boikhutso	9598	9513	19111	5144
Springbokpan	995	1127	2122	629
Tlhabologang	7235	7772	15007	3746
Coligny	1126	1145	2271	735
Itekeng	2691	2935	5626	1367
Biesiesvlei	58	58	116	46
<i>Created on 02 November 2015 :Space-Time Research Web page: www.str.com.au</i>				

Natural Resources	
Major Natural Resource	Relevance to Community
Fuel & petroleum deposits	Creation employment
Diamond	Job creation
Limestone deposits	Job creation

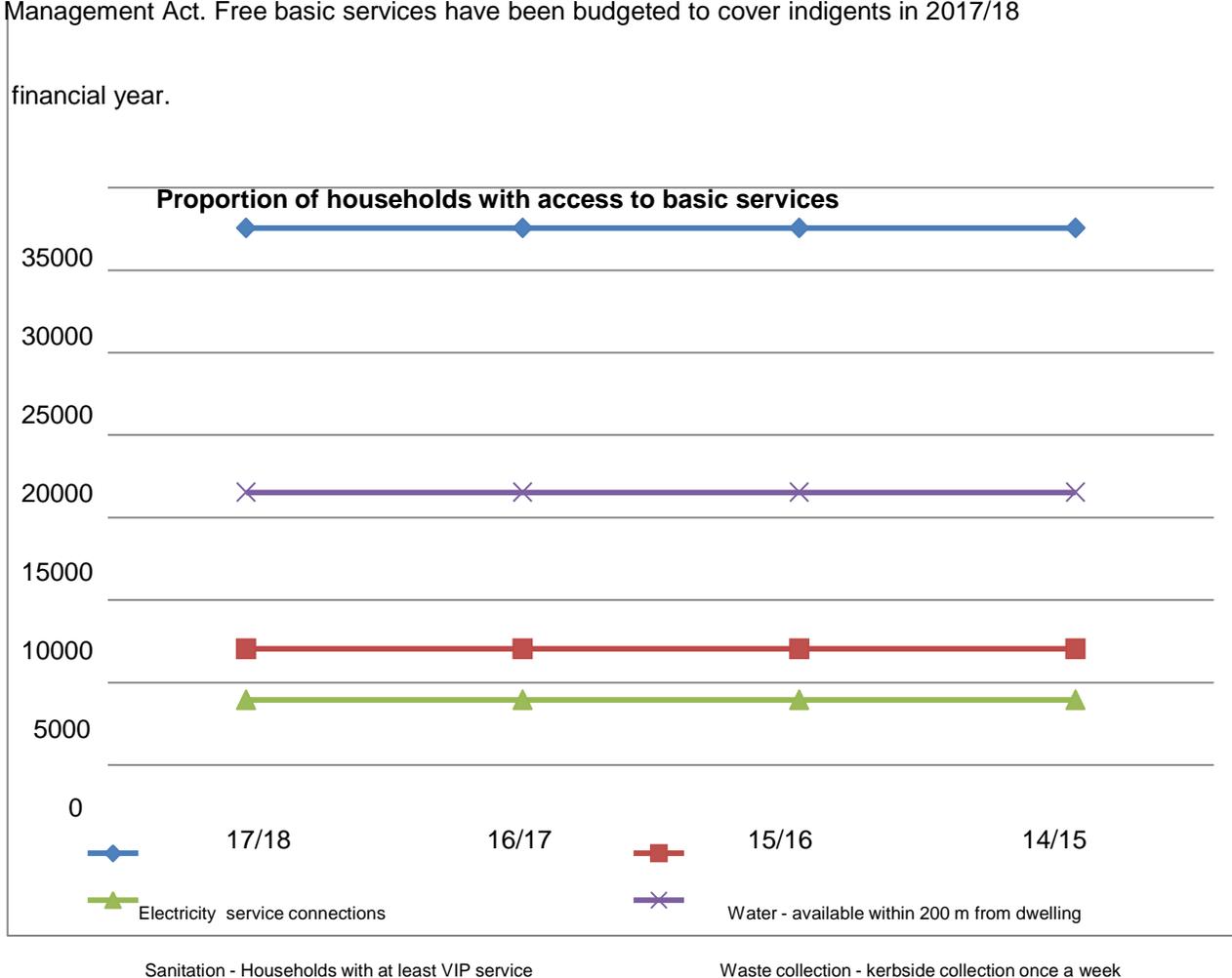
KEY CHALLENGES AND OPPORTUNITIES ARISING FROM DATA PROVIDED

- Limitation of land due to private ownership of land as result of underground mineral deposits.
- Relevance of the five key major resources
- Limestone – job creation
- Diamond – job creation

1.3 SERVICE DELIVERY OVERVIEW

The Lichtenburg Water Treatment Works Plant is set to be very old and need to be properly managed to avoid unnecessary maintenance. The bigger water supply system is raw water which is abstracted from the surface water resource and purified at the plant, which then supply reservoirs which feed internal water reticulation systems predominantly in towns; hence the main rural households remain to be disadvantaged.

Indigent policy – The municipality is set to have an Indigent household register who receive free basic services such as water, sanitation, refuse removal and electricity as propelled by the Municipal Finance Management Act. Free basic services have been budgeted to cover indigents in 2017/18



1.4 FINANCIAL HEALTH OVERVIEW

The municipality's long term strategy is to ensure that the municipality is financial sustainable. Measures have been put in place to systematically maximize efficiencies and minimize waste of scarce financial resources. The municipality continues to explore appropriate ways of generating revenue required to fund operations and provide basic municipal services. For the year under review the municipality's capital budget was funded through MIG (Municipal Infrastructure Grant), therefore no operational capital budget was granted.

The year under review 2017/18 collection on municipal debt was below the budgeted figures; therefore, municipal debt on services has increased tremendously. Revenue enhancement strategy has to be tabled to council in order for the municipality to improve on its revenue base and collection rate. This strategy should incorporate detailed plans that will help to improve internal controls as well as harness the relationship with customers with the ultimate goal of improving collection levels

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

The Local Government Municipal Systems Act 32 of 2000 dictates that the performance of a municipality must be in line with priorities, objectives, indicators and measurable targets contained in the Service Delivery and Budget Implementation Plan and Integrated Development Plan. The municipality has adopted a performance management framework to measure its organizational and individual goals.

In line with the provision of performance management regulations guidelines, 2001 and 2006 the municipality did not set clear and realistic measurable targets that are commensurate with the available resources and capacity within defined framework in its SDBP incorporated into the IDP.

However, overhaul performance monitoring and evaluation remained important aspects which still need to be discussed with labor representatives. The municipality has only contracted performance over its 57 employees as it is predetermined by the Systems Act and the municipality is currently working on measures to cascade monitoring of performance to third layer of senior positions in the organization. In pursuant to the provision of the constitution of the Republic of South Africa this framework seeks to instill a culture of performance management aimed at the economic, effective and accountable provision of service delivery and governance. Performance review is undertaken on a quarterly basis.

There are monthly performance reports, quarterly reports, Mid-year performance Assessment reports and annual Report.

1.6 OVERVIEW OF THE AUDITOR GENERAL'S REPORT

The Report for the Auditor General may be found in chapter 6 of this report. The municipality has obtained disclaimer audit opinion. The basis for the disclaimer audit opinion is as follows:

- Cash and cash equivalent
- Receivable from non-exchangeable transaction
- Consumer debtors
- Investment property
- Impairment of Assets
- Contingencies
- Commitment
- Unauthorized expenditure

- Fruitless and wasteful expenditure
- Cash flow statement
- Rental of facilities
- Other income
- Depreciation and amortization
- Aggregation of immaterial uncorrected misstatements

The Auditor General could not express any opinion on AOPO due to none submission of the performance information for audit purposes. Refer to the Audit Report (Chapter 6).

1.7 STATUTORY ANNUAL REPORT PROCESS

Pursuant of Local government: Municipal Finance Management Act 53 of 2003 the municipality places a premium on the alignment and/or integration of the IDP with the annual budget. This alignment is significant especially in ensuring that the IDP and budget are in synergy. The object of the MFMA is to secure sound and sustainable management of the fiscal and financial affairs of the municipality by establishing norms and standards and other requirements. It should be noted that the municipality manages the 2017/2018 MTREF budget process in line with the following schedule so as to ensure compliance with the requirements of the MFMA, namely:

- 1) Tabling of the final IDP draft and budget 2017/2018 and supporting documentation in the municipal council by the Mayor on the 30th of March 2018.
- 2) The convening of public hearings with all communities on the 2016/2017 budget and IDP during the month of November and December 2017.
- 3) Tabling of the IDP and the final budget and supporting documentation in the municipal council on the 30th May 2018.

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

There is a sound relationship between the political and administrative component of the municipality. There are portfolio committees established in order to achieve greater integration, effectiveness, efficiency and economic development that are aligned to the different functions of the municipality and the administration. There is a Technical Working Committee which ensures that issues raised at all levels are addressed in a holistic manner. Meetings are also held with different departments through the REP forum to plan together and monitor implementation of projects.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The political relations between the two components remained stable and very effective, efficient and economical in addressing the needs of the residents of the municipality.

2.1 POLITICAL GOVERNANCE

2.1.1 POLITICAL GOVERNANCE

2.1.1.1 INTRODUCTION TO POLITICAL GOVERNANCE

The DLM is a category B municipality established in terms of section 12 of Local Government: Municipal structures Act (act 117 of 1998). The municipality is an amalgamation of the erstwhile Biesiesvlei Transitional Representative Council, Lichtenburg Transitional and Coligny Transitional Local council. Lichtenburg serves as the headquarters of the municipality.

The municipality has established and aligned portfolio committees to directorates, adopted a cluster planning approach, ensure frequency in senior management and budget steering committee meetings. There is a Technical Working Committee which ensures that issues raised at all levels are addressed in a holistic manner. The senior management meetings are set to occur on a weekly basis as a means of enhancing inter-directorate coordination. These meetings are geared towards making assessments of the implementation of the municipal strategic objectives and setting operational imperatives.

There was no internal audit for Ditsobotla local municipality for the financial year end of 2017/18. The portfolio committees were not established in terms of S79 & S80 of Local Government Municipal Structure Act (Act No. 117 of 1998) to assist the Mayor in performing his duties.

2.1.1.2 POLITICAL STRUCTURE

The DLM is a Category B municipality with the Mayor and Speaker designated as full Councilors. The municipal council is made up of (40) forty councillors of which an equal number of 21 twenty-one are elected on a proportional representative basis (PR) and wards councilors respectively.

Mayor	Hon. Cllr. D.T. Buthelezi
Speaker	Hon. Cllr. M.E. Mmota

Chief Whip	Hon. Cllr. M.B. Modisane
PORTFOLIO COMMITTEES	
Name Of the Councilor	Portfolio
Hon. Cllr. M.M. Gulube	Community service
Hon. Cllr. K.H. Daeman	Corporate Services
Hon. Cllr. S.A Matshane	Infrastructure
Hon. Cllr. K.M. Seribe	Finance
Hon. Cllr. M.M. Gulube	Local Economic Development
Hon. Cllr. B. Mattholoa	Planning and Development
SECTION 79 COMMITTEES	
MPAC Chairperson	Hon. Cllr S. Njakanjaka

2.1.1.3 POLITICAL DECISION MAKING STRUCTURE

In line with the provision of the Constitution of the Republic of South Africa section 151 (3) which asserts that the municipality has the right to govern on its own initiatives, the local government affairs of the local community, the municipal decisions are taken by councilors at an official meeting convened by the council's Speaker. The portfolio committees meet and submit items through the administration to council.

At the same time ward committees play a vital role during generation of items to council because these are committees which have physical interaction with ward councilors and they remained an interface between council and communities. Through community participation the municipality is able to analyze challenges confronting basic services delivery. Furthermore, Ward Councilors then communicate the decision taken by Council with the view of addressing challenges raised.

The municipality has also discussed administrative monitoring and evaluation procedures or measures to audit and verify implementation of council resolutions.

2.2 ADMINISTRATIVE GOVERNANCE

2.2.1 INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Section 60 (b) of MFMA reads *inter alia* that the accounting officer must provide guidance on compliance with this Act to political structures, political office bearers and officials of the municipality and any entity under the sole or shared control of the municipality. The Accounting officer therefore carries the fiduciary responsibility of council and is the head of administration. The Accounting officer constitutes the administration and determines the delegation system wherein senior managers will be given/delegated his /her responsibility. Delegation systems exist but will however have to be reviewed to be in line with the latest legislative developments.

It must be mentioned that the top echelon of the municipality is not fully staffed. The director positions are vacant. Chief financial officer contracts ended on the 30th November 2017, however this contract was extended for 3 months.

Each Director has a performance agreement based on the approved Service Delivery and Budget Implementation Plan, relevant to his/her responsibilities. There are quarterly performance targets set and the accounting officer holds managers accountable to meet those targets.

There are daily, weekly and monthly meetings to reflect on the achievements and realized shortcomings.

TOP ADMINISTRATIVE STRUCTURE

Municipal Manager	Mr. T.G. Ramagaga (Resign on the 30 September 2017) Mr L.J. Dintwe (01-10-2017 to 31-01-2018), Mr. T. Mopeloa(01-02-2018 to 24-05-2018)
Chief Financial Officer (CFO)	Mr. Jeremiah Dintwe (Contract expired 31 Jan 2018),Mr Moipolai (01-02-2018 to 30-06-2018)
Community Services:	Vacant
Local Economic Development:	Vacant
Technical services (Infrastructure)	Vacant
Corporate Services	Vacant

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS

The municipality has established a sound and formidable relationship with all spheres of government at the level of the District Municipality, Provincial Government, and National Government. As a result, it has entered into an audit shared service level agreement with the district municipality. Although the service level agreement has been signed between DLM and District Municipality the contents of the agreements have not been adhered to. This has resulted in the non-cooperation between two parties. Also the district possessed water authority powers and functions within the jurisdiction of the municipality.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Community inputs are discussed at official Council meetings, converted into provision of basic services and produces outcomes. Then feedback is given through community ward meetings to improve public accountability in decision making implementation.

2.4 PUBLIC MEETINGS: COMMUNICATION, PARTICIPATION AND FORUMS

In view of the MSA section 17 (2) the municipality has established ward committees to assist with dissemination of information to the public. To foster good governance, just and fair Administrative system, it has developed a municipal website wherein the IDP, municipal budget, economic opportunities and municipal population are publicized. Local newspapers and print media are used to disseminate information to the public in order to ensure public participation and accountability in the affairs of the municipality.

2.4.1 WARD COMMITTEES

Ward Committees serves as an important link between Council and the community on matters such as municipal budgeting, integrated development planning, consideration of policies and by- laws and other matters directly affecting communities.

All 20 wards of the municipality report directly to the office of the Speaker and they are fully functional. There is an effective operational plan for all the wards which will guide them on activities on their respective wards and the reports are submitted to the Department of Local Government on a quarterly and half yearly basis.

All Ward Councilors act as Chairpersons of Ward Committees and hold regular monthly meetings and a stipend of R1000-00 is payable to all Ward Committee members per setting as per Council Resolution. Reports of all the Ward committees are consolidated by the Office of the Speaker and are submitted to all the different portfolios who will then, after all the deliberations, be submitted to Council for adoption and implementation.

Service delivery issues are vital and prioritized in making sure that communities are served and all the issues that are reported through community and ward committee meetings are speedily addressed. All the necessary support is given to the ward committees in ensuring that they fully undertake to serve their communities.

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes but not strategies
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

During the MSCOA consultation the municipality identified strategic and operational risks as part of risk management plan; each manager is a risk champion.

2.6 RISK MANAGEMENT

TOP RISKS TO THE MUNICIPALITY

Strategic Risks	Operational Risk
<ul style="list-style-type: none"><li data-bbox="318 646 709 674">☐ Instability in leadership<li data-bbox="318 709 709 772">☐ Lack of a proper organizational structure<li data-bbox="318 814 709 877">☐ Dysfunctional political committees<li data-bbox="318 919 709 982">☐ Poor relations with the district municipality(water function)<li data-bbox="318 1024 709 1121">☐ Insufficient electricity grid for bulk water supply including poor maintenance	<ul style="list-style-type: none"><li data-bbox="781 646 1435 743">☐ Old machinery, plants and lack of equipment. Updated municipal Valuation Roll - Reduce municipal revenue on property rates.<li data-bbox="781 785 1435 882">☐ Updated Municipal Asset Register - Regular missing of unbar-coded municipal equipment's and machineries including Un-insured movable and immovable assets.<li data-bbox="781 924 1435 1020">☐ Injury on duty effects - lack of protective clothing for workers working under terrible conditions and/or in need of safety protective clothing.

2.7 ANTI-CORRUPTION AND FRAUD

The municipality has no fraud and anti-corruption strategy; however, there have been engagements with the provincial Department of Local Government to provide support in respect of development of the Anti-Corruption and Fraud Strategy.

2.8 SUPPLY CHAIN MANAGEMENT

The municipality has established bid committees as prescribed in the Municipal Management Systems. DLM SCM unit is not fully capacitated to be able to function effectively, no supply chain practitioner and furthermore no supply chain unit manager has been appointed.

2.9 BY - LAWS

By-laws Introduced during Year 2017/18					
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
Public health by-law	N/A	N/A	N/A	N/A	N/A
Waste management	N/A	N/A	N/A	N/A	N/A
Information training	N/A	N/A	N/A	N/A	N/A
Credit control and debt Collection	N/A	N/A	N/A	N/A	N/A
Camping ground	N/A	N/A	N/A	N/A	N/A
Sports and recreation	N/A	N/A	N/A	N/A	N/A
Street trees	N/A	N/A	N/A	N/A	N/A
Parks and gardens	N/A	N/A	N/A	N/A	N/A
Cemeteries	N/A	N/A	N/A	N/A	N/A

- N/A – Not Applicable R
- The Municipal is operating with the old By-Law which still needs to be reviewed and adopted by Council

The municipality has to take the draft by-laws through the relevant prescribed public participation processes, adopt and implement to improve municipal governance.

2.10 WEBSITES (NEED TO BE UPDATED)

The municipality has a website but documents are not uploaded on the municipal website.

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	08 SEPT 2016
All current budget-related policies	Yes	
The previous annual report (Year -1)	Yes	16 FEB 2016
The annual report (Year 0) published/to be published	Yes	13 SEPT 2016
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	No	Not Published
All service delivery agreements (Year 0)	No	Not Published
All long-term borrowing contracts (Year 0)	No	Not Published
All supply chain management contracts above a prescribed value (give value) for Year 2017/18	No	Not Published
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 2014/15	No	Not Published
Contracts agreed in Year 2017/18 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	Not Published
Public-private partnership agreements referred to in section 120 made in Year 2017/18	No	Not Published
All quarterly reports tabled in the council in terms of section 52 (d) during Year 2017/18	No	Not Published

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

COMPONENT A: BASIC SERVICE

3.1 WATER PROVISION

The Lichtenburg Water Treatment Works Plant is set to be very old and need to be replaced. The bigger water supply system in the jurisdiction of the municipality is raw water which is abstracted from the surface water resource and purified at the plant, which then supply reservoirs which feed internal water reticulation systems predominantly in towns, hence rural households remain to be disadvantaged.

Previously the municipality was charging low rates compared to national averages on water services. During the 2010/2011 and 2011/2012 budget the approved tariff was 30% respectively in line with DWAF directives.

The current adopted water tariffs is sets at rates of 6.6% up to 40% with an inclined step tariff for 2017/2018 financial year.

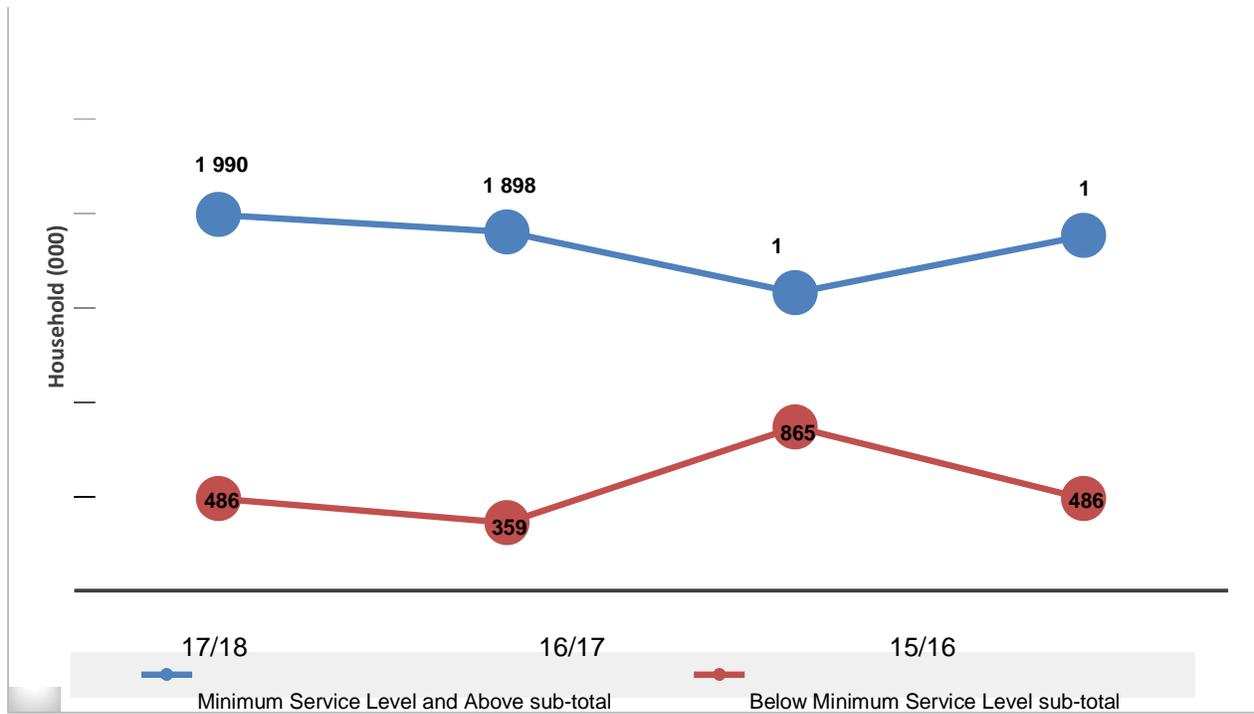
The main source of water is derived from boreholes, spring, rain water, dams, water vendor and tankers. In the Lichtenburg and Coligny and surrounding Areas, they are about 23 boreholes of which only 10 is working. There is a need to equip some of the boreholes to increase the current water supply for the area and move away from water tankering as well.

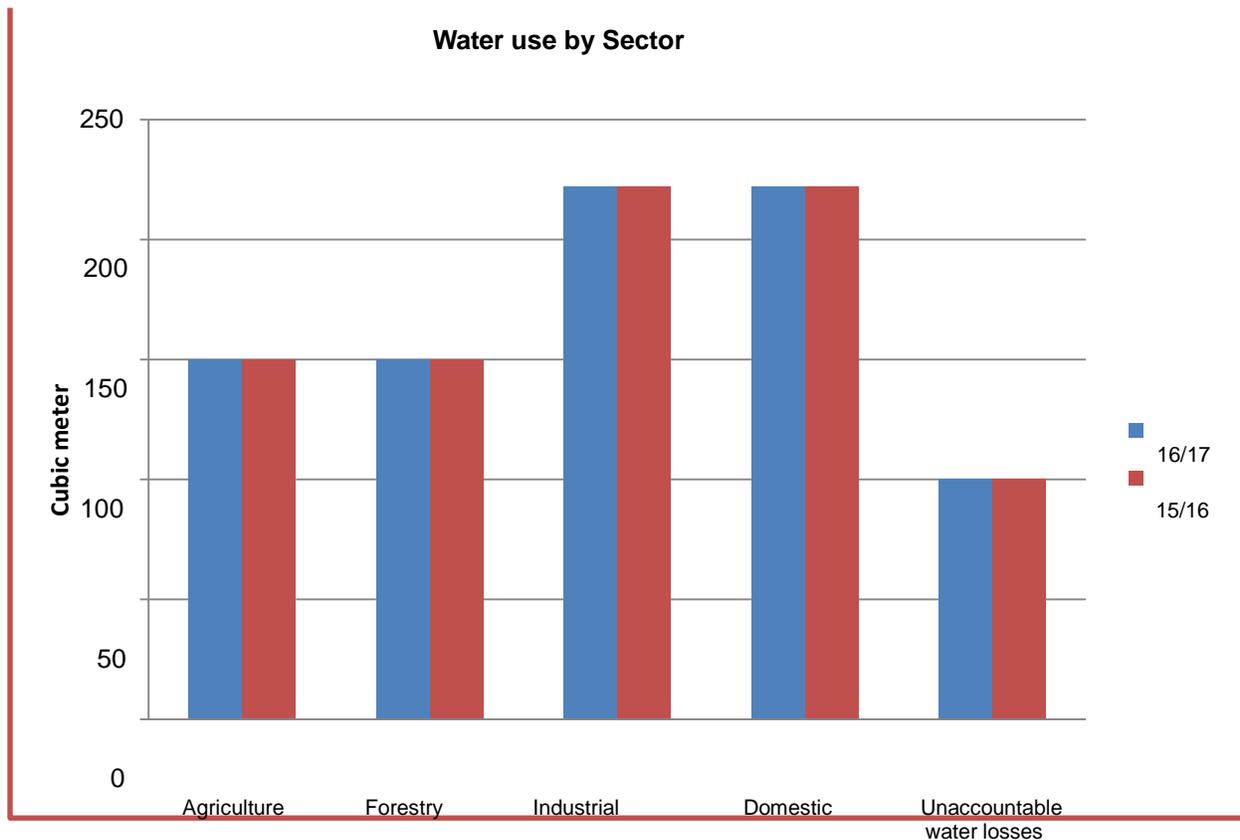
The municipality still experiences huge water losses as such there is a need to improve on the infrastructure and water balancing through both bulk and residential meters.

The municipality has managed to provide 15,329 households with piped tap water inside dwelling; they are 13,517 piped tap water inside yards, water on community stand distant less 200m from dwelling, 1,961 households distant between 200m to 500m from dwelling. There is an indigent register for house-holds legible for consumption of free water basic services.

Total Use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
Year - 2015/16	150	150	222	222	100
Year - 2016/17	150	150	222	222	100
Year - 2017/18	150	150	222	222	100

Water: (above min level)





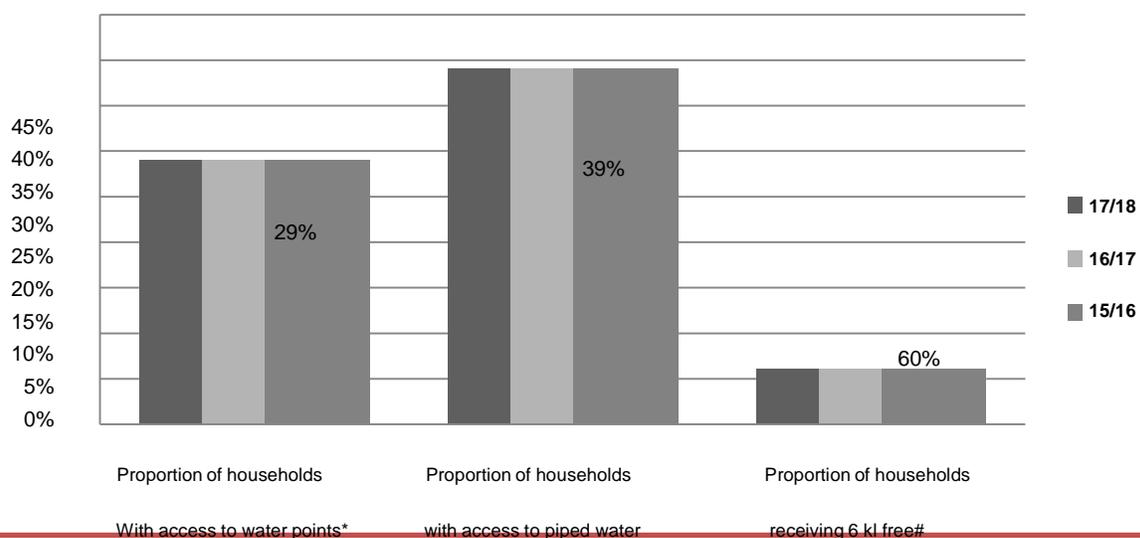
NMMDM is the water Services Authority (WSA) and the municipality is the Water Service Provider. The bigger water supply comprises of raw water which is abstracted from the surface water resource and purified at the Water Treatment Works and supplied to reservoirs which feed internal water reticulation systems predominantly in towns where industries, households, and part of agricultural activities are benefitting. To service the abovementioned sectors effectively, efficiently and economically the municipality is set to implement water conservation and demand management strategies, undertake water audit, undertake infrastructure leakages index through preventative maintenance of water supply schemes. Also water services legal framework and policies must be adopted and implemented.

WATER SERVICE DELIVERY LEVELS				
HOUSEHOLDS				
Description	Yea-17/18	Year -16/17	Year- 15/16	Year 14/15
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<u>Water:</u> (above min level)				
Piped water inside dwelling	15 329	15 329	15 329	15 329
Piped water inside yard (but not in dwelling)	13 517	13 517	13 517	13 517
Using public tap (within 200m from dwelling)	7 034	7 034	7 034	7 034
Other water supply (within 200m)	1 961	1 961	1 961	1 961
<i>Minimum Service Level and Above sub-total</i>	37 841	37 841	37 841	37 841
<i>Minimum Service Level and Above Percentage</i>	83%	83%	83%	83%

Water: (below min level)				
Using public tap (more than 200m from dwelling)	1 961	1 961	1 961	1 961
Other water supply (more than 200m from dwelling)	1 003	1 003	1 003	1 003
No water supply	4 781	4 781	4 781	4 781
<i>Below Minimum Service Level sub-total</i>	7 745	7 745	7 745	7 745
<i>Below Minimum Service Level Percentage</i>	17%	17%	17%	17%
Total number of households*	45 586	45 586	45 586	45 586

HOUSEHOLDS – WATER SERVICE DELIVERY LEVELS BELOW THE MINIMUM						
HOUSEHOLDS						
Description	Year – 14/15	Year – 15/16	Year – 16/17	Year 17/18		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	22 411	22 411	22 411	22 411	22 411	22 411
Households below minimum service	5 603	5 603	5 603	5 603	5 603	5 603
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
Informal Settlements						
Total households	5 500	5 500	5 500	5 500	5 500	5 500
Households is below minimum	363	363	363	363	363	363
Proportion of households is below minimum service level	7%	7%	7%	7%	7%	7%

ACCESS TO WATER



ACCESS TO WATER			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
Year-17/18	29%	39%	60%
Year-16/17	29%	39%	60%
Year-15/16	29%	39%	60%
# 6,000 litres of potable water supplied per formal connection per month			

EMPLOYEES: WATER SERVICES					
Job Level	Year -1-16/17	Year 0-17/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	0	1	100%
4 – 6	1	1	1	0	0
7 – 9	2	2	2	0	0
10 – 12	6	6	6	1	17%
13 – 16	45	45	45	0	
Total	55	72	54	1	1%

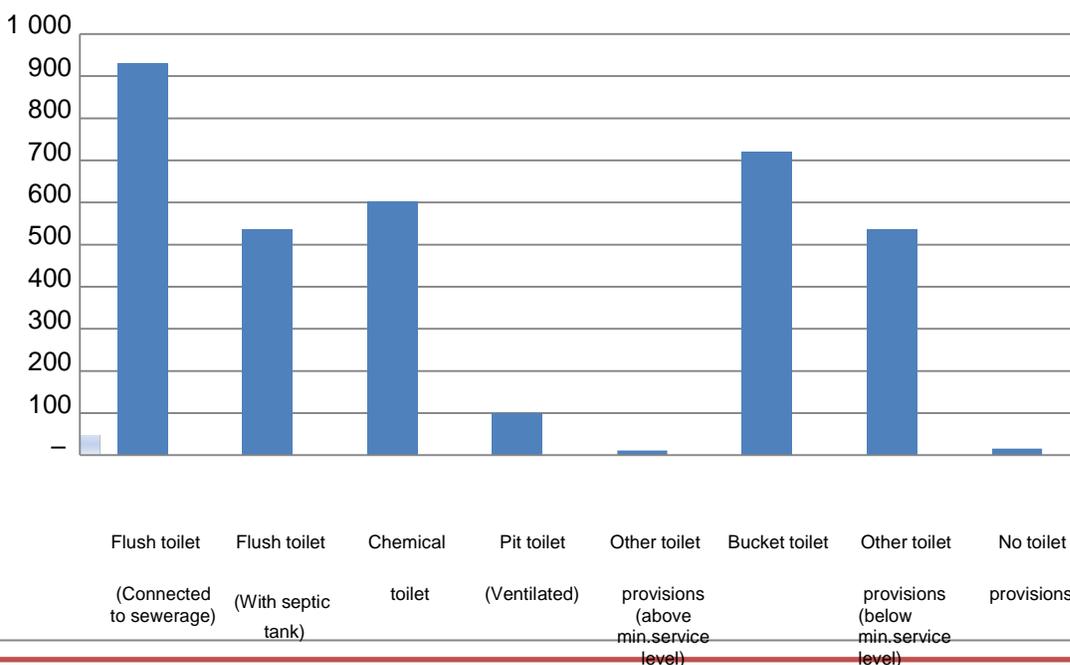
3.2 WASTE WATER (SANITATION) PROVISION

Approximately 43% of the households have access to sanitation in Ditsobotla. The spatial distribution of access to sanitation clearly dictates that most of the formal towns such as Lichtenburg, Boikhutso, Coligny, Tlhabologang and Itsoseng do have access to water borne sanitation system. The villages such as Ga-Motlatla, Sheila, Matile, Meetmekaar and Springbokpan mostly rely on pit-latrines

SANITATION SERVICES PERFORMANCE OVERALL

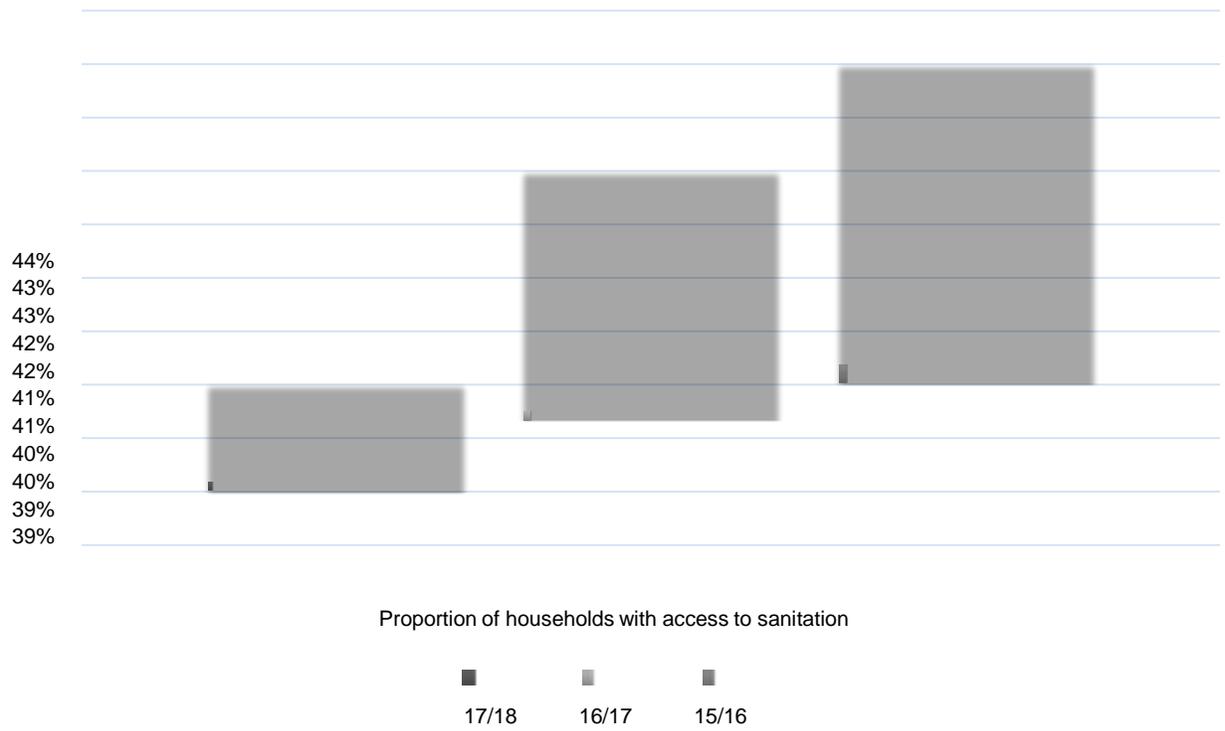
HOUSEHOLDS				
Description	Year 14/15	Year 15/16	Year 16/17	Year 17/18
	Outcome	Outcome	Outcome	Actual
	No.	No.	No.	No.
<i>Sanitation/sewerage: (above minimum level)</i>				
Flush toilet (connected to sewerage)	19 266	19 266	19 266	19 266
Flush toilet (with septic tank)	1 481	1 481	1 481	1 481
Chemical toilet	262	262	262	262
Pit toilet (ventilated)	3 938	3 938	3 938	3 938
Other toilet provisions (above min.service level)	1 071	1 071	1 071	1 071
Minimum Service Level and Above sub-total	26 018	26 018	26 018	26 018
Minimum Service Level and Above Percentage	59%	59%	59%	59%
<i>Sanitation/sewerage: (below minimum level)</i>				
Bucket toilet	2 192	2 192	2 192	2 192
Other toilet provisions (below min.service level)	11 628	11 628	11 628	11 628
No toilet provisions	3 989	3 989	3 989	3 989
Below Minimum Service Level sub-total	17 809	17 809	17 809	17 809
Below Minimum Service Level Percentage	41%	41%	41%	41%
Total households	43 827	43 827	43 827	43 827
<i>*Total number of households including informal settlements</i>				

SANITATION/SEWERAGE (ABOVE MINIMUM LEVEL): 2017



HOUSEHOLDS – SANITATION SERVICE DELIVERY LEVELS BELOW THE MINIMUM						
HOUSEHOLDS						
Description	Year – 14/15	Year – 15/16	Year -16/17	Year 17/18		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	22 411	22 411	22 411	22 411	22 411	22 411
Households below minimum service level	5 603	5 603	5 603	5 603	5 603	5 603
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
Informal Settlements						
Total households	5 500	5 500	5 500	5 500	5 500	5 500
Households is below minimum service level	363	363	363	363	363	363
Proportion of households is below minimum service level	7%	7%	7%	7%	7%	7%

ACCESS TO SANITATION



ACCESS TO SANITATION	
	Proportion of households with access to sanitation
Year – 2017/18	40%
Year - 2016/17	40%
Year – 2015/16	40%

EMPLOYEES: SANITATION					
Job Level	Year -2016/17		Year 2017/18		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	1	0	0	0%
4 – 6	1	1	1	0	0%
7 – 9	2	2	2	0	0%
10 – 12	3	3	3	0	0%
13 – 15	37	37	37	0	0%
Total	43	44	43	0	2.7%

3.3 ELECTRICITY

3.3.1 ELECTRICITY CHALLENGES

The municipality is licensed to provide electricity at Lichtenburg, Blydeville and Coligny. The remainder of electricity is provided by Eskom. Eskom’s price of bulk electricity supplied increased by 13.5% as from the 1st July 2012 as per Circular 59 of National Treasury. During the 2017/18 financial year ESKOM hiked its tariffs by another 5.23%, putting more strain on our municipality’s cash-flow operations.

The total electricity infrastructure for Lichtenburg and Coligny areas need urgent upgrading as it experiences maximum demand problem. Biesiesvlei is under Eskom supply. The following is a summary of the key electricity challenges as identified in the draft electricity master plan:

- Aging network
- Most switch stations without ceilings
- Current sub-station buildings require upgrading due to structural damages
- Sub-station transformers are overloaded +/- 95 to 100% capacity
- HT cable feeders are inadequate and underground cables in service of over 40years
- Lack of continues maintenance of the high-mast lights
- Street lights are in excess of 35 to 50 years, non-energy efficient and are a huge risk to the public

3.3.2 ELECTRICITY DEMANDS

- Lichtenburg Mall requires 1500 *kva* immediately as they are currently using generators
- Agrico requires 1600 *kva* as their operations are currently interrupted by load shedding
- Opti Chiks in Dauth Street needs additional 1750 *kva* for future expansions
- Opti Feeds at the Industrial area needs additional 500*kva* for future expansions

Due to shortage of electricity, the planned developments have been delayed until capacity can be increased.

3.3.3 INTERVENTIONS

To respond to this need, a study has been completed and a master plan developed and approved by council to ameliorate the situation. Part funding has been secured to purchase the transformer and the project is expected to kick start during the current financial year.

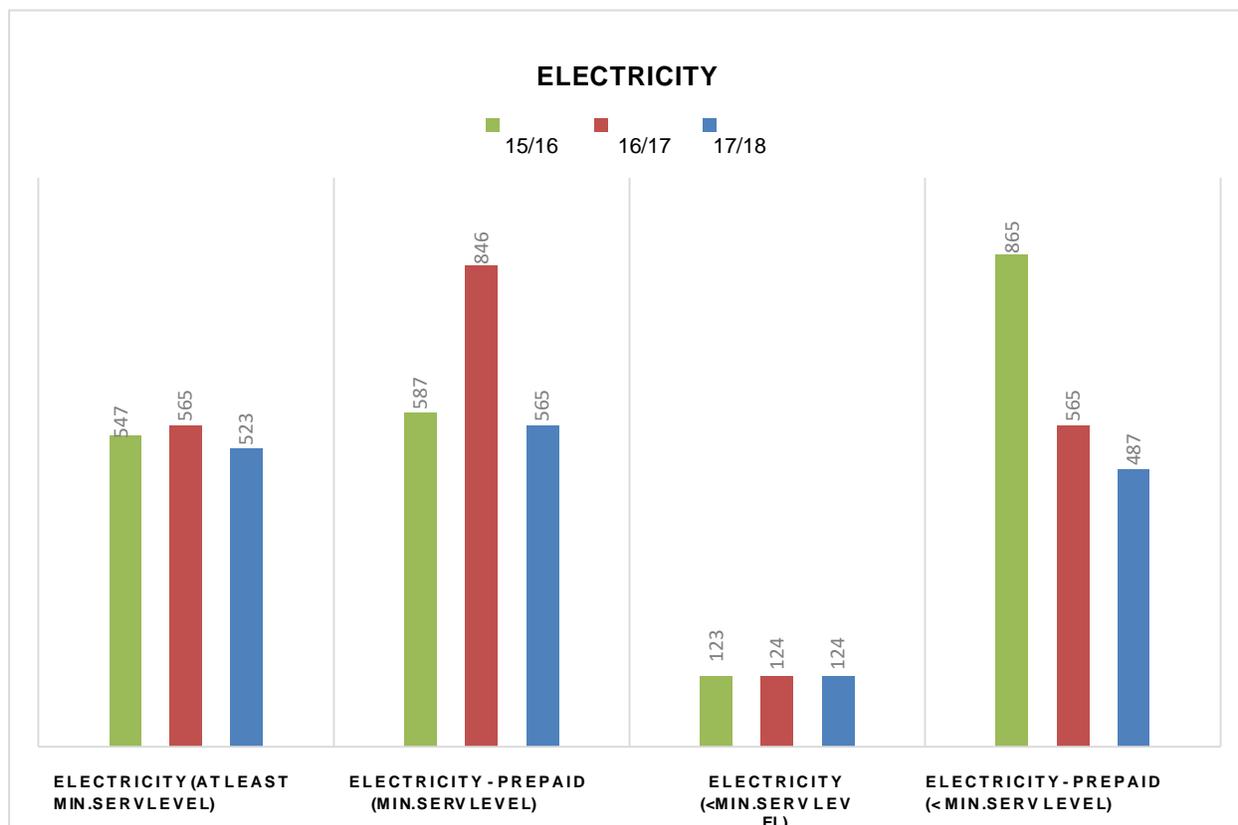
The municipality struggles to pay Eskom in time due to low cash-flow constraints. There is also an electricity loss that needs to be given urgent attention too.

3.3.4 INEP PROGRAMME

The following number of households per village has been connected as part of the INEP programme. The worry is connection of informal settlement that gets electricity from the municipal power station which is currently already over stretched.

VILLAGES	NO OF HOUSEHOLDS
Boikhutso Extension	2223
Ditsobotla Villages	256
Ga-Motlatla ward 13	48
Putfontein	149
Tlhabologang Ext 4	188
Tlhabologang Ext 5	256
Tlhabologang Ext 6	140
Verdwaal Phase 2 Ext 2	140
Total	3400

The current consumption of electricity supply is mainly generated from electricity connections, followed by the utilization of candles, paraffin and gas as well as solar at a very small scale.



ELECTRICITY SERVICES DELIVERY				
HOUSEHOLDS				
Description	2014/15	2015/16	2016/17	2017/18
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<i>Energy: (above minimum level)</i>				
Electricity (at least min.service level)	32 555	32 555	32 555	32 555
Electricity - prepaid (min.service level)	4 333	4 333	4 333	4 333
Minimum Service Level and Above sub-total	36 888	36 888	36 888	36 888
Minimum Service Level and Above Percentage	31%	31%	31%	31%
<i>Energy: (below minimum level)</i>				
Electricity (<min-service level)	32 555	32 555	32 555	32 555
Electricity - prepaid (< min. service level)	32 555	32 555	32 555	32 555
Other energy sources	15 965	15 965	15 965	15 965
Below Minimum Service Level sub-total	81 075	81 075	81 075	81 075
Below Minimum Service Level Percentage	69%	69%	69%	69%

Total number of households	117 963	117 963	117 963	117 963
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HOUSEHOLDS – ELECTRICITY SERVICE DELIVERY LEVELS BELOW THE MINIMUM						
HOUSEHOLDS						
Description	Year -14/15	Year -15/16	Year -16/17	Year 2017/18		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	22 411	22 411	22 411	22 411	22 411	22 411
Households below minimum service Level	5 603	5 603	5 603	5 603	5 603	5 603
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
Informal Settlements						
Total households	5 500	5 500	5 500	5 500	5 500	5 500
Households is below minimum service level	363	363	363	363	363	363
Proportion of households is below minimum service level	7%	7%	7%	7%	7%	7%

NB: Electricity Supply for construction of new houses is supplied by Eskom

EMPLOYEES: ELECTRICITY SERVICES					
Job Level	Year -2016/17	Year 2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	0%
0 – 3	1	1	1	0	0%
4 – 6	0	1	0	2	100%
7 – 9	7	7	7	1	12,5%
10 – 12	1	8	1	0	0%
13 – 16	13	45	13	19	59%
Total	20	35	21	22	62%

3.4 WASTE MANAGEMENT

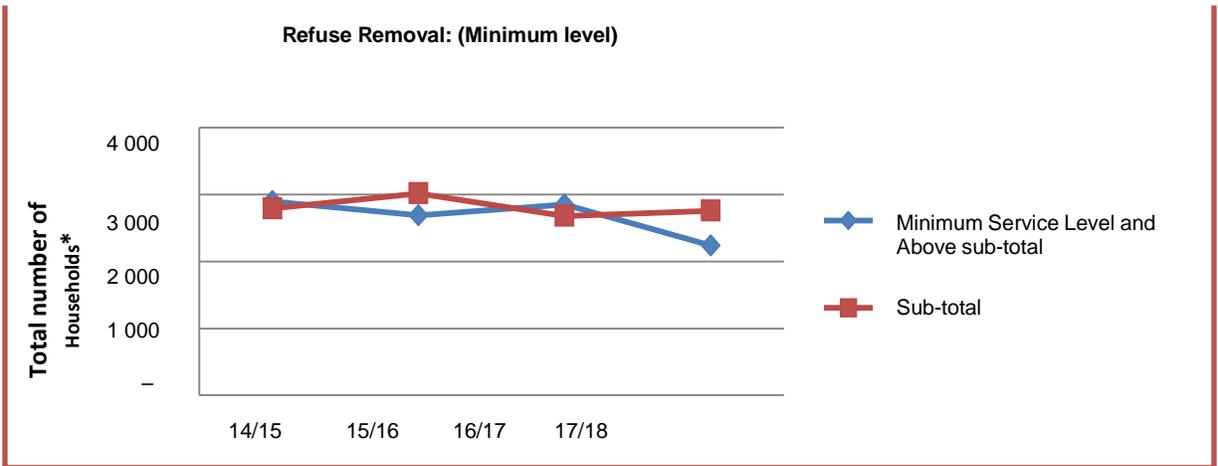
Collection of waste both domestic and industrial is done on a weekly basis. The situation in Itsoseng is receiving attention as waste has been collected by a private contractor on a month to month basis. The contract needs to be advertised and perhaps be done through Co-operatives. Some of the landfill sites have to be closed as they are not permitted. Illegal dumping remains a challenge. The municipality also has to extend the service to rural areas as such several innovations are being explored.

The following is a synopsis of what has been achieved under this function;

- 2 x Compactor trucks were purchased
- 40 x Skip bins procured
- 30 x dumping boards erected at Itsoseng

- 1,400 x bins purchased for Boikhutso
 - 1,500 x Bins for ward 15 Tlhabologang
- Total of bins supplied in the whole area during the reporting period is 2,900 bins

HOUSEHOLDS – SOLID WASTE SERVICE DELIVERY LEVELS BELOW THE MINIMUM					
Households					
Description	2014/15	2015/16	2016/17	2017/18	
	Actual	Actual	Actual	Original Budget	Actual
	No.	No.	No.	No.	No.
Formal Settlements					
Total households	22 411	22 411	22 411	22 411	22 411
Households below minimum service level	5 561	5 561	5 561	5 561	5 561
Proportion of households below minimum service level	25%	25%	25%	25%	25%
Informal Settlements					
Total households	5 500	5 500	5 500	5 500	5 500
Households below minimum service Level	363	363	363	363	363
Proportion of households its below minimum service level	7%	7%	7%	7%	7%
					T 3.4.3
<u>Solid Waste Removal:</u> (Minimum level)		No.	No.	No.	No.
Removed at least once a week		20 986	20 986	20 986	20 986
Minimum Service Level and Above sub-total		5 247	5 247	5 247	5 247
Minimum Service Level and Above percentage		25%	25%	25%	25%
Solid Waste Removal: (Below minimum level)					
Removed less frequently than once a week		779	779	779	779
Using communal refuse dump		1 573	1 573	1 573	1 573
Using own refuse dump		21 389	21 389	21 389	21 389
Other rubbish disposal		711	711	711	711
No rubbish disposal		7 319	7 319	7 319	7 319
Below Minimum Service Level sub-total		31 771	31 771	31 771	31 771
Below Minimum Service Level percentage		60%	60%	60%	60%
Total number of households		52 757	52 757	52 757	52 757



Employees: Environmental Health Services (Waste disposal & solid waste management services)					
Job Level	2016/17		2017/18		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4-6	2	3	2	1	33%
7-9	0	4	3	1	25%
10-12	24	10	10	0	0%
13-16	58	85	79	6	7%
Total	85	103	95	8	65%

Employees:					
Job Level	2016/17		2017/18		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	0%
0 – 3	0	0	0	0	0%
4 – 6	0	1	0	1	100%
7 – 9	0	0	0	0	0%
	0	1	0	1	100%
13 – 16	29	32	29	3	9%
16 – 18					
Total	29	34	29	5	9%

EMPLOYEE: MECHANICAL WORKSHOP					
Job Level	Year -2016/17	Year 2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	0%
0 – 3	0	0	0	0	0%
4 – 6	0	1	0	1	100%
7 – 9	6	5	5	1	20%
10 – 12	6	6	6	0	0%
14 – 16	0	0	0	0	0%
Total	12	12	11	2	20%

3.5 HOUSING

The municipality is committed to ensure appropriate shelter within its area of jurisdiction. Currently the numbers of households living in formal residential areas are estimated at 22,411 with 5500 housed in informal settlement.

Two Informal Settlements were formalized: Tlhabologang Ext 8 worth 1,448 units and Boikhutso with 2,000 Units built and occupied. 713 households have been relocated to Tlhabologang Extension 8 and Blydeville Extension 4 is not yet established due to delays of the EIA and Geoscience- Tech.

The municipal area is surrounded by commercial farms and communal trust areas. The spatial development framework indicated that 33% of the total land area of the municipality is used for commercial agricultural activities. The other part of land is underlain by dolomite, which limits the extent and type of development for housing construction. However sufficient and approximately located land will be identified to address the housing backlog.

PERCENTAGE OF HOUSEHOLDS WITH ACCESS TO BASIC HOUSING			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2014/15	27911	22411	80%
2015/16	27911	22411	80%
2016/17	27911	22411	80%
2017/18	27911	22411	80%

EMPLOYEE: HOUSING					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	1	1	1	0	0%
7 – 9	6	7	6	0	0%
Total	8	9	8	0	0%

3.5.1 THE PERFORMANCE OF HOUSING SERVICE OVERALL

The inhabitants of the municipality have access to adequate housing and the municipality is committed in ensuring a healthy and safe environment. It has set housing delivery goals by identifying and designating land for housing initiatives. Though land around the municipal area is mainly utilized for agricultural development, there is still portion of land utilized for other development. The municipality has, in its SDF, identified all possible solutions in an attempt to resolve shortage of land for housing development in both rural and township.

About 3,843 Houses were completed during the past 5 years of the term of the outgoing council.

Boikhutso	2195
Tlhabologang	1141
Itsoseng	107
Grasfontein	110
Welverdiend	150
Blydeville	92
Shiela	48

In 2017/18 572 houses were built as provided below:

MEASURABLE OBJECTIVE	ANNUAL TARGET 2017/2018	PROGRESS TO DATE	CHALLENGES/ BLOCKAGES	CORRECTIVE MEASURES
To build 401 housing units in Verdwaal 1 & 2	To complete 50 units by Dec '17	140 completion 95 VIP Toilets	NONE	NONE Contractor on site
Completion of 48 houses in Verdwaal	To complete 47 units by June '18	20 plastered		
Completion of 248 units in Bodibe	To build 50 by June '18	250 beneficiaries approved 11 foundation	Matter is between the DHS & Contractor	The Department was aware of this matter
Completion of 245 units in Boikhutso	To complete 56 by Jul '17	189 completed	Contractor not on site	DHS to fast track installation of internal services
Completion of 136 units in Blydeville	To complete 21 units by Dec '17	115 completed	Contractor not on site	DHS to pursue the contractor to be on site
Completion of 250 units in Shiela	To complete 1 units by Dec '17	30 completed	Vandalism	

Completion of 100 units at Bakerville	Blocked	Conducting EAI studies	Geotech report says no houses should be built in this area	CPA has identified alternative land for housing development
Completion of 250 units in Grasfontein	Project on hold		Discovered that there are more sinkholes	Awaiting Geotech report from engineers
Completion of 2000 housing units in Boikhutso	Completed	Busy with the allocation of beneficiaries in houses	Difficult to get other Beneficiaries. 46 houses vandalized.	Advert gone out
Completion of 141 housing units in Tlhabologang Ext. 7	Completed	9 completed	NONE	NONE
Completion of 619 housing units in Itsoseng	To complete 50 by Dec '17	59 completions	Project very slow	
Relocation of 4 families next to sewer pump station	Completed	Completed	Completed	Completed
To complete 230 units in Boikhutso Ext. 1	To build 100 units by Dec'17	48 wallplates 162 slabs 30 Roofs 20 completed	Political instability	Court interdict
Itsoseng 48 houses	Completed	Completed		Completed

3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

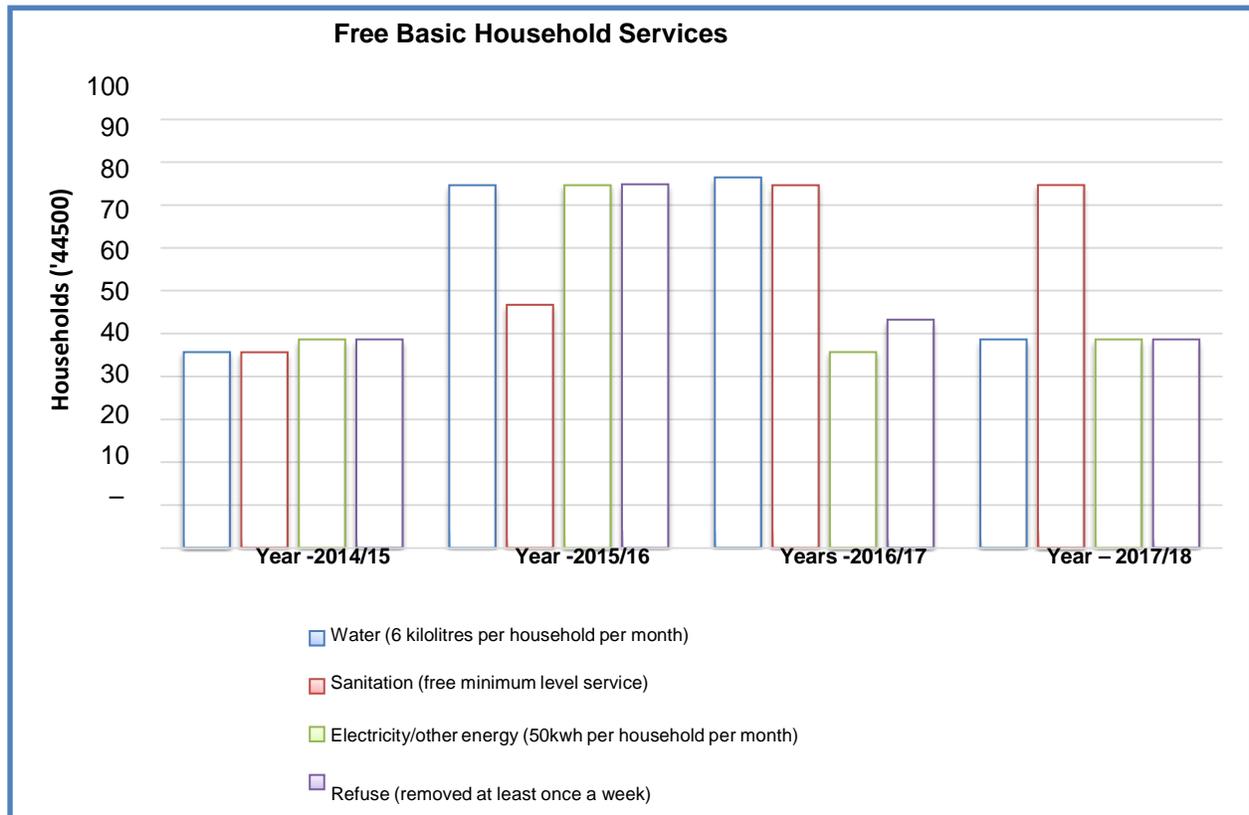
The municipality is set to have an Indigent register which represent households who receive free basic services such as water, sanitation, refuse removal and electricity as propelled by the Municipal Finance Management Act. Free basic services have been budgeted to cover legible indigents for 2017/2018 financial year.

- Water Services – The actual number of Households with access to free basic services of water, sanitation, electricity, and solid waste removal has increased to 9,700.
- Sanitation Services – Approximately 31,163 household have access to sanitation at RDP level which represents 80.7% of the household with at least 19% without access to sanitation services.
- The municipal spatial development plan clearly dictates that most of the formal towns have access to water borne systems and most of the rural areas rely on pit latrines with and some without ventilation (VIP), and chemical toilets with septic tanks.

The actual number of households with access to refuse removal is 21,685 in the main formalized towns of Lichtenburg, Blydeville, and Boikhutso, Coligny and Tlhabologang, Itsoseng and Itekeng.

The connected flush toilets to sewerage systems are set to stand at 42.7% and those with pit latrine without ventilation at 27.2%.

- The provision of the above free basic services to indigent households as one of the National Key Performance Indicators within the municipal jurisdiction is set to be terms of service delivery outputs and feedback received from communities.



FREE BASIC SERVICE TO LOW INCOME HOUSEHOLDS											
Number of households											
Years	Total	Households earning less than R1,100 per month									
		Free Basic Water		Free Sanitation		Basic		Free Electricity		Free Refuse	
		Total	Access	%	Access	%	Access	%	Access	%	
2015/16	44 500	9 000	7 000	1%	31 163	346%	32 555	362%	21,685	56%	
2016/17	103 000	12 000	9 500	79%	31 263	261%	33 500	279%	22,700	23%	
2017/18	105 000	14 500	10 000	69%	31 363	216%	33 900	234%	22,900	23%	

COMPONENT B: ROADS AND TRANSPORT

3.7 ROADS AND TRANSPORT

The municipality is mainly responsible for construction and maintenance of internal access roads. There are provincial roads intersecting with the municipal internal roads and these are commonly known as subsidy roads and its maintenance remained the responsibility of the provincial department of roads and transport.

The greatest demand for internal roads and storm water is found in formal townships. The municipality has submitted a number of business plans for MIG funding to address the current backlog. The municipality does not have a comprehensive Roads Master Plan that indicates the backlogs in kilometers of roads prioritized in the IDP for construction. However, the municipality has identified tarring of streets or public routes especially those facilitating movement of commercial goods and services, resealing of some roads, re-gravelling of roads in rural areas, provision of storm water where water drainage is poor and the provision of municipal road signs.

The municipality, in its IDP, has prioritized roads as its major economic vehicle by identifying roads which needs to be tarred, i.e. streets or public routes especially those facilitating movement of commercial goods and services, sealing of some roads, re-gravelling of roads in rural areas, provision of storm water where water drainage is poor and the provision of municipal road signs.

Several roads have been rehabilitated under the MIG Programme including some in town. Nelson Mandela road has been identified as priority to be rehabilitated.

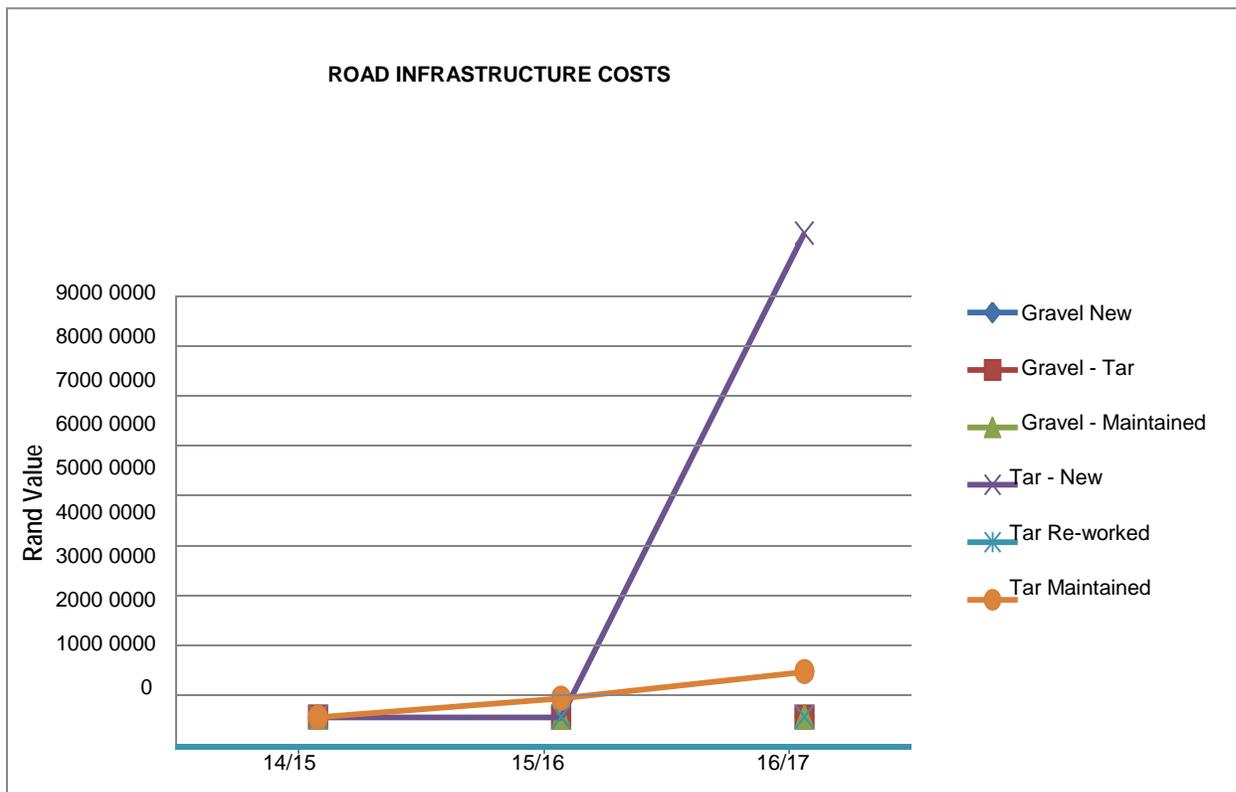
GRAVEL ROAD INFRASTRUCTURE				
Years	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Kilometers Gravel roads graded/maintained
2017/18	150	5	5	50
2016/17	145	5	5	45
2015/16	135	10	10	35

TARRED ROAD INFRASTRUCTURE					
Years	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2015/16	35	5	5	2	35
2016/17	45	5	5	2	45
2017/18	55	10	5	4	55

COST OF CONSTRUCTION / MAINTENANCE						
Year	Gravel			Tar		
	New	Gravel – Tar	Maintained	New	Re-worked	Maintained
2015/16	NB-1	NB-1	NB-1	N1	N1	R 7,200 000
2016/17	NB-1	NB-1	NB-1	N1	N1	R 7 551 688
2017/18	NB-1	NB-1	NB-1	N1	5 725 062	R 5 101 684

NB-1: Gravel roads were not constructed nor maintained

N1: No new Tar roads or re-worked were performed in the prior year only maintenance and repairs.



EMPLOYEE: ROAD SERVICES					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	1	1	1	0	0%
7 – 9	13	13	9	1	10%
10 – 12	0	5	1	0	0%
13 – 16	38	39	38	1	2,6%
Total	53	52	50	2	12,6%

FINANCIAL PERFORMANCE YEAR 16/17: ROAD SERVICE DONE					
R'000					
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	R 0	R 31 077,191	R	R 22, 515 267	R 8 561,925
Expenditure:					
Employees	R20 430 933	R 25 872,191	R 0	R 18 012 764	R 7,859,427
Repairs and Maintenance	R 1 749 500	R 5,175,000	R 0	R 4 613,258	R 561,742
Other	R 221 148	R 1 310 267	R	R 1 123 884	R 186 383
Total Operational Expenditure	R 22 401 521	R20,502,094	R 0	R 26,270,417	R 6,158,618
Net Operational Expenditure					

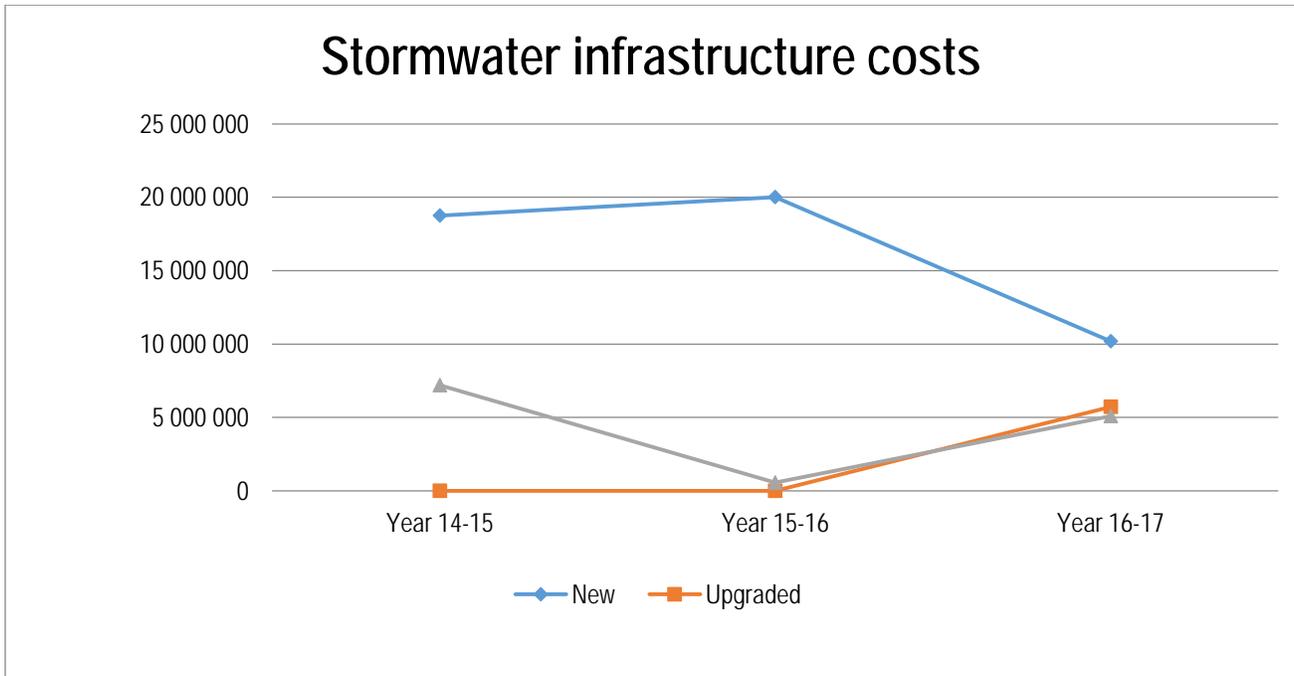
NB: Revenue for Road Service is zero. (MIG Grant is allocated to PMU)

3.8 WASTE WATER (STORMWATER DRAINAGE)

The demand for construction of roads and storm water drainage is found in former townships of Boikhutso, Itekeng and Coligny and largely in all rural areas. The municipality does not have a storm water drainage master plan in place. Construction of drainage systems was part of some new constructed roads.

Storm water				
Kilometers				
Year	Total Storm water measures	New storm water measures	Storm water measures upgraded	Storm water measures maintained
2015/16	145	4	4	15
2016/17	160	5	5	10
2017/18	165	4	4	10

COST OF CONSTRUCTION / MAINTENANCE			
R' 000			
Storm water Measures			
	New	Upgraded	Maintained
2015/16	R 18 744 794	R0	R 7 200 000
2016/17	R 20 002 930	R0	R 551 688
2017/18	R 10 181 833	R 5 725 062	R 5 101 684



COMPONENT C: PLANNING AND DEVELOPMENT

3.9 PLANNING

Brief overview of opportunities and challenges;

- Invasion of arable agricultural land by squatters.
- Need for the rehabilitation of mining land.
- Shortage of municipal land for development.
- Possible need for the development of Agri-villages.
- Up-grade of roads in the CBD and lack of LED projects in rural areas

3.9.1 PLANNING

A spatial vision was formulated for the municipality in order to guide future spatial planning in the area. The vision statement incorporates issues to be addressed. The municipality has developed the SDF and has gazette it. The next stage is for the municipality to identify the different urban and rural nodes and start budgeting to develop them. The Land tribunal is also in a process of being established in line with SPLUMA. The land use management scheme is not yet amended.

The economic development opportunities identified include the following

- Itsoseng rehabilitation of shopping complex
- Itsoseng economic rehabilitation programme
- Projects in Rietvlei, Grootfontein, Vlakpan, Bakerville and Welverdiend.

Challenges

- The organizational design does not conform adequately to service delivery challenges. There is a high-level of unemployment skills shortage and inequalities.
- Huge backlog in the provision of social services, infrastructure, and economic activities.

APPLICATION FOR LAND USE DEVELOPMENT						
Detail	Formalization of Townships		Rezoning		Built Environment	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Planning application received	-	2	17	26		30
Determination made in year of receipt	-	1	Approved 11	Approved 24	Approved	Approved 20
Determination made in following Year	-	-	-	-	-	-
Applications withdrawn	-	-	-	-		-
Applications outstanding at year End	-	1	-	2	20	10

EMPLOYEES: PLANNING SERVICES					
Job Level	2016/17		2017/18		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	0	1	100%
4 – 6	1	1	1	0	0%
7 – 9	2	2	2	0	0%
10-12	0	0	0	0	0%
13-16	0	0	0	0	0%
Total	4	3	3	1	100%

3.10 LOCAL ECONOMIC DEVELOPMENT

There are two important types of mining and quarrying activities which impacts on the spatial development of the local municipality.

- Notably; quarrying of limestone deposits associated with the manufacturing activities of Lafarge and AFRISAM around Dud field.
- The limestone quarrying of Lafarge between Bodibe and Springbok pan and west of Lichtenburg and industrial area.
- Extensive diamond mining activities in the northwestern parts of the municipality around Bakerville, Grasfontein and Welverdient.
- The land scape of the municipality is largely dominated by commercial agricultural activities mainly consisting of two components: Commercial dry land and irrigated agricultural activities.

Economic Activity by			
R '000			
Sector	2015/16	2016/17	2017/18
Agric, forestry and fishing	421 628	425 174	413 527
Mining and quarrying	565 322	585 265	639 852
Manufacturing	615 376	587 478	630 692
Wholesale and retail trade	537 413	559 370	595 575
Finance, property, etc.	611 257	673 915	735 147
Govt, community and social services	1 035 588	1 126 023	1 217 580
Infrastructure services	124 120	131 614	141 653
Total	R 3 910 704	R 4 088 839	R 4 374 026

Economic Employment by Sector			
Sector	Jobs		
	15/16 No.	16/17 No.	17/18 No.
Agric, forestry and fishing	2 713	2 645	2 719
Mining and quarrying	1 027	1 237	1 378
Manufacturing	3 319	3 122	3 251
Wholesale and retail trade	5 595	5 424	5 144
Finance, property, etc.	2 654	2 581	2 642
Govt, community and social services	6 107	5 851	5 693
Infrastructure services	887	832	780
Total	22 302	21 692	21 607

Longer and short-term LED prospects:

- Mining diamond
- Quarrying of limestone deposits by AFRISAM and Lafarge
- Farming activities (Crop and Livestock)

Job creation through EPWP* projects Done		
Details	EPWP Projects	Jobs created through EPWP Projects
	No.	No.
2015/16	N/A	N/A
2016/17	N/A	N/A
2017/18	N/A	N/A
* - Extended Public Works Programme		

NB: No specified projects are undertaken by DLM

The trade sector contributed 19% towards the GVA and 27% towards the region formal employment of the local economy. The average growth for the trade sector of the local economy over the time period is 5.65 and the average annual employment growth is 3.3%. The demand for retail and commercial facilities are a derived demand depended on the local population and injection of buying power from beyond the settlement areas.

However, construction sector contributed 3.6% towards local economic development. Mining sector contributed 0.1% still at a very small scale as a result of its technical formation, while agriculture contributed 7.7%, community and social development contributed 20.6% of the local economic development

Employees: LED					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	1	2	1	1	50%
7 – 9	3	3	3	0	0%
13-16	0	0	0	0	0%
Total	5	6	4	1	50%

COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.11 LIBRARIES, ARCHIVES, MUSEUMS, GALLARIES, COMMUNITY FACILITIES AND OTHERS

EMPLOYEES: LIBRARIES, ARCHIVES, MUSEUM, GALLARIES, COMMUNITY FACILITIES AND OTHERS					
Job Level	2016/17		2017/18		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	2	1	1	50%
4 – 6	3	4	2	3	75%
7 – 9	8	10	8	2	20%
10-12	5	5	5	0	0%
13-16	32	42	31	11	26%
Total	49	63	47	17	151%

3.12 CEMETORIES AND CREMATORIUMS

EMPLOYEES: CEMENTORIES AND CREMATORIUMS					
Job Level	2016/17		2017/18		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	0%
0 – 3	1	1	1	0	0%
4 – 6	0	0	0	0	0%
7 – 9	2	2	1	1	50%
10 – 12	4	6	6	0	0%
14 – 16	53	31	31	0	0%
Total	60	40	39	1	50%

3.13 TRAFFIC AND LICENSING

TRAFFIC AND LICENSING					
Job level	2016/17	2017/18			
	Employees No	Posts	Employees No	Vacancies	
0-3	1	2	1	1	50%
4-6	5	7	7	0	0%
7-9	34	45	43	2	4,4%
10-12	8	3	3	0	0%
13-16	5	5	4	6	29%
Total	53	62	58	9	83%

COMPONENT E: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.14 EXECUTIVE AND COUNCIL

The delegation, responsibilities and institutional arrangements for municipal performance management is based in the inter-face between council and the executive committee. The role of the Mayor is to facilitate the development of a long-term vision, IDP and PMS. The executive committee provides and manages the development of the IDP. The council adopt performance management framework, and approve the IDP.

EMPLOYEES: EXECUTIVE COUNCIL					
Job Level	Year -2016/17	Year 2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	2	2	0	0%
4 – 6	6	11	7	4	36,4%
7 – 9	3	8	8	0	0%
10 – 12	0	2	1	1	50%
13 – 15	0	0	0	0	0%
Total	10	23	17	5	85,4%

The Council and its committees are able to sit regularly as follows:

COUNCIL MEETINGS HELD FROM JULY 2017 - 04 JUNE 2018		EXECUTIVE COMMITTEE MEETINGS HELD FROM JULY 2017 – 30 JUNE 2018
Number of Meetings Held	17	17 Meetings
Number of Special Meetings	15	
Number of Ordinary Meetings	2	

3.15 FINANCIAL SERVICES

The municipality has, during its strategic session, decided to focus on ensuring that it is financially viable to carry out its constitutional mandate. The outcomes of the planning session illustrated the municipality's commitment to a realistic budgeting process in an effort towards meeting the competing needs within the limited financial resources. Section 18 of the Municipal Finance Management Act prescribes that an annual budget may only be funded from realistically anticipated revenues collected.

The 2017/2018 Medium Term Revenue and Expenditure Framework and the Multi-Year Budget was prepared to reflect the three-year plan of DLM. In addition, the directives from National Treasury based on MFMA circulars No 66, 67, 70, 72 74, and 75 were used as the bases for preparation of this budget.

The main challenges experienced in the 2017/2018 Budget can be summarized as follows:

- The increased cost of bulk purchases and arrears on Eskom account.

- The need to re-prioritize expenditure within the existing resource envelope given the cash flow realities and declining cash position.
- The state and lack of maintenance for infrastructure.
- Ensuring that drinking water and waste water management meets the required quality standards at all times.
- Unavailability of own-funding for capital budget; and
- Inability to raise capital/borrowing.
- Water and Electricity Master Plan

In order to ensure sustainability of vision and financial viability of the municipality in the long term, municipal tariffs were adjusted as follows:

Service	Percentage
Water	6.0
Electricity	9.4
Property rates	6.0
Sewerage	6.0
Refuse Collection	6.0
Miscellaneous	6.0

The total budget of the municipality is R446 million which comprises of R 406 million Operating Budget and R40 million for total Capital Budget

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions were excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and service charges forms a significant percentage of the revenue basket for the municipality. Rates and service charge revenues comprise 70 per cent of the total revenue mix. Followed by operational grants and other secondary revenue at 25 per cent and 5 per cent respectively.

It must be noted that after intense consultations with other stakeholders particularly Provincial Treasury, the municipality was advised to further cut its expenditure budget in order to create cash flow for the Eskom arrear debt.

Finally, the revenue of the municipality should be enhanced drastically and its Revenue Enhancement Strategy must be implemented and monitored in order to realize the anticipated surplus.

The DORA Allocations were as follows

<u>Description</u>	<u>2015/16 Actual Received (R)</u>	<u>2015/16 Budgeted (R)</u>	<u>2016/17 Indicative (R)</u>	<u>2017/18 Indicative (R)</u>
Equitable share	89,941,000	89,941,000	98,941,000	98,339,000
FMG	1,810,000	1,810,000	1,810,000	2,145,000
MIG	54,875,000	34,875,000	34,875,000	37,133,000
EPWP	1,038,000	1,038,000	1,038,000	1,208,000
LIBRARY (Opex & Capital)	350,000	-	350,000	350,000 900,000
INEP	5,000,000	5,000,000	500,000	18,000,000
Total	153,014,000	132,664, 000	150,075,000	158,075,000

Debt Recovery							
Details of the types of account raised and recovered	15/16		16/17			17/18	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	R 37 295 453	74%	52 000	R 30 653 163.58	59%	R 596 615 717,	%
Electricity - B	R 88 209 455	74%	171 000	R 132 196 000.50	67%	R 231 157,641,94	%
Water – B	R 25 107 611	42%	43 892	R 17 742 560.40	40%	R 71 823,986,63	%
Sanitation & Vacuum	R 14 014 689	51%	11 497	R 12 256 388.47	100%	R 37 483,451,37	%
Refuse	R 13 012 984	100%	12 981	R 16 305 312.00	100%	R 13 741 609,86	%
Other						R 576 918.01	
<i>B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.</i>							

EMPLOYEES: FINANCE					
Job Level	2017/18		2017/18		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	0%
0 – 3	3	3	2	1	33%
4 – 6	10	9	9	0	0%
7 – 9	16	25	25	0	0%
10-12	0	10	10	0	0%
13 – 16	0	0	0	0	0%
Total	29	47	46	1	33%

3.16 HUMAN RESOURCE SERVICES

Section 67 of the Municipal Systems Act states that “ A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistence with any uniform standards prescript in terms of section 72 (1) (c), to ensure fair, efficient, effective and transparent personnel administration.” To this effect the municipality has drafted numerous human resource policies that are mentioned in this report.

Employees: Human Resource Services					
Job Level	2017/18		2017/18		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	5	5	5	0	0%
7 – 9	6	7	6	1	14.3%
10-12	0	0	0	0	0%
Total	12	13	12	1	14,3%

3.17 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Information and communication unit has just recently been established by the municipality. Previously administration personnel were utilized to execute duties which are related to information technology and communication at an ad-hoc basis. However, it is apparent that equipment and machineries are worn-out and need to be replaced. The service statistics for ICT is not available. The directorate is in a process of developing the necessary policies and the master system plan.

EMPLOYEES: ICT SERVICES					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	2	2	2	0	0%
7 – 9	2	2	2	0	0%
Total	5	5	5	0	0%

3.18 PROPERTY, LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES

Legal services have been established but not the Risk and Procurement service departments.

EMPLOYEES: PROPERTY, LEGAL, RISK MANAGEMENT AND PROCUREMENT SERVICES					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	
0 – 3	1	1	1	0	0%
4 – 6	0	0	0	1	100%
7 – 9	0	1	0	0	0%
Total	1	2	1	1	100%

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

(PERFORMANCE REPORT PART II)

INTRODUCTION

The municipality has adopted a performance management framework to measure its organizational and individual goals. In line with the provision of performance management regulations guidelines, 2001 and 2006 the municipality has set clear realistic measurable targets that are in correspondence with the available resources and capacity within defined framework in its SDBP incorporated into the IDP.

However, overall performance monitoring and evaluation remained important aspects which still need to be discussed with labor representatives. The municipality has only contracted performance over its S57 employees as it is predetermined by the Systems Act and the municipality is currently working on measures to cascade monitoring and evaluation of performance to third layer of senior positions.

In pursuant to the provision of the constitution of the Republic of South Africa this framework seeks to instill a culture of performance management aimed at the economic, effective and accountable provision of service delivery and governance. Performance review is undertaken on a quarterly basis. There are monthly performance reports, quarterly reports, Mid-year performance Assessment reports and annual Report. The findings of the Auditor General on the predetermined Objectives are summarized as follows;

PREDETERMINED OBJECTIVES								
SUMMARY OF DETAILED AUDIT FINDINGS	Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's	Other important matters	Administrative matters
COMM 2: AOPO – No Standard Operating Procedures		✓						
COMM 2: AOPO – Strategic planning and budgeting: non-compliance with legislation.		✓						
COMM 2: AOPO – Business process not obtained								✓
COMM 2: AOPO – Control deficiencies with regard to performance Management , monitoring and reporting.		✓						
COMM 2:AOPO – POE evidence not submitted		✓						
COMM 2 AOPO – Predetermined Objectives : Annual Performance Report not submitted on 31/08/2017		✓						
COMM 9: AOPO Consistency and Presentation & Disclosure (ISS 68)		✓						

COMM 9 : AOPO Well defined & Verifiable (ISS 69)		✓							
COMM 9: AOPO Relevance (ISS70)		✓							
COMM 11: Compliance : Strategic planning and Performance management (ISS 116)		✓							

The municipality did not have a full time person dedicated to the performance management function. As it is now, the PMS Framework has been revised and adopted, SDBIP has been revised and adopted, the new Key Performance Indicators that conform to the SMART criteria and with clear delivery targets have been done. The two previous annual reports have been submitted to council and the Office of the Auditor General. The system is hamstrung by the fact that Section 57 managers are not yet appointed and regular assessments are not done.

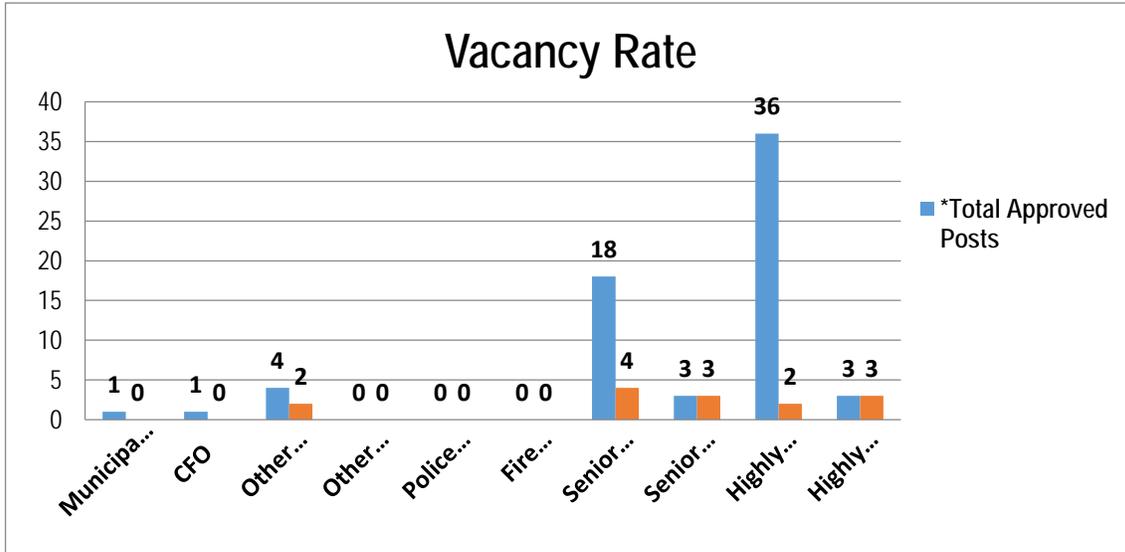
The municipality is looking at establishing its own internal audit capacity and the audit committee in terms of the requirements of the Act. Now the function is performed by the District on behalf of the municipality.

COMPONENT A: INTRODUCTION TO MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

EMPLOYEES					
Description	2016/17	2017/18			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water/Sewerage/Sanitation	55	55	53	2	3%
Waste Water (Sanitation)	43	43	42	1	
Electricity	23	44	22	22	50%
Waste Management	101	103	95	8	
Housing	7	7	7	0	0%
Waste Water (Storm water Drainage)	Part of roads				
Roads	53	52	50	2	4%
Transport	12	13	11	2	
Planning	4	4	3	1	%
Local Economic Development	5	6	5	1	16%
Planning (Strategic & Regulatory)	4	6	3	3	50%
Security &v Safety	62	62	58	4	
Sport & Recreation	63	63	57	6	9%
Finance	46	48	46	2	4%
Corporate Policy Offices and Other	84	84	75	9	10%
Total	562	590	527	63	10%

Vacancy Rate:			
Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0%
CFO	1	0	0%
Other S57 Managers (excluding Finance Posts)	4	4	0%
Other S57 Managers (Finance posts)	0	0	0%
Police officers	0	0	0%
Fire fighters	0	0	0%
Senior management: Levels 1 (excluding Finance Posts)	19	2	10%
Senior management: Levels 1 (Finance posts)	3	1	33%
Highly skilled supervision: levels 3-6 (excluding Finance posts)	35	11	11%
Highly skilled supervision: levels 3-6 (Finance posts)	10	1	10%
Total	73	19	26%



Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2015/16	106	29	0.3%
2016/17	6	12	2%
2017/18	4	14	3,5%

- In terms of the reporting period the organizational structure has 520 employees out of 717 provided for in the structure. The current structure is not arranged in a manner that adequately responds to the needs of communities and need to be reviewed, with specific to labor force representation and skills of the broader community. The total termination of service is rated at 40% and turn-over at 33%.

The difference between the latter aspects has been influenced by the following factors:

- By dismissal rate.
- Unfunded posts in the reviewed organizational structure.
- Lack of prerequisite skills required to fill technical posts.
- The determination by departments in ensuring requirements for employment in any post on the basis of the inherent requirement of the job.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

The white paper on public service Training and Education which was published in July 1997, provides inter alia for the establishment of a clear vision and policy framework to guide the introduction, implementation and transformation of training and education. It thus read with the Labour Relation Act, 1995 (Act 66 of 1995) which gives effect to section 27 of the constitution of 1996, concerning the rights regarding health, care, food, water and social security. To achieve its aims, the municipality had drafted and adopted innovative policies in the direction, management and operation of human resources development.

HR programmes and practices are implemented with the goal of balancing the needs and meeting the goals of both the organization and the employee. The workplace environment has been developed in such a way that it encourages employees to utilize their skills to their full potential.

4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action	Not Completed		
2	Attraction and Retention	Not Completed		
3	Code of Conduct for employees	Completed		02 October 2012
4	Delegations, Authorization & Responsibility	Not Completed		
5	Disciplinary Code and Procedures	Completed		2015 to 2020
6	Essential Services	Not Completed		
7	Employee Assistance / Wellness	Not Completed		
8	Employment Equity	Not Completed		
9	Exit Management	Not Completed		
10	Grievance Procedures			
11	HIV/Aids			
12	Human Resource and Development	Completed		02 October 2012
13	Information Technology	Not Completed		
14	Job Evaluation	Not Completed		
15	Leave	Completed		02 October 2012
16	Occupational Health and Safety	Completed		02 October 2012
17	Official Housing	Not Completed		
18	Official Journeys	Completed		30 May 2007
19	Official transport to attend Funerals	Not Completed		
20	Official Working Hours and Overtime	Completed		30 May 2007
21	Organizational Rights	Completed		2015 to 2020
22	Payroll Deductions	Not Completed		
23	Performance Management and Development	Not Completed		
24	Recruitment, Selection and Appointments	Completed		02 October 2012
25	Remuneration Scales and Allowances	Not Completed		
26	Resettlement	Not Completed		
27	Sexual Harassment	Not Completed		
28	Skills Development	Completed		02 October 2012
29	Smoking	Not Completed		
30	Special Skills	Not Completed		

31	Work Organization	Not Completed		
32	Uniforms and Protective Clothing	Not Completed		
33	Strike management policy	Completed		02 October 2012

The Skills Development Act, 1998 (Act 97 of 1998) provides the institutional framework to devise and implement national sector and workplace strategies to improve the skills. The municipality is also subscribing to this Act because it is part of the workforce and as such the management of human resource includes training and education to improve the work performance. The following training was done and the mandatory grant was **R 250,000**

Abet training	53
Councilor training	13
Employees	169
Minimum Competency	12
Ward Committees	0

It is in that context DLM developed workforce policies and continuously revises them because policies are not static in nature, they go with time. The municipality has broadly identified and defined categories of personnel for training and education as follows:

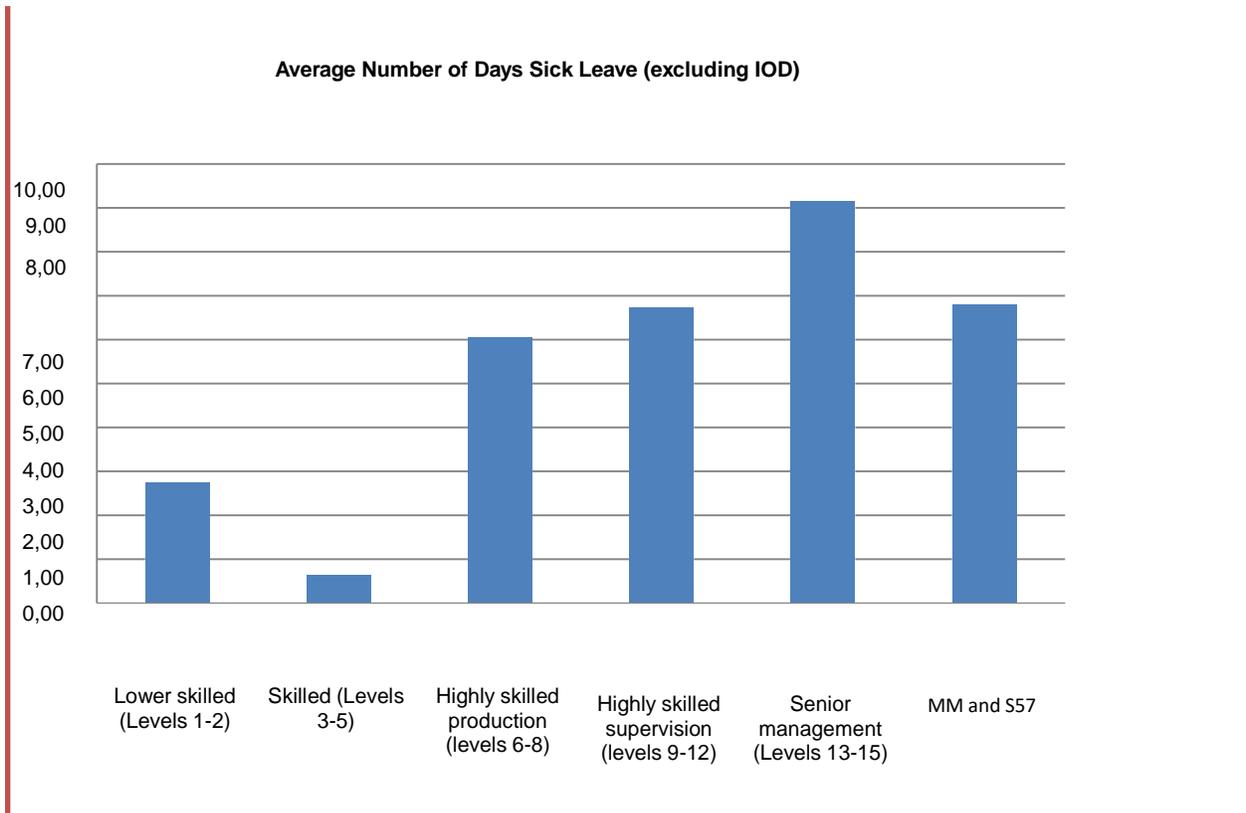
- Senior management and senior professional staff
- Middle management, skilled supervisory and professional staff
- Front line staff

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	182	12	3%	0.301	90
Temporary total disablement	-	-	0%	-	-
Permanent disablement	-	-	0%	-	-
Fatal	-	-	-	-	-
Total	182	12	3.0%	0.301	90

There are generally minor injuries experienced as tabulated above.

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave days	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 14-16)	585	26%	156	198	292.5	
Skilled (Levels 9-12)	85	10%	9	143	42.5	
Highly skilled production (levels 6-8)	172	12%	21	82	86	
Highly skilled supervision (levels 3 – 5)	119	11%	14	17	59.5	
Senior management (Levels 1-2)	65	9%	6	9	32.5	
MM and S57	6	16%	1	8	3	
Total	1032	1.02%	256	565	516	



Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalized	Date Finalized
Manager: Legal	Misconduct	05/01/2017	Disciplinary hearing is on process	Not yet finalized but suspension uplifted
Manager : LED	Misconduct	05/01/2017	Disciplinary hearing is on process	Suspension uplifted
Manager : Housing	Misconduct	05/01/2017	Disciplinary hearing is on process	Suspension uplifted

The municipality has, during the reporting period, managed to resolve all cases related to financial misconduct timeously. There are no financial recourses which have been experienced by the municipality as a result of not attending cases.

4.4 PERFORMANCE REWARDS

No performance rewards awarded during the year

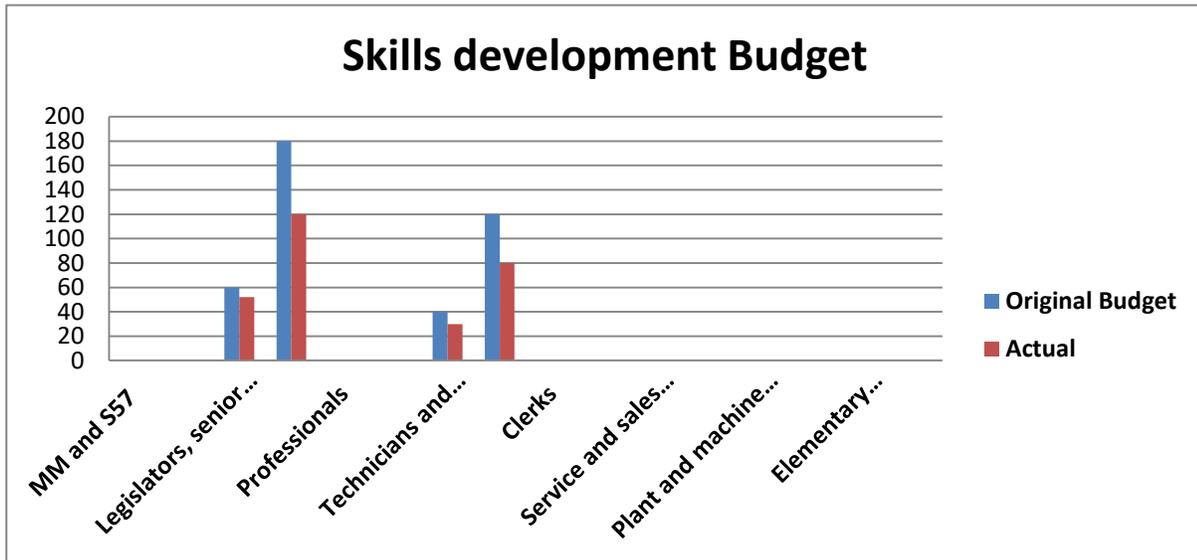
COMPONENT C: PERFORMANCE REWARDS AND CAPACITY BUILDING

4.5 SKILLS DEVELOPMENT AND TRAINING

Section 68 of the Municipal Systems Act instructs the municipality to develop its Human Resources Capacity to a level that enables it to perform its functions and exercise its powers in an economical effective, efficient and accountable way and for this purpose must comply with the Skills Development Act, 1998 (Act no 81 of 1998) and the Skills Development Levies Act, 1999 (Act No 28 of 1999). To this effect the municipality has a Workplace Skills Plan and employees do pay skills development levies

Skills Development Expenditure											
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1								
			Learner ships			Skills programmes & other short courses		Other forms of Training		Total	
			No.	2015/16	2016/17	2017/18	Original Budget	Actual	Original Budget	Actual	Original Budget
MM and S57	Female										
	Male	0	0	0	0	0	0			60	52
Councillors, senior officials and managers	Female	2	0	0	0	0	0			180	120
	Male	18			0	0	0			40	30
Technicians and associate Professionals	Female	39	0	0	0	0	0			120	80
	Male	23		0	0	0	0				
Professionals	Female	18	0	0	0	0	0			100	82
	Male	69	52		0	0	0			300	200
Total		169	220	0	0	0	0			800	564

4.5.3



Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				19	0	19
<i>Accounting officer</i>	0	0	0	1	1	1
<i>Chief financial officer</i>	0	0	0	0	0	0
<i>Sec 57 Managers</i>	0	0	0	1	0	1
<i>Senior managers</i>				3	0	3
Supervisor Level (<i>Controllers, supervisors and Team Leaders</i>)	0	0	0	0	0	1
<i>General workers</i>	0	0	0	0	0	0
Supply Chain Management Officials-						
<i>Heads of supply chain management units</i>	0	0	0	0	0	0
<i>SCM – Senior Managers</i>	0	0	0	0	0	0
TOTAL	0	0	0	24	0	24

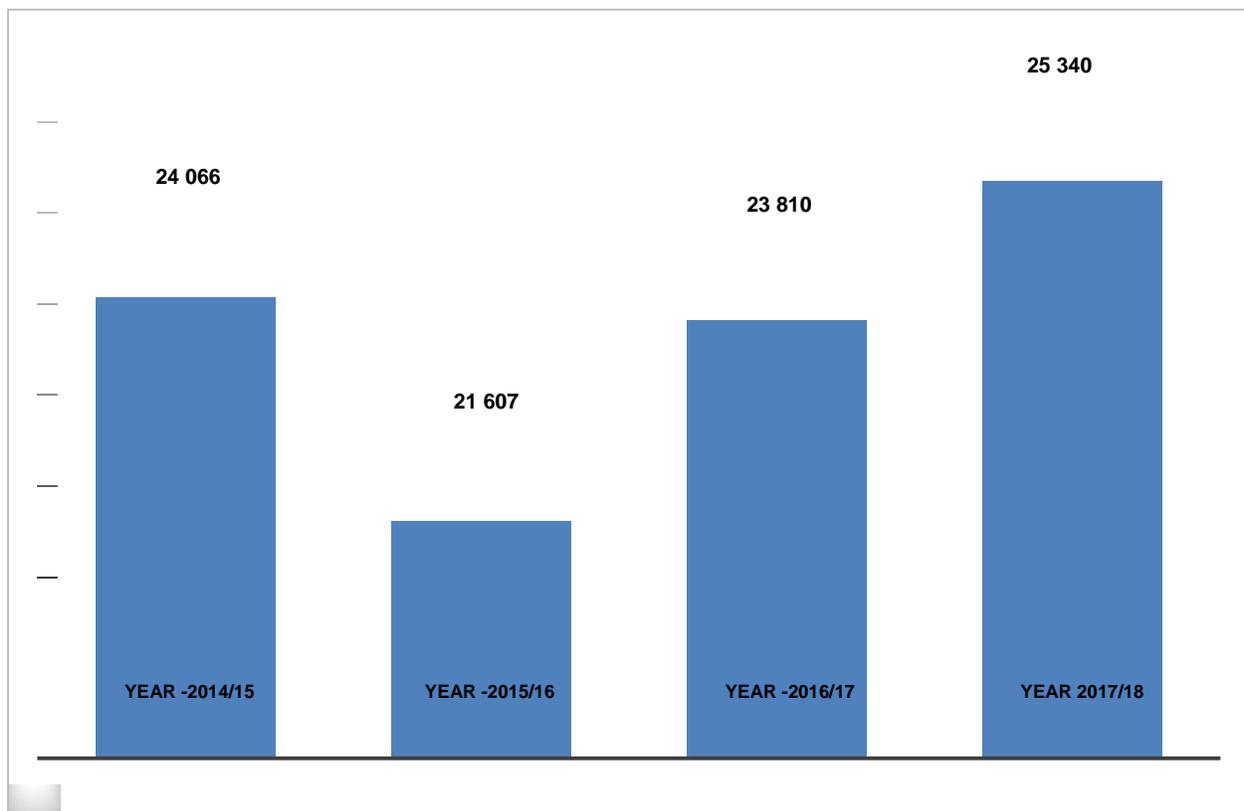
COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

Adequacy of training plans benefits the organization in many significant ways:

- Increase organizational effectiveness
- Satisfy employees needs
- Increase the level of investment in education and training in the labour market
- Develop the skills of the workforce
- Provide the employees the opportunity to acquire new skills
- Improve the employment prospects of persons previously disadvantaged
- Assist with the provision and regulation of the employment services

4.6 EMPLOYEE EXPENDITURE

Workforce Expenditure Trends (R' 000)



Financial Performance Year 16/17: Human Resource Services					
					R'000
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	R 0	R 261,800		R 361,800	R 100,000
Expenditure:					
Employees	R 5 593 437	R 5,701,813		R 2,524,422	R 3,177,391
Repairs and Maintenance	R 22 317				
Other	R 2 122 197	R 676,502		R 462,775	-R 213,727
Total Operational Expenditure	R 7 737 952	R 5,033,673		R 4,513,166	R 812,074.99
Net Operational Expenditure					

CHAPTER 5 – FINANCIAL PERFORMANCE

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The DLM during its strategic planning session, decided to focus on ensuring that the municipality is financially viable to carry out its constitutional mandate. Section 18 of the Municipal Finance Management Act prescribes that an annual budget may only be funded from realistically anticipated revenue collected.

Hence the headline inflation forecast was applied for the MTREF period in terms of circular 58 that:

Fiscal year	2013	2014	2015	2016	2017	2018
% estimates	5.4	5.6	5.4	5.0	5.0	5.0

The average payments levels for the past years have been around 71%. The incentive scheme was introduced as follows

Category	Description	Percentages discount
A	Pensioners and Indigents with salary level or R3500	100%
B	Workers earning R3500+ to R 10 000	60 %
C	Workers earning R 10 000+ to R 20 000	40 %
D	Workers earning R 20 000 + and upwards	20%

The municipality experiences cash flow challenges due to poor revenue collection, lack of internal capacity, high levels of indigence, water and electricity losses and lack of funds for preventative maintenance which resulted in poor customer service payment. The majority of customers are indeed indigent as such the affordability levels are very low. Some of the customers in rural areas are not billed, whilst the other majority mainly in the townships responds negatively and slow to instituted credit control measures. Payment apathy is the biggest challenge amongst certain sections of the community and that is where

more consumer education will need to be intensified.

- Payments of main creditors like Eskom, AG's Fees, Bulk purchases etc. remain a huge Challenge due to cash flow problems.
- Several measures were put in place to improve credit control in the municipality including installation of 800 water meters and replacement of 200 meters and appointment of UMS to intensify credit control measures. Electricity pre-paid meters have been installed for both residential, commercial and industrial users, but not all of them.
- These measures together with a Comprehensive Revenue Enhancement Strategy will have to be revisited and strengthened to maximize revenue collection and management. Other austerity measures will have to be explored to optimize the available resources.

Ditsobotla Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Legal form of entity

Category B municipality in terms of Section 1 of Local Government's Municipal Structures Act, 1998 (Act 117 of 1998) read with section Section 15 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

The primary function of the municipality is to provide basic services i.e. water, electricity, sewerage, water and sanitation to the Lichtenburg Jurisdiction.

Mayoral committee

Executive Mayor

Councillors

Hon. Cllr.D.T Buthelezi

Cllr. Mmota ME (Speaker)

Cllr. Modisane BM (Chief Whip)

Cllr. Njakanjaka

Cllr. Van Der Linde WG

Cllr. Morutse MW

Cllr. Matlholoa RB

Cllr. Schnepel AR

Cllr. Botswe MM

Cllr. Motlhako K

Cllr. Diale GS

Cllr. M. Mmota

Cllr. English MJ

Cllr. Ithopeng KL

Cllr. Joe TJ

Cllr. Matshane SA

Cllr. Matshogo MP

Cllr. Mofokeng MER

Cllr. Mogatwe PM

Cllr. Mokhuane TB

Cllr. Mokoneng IJ

Cllr. Mokoso MH

Cllr. Molawa TE

Cllr. Moloko VJ

Cllr. Mongale LG

Cllr. Morea MP

Cllr. Mthambe JL

Cllr. Mvundisi TS

Cllr. Nkashe IT

Cllr. Setlhare OS

Cllr. Sonakile T

Cllr. Thebeyagae ML

Cllr. Feurie JPG

Cllr. Moheta BJ

Cllr. Engelbrecht R

Cllr. Melamu TK

Cllr. Moeketsane SE

Cllr. Seribe KM

Cllr. Daemane KH

Cllr. Gulube MM

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Chief Finance Officer

Mr MJ Moipolai

Accounting Officer

Mr L Ralekgetho

Registered office

Civic Centre
Cnr Nelson Mandela and Transvaal Street
Lichtenburg
North West
2740

Postal address

P.O.Box7
Lichtenburg
2740

Auditors

Auditor General of South Africa

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 77 to 134, which have been prepared on the going concern basis, were approved on 30 November 2018 and were signed on its behalf by



**Accounting Officer
Designation**

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Report

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

1. Incorporation

2. Review of activities

Main business and operations

Ditsobotla Local Municipality is a low capacity local municipality and delivers basic services such as water, electricity and refuse removal services to the Litchenburg region. The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

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

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

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

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Bankers

The municipality banks primarily with ABSA Bank.

7. Auditors

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

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	8	1 509 338	1 821 869
Receivables from exchange transactions	9	1 026	1 026
Receivables from non-exchange transactions	10	11 060 586	7 016 043
VAT receivable	11	42 061 467	27 265 624
Consumer debtors	12	348 936 971	152 224 803
Cash and cash equivalents	13	43 168 235	66 650 284
		446 737623	254 979649
Non-Current Assets			
Investment property	3	104 569 063	104 569 063
Property, plant and equipment	4	869 673 552	879 683 999
Intangible assets	5	193 870	193 870
Heritage assets	6	506 794	506 794
		974 943 279	984 953 726
Total Assets		1 421 680 902	1 239 933 375
Liabilities			
Current Liabilities			
Payables from exchange transactions	17	493 488 099	430 293 416
Consumer deposits	18	2 839 593	3 553 098
Employee benefit obligation	7		1 336 000
Unspent conditional grants and receipts	15	3 324 740	3 323 290
Provisions	16	20 060 946	20 944 706
		519 713 378	459 450 510
Non-Current Liabilities			
Employee benefit obligation	7	17 820 000	16 484 000
Provisions	16	9 212 000	9 212 000
		27 032 000	25 696 000
Total Liabilities		546 745 378	485 146 510
Net Assets		874 935 524	754 786 865
Accumulated surplus	14	874 935 524	754 786 865

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Service charges	20	329 799 777	235 481 620
Rental of facilities and equipment	21	464 459	(3 531 713)
Interest received (trading)		41 415 396	29 641 200
Agency services		1 994 897	2 228 939
Licences and permits		189 920	374 892
Other income	23	(4 066 419)	5 772 829
Actuarial gains			3 227 000
Total revenue from exchange transactions		369 798 030	273 194 767
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	56 084 797	49 089 879
Transfer revenue			
Government grants & subsidies	25	138 779 427	15 1228 079
Fines, Penalties and Forfeits		144 839	203 385
Total revenue from non-exchange transactions		195 009 063	200 521 343
Total revenue	19	564 807 093	473 716 110
Expenditure			
Employee related costs	26	(175 802 066)	(168 253 411)
Remuneration of councilors	27	(11 712 265)	(11630005)
Depreciation and amortisation	28	(40 951 003)	(54 690 992)
Impairment loss/ Reversal of impairments	29		(8 852 806)
Finance costs	30	(30 521 036)	(22 386 476)
Bulk purchases	31	(82 341 359)	(114 710 529)
Contracted services	32	(1 586 366)	(2 119 513)
General Expenses	33	(101 744 342)	(89 567 620)
Total expenditure		(444 658 437)	(472 211 352)
Surplus for the year		120 148 656	1 504 758

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	753 282 107	753 282 107
Changes in net assets		
Surplus for the year	1 504 758	1 504 758
Total changes	1 504 758	1 504 758
Balance at 01 July 2017	754 786 868	754 786 868
Changes in net assets		
Surplus for the year	120 148 656	120 148 656
Total changes	120 148 656	120 148 656
Balance at 30 June 2018	874 935 524	874 935 524
Note(s)		

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Sale of goods and services		-	240 326 567
Grants		-	151 228 079
Interest received		-	29 641 200
Other receipts		-	49 293 260
			470 489 106
Payments			
Employee costs		-	(179 883 416)
Suppliers		-	(185 155 074)
Finance costs		(30 521 036)	(22 386 476)
Other cash item	37		1 687 238
		(30 521 036)	(385 737 728)
Undefined difference compared to the cash generated from operations note		37 979 541	
Net cash flows from operating activities	36	7 458 505	84 751 378
Cash flows from investing activities			
Purchase of property, plant and equipment	4		(80 506 698)
Proceeds from sale of property, plant and equipment	4		1626746
Net cash flows from Investing activities			(108 521 152)
Net Increase/(decrease) In cash and cash equivalents		7 458 505	(23 769 774)
Cash and cash equivalents at the beginning of the year		66 650 284	64 032 349
Cash and cash equivalents at the end of the year	13	74 108 789	40 262 575

Ditsobotla Local Municipality

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 Rands

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	233 000 000		233 000 000	329 799 777	96 799 777	
Rental of facilities and equipment	3 500 000		3 500 000	464 459	(3 035 541)	
Interest received (trading)	5 500 000		5 500 000	41 415 396	35 915 396	
Agency services	4 000 000		4 000 000	1 994 897	(2 005 103)	
Licences and permits	300 000		300 000	189 920	(110 080)	
Other income (rollup)	2 000 000		2 000 000	(4 066 419)	(6 066 419)	

Total revenue from exchange transactions

	248 300 000		248 300 000	369 798 030	121 498 030	
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Revenue from non-exchange transactions

Taxation revenue

Property rates	55 000 000		55 000 000	56 084 797	1 084 797	
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Transfer revenue

Government grants & subsidies	102 042 000		102 042 000	138 779 427	36 737 427	
Fines, Penalties and Forfeits	200 000		200 000	144 839	(55 161)	

Total revenue from non-exchange transactions

	157 242 000		157 242 000	195 009 063	37 767 063	
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Total revenue

	405 542 000		405 542 000	564 807 093	159 265 093	
--	-------------	--	-------------	-------------	-------------	--

Expenditure

Personnel	167 882 000		167 882 000	(175 802 066)	(343 684 066)	
Remuneration of councillors	14 700		14 700	(11 712 265)	(11 726 965)	
Depreciation and amortisation	31 764 000		31 764 000	(40 951 003)	(72 715 003)	
Finance costs	930 000		930 000	(30 521 036)	(31 451 036)	
Debt Impairment	20 500 000		20 500 000		(20 500 000)	
Bulk purchases	96 244 000		96 244 000	(82 341 359)	(178 585 359)	
Contracted Services	19 500 000		19 500 000	(1 586 366)	(21 086 366)	
Transfers and Subsidies	11 000 000		11 000 000		(11 000 000)	
Other materials	18 000 000		18 000 000	(101 744 342)	(119 744 342)	
Other (taken out of General expenses)	19 700 000		19 700 000		(19 700 000)	

Total expenditure

	385 534 700		385 534 700	(444 658 437)	(830 193 137)	
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Surplus before taxation

	791 078 700		791 078 900	120 148 656	(670 928 044)	
--	-------------	--	-------------	-------------	---------------	--

Actual Amount on Comparable Basis as Presented In the Budget and Actual Comparative Statement

	791 076 700		791 076 700	120 148 656	(670 928 044)	
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Reconciliation

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Investment property

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

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

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

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

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

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

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

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.3 Investment property

(continued) Fair value

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

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

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

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

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

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

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

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

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	NIA	Indefinite
Buildings	Straight line	30 years
Plant and machinery	Straight line	1 - 7 years
Furniture and fixtures	Straight line	1 - 7 years
Motor vehicles	Straight line	2-4 years
IT equipment	Straight line	1-4 years
Investment property	Straight line	30 years

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

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

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

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

Ditsobotla Local Municipality

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

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

1.4 Property, plant and equipment (continued)

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

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

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

1.5 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	1 - 5 years

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

1.6 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

1.6 Heritage assets (continued)

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

1.7 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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1.7 Financial Instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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1.7 Financial Instruments (continued)

Classification

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

Class	Category
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value
Investments	Financial asset measured at fair value

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

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Payables from exchange and non-exchange transactions	Financial liability measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

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Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as

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the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments(continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.7 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.8 Tax

1.9 Leases

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

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

Operating lease - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.10 Inventories

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2018

1.10 Inventories (continued)

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

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

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

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

1.11 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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

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

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

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

Useful life is either:

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

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1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a municipality after deducting all of its liabilities.

1.13 Employee benefits

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

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

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

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

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

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

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

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1.13 Employee benefits (continued)

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Ditsobotla Local Municipality

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1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

Ditsobotla Local Municipality

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1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date.

Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 Revenue from exchange transactions

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

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

Ditsobotla Local Municipality

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

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.

Ditsobotla Local Municipality

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Accounting Policies

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition,

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

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

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

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.17 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Ditsobotla Local Municipality

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.21 Fruitless and wasteful expenditure (continued)

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

1.22 Irregular expenditure

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

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

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

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

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

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

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget Information

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

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

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

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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Accounting Policies

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognized in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

2. New standards and Interpretations

2.1 Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected Impact:
• GRAP 34: Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
◦ GRAP 35: Consolidated Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2019	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2019	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation - Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities - Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
◦ GRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2.	New standards and Interpretations (continued)		
	• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
	GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
	GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
	GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
	• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
	• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
	• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
	Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2018		2017	
	Cost / Valuation	Accumulated carrying value depreciation and accumulated Impairment	Cost / Valuation	Accumulated carrying value depreciation and accumulated Impairment
Investment property	104 569 063	104 569 063	104 569 063	- 104 569 063
Reconciliation of investment property- 2018				
Investment property				Opening balance 104 569 063
Reconciliation of Investment property- 2017				Total 104569063
Investment property			Opening balance 111 717 524	Transfers (7 148 461)
				Total 104 569 063

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,

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Annual Financial Statements for the year ended 30 June 2018

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3. Investment property(continued)

- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognise

4. Property, plant and equipment

	2018			2017		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated Impairment	Carrying value
Land	462 175 001	(201 645 529)	260 529 472	458 222 868	(203 625 999)	254 596 869
Plant and machinery	79 333 306		79 333 306	55 552 685		55 552 685
Infrastructure	1 078 955 248	(553 952 625)	525 002 623	1 077 983 110	(513 256 817)	564 726 294
Other property, plant and equipment	221 96 896	(17 388 745)	4 808 151	22 196 896	(17 388 745)	4 808 151
Total	1 642 660 451	(772 986 819)	869 673 552	1 613 955 559	(734 271 561)	879 683 999

Reconciliation of property, plant and equipment- 2018

	Opening balance	Difference	Total
Land	254 596 869	;;:32 603	260 529 472
Work in progress (WIP)	55 552 685	;;: 780 621	79 333 306
Infrastructure	564 726 293	(39 723 670)	525 002 623
Other property, plant and equipment	4 808 151		4 808 151
	879 683 998	(10 010 446)	869 673 552

Reconciliation of property, plant and equipment- 2017

	Opening balance	Difference	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	275 935 959	(5 311 610)				(13 964 309)	(2 063 171)	254 596 869
Work in progress (WIP)	21 724 422		57 167 481		(23 339 217)			55 552 686
Infrastructure	572 461 341	8 644 491	23 339 217	(1 626 746)		(38 292 010)		564 726 293
Other property, plant and equipment	4 708 608	99 543						4 808 151
	874 830 330	363 2424	80 506 698	(1 626 746)	(23 339 217)	(52 256 319)	(2 063 171)	879 683 999

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Figures in Rand	2018	2017
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4. Property, plant and equipment (continued)

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

5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated Impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets 1	1 092 513	(898 643)	193 870	1 092 513	(898 643)	193 870

Reconciliation of intangible assets - 2018

	Opening balance	Total
Intangible assets 1	193 870	193 870

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Intangible assets 1	819 870	(626 000)	193 870

6. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated Impairment losses	Carrying value	Cost / Valuation	Accumulated Impairment losses	Carrying value
Historical monuments	506 794		506 794	506 794		506 794

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	506 794	506 794

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	506 794	506 794

Ditsobotla Local Municipality

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7. Employee benefit obligations

Defined benefit plan

Post-retirement benefit plan

The municipality provides certain post-retirement benefit 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 (Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement. In which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr Niel Fourie, Fellow of 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 amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-partly or wholly funded	(17 820 000)	(17 820 000)
Undefined Difference		
	<u>(17 820 000)</u>	<u>(17 820 000)</u>
Non-current liabilities	(17 820 000)	(16 484 000)
Current liabilities		(1 336 000)
	<u>(17 820 000)</u>	<u>(17 820 000)</u>
Net expense recognised in the statement of financial performance		
Current service cost		323 000
Interest cost		2 041 000
Actuarial (gains) losses		(4 351 000)
Settlement		(1 240 000)
		<u>(3 227 000)</u>

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	%	7.75%
Expected rate of return on assets	-%	5.25%
Expected rate of return on reimbursement rights	-%	6.27%
Actual return on reimbursement rights	-%	4.41 %

The basis used to determine the overall expected rate of return on assets is as follow: [provide details]

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

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Notes to the Annual Financial Statements		2018	2017
8. Inventories			
Consumable stores		1 438 295	1 750 826
Water		71 043	71 043
		<u>1 509 338</u>	<u>1 821 869</u>
9. Receivables from exchange transactions			
Trade debtors		1 026	1 026
10. Receivables from non-exchange transactions			
Other receivables from non-exchange revenue		11060586	7 016 043
11. VAT receivable			
VAT		42061 467	27 265 624
12. Consumer debtors			
Gross balances			
Rates		95 705 590	72 802 391
Electricity		124 416 488	50 066 821
Water		206 560 781	146 693 645
Sewerage		79 978 070	53 009 846
Refuse		48 460 988	35 837 046
		<u>555 121 917</u>	<u>358 409 749</u>
Less: Allowance for impairment			
Accumulated impairments		(206 184 946)	(206 184 946)
Net balance			
Rates		95 705 590	72 802 391
Electricity		124 416 488	50 066 821
Water		206 560 781	146 693 645
Sewerage		79 978 070	53 009 846
Refuse		48 460 988	35 837 046
Other (specify)		(206 184 946)	(206 184 946)
		<u>348 936 971</u>	<u>152 224 803</u>
Rates			
Current (0-30 days)			4 059 660
31 - 60 days			2 234 101
61 -90 days			27 291 658
91 -120 days			166 257 8
121 - 365 days			160 381 4
> 365 days			35 950 580
Undefined Difference		95 705 590	
		<u>95 705 590</u>	<u>72 802 391</u>

Ditsobotla Local Municipality

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Notes to the Annual Financial Statements

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12. Consumer debtors (continued)

Electricity		
Current (0 -30 days)		15 696 577
31 - 60 days		2 017 164
61 -90 days		2 278 678
91 • 120 days		1 109 651
121 - 365 days		1460259
> 365days		27 504 492
Undefined Difference	24 416 488	
	<u>124 416 488</u>	<u>50 066 821</u>
Water		
Current (0 -30 days)		23 306 685
31 • 60 days		5 416 009
61 - 90 days		3 454 631
91 - 120 days		2 143 916
121 • 365 days		2 283 177
> 365days		110 089 227
Undefined Difference	206 560 78;	
	<u>206 560 781</u>	<u>146 693 645</u>
Sewerage		
Current (0 -30 days)		8 125 222
31 - 60 days		2 413 390
61 - 90 days		1886412
91 -120 days		1723062
121 - 365 days		1 828 513
> 365 days		37 033 247
Undefined Difference	79 978 070	
	<u>79 978 070</u>	<u>53 009846</u>
Refuse		
Current (0 -30 days)		1972094
31 -60 days		1042059
61 -90 days		996 344
91 -120 days		896771
121 - 365 days		954006
> 365days		29 975 772
Undefined Difference	48 460 988	
	<u>48 460 988</u>	<u>35 837 046</u>
Other (specify)		
Current (0 -30 days)		216 694
31 - 60 days		154 025
61 - 90 days		137 357
91 -120 days		131 971
121 - 365 days		136 441
>365 days		- (206 961 434)
Undefined Difference	(206 184 946)	
	<u>(206 184 946)</u>	<u>(206 184 946)</u>

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
12. Consumer debtors (continued)		
Reconciliation of allowance for Impairment		
Balance at beginning of the year	-	(194 862 915)
Contributions to allowance		(11 322 031)
Undefined Difference	(206 184 946)	
	(206 184 946)	(206 184 946)
13. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	1 084 084	1 421 865
Short-term deposits	1 933 505	837 513
Other cash and cash equivalents	40 150 646	64 390 906
	43 168 235	66 650 284
14. Accumulated surplus		
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Library grant	1 086 289	1 084 839
MIG grant	1 966 018	1 966 018
Financial Management Grant	272 433	272 433
The nature and extent of government grants recognised in the annual financial statements	3 324 740	3 323 290

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Annual Financial Statements for the year ended 30 June 2018

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

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

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

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

Figures in Rand	2018	2017
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16. Provisions

Reconciliation of provisions -2018

	Opening Balance	Utilised during the year	Total
Environmental rehabilitation	20 944 706	(883 760)	20 060 946
Legal proceedings	9 212 000		9 212 000
	<u>30 156 706</u>	<u>(883 760)</u>	<u>29 272 946</u>

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	20 060 946	883 760		20 944 706
Long service awards	8 573 000	1 525 000	(886 000)	9 212 000
	<u>28 633 946</u>	<u>2 408 760</u>	<u>(886 000)</u>	<u>30 156 706</u>

Non-current liabilities		9 212 000	9 212 000
Current liabilities		20 060 946	20 060 946
		<u>29 272 946</u>	<u>30 156 706</u>

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R19 272 926 to restore the site at the end of its useful life, estimated to be between 2015 to 2022 for Lichtenburg Townlands landfill site. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

Long service awards

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2017 by Mr N Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Project Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows for the year ended 30 June 2017:

Discount rate - 8.68%
 General salary inflation - 7.28%
 Net discount rate - 1.26%

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

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the postemployment liabilities should be used.

The principal assumptions used for the purposes of the actuarial valuations

Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
	<u>126</u>	<u>126</u>

Movement In the present value of the Defined Benefit Obligation were as

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements		2018	2017
16. Provisions (continued)			
Balance at the beginning of the year			8 573 000
Current service cost			898 000
Interest costs			830 000
Benefits paid			(886 000)
Actuarial losses / (gains)			(203 000)
			<u>9 212 000</u>
The amount recognised in the Statement of Financial Position are as follows:			
Present value of unfunded obligations			<u>9 212 000</u>
The amount recognised in the Statement of Financial Performance are as follows:			
Current service cost			898 000
Interest cost			830 000
Actuarial losses (gains)			(203 000)
Total Benefit included in Employee			<u>1 525 000</u>
17. Payables from exchange transactions			
Trade payables	393 782 762	326 454 291	
Other payables 1	9 599 345	20 429 028	
Accrued leave pay	18 082 164	13 167 013	
Accrued bonus	5 676 401	5 676 401	
Deposits received	63 938 137	59 443 118	
Other payables	2 409 290	2 343 547	
Other creditors #1		2 780 018	
	<u>493 488 099</u>	<u>430 293 416</u>	
18. Consumer deposits			
Services	<u>2 839 593</u>	<u>3 553 098</u>	
19. Revenue			
Service charges	3297991n	235 481 621	
Rental of facilities and equipment	464459	(3 531 713)	
Interest received (trading)	41415396	29 641 201	
Agency services	1994897	2 228 939	
Licenses and permits	189 920	374 892	
Other income - (rollup)	(4 066 419)	5 772 831	
Property rates	56 084 797	49 089 879	
Government grants & subsidies	138 779 427	151 228 080	
Fines, Penalties and Forfeits	144 839	203 385	
	<u>564 807 093</u>	<u>470 489 115</u>	
The amount included in revenue arising from exchanges of goods or services are as follows:			
Service charges	329 799 777	235 481 621	
Rental of facilities and equipment	464 459	(3 531 713)	
Interest received (trading)	41 415 396	29 641 201	
Agency services	1 994 897	2 228 939	
Licenses and permits	189 920	374 892	
Other income - (rollup)	(4 066 419)	5 772 831	
	<u>369 798 030</u>	<u>269 967 771</u>	

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018

2017

19. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	56 084 797	49 089 879
Transfer revenue		
Government grants & subsidies	138 779 427	151 228 080
Fines, Penalties and Forfeits	144 839	203 385
	<u>195 009 063</u>	<u>200 521 344</u>

20. Service charges

Sale of electricity	216 263 467	124 725 862
Sale of water	64 799 674	61 231 442
Sewerage and sanitation charges	33 945 015	34 407 419
Refuse removal	14 791 621	15 116 897
	<u>329 799 777</u>	<u>235 481 620</u>

21. Rental of facilities and equipment

Premises		
Housing		(3 592 482)
Community hall	45 586	58 523
	45 586	(3 533 959)
Facilities and equipment		
Rental of facilities	418 873	2 246
	<u>464 459</u>	<u>(3 531 713)</u>

22. Other revenue

Other income - (rollup)	(4 066 419)	5 772 831
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23. Other income

Other income 1	(4 066 419)	5 772 831
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24. Property rates

Rates received		
Residential	36 304 058	34 581 915
Commercial	25 694 033	20 207 493
State	6 097 404	3 120 058
Less: Income forgone	(12 010 698)	(8 819 587)
	<u>56 084 797</u>	<u>49 089 879</u>

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
25. Government grants and subsidies		
Equitable share	97 931 627	89 929 662
Capital grants		
MIG grant	19 133 000	52 908 982
FMG grant	2 100 000	1 537 567
MSIG grant	361 800	444 987
LG SETA grant		368 882
EPWP grant	1 208 000	1 038 000
INEP grant	18 045 000	5 000 000
	<u>40 847 800</u>	<u>61 298 418</u>
	<u>138 779 427</u>	<u>151 228 080</u>
EPWP		
Current-year receipts	1 208 000	
Conditions met - transferred to revenue	(1 918 924)	
Undefined Difference	710 924	
	<u>710 924</u>	
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
Library grant		
Balance unspent at beginning of year	1 084 839	303 721
Current-year receipts	1 450	1 150 000
Conditions met - transferred to revenue		(368 882)
	<u>1086289</u>	<u>1084839</u>
Conditions still to be met - remain liabilities (see note 15).		
Provide explanations of conditions still to be met and other relevant information.		
MIG		
Balance unspent at beginning of year	1 966 018	
Current-year receipts	19 133 000	54 875 000
Conditions met - transferred to revenue	(19133000)	(52 908 982)
	<u>1966018</u>	<u>1966018</u>
Conditions still to be met - remain liabilities (see note 15).		
The MIG expenditure for 2017/18 includes R16.6 relating to Projects that were on the implementation plan. The remaining R2.4m will be rolled over to 2018/19 subject to approval by Treasury ..		
Financial Management Grant		
Balance unspent at beginning of year	272 433	
Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(2 145 000)	(1 537 567)
	<u>272 433</u>	<u>1 810 000</u>

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018	2017
272 433	272 433

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 15).

INEP Grant

Current-year receipts	18 000 000
Conditions met - transferred to revenue	(5 681 586)
Undefined Difference	(12 318 414)

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
26. Employee related costs		
Basic	102 842 884	101 745 134
Bonus	8 117 766	6 627 525
Medical aid - company contributions	8 076 624	7 567 946
UIF	958 339	978 152
SDL	1 962 640	1 926 154
Other payroll levies	20 314 578	19 140 532
Travel, motor car, accommodation, subsistence and other allowances	13 782 875	13 075 986
overtime payments	17 264 618	14 104 253
Long-service awards	2 481 742	3 087 729
	<u>175 802 066</u>	<u>168 253 411</u>
Remuneration of Municipal Manager: TG Ramagaga		
Annual Remuneration	294 095	410 127
Municipal manager was appointed from 1st June to 30 September 2017		
Remuneration of Chief Financial Officer: LJ Dintwe		
Annual Remuneration	719 377	1 199 017
Car Allowance	221 708	
Contributions to UIF, Medical and Pension Funds		167 260
	<u>941 085</u>	<u>1366277</u>
Chief Financial Officer was appointed and started on 1st June 2017 to January 31st 2018		
Remuneration of Acting Municipal Manager: TF Mopeloa		
Annual Remuneration	<u>473 399</u>	
Acting Chief Financial Officer was appointed and started on 1st February to May 31st 2018		
Remuneration of Chief Financial Officer: MJ Moipolai		
Annual Remuneration	<u>386 980</u>	
Acting Municipal Manager was appointed and started on 1st June to June 30th 2018		
Remuneration of Corporate Services Director: AST Nxumalo		
Annual Remuneration	86505	1118104
Contributions to UIF, Medical and Pension Funds		196 626
Selling of Long Service	199 304	
	<u>285 809</u>	<u>1314730</u>
27. Remuneration of councillors		
Executive Major	706 964	765 932
Councillors	11 005 301	10 864 072
	<u>11 712 265</u>	<u>11 630 004</u>

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018 2017

Figures in Rand

28. Depreciation and amortisation

Property, plant and equipment	40 951 003	54 690 992
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29. Impairment of assets

Impairments		
Investment property		8 852 806

Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

30. Finance costs

Owners	30 521 036	22 386 476
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Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2017: A-).

31. Bulk purchases

Electricity	78 306 652	110 809 065
Water	4 034 707	3 901 464
	82 341 359	114 710 529

32. Contracted services

Other Contractors	1 586 366	2 119 513
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Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

	2018	2017
33. General expenses		
Advertising	926 580	1 142 270
Auditors remuneration	1 058 221	8 654 188
Bank charges	445 822	(333)
Consulting and professional fees	18 143 900	20 088 988
Consumables	199 650	674 377
Insurance	2 173 652	1 439 094
Medical expenses		19 188
Packaging		1 767 522
Fuel and oil	3 265 283	3 349 474
Postage and courier	1 637 408	1 891 319
Protective clothing	658 781	239 830
Repairs and maintenance	18 905 456	8 354 802
Security (Guarding of municipal property)	8 082 411	8 116 744
Subscriptions and membership fees	8 719	21 637
Telephone and fax	179 912	1 787
Training		54 967
Travel - local	450 004	258 931
Refuse	88 785	416 964
Expense 3	2 339 435	1 828 963
Expense 8	6 608 251	6 800 343
Expense 10	2 916 620	2 653 711
Chemicals	110 251	44 428
Hostel charges	608 737	16 176 954
Other expenses	32 936 464	5 571 480
	<u>101 744 342</u>	<u>89 567 628</u>
34. Fair value adjustments		
35. Auditors' remuneration		
Fees	1058 221	8 654 188
36. Cash generated from operations		
Surplus	120148 656	26 508 531
Adjustments for:		
Depreciation and amortisation	40 951 003	52 253 319
Movements In retirement benefit assets and liabilities		(3 227 000)
Movements in provisions	(883 760)	1 552 760
Other non-cash items		1 687 238
Transfers		30 487 678
Amortisation		626 000
Changes In working capital:		
Inventories	312 531	85 894
Consumer debt	(196 712 168)	(112 847 210)
other receivables from non-exchange transactions	(4 044 543)	
Payables from exchange transactions	63 194 684	102 814 912
VAT	(14 795 843)	(18 167 306)
Unspent conditional grants and receipts	1 450	3 019 569
Consumer deposits	(713 505)	(43 007)
	<u>7 458 505</u>	<u>84 751 378</u>
37. Other cash Item 1		

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

2018

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38. Financial instruments disclosure

Categories of financial Instruments

Ditsobotla Local Municipality

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Notes to the Annual Financial Statements

2018

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38. Financial instruments disclosure (continued)

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1 026	1 026
Other receivables from non-exchange transactions	11 060 586	11 060 586
Consumer debtors	348 962 531	348 962 531
Cash and cash equivalents	5 205 464	5 205 464
	<u>365 229 607</u>	<u>365 229 607</u>

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	430 293 417	430 293 417

2017

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions		1 026	1 026
Other receivables from non-exchange transactions		7 016 043	7 016 043
Consumer debtors		152 224 803	152 224 803
Cash and cash equivalents	66 650 284		66 650 284
	<u>66 650 284</u>	<u>159 241 872</u>	<u>225 892 156</u>

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	430 293 417	430 293 417

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for
Property, plant and equipment 16 384 328

Total capital commitments
Already contracted for but not provided for 16 384 328

Total commitments

Total commitments
Authorised capital expenditure 16 384 328

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, existing cash resources, MIG allocations during the year and funds internally generated.

Ditsobotla Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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2017

40. Contingencies

The municipality has the following contingent liabilities and contingent assets:

Sixbar Trading 6491/ Ditsobotla LM (June 2013)

The Plaintiff was appointed on risk to do Credit Control on behalf of Council. He terminated his services due to lack of cooperation from our staff. He claims the amount for collection services on the 30-120 day and more Debtors Book from the Defendant. The claim amount is R3 080 537.

Erroneous Payment (November 2011)

The municipality has instituted legal action for payments made to previous employees and councillors amounting to R167 226)

Malebilo Trading Cc//Ditsobotla LM. (June 2011)

Contract was terminated for web design, development and maintenance amounting to RSO 000

Baleml Civlls//Ditsobotla LM. (July 2012)

Termination of contract due to non-performance. The matter was handled by Edward Nathan Sonneberg Attorneys and due to their high fees the Administrator Mr.Dikoko directed that it be dealt with locally. The claim amount is R3 800 000.

TlotloTlhago Plant Hire//Ditsobotla LM (October 2012) 10 Dec 2010

The Plaintiff tendered for the upgrading of the Itsoseng Internal Roads & Stormwater system. The claim amount is R2 565 486

Ditsobotla Local Municipality//Annemie Goncalves (July 2013)

Appointed to sell Electricity to Municipality. The municipality has instituted a claim against Annemie Goncalves to the amount of R2163124.

40. Contingencies (continued)

EL Masigo (January 2014)

Struck by spike at the park Cases No. 01242. The claim amount is R2 100 000

Tshlkaletl T7691 Consulting Cc(Feb 2009)

Payment for Service rendered on meter readings: DI0196. The claim amount is R15 600 000.

Phaklsa Civils (Edms) Bpk (June 2007)

DL0066. The claim amount is R189 668.

Willem Smit//DHSobotla LM (Jan 2014)

Plaintiff's car damaged by pothole on the 31st August 2011 on Deelpan Road. The claim amount is R62 390.

Brawell Construction/Ditsobotla Local Municipality (2001)

Termination of contract for non performance in RDP construction project. The claim amount is R435 560.

Abravo//Ditsobotla Local Municipality (February 2014)

Failure to pay services rendered. The claim amount is R1 500 000.

Mabasa Construction//Ditsobotla Local Municipality
2015

Challenging the termination of Contract R7 000 000.

Mosimanegape Matlapal/DLM(June 2014)

Damages Claim. The claim amount is R500 000.

G.L Pretorius//Ditsobotla Local Municipality (1998)Water Supply in Collgny.

They claim for supplying water without proper readings. The claim amount is R593 000)

Quill and Associates//Ditsobotla Local Municipality

Failure to pay for services rendered to the Municipality. The claim amount is R10 260 000.

Francious Barend Van Der Merwe//Ditsobotla Local Municipality

Failure to maintain roads that led to an accident. The claim amount is R2 200 000

Lucas Fouche//Ditsobotla Local Municipality

Failure to maintain roads that led to damage of vehicle. The claim amount R190 000. Combined summons between Mokganedi Morwe//Ditsobotla Local Municipality (April 2015) Failure to provide electricity contrary to the contract sale of land. The claim amount R550 00.

Bula Mosebetsi//Ditsobotla Local Municipality (April 2017)

Failure to pay for services rendered and claims on loss of income (Onsite Billing and credit control) R27 000 000.

Zandile Management Services//Ditsobotla Local Municipality (May 2017)

Failure to pay for services rendered and claims on loss of income (Debt Collections) R44 000 000.

Western Transvaal Security Services//Ditsobotla Local Municipality (2016/2017)

40. Contingencies (continued)

Failure to pay from services rendered (Security Services) R1 500 000.

41. Related parties

Relationships

Accounting Officer

Refer to accounting officer's report note

The Municipality has various processes in place to identify and note any related party transactions with regards to this matter. The range from this disclosure by bidders on bid documents (MB4) to maintenance of a conflict of Interest register. For Councillors, this is kept in the Office of the Speaker whilst for the other Senior Managers it is kept by the Corporate Services.

Related party transactions

Equitable Share	97 931 626	89 929 661
Municipal Infrastructure Grant (MIG)	19 133 000	52 908 982
Financial Management Grant (FMG)		1 537 567
LG SETA grant	361 800	444 987
Library Grant		368 882
EPWP Grant	1 208 000	1 038 000
INEP Grant	20 145 000	5 000 000
Remuneration of councillors		
Executive mayor	706 964	570 871
Councillors	11 005 301	8 679 463

The compensation of key management personnel is set out in 25 to Annual Financial Statements.

42. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

1. Consumer debtors & Service charges

There was a decrease in consumers debtors due to correction of various consumer accounts billed incorrectly.

2. Unauthorised expenditure

There was an adjustment made to the unauthorised expenditure amounting to R167 765 702. The unauthorised expenditure incurred is still under investigation.

3. Irregular expenditure

Management has reviewed all transactions from 2011/12 financial year that relates to transactions where a procurement process should have been under taken. Procurement contracts, originating from the prior year, which was classified as irregular, resulted in the increase of irregular expenditure in the current year as these payments will be deemed irregular for the entire contract period until the contract is approved as not irregular or write-off. The irregular expenditure relating to 2015/16 was adjusted with an amount of R61 665 057.

Statement of financial position

2016

	Note	As previously reported	Correction of error	Restated
Consumer debtors		42 941 453	(1 871 562)	41 069 891

Statement of financial performance

2017



Report of the auditor-general to the North West provincial legislature and the council on the Ditsobotla Local Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Ditsobotla Local Municipality set out on pages xx to xx, which comprise of 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 and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment due to differences between the financial statements and the accounting records. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any adjustments to property, plant and equipment of R869 673 552 disclosed in note 4 and depreciation expense of R40 951 003 disclosed in note 28 to the financial statements were necessary.

Payables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to differences between the financial statements and the accounting records. I was unable to confirm these payables by alternative means. Consequently, I was unable to determine whether any adjustments to payables of R493 488 099 disclosed in note 17 to the financial statements were necessary.

Consumer debtors

5. The municipality did not have adequate processes and systems in place to correctly account for impairment on debtors as required by GRAP 104, *Financial instruments* as impairment assessment of outstanding consumer debts was not performed. I was unable to quantify the resultant misstatements as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence for consumer debtors due to differences between the financial statements and the accounting records. I was unable to confirm these debtors by alternative means. Consequently, I was unable to determine whether any further adjustments to consumer debtors of R348 936 971 (2017: R152 224 803) disclosed in note 12 to the financial statements were necessary.

Investment property

6. I was unable to obtain sufficient appropriate audit evidence for investment property as the municipality did not maintain a register for investment property. I was unable to confirm this investment property by alternative means. Furthermore, during 2017 the municipality incorrectly included sold properties in the investment property register contrary to the requirements of GRAP 16, *Investment properties*, which resulted in investment property being overstated by R48 583 657. This misstatement was still not corrected in the current year. Consequently, I was unable to determine whether any further adjustments to investment property of R104 569 063 (2017: R104 569 063) disclosed in note 3 to the financial statements were necessary.

Cash and cash equivalents

7. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to differences between the financial statements and the accounting records. I was unable to confirm these cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments relating to cash and cash equivalents of R43 168 235 (2017: R66 650 284) disclosed in note 13 to the financial statements were necessary.

Receivable from non-exchange transactions

8. The municipality incorrectly recognised outstanding debts on property rates as consumer debtors. This resulted in consumer debtors being overstated and receivables from non-exchange transactions being understated by R95 705 590 (2017: 72 802 391). In addition, during 2017 the municipality did not have adequate systems to maintain records for receivables from non-exchange transactions. This resulted in receivables from non-exchange transactions being overstated by R7 016 043 and payables from exchange transactions also being overstated by the same amount. This misstatement was still not corrected in the current year. Furthermore, I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions due to the status of the accounting records and non-submission of information in support of these receivables. I was unable to confirm these receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to receivables from non-exchange transactions of R11 060 586 disclosed in note 10 to the financial statements.

VAT receivable

9. I was unable to obtain sufficient appropriate audit evidence for the VAT receivable due to differences between the financial statements and the accounting records. I was unable to confirm this VAT receivable by alternative means. Consequently, I was unable to determine whether any adjustment relating to the VAT receivable of R42 061 467 disclosed in note 11 to the financial statements were necessary.

Employee benefit obligation

10. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for employee benefit obligations, due to the status of accounting records and non-submission of information in support of these employee benefit obligations. I was unable to confirm these employee benefit obligation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the employee benefit obligation of R17 820 000 disclosed in note 7 to the financial statements.

Provisions

11. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for provisions, due to the status of accounting records and non-submission of information in support of these provisions. I was unable to confirm these provisions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to provisions of R29 272 946 disclosed in note 16 to the financial statements.

Accumulated surplus

12. I was unable to obtain sufficient appropriate audit evidence for the accumulated surplus due to differences between the financial statements and the accounting records. I was unable to confirm this balance by alternative means. Consequently, I was unable to determine whether any adjustment relating to the accumulated surplus of R874 935 524 disclosed in note 14 to the financial statements was necessary.

Service charges

13. I was unable to obtain sufficient appropriate audit evidence that revenue from service charges had been properly accounted for, due to the status of accounting records and non-submission of information in support of this revenue. I was unable to confirm revenue from service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges of R329 799 777 disclosed in note 20 to the financial statements.
14. I was unable to obtain sufficient appropriate audit evidence that revenue, expenditure and receivables relating to the provision of retail water services have been correctly accounted for by the municipality as the service delivery agreement entered into between the Ngaka Modiri Molema District Municipality as water service authority and the municipality as water service provider had expired. In terms of section 22 of the Water Services Act, 1997 (Act No. 108 of 1997), no person may operate as a water service provider without the approval of the water

service authority. I was unable to confirm by alternative means that the local municipality was authorised to operate as water service provider. Consequently, I was unable to determine whether any adjustments relating to revenue from sale of water of R64 799 674 included in the service charges disclosed note 20 to the financial statements or any other related receivable, expenditure or other relating provisions of retail water services by the municipality were necessary.

Interest received (trading)

15. I was unable to obtain sufficient appropriate audit evidence that interest received had been properly accounted for, due to the status of accounting records and non-submission of information in support of this revenue. I was unable to confirm revenue from interest by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to interest received of R41 415 396 in the financial statements.

Property rates

16. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for property rates, due to the status of accounting records and non-submission of information in support of this revenue. I was unable to confirm revenue from property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates of R56 084 797 disclosed in note 24 to the financial statements.

Other income

17. During 2017, I was unable to obtain sufficient appropriate audit evidence for other income as the municipality did not have an adequate system of internal control to account for other income and did not keep proper records. I was unable to determine whether any adjustment to the other income of R5 772 829 disclosed in note 22 and 23 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2017 was modified accordingly. I was still unable to confirm this other income by alternate means. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

General expenses

18. I was unable to obtain sufficient appropriate audit evidence for general expenses due to differences between the financial statements and the accounting records or for an adjustment to the corresponding figure due to non-submission of information in support of this adjustment. I was unable to confirm these expenses by alternative means. Consequently, I was unable to determine whether any adjustment relating to general expenses of R101 744 342 (2017:R89 567 620) disclosed in note 33 to the financial statements were necessary.

Impairment loss

19. During 2017, I was unable to obtain sufficient appropriate audit evidence for impairment of assets as the municipality did not have an adequate system of internal control to account for impairment losses and did not keep proper records. I was unable to determine whether any adjustment to the impairment loss of R8 852 806 disclosed in note 29 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2017 was modified accordingly. I was still unable to confirm this impairment loss by alternate means. Consequently, my opinion on the current period's financial statements is also

modified because of the possible effect of this matter on the comparability of the current period's figures.

Contingencies

20. The municipality did not have an adequate system in place to disclose its contingent liabilities as required by GRAP 19, *Provisions, contingent liabilities and contingent assets*. This resulted in contingencies being understated by R9 585 490. In addition, I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for contingencies due to the status of accounting records and non-submission of information in support of these contingencies. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to contingencies disclosed in note 40 to the financial statements.

Commitments

21. I was unable to obtain sufficient appropriate audit evidence that management had properly disclosed contractual commitments for the acquisition of property, plant and equipment as required by GRAP 17, *Property, plant and equipment* for the current and prior period, due to the municipality not having adequate system to maintain records of commitments. I was unable to confirm these commitments by alternative means. In addition, in the previous year commitments were understated by R31 892 498. Consequently, I was unable to determine whether any further adjustments were necessary to commitments of R0 (2017: R16 384 328) disclosed in note 39 to the financial statements.

Prior-year adjustments

22. The municipality did not correctly disclose prior period errors in note 42 to the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors* as the nature and the amount of the correction for each financial statement item affected, and the amount of the correction at the beginning of the earliest prior period were not disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence for the prior-year adjustments disclosed as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the the disclosure of prior-year adjustment in note 42 to the financial statements.

Cash flow statements

23. I was unable to obtain sufficient appropriate audit evidence for the calculation of net cash flows from operating activities and investing activities in the cash flow statement, as the municipality did not appropriately account for cash and non-cash items as required by GRAP 2 *Cash flow statements*. The municipality's system did not allow the performance of alternative procedures to determine the extent of this misstatement. Consequently, I was unable to determine whether any adjustments were necessary to the net cash flows from operating activities and investing activities in the cash flow statement and the note thereto.

Unauthorised expenditure

24. Section 125 of the MFMA requires the disclosure of unauthorised expenditure incurred. The municipality incurred unauthorised expenditure of R38 186 563 during the current year, (previous years: R255 408 303) due to overspending of individual votes within the budget, however no unauthorised expenditure was disclosed. As the municipality did not quantify the full extent of the unauthorised expenditure, it was impracticable to determine the total unauthorised expenditure that should have been disclosed.

Irregular expenditure

25. Section 125 of the MFMA requires the disclosure of irregular expenditure incurred. The municipality made payments of R8 476 149 during the current year, (previous years: R80 301 548) in contravention with the supply chain management requirements, however no irregular expenditure was disclosed. As the municipality did not quantify the full extent of the irregular expenditure, it was impracticable to determine the total irregular expenditure that should have been disclosed.

Fruitless and wasteful expenditure

26. Section 125 of the MFMA requires the disclosure of fruitless and wasteful expenditure incurred. The municipality made payments of R53 620 717 during the current year, (previous years: R50 959 266) that were regarded as fruitless and wasteful expenditure, however no fruitless and wasteful expenditure was disclosed. As the municipality did not quantify the full extent of the fruitless and wasteful expenditure, it was impracticable to determine the total fruitless and wasteful expenditure that should have been disclosed.

Material losses and MFMA disclosures

27. The municipality did not disclose water and electricity distribution losses as required by section 125(2)(d)(i) of the MFMA. As the municipality does not have adequate control measures in place to accurately determine the extent of these losses, I was unable to quantify the resulting understatement as it was impracticable to do so. In addition, the municipality did not include the other compulsory MFMA disclosures required by section 125(1)(b) and (c) of the MFMA in the financial statements, I was unable to quantify the omitted disclosure as it was impracticable to do so.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

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

31. 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 or to cease operations, or there is no realistic alternative but to do so.

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

32. My responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (ISAs) and to issue an auditor's report. However, because

of the matters described in the basis for disclaimer of opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

Performance information reporting

34. I am unable to audit and report on the usefulness and reliability of the performance information as the annual performance report of the municipality was not prepared as required by section 46 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and section 121(3)(c) of the MFMA.

Report on audit of compliance with legislation

Introduction and scope

35. 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.
36. The material findings on compliance with specific matters in key legislation are as follows:

Annual report and annual financial statements

37. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion. Similar non-compliance was also reported in the prior year.
38. The 2016-17 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA. Similar non-compliance was also reported in the prior year.
39. The council failed to adopt an oversight report containing the council's comments on the annual report within the prescribed timelines, as required by section 129(1) of the MFMA. Similar non-compliance was also reported in the prior year.

Revenue management

40. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA. Similar non-compliance was also reported in the prior year.
41. I was unable to obtain sufficient appropriate audit evidence that accounts for service charges were prepared on an accrual basis, as required by section 64(2)(c) of the MFMA.
42. I was unable to obtain sufficient appropriate audit evidence that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Assets management

43. 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.

Expenditure management

44. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA. Similar non-compliance was also reported in the prior year.

45. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2)(b) of the MFMA.

46. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. Similar non-compliance was also reported in the prior year.

47. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified as indicated in the basis for qualification paragraph. Similar non-compliance was also reported in the prior year.

48. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for qualification paragraph. Similar non-compliance was also reported in the prior year.

Consequence management

49. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

50. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

51. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

52. Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.

Strategic planning and performance management

53. A performance management system was not established, as required by section 38(a) of the MSA. Similar non-compliance was also reported in the prior year.

Liability management

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

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

Conditional grants

56. Performance in respect of programmes funded by the Municipal Infrastructure grant (MIG) and Integrated National Electrification Programme grant (INEP) was not evaluated, as required by section 12(5) of the DoRA. Similar non-compliance was also reported in the prior year.
57. The INEP grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the DoRA.

Procurement and contract management

58. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded in accordance with the legislative requirements as no record management system was in place. Similar non-compliance was also reported in the prior year.
59. Sufficient appropriate audit evidence could not be obtained that some goods and services with a transaction value of below R200 000 were procured by obtaining the required price quotations as required by SCM regulation 17(a) & (c). Similar non-compliance was also reported in the prior year.
60. Sufficient appropriate audit evidence could not be obtained for some of quotations accepted from prospective providers, that these providers were on the list of accredited prospective providers or meet the listing requirements prescribed by the SCM policy, as required by SCM regulations 16(b) and 17(b). Similar non-compliance was also reported in the prior year.
61. Sufficient appropriate audit evidence could not be obtained that awards and contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
62. Sufficient appropriate audit evidence could not be obtained that quotations and contracts were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43. Similar non-compliance was also reported in the prior year.
63. Sufficient appropriate audit evidence could not be obtained that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by SCM regulations 19(a) and 36(1). Similar non-compliance was also reported in the prior year.
64. Sufficient appropriate audit evidence could not be obtained that bid specifications were unbiased and allowed all potential suppliers to offer their goods or services, as required by SCM regulation 27(2)(a). Similar non-compliance was also reported in the prior year.
65. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) & 22(2). Similar non-compliance was also reported in the prior year.
66. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
67. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board

(CIDB) and qualified for the contract in accordance with section 18(1) of the CIDB Act. Similar non-compliance was also reported in the prior year.

68. Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5.
69. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
70. Awards were made to providers who are in the service of other state institutions, in contravention of MFMA section 112(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
71. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e). Similar non-compliance was also reported in the prior year.

Internal control deficiencies

72. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer of opinion, the findings on the performance report and the findings on compliance with legislation included in this report.
 - Leadership did not ensure that there is appropriately skilled staff in key positions within the finance, performance and compliance unit. This has led to excessive reliance on consultants to compile financial information. Furthermore, leadership's in-year monitoring and oversight was inadequate to prevent material limitations in the financial statements, non-compliance with laws and regulations and the absence of a system to support the collection, processing and reporting of performance against pre-determined objectives.
 - Lack of sufficiently skilled staff negatively impact upon the implementation of proper systems to collate, process and report financial and performance information. Lack of internal controls and oversight contribute to inaccurate and unreliable financial reports and records. Furthermore, there are no systems in place to enforce compliance with laws and regulations and no actions are taken against staff that is responsible for these transgressions.
 - There was no appropriate governance structure at the municipality to oversee the implementation of audit action plans and recommendations because the audit committee and internal audit units were not appointed for the year under review.

Auditor General

Rustenburg

30 November 2018

FORMAL COAF #	FINDINGS	ACTION PLAN	RESPONSIBLE MANAGER
COMM 1			
1. COMM 1: Understanding the entity and its environment: The municipality does not have an internal audit unit (ISS.2)	During the planning phase of the audit, it was noted that the Ditsobotla Local Municipality does not have internal audit unit in place for the year under review. The issue was also identified in the prior year and it has not been resolved.	Review the municipal organizational structure with the view to appoint an internal audit by 31 January 2019.	CFO/MM
2.COMM 1: Understanding the entity and its environment: The municipality does not have an audit committee. (ISS.3)	During the planning phase of the audit, it was noted that the Ditsobotla Local Municipality does not have an audit committee in place for the year under review. The issue was also identified in the prior year and it has not been resolved.	The Ngaka Modiri Molema District Municipality has recently appointed an Audit Committee and we have indicated our intention to participate shared services in respect of audit committee. We intent to enter into a shared services agreement by 31 January 2019.	CFO/MM
3. COMM 1: Limitation of scope on audit planning (RFI 1 and 2). (ISS.5)	The following requested documents were not submitted by the municipality within the agreed time:	Review the quality of the document during a mid-term report. The municipality is also in a process of reviewing the SDBIP for 2018/19 with a view to correct issues raised by the Auditor General. Skill Development Plan - Reviewed, updated and approved . HR Plan/Organogram -to be approved by 30 Nov 2018. IDP -Information submitted with a resolution. MBRR Final document - With regards to 2019/20 the following will be done:	CFO/MM
	a. All the information and/or documents requested with RFI 01 of 2018 (issued on 10 July 2018), except for the following (of which some were not reviewed, updated and approved):SDPIP, IDP, SDP, HR PLAN, ORGANOGRAM, MBRR DOCUMENT.	i. The Executive Committee will establish the Budget Steering Committee by 31 January 2019 ii. The Mayor and Municipal Manager will ensure that all the steps pertaining to the budget process are conducted.	CFO/MM

	b. List of suppliers paid during 2017/18 financial period as requested in RFI 02 of 2018 (issued on 10 July 2018)	List of suppliers (PV09) was submitted, attached please find information which was previously submitted.	
4. COMM 1: Understanding the entity's internal control: The municipality's organisational structure was not reviewed, updated and approved. (ISS.4)	During the assessment of internal controls it was noted that the municipality's organisational structure was not reviewed, updated and approved.	We intend review, update and approve the Organisational Structure/Organogram by 31 January 2019	MM
5. COMM 1: Inventory: Insufficient inventory count instructions and procedures (ISS.1)	During the evaluation of the inventory count instructions and procedures, it was noted that the instructions and procedures do not cover the following:	The draft inventory policy will be tabled in Council by 31 January 2019	MS RENEATTE
	· Accurate identification of slow moving, obsolete or damaged items,		
	· Accurate identification of inventory owed by a third party e.g. on consignment,		
	· Marking of all items counted.		
3. COMM 2: AoPO: Unable to Obtain Understanding of Performance Information Business Processes (ISS.7)	Whilst obtaining an understanding of the performance management process of the municipality, the following internal control deficiencies were identified for Key Performance Area 2:	We plan to develop the Performance Management policy as well as the performance monitoring manual, review the SDBIP by 31 January 2019, PMS framework and Standard Operating Procedures will be adopted during the mid-term reporting period.	CFO/MM/PMS
	the following internal control deficiencies were identified for Key Performance Area 2:		CFO/MM/PMS
	1. Formally documented standard operating procedures were not developed by the municipality per indicator		CFO/MM/PMS
	2. Performance measurement processes and systems, including technical indicator descriptions or data definitions were not developed for the indicators.		CFO/MM/PMS

	3. Technical indicator descriptions (TIDs) or data definitions for all indicators.		CFO/MM/PMS
	4. No evidence was submitted to validate that the system is in place to identify the source of information, the collection the collection thereof, the collation, processing and reporting of such performance against the pre-determined objectives		CFO/MM/PMS
4. COMM 2: Supply Chain Management Policy (ISS.12)	The SCM policy of the municipality is in contravention with the municipal supply chain management regulation.	The Supply Chain Management policy will be reviewed, updated and approved by 28 February 2019.	CFO/MM
5. COMM 2: Supply Chain Management Policy: Internal control deficiencies (ISS.13)	During the planning phase of the audit it was noted that there were control deficiency in the supply chain management system, they are as follows:		
	1. Supply Chain management policy submitted was not approved and signed.	We plan to conduct the policy conference scheduled for January/February 2019 to review all municipal policies incl. SCM policy.	CFO/MM
	2. Contract register was not reviewed and signed.	Establish the custodianship of the register as it should lie with the Legal department and updated on the monthly basis.	CFO/MM
	3. Municipality does not have action plan for addressing significant internal and external audit findings on SCM.	A Post Audit Action Plan was developed for the 2017/18 financial year to address the internal and external audit findings on SCM. (Refer to softcopy COAF 2 folder)	CFO/MM
	4. The municipality has no functional Annual Procurement Plan.	We will review our procurement plan it is functional and compliant to the minimum requirements.	CFO/MM
	5. No sub-delegation system of powers from accounting office to the chief financial officer and adjudication committee	Management agrees with the findings and will review the delegation of powers policy during a policy conference.	MM

	6. The Municipal Manager shall, within 10 (ten) days of the end of each quarter, submit a report on the implementation of this Policy to the Mayor and, within 30 days of the end of each financial year, shall submit a similar such report to Council per SCM policy and SCM regulation 6 but this did not take place.	Management agrees with the finding and will rectify going forward.	CFO/MM
	7. There are no formal documented controls that are followed to manage conflict of interest in the SCM.	Supply chain management unit utilizes the Central Supplier Database and completes declaration of interest form annually	CFO/MM
	8. There are no risk assessment procedures in place.	Develop risk assessment procedures	CFO/MM
	9. There is no functional resolution and oversight committee in place.	We do have an MPAC which plays an oversight role and their terms of reference have been made available to the auditors.	CFO/MM
8. COMM 3: Purchases and payables: Reconciliation for creditors not reviewed (ISS.16)	It was noted that creditors reconciliation performed on a monthly basis was not reviewed i.e. senior officer could not provide signature as proof of review of creditors reconciliation that was prepared by creditors clerk.	Management agrees with the audit finding that the positions of Directors have been vacant for more than a year, however the positions were advertised and the Municipality failed to find suitably qualified candidates for the positions. The positions have been re-advertised and the recruitment is in process. (proof of the previous recruitment process will be provided)	
9. COMM 3: Predetermined Objectives: Internal Control Deficiency (ISS.23)	Through the audit of predetermined objectives, auditors have identified that the following director's positions were vacant for the whole financial year:		HR /MM
	· Director: Economic development & planning		HR /MM
	· Director: Technical services		HR /MM
	· Director: Community services		HR /MM
	· Director: Corporate services		HR /MM

	The responsibilities for planning, monitoring and reporting on the indicators listed below as per KPA 3 were not assigned to anyone in the municipality during the period in which the above-mentioned positions were vacant	Managers were given responsibilities to monitor upgrading of Lichtenburg electrical substation, roads upgrade, rehabilitation of Itsoseng community hall and construction of ablution block and fencing in Welverdiend.	Closed
	1. Upgrading of Lichtenburg electrical substation		Closed
	2. Kilometres of roads upgrade		Closed
	3. Rehabilitation of Itsoseng community Hall		Closed
	4. Construction of Ablution block and fencing in Welverdiend	Prepare a comprehensive file containing the required information by 31 January 2019. Submit to the Office of the Auditor General for their review. For 2018/19 financial year - Maintain a file with all relevant documentation for all new Regulation 32 contracts if any.	Closed
10. COMM 3: Supply chain management: Limitation of scope relating to Request for information 13 and 15 (ISS.22)	The following information was requested as per RFI no. 13 dated 24 July 2018 and 15 dated 25 July 2018 but no supporting documentation was received by the auditor within the agreed time for the following information:		SCM/CFO
	For all the contracts awarded below in terms of Regulation 32, please provide the following:(Refer to the list in Comm 3)		SCM/CFO
	a. Confirmation from the other organ of the state that the contract has been secured by that organ of the state by means of competitive bidding.		SCM/CFO
	b. Request for participation in the contract secured by the other organ of the state.		SCM/CFO
	c. Demonstration by the municipality of any benefits or discounts of participating in the contract.		SCM/CFO
	d. A written consent by the other organ of the state for the municipality to participate in the contract.		SCM/CFO
	e. Proof that the prices paid are the same as the original contract.	SCM/CFO	

	f. Proof that the contract was valid/active at the time the municipality opted to participate.		SCM/CFO
	Bid documents, contracts/SLAs, invoices for the above contracts that may be available		SCM/CFO
	List of tenders awarded in 2017/18 as per the contracts registers: (Refer to the list in COMM 3)		SCM/CFO
	a. Advert		SCM/CFO
	b. Bid opening register (list of all companies who submitted bids) Bid opening register (list of all companies who submitted bids)		SCM/CFO
	c. Bid specification, adjudication and evaluation process minutes/ reports		SCM/CFO
	d. Declaration of interest and attendance registers for all committees		SCM/CFO
	e. Request for service from the relevant end user		SCM/CFO
	f. Declaration of interest by the supplier		SCM/CFO
	g. Quotations (if applicable)		SCM/CFO
	h. Original tax clearance certificates for the winning bidders		SCM/CFO
	i. Expenditure report from the inception of the contract to date		SCM/CFO
	j. Original BBB-EE certificated for the winning bidders		SCM/CFO
	k. List of companies who were not awarded the bid		SCM/CFO
	l. Compliance sheet		SCM/CFO

6. COMM 4: Revenue business process: possible limitation of scope (ISS.28)	The following requested documents (RFI 21, dated 06/08/2018) were not submitted by the municipality within the agreed time (i.e. within three days):	The audit finding was resolved. The requested information was made available to the Auditor General.	Resolved
	Revenue business process:		
	1. Appropriated funds / Equitable share/ Unconditional allocations: >bank statement >print out from SEBATA indicating that the grant in under these votes >proof of review by Lacreivy and Brenda >proof of review by Primrose		Resolved
	2. Conditional grants / allocations / Statutory funds: >list of conditional grants received >proof of review >approved payment schedule >bank statements showing all the receipts >grant register >Proof of review >Monthly report >proof of review >Reconciliation and proof of review >print out of grants accounts		Resolved
	3. Other non-exchange income (e.g. interest, dividends, etc.): >bank statement >account print out from SEBATA >interest register >Reconciliation (please confirm who compiles it and how often) >one debtor' account who exceeded 30 days and the age analysis		Resolved
4. Tariffs : >tariff policy >rates schedule >resolution for policy approval	Resolved		

	<p>5. Exchange services> Water (metre reading, one account, proof of payment) > Electricity (one account, proof of payment) > Sewerage/Vacuum Tank (one account, proof of payment) > Refuse (one account, proof of payment) > Rentals (register and supporting documents for one transaction)</p>		Resolved
7. COMM 4: Information systems of the municipality (ISS.25)	During the planning phase at the municipality, the following were identified:		
	1. The information technology governance framework that gives due consideration to the risks, processes and controls required to ensure IT value and improved service delivery, had not been developed and implemented.	1. The policy framework will be reviewed to include aspects as advised by the AG and Approved by Council by Q3.	Mr Morifi
	An IT governance framework had been developed in the form of the Municipal Cooperate governance of information and Communication Technology policy framework (MCGICT), however the framework was not approved by council.	1. The policy framework will be reviewed to include aspects as advised by the AG and Approved by Council by Q3.	Mr Morifi
	2. ICT Committees had not been established to accept the responsibility for oversight over policies and procedures governing the IT environment, there is also no delegation of an information security officer and an IT Governance champion.	2. The IT committees will be set up and functional with clear terms of reference as per the framework.	MM
	3. No IT risk and control assessments have been performed at the auditee during the financial year under review. Furthermore, no IT risk register could be provided this indicates that IT risks are not being monitored.	3. IT risk will form part of the oversight committee responsibilities thus ensuring ICT risk register development and update	MM
4. There is no recent service level agreement between SEBATA and the municipality for outsourced IT services.	4. Sebata SLA will be re-submitted as per request (ref: hard copy-COAF 4)	Resolved	

1. COMM 5: No formal processes for updating and approving policies and procedures, and internal control deficiencies (ISS 32)	1. During the completion of the consequence management working paper, it was noted that there are no formal processes in place to update existing policies and procedures as a result of changes in applicable legislation and the following policies are not reviewed, updated and approved	Management agrees with the audit findings. We are in the process to review, update our policies and procedures through the policy conference by 28 February 2019. Weaknesses identified by the Auditor will be taken into consideration.	MM
	2. It was also noted that the municipality does not have any systems (policies) in place that are adopted/implemented to investigate allegations of misconduct and disciplinary procedures.		MM
	3. Municipality does not have mechanisms that are in place for employees, suppliers and other role-players to report allegations of financial misconduct, fraud, corruption and other improper conduct (internal control deficiencies).		MM
2. COMM 5: Consequence management: non-compliance with MFMA (ISS 33)	During discussions held with the Acting Municipal Manager on 18 July 2018, it was noted that the following was not adhered to as required by the Municipal regulations on financial misconduct procedures and criminal proceedings (MFMA).	We are in the process to review, update our policies and procedures through the policy conference by 28 February 2019. Weaknesses identified by the Auditor will be taken into consideration.	MM
	1- The was no established disciplinary board to investigate allegations of financial misconduct in the municipality and to monitor the institution of disciplinary proceedings against an alleged transgressor.		MM
	2- The municipality did not establish a disciplinary board that consists of a maximum of five members appointed on a part- time basis by the council or board of directors for a period not exceeding three years.		MM
	3- The municipality does not have any process in place for reporting any unauthorised, irregular and fruitless and wasteful expenditure identified.		MM

	<p>4- There are no processes followed in investigating instances of unauthorised expenditure, irregular and fruitless and wasteful expenditure, which includes as a minimum (Who institutes the investigation, who conducts the investigations, etc.).</p>		MM
	<p>5- The municipality does not have processes of taking appropriate steps on findings of the investigations.</p>		MM
	<p>6- The municipality does not have a clear, well documented and implemented process of dealing with the approval of the write-off relating to irregular expenditure. There is also no process for raising receivables when officials are liable for fruitless and wasteful expenditure.</p>		MM
	<p>7- The municipality does not have a process as to how outcomes of investigations are prepared for tabling in council.</p>		MM
	<p>8- The municipality does not have a formal and well documented process dealing with any financial challenges that may arise.</p>		MM
<p>3. COMM 5: Non submission of unauthorized, irregular and fruitless and wasteful expenditure registers (ISS 35)</p>	<p>As per RFI No. 14 dated and issued on 24 July 2018, a register for irregular, fruitless and wasteful expenditure was requested by the auditors but this was not received within the agreed time. The irregular expenditure register was received however it was not being updated, approved and reviewed.</p>	<p>The control around UIF&W will be strengthened to ensure that the registers are prepared, reviewed, approved and reported on a regular basis in line with the prescripts.</p>	MM

<p>4. COMM 5: Understanding the entity and its environment: All senior management positions were vacant during the year. (ISS 37)</p>	<p>During the completion of understanding the entity and its environment working paper it was noted that all Six (6) senior management positions were vacant during the year under review.</p>	<p>Management agrees with the audit finding that the positions of Directors have been vacant for more than a year, however the positions were advertised and the Municipality failed to find suitably qualified candidates for the positions. The positions are advertised and the recruitment is in process. (proof of the previous recruitment process will be provided)</p>	<p>MM</p>
<p>5. COMM 5: Performance Management System - Misstatements in PMS policy Framework (ISS 34)</p>	<p>During the audit of performance management auditors identified the following misstatements in the PMS policy framework and its implementation thereof:</p> <p>a. The IDP and SDBIP priorities and objectives are appropriately aligned with the PMS policy framework; however, the indicators & targets in the PMS policy framework and the indicators & targets in IDP & SDBIP are not the same.</p> <p>b. PMS policy framework does not provide for procedures by which the system is linked to the municipality's IDP process as per Municipal Planning and Performance Management regulation.</p> <p>c. PMS policy framework has not established a process of regular reporting to staff of the municipality.</p> <p>d. There is no substantiating evidence that the Accounting Officer did assess the first half of the financial year performance of the municipality.</p> <p>e. PMS policy framework does not include any risk management procedures (risk identification, risk analysis and risk management) to ensure performance is measured and achieved as well quality of reporting the performance information.</p>	<p>We have engaged the Department of Local Government and Human Settlements to second a resource to the Municipality to assist with the strengthening of the PMS unit. Mr Pako Mokgothu and Ms. Neo Mogotlhe started their engagement with the Municipality in November 2018 and is ongoing.</p>	<p>MM</p> <p>MM</p> <p>MM</p> <p>MM</p> <p>MM</p>

	f. PMS policy framework does not include any data assurance procedures such as data collection, processing and monitoring procedures which are monitored by management.		MM
6. COMM 5: Receivables - Council resolution (ISS 30)	The following misstatements were identified during the audit:		
	1. It was noted that outstanding amount relating to debtors have been written off and no council resolution for writes off.	No write-offs relating to 2017/18 were done.	CFO
	2. Connection fees for water and electricity for small business stated on the tariffs for 2017/2018 differ with the payment made by IGA Dada properties, account no. 042946, the applicant paid R3000, 00 instead of R3 200, 00 as stated on the tariffs.	Management notes the audit finding and proper controls will be implemented to ensure that employees apply the tariffs as resolved by Council. Furthermore, management has also realised that IGA Dada properties are the owners of the shopping centre and had already paid a deposit for the entire shopping centre, but the individual stores were also required to open utilities accounts.	Mr Tsie
	3. It was also noted that the municipality does not have council approval for tariff's used for water and electricity for 2017/2018 financial year	Management does not agree with the findings as the auditors were given the tariff schedule and a council resolution as requested. Approved tariff schedule and council resolution are attached for ease of reference.	Resolved
7. COMM 5: Consumer deposit & Receivables - Scope Limitation (ISS 36)	The following information has not been submitted as requested in RFI 20 dated 03 August 2018:		

	<p>1. It was noted that outstanding amount relating to debtors have been written off and no council resolution for writes off.</p>	<p>Management does not agree with the audit finding, the auditor was told that during the 2017/18 financial year no write offs were processed. However, due to the backlog in processing the write offs that Council resolved on, management saw it fit to allow for the process of write offs to continue within the ambits of the agreed dates. Therefore, the write offs that occurred in 2017/2018 financial period were to address the backlog of the previous financial years. The auditors must note that there is no Council resolution for 2017/2018 write offs.</p>	Resolved
	<p>2. Connection fees for water and electricity for small business stated on the tariffs for 2017/2018 differ with the payment made by IGA Dada properties, account no. 042946, the applicant paid R3000, 00 instead of R3 200, 00 as stated on the tariffs.</p>	<p>Management notes the audit finding and proper controls will be implemented to ensure that employees apply the tariffs as resolved by Council. Furthermore, management has also realised that IGA Dada properties are the owners of the shopping centre and had already paid a deposit for the entire shopping centre, but the individual stores were also required to open utilities accounts.</p>	Resolved
	<p>3. It was also noted that the municipality does not have council approval for tariff's used for water and electricity for 2017/2018 financial year.</p>	<p>Management does not agree with the findings as the auditors were given the tariff schedule and a council resolution as requested. Approved tariff schedule and council resolution are attached for ease of reference.</p>	Resolved
<p>8. COMM 5: Signatories are not appointed through any formal or transparent process for the bank accounts (ISS 38).</p>	<p>During the assessment of cash and bank it was noted that the municipality does not have a formal or transparent process of appointing signatories for the municipalities bank accounts.</p>	<p>Management agrees with the audit finding and will develop a policy on delegations and segregation of duties on 28 February 2019.</p>	CFO

<p>1. COMM 6: Non-submission of investigation reports requested for the allegations and investigation working paper(ISS.43)</p>	<p>On request for information no. 24 dated 14 August 2018, the auditors requested information for the below listed suppliers pertaining to investigations done by the municipality, this however was not submitted for audit purposes.</p>	<p>The afore-said investigations were commissioned by the Provincial Treasury and as a result all the relevant reports are with the Provincial Treasury. We have requested the reports on numerous occasion to no avail.</p>	<p>MM</p>
	<p>The suppliers are as follows:</p>		
	<p>1. Tshegofelo Trading (PTY)LTD (non-disclosure of an interest of a councilor)</p>	<p>The municipality utilizes CSD to check whether municipal employees do not do business with government, however the EMP LIST was loaded during February 2018 on CSD. Management will look into providing screening tools (vetting systems) to identify suppliers for SCM officials.</p>	<p>MM</p>
	<p>2. Game Boarding Farm Contract</p>	<p>Cases were investigated by PwC and the investigation was commissioned by the Provincial Treasury. We have on numerous occasions requested the reports to no avail. May you please liaise with the office of the Head of Department – Provincial Treasury in this regard. To our knowledge, the investigation is complete and some cases have been referred for prosecution but cannot say with certainty.</p>	<p>MM</p>
	<p>3. Zandile Management services</p>		
	<p>A detailed report of the following:</p>		
	<p>1. Any on-going investigations</p>		
<p>2. When the investigation was finalised and date of the report was finalised</p>			
<p>3. Value attached to the case pertaining to the above-mentioned</p>			
<p>2. COMM 6: Inventory: Lack of segregation of duties(ISS.40)</p>	<p>There's lack of segregation of duties as a result of the Acting Store Controller performing the following duties of receiving, recording and writing off of inventory.</p>	<p>We will develop a delegation and segregation of duties policy by 28 February 2019 (Part of the Organizational Structure review).</p>	<p>MM</p>
<p>3. COMM 6: Inventory: Deficiencies in internal control(ISS.41)</p>	<p>Due to late payments made to suppliers by the Municipality, sometimes suppliers request a payment before delivering the good, and with the current system, a payment can only be made once a Good Received Note (GRN) is prepared. In such cases, the Acting Store Controller prepares a GNR, and processes in into the system prior receiving the goods.</p>	<p>Effective 1 November Daily reconciliations will be done and monthly sign-off/ approval will be done. Payment of service providers – The Municipality is currently experiencing a negative cashflow hence we are unable to pay our service providers within the prescribed 30 days.</p>	<p>CFO</p>

4. COMM 6: AFS Business process - Control deficiencies (ISS.38)	During the completion of the AFS business process, we noted the following internal control deficiencies:		
	1. The municipality does not have a contingent liability register in place. Further, the municipality does not have a process in place to ensure that all contingent liabilities disclosed meet the GRAP 19 criteria.	We will address internal control deficiencies through the development of policies during the strategic planning to be held on the 28 February 2019	CFO
	2. The SCM bid committee members did not sign the declaration of interest forms when they were appointed. Further, the suppliers do not submit the declaration of interest when bidding for a contract.	Management agrees with the audit findings that bid committee members have not signed the declaration of interest when they are appointed. Normally the committees are appointed by the MM and will ensure that the declaration of interest are signed by members.	MM
	3. The municipality does not have sufficient controls to identify irregular expenditure. Further, the payments made without orders were not identified in the irregular expenditure	Management note the audit finding and will address internal control deficiencies through the development of policies during the strategic planning to be held on the 30th November 2018 to identify irregular expenditure and its avoidance thereof.	MM
1. COMM 6: Revenue, receipts and receivables business process: Internal control deficiency(ISS.42)	During the walk through of the revenue, receipts and receivable business process the following control deficiencies were identified:		
	· Receipt journal for unconditional grant is not prepared at year end to record the receipts in the Annual financial statements.	Management does not agree with the audit finding, as the auditors were provided with the relevant explanation and process flow on how we record the receipts of grants. Furthermore, the receipts of grants is also disclosed on the face of the statement of financial performance and a disclosure note with a narrative is also disclosed.	Mr Tsie

	<ul style="list-style-type: none"> The following conditional grant from DORA allocation could not be traced to bank statement:MSIG, Library grant, INEP (Municipality and Eskom), EPWP 	Resolved	Resolved
	<ul style="list-style-type: none"> Non-compliance with regulated tariffs as provided by NERSA through energy regulation act, tariffs not approved. 	Management does not agree with the audit findings, the tariffs uploaded on the municipal Financial Management System clearly indicates that the tariffs as given to us by NERSA are correct. The auditors are more than welcome to verify the above.	Resolved
	<ul style="list-style-type: none"> Debtors reconciliations is not performed. 	Management does not agree with the audit finding, Debtors reconciliation are performed and we attach the debtors reconciliation to proof to the auditors that debtors reconciliations are being performed.	Resolved
	<ul style="list-style-type: none"> Debtors written off are not approved by council. 	Management does not agree with the audit finding, management has indicated to the auditors that the municipality had a backlog in processing the debt write offs and unfortunately the debt write offs overlapped to the 2017/2018 financial year. It must also be emphasised that there was no Council Resolution for debt write offs in 2017/2018 financial year.	Resolved
	<ul style="list-style-type: none"> Debtors age analysis are not reviewed 	Management does not agree with the audit findings, debtors age analysis are reviewed on monthly basis and such reviews are also communicated to the Mayor, Provincial and National Treasury through the section 71 reports.	Resolved
1. COMM 6: Annual Performance Report - Limitation of scope (ISS.47)	The following document was requested through RFI 29 (dated 27 August 2018) and was not submitted by the municipality within the agreed time (i.e. three days):	Management agrees with the finding and will make sure that requested information will be submitted on	Resolved

	1. Annual Performance Report	time. Attached find the annual performance report.	
1. Audit file: Scope limitation(ISS.68)	The following documents requested in request for information no.23 dated 14 August 2018 was not submitted for audit:(Refer to the list on COMM 7)	<p>Management agrees with the audit finding.1. When the initial request was made on 14 August 2018, we were still busy with the preparation of the Annual Financial. Statements and this was duly communicated to the Auditors. Subsequently the Auditor General did not allow us to submit the revised AFS.</p> <p>2. On 31 August 2018, we submitted the draft Annual Financial Statements, however, we were still in the process of finalising the reconciliation of the control accounts and Property, plant and equipment.</p> <p>3. It is unfortunate that the above-mentioned reconciliations were finalised later than anticipated and at that time the Auditor General indicated that they will only rely on the information submitted on 31 August 2018.</p> <p>4. The implication of the above is as follows:</p> <p>a. The Trial Balance and the related General Ledger subsequent 31 August has changed because of the reconciliations performed after the submission date;</p> <p>b. There were marked differences between what was submitted on 31 August and the subsequent submission</p> <p>c. In general, the final registers do not correspond with the information submitted on 31 August 2018</p> <p>5. The updated trial balance, registers and reconciliation were forwarded to Mr Sanele on 13 September 2018.</p>	CFO
1. Cash and cash equivalent reconciliation: There are no	Note 13: Cash and Cash equivalents:Reconciliation between cash	Perform bank reconciliations on a monthly basis and to be reviewed and approved by the CFO	Ms. Moagi and CFO

reconciliations prepared(ISS.58)	and cash equivalents and bank confirmations is not available.	The updated bank reconciliation was forwarded to Mr Sanele (AG) on 13 September 2018.	CFO
2. Cash flow statement: Not prepared in accordance with GRAP 2(ISS.52)	During the high level review of the financial statements, the following significant matters on the cash flow statements prepared were identified:		
	· This was not prepared in accordance with GRAP 2 with several line items reported at zero values while a balancing amount was brought in for cash generated from operations.	·When the initial request was made on 14 August 2018, we were still busy with the preparation of the Annual Financial Statements and this was duly communicated to the Auditors.	CFO
	· Cash and cash equivalent balance for 2016/17 increased from R64032349 to R40262575 and there is no prior period adjustment disclosure made in this regard.	· On 31 August 2018, we submitted the draft Annual Financial Statements, however, we were still in the process of finalising the cashflow statement.	CFO
		· It is unfortunate that the above-mentioned reconciliation was finalised later than anticipated and at that time the Auditor General indicated that they will only rely on the information submitted on 31 August 2018. The updated cashflow statement was forwarded to Mr Sanele on 13 September 2018.	CFO
3. Auditor's remuneration Note 35: Misstatement identified(ISS.63)	Note 35: Auditor's remuneration	Management agrees with the audit finding.	
	The amount disclosed is not correct, based on the statements submitted to the municipality on 30 June 2018. A difference of R2 491 345.2 was noted between the amount that was charged the municipality	Creditors reconciliation to be performed, reviewed and approved on a monthly basis.	Ms. Nko/ CFO

	and the amount that is disclosed in the financial statement		
		<ul style="list-style-type: none"> · When the initial request was made on 14 August 2018, we were still busy with the preparation of the Annual Financial Statements and this was duly communicated to the Auditors. 	CFO
		<ul style="list-style-type: none"> · On 31 August 2018, we submitted the draft Annual Financial Statements, however, we were still in the process of finalising the reconciliation of the control accounts and Property, plant and equipment. 	CFO
		<ul style="list-style-type: none"> · It is unfortunate that the above-mentioned reconciliations were finalised later than anticipated and at that time the Auditor General indicated that they will only rely on the information submitted on 31 August 2018. 	CFO
		<p>The implication of the above is as follows:</p> <ul style="list-style-type: none"> a. The Trial Balance and the related General Ledger subsequent 31 August has changed because of the reconciliations performed after the submission date; b. There were marked differences between what was submitted on 31 August and the subsequent submission c. In general, the final registers do not correspond with the information submitted on 31 August 2018 	CFO

		<ul style="list-style-type: none"> The updated trial balance, registers and reconciliation were forwarded to Mr Sanele on 13 September 2018. No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS 	CFO
4. Commitments Note 39: Not prepared in accordance to the GRAP framework(ISS.65)	Note 39: Commitments	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	Contrary to the requirement of GRAP 17.86(b), the municipality has not in their 2017/18 annual financial statements made disclosure of the amount of contractual commitments for the acquisition of property, plant and equipment made the current period.		
5. Annual financial statements: AFS not approved at the correct date (ISS.50)	During the high level review of the financial statements submitted the following was identified:	The audit finding is noted.	CFO
	The AFS approval date is 30 November 2018 even though the set was received on 31 August 2018.		
6. Annual financial statements: AFS not prepared in terms of the framework(ISS.51)	During the overall high level review of the financial statements, the following significant matters were identified in the statement of financial performance:	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	<ul style="list-style-type: none"> The computation of employee benefit amounts was not performed, hence information not included. 		
	<ul style="list-style-type: none"> Actuarial gain amount is nil which is proof that the actuaries were not involved in calculating the defined benefit plan fair values. 		

	<ul style="list-style-type: none"> · Based on the damage that resulted from regular community protests at the municipality, it was reasonably expected that would be an impairment loss on property, plant and equipment items, and this is an indication that the municipality did not perform a conditional assessment as required by GRAP 17. 		
	<ul style="list-style-type: none"> · General expenses for the 2017 financial period increased by R8 354 800 and no prior period adjustment disclosure was made with regard to this. 		
7. Property plant and equipment: Scope limitation(ISS.54)	Note 4: Property, plant and equipment (PPE)	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	<ul style="list-style-type: none"> · Insufficient information provided to the reconciliation of PPE. There are unexplained "Differences" between the opening and closing balance of the reconciliation to PPE note 4 for 2017/18. 		
	<ul style="list-style-type: none"> · Assets register were not provided that agrees to the financial statements. 		
8. Defined benefit plan: Not prepared in accordance with the GRAP framework(ISS.56)	Note 7: Defined benefit plan	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	<ul style="list-style-type: none"> · No work was performed in the current year. Information did not also pull through to the statements for the current year. 		
9. Unspent conditional grants: misstatement identified(ISS.59)	Note 15: Unspent conditional grants	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	<ul style="list-style-type: none"> · Amounts do not tie up to the grants registers prepared as the following differences were noted: 		
	<ul style="list-style-type: none"> o Library grant = R797 674 		

	<ul style="list-style-type: none"> o Municipal Infrastructure Grant = R3 279 633 		
	<ul style="list-style-type: none"> o Financial management grant = R268 797 		
10. Equitable Share Note 25: misstatement identified (ISS.60)	Note 25: Equitable share:	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	<ul style="list-style-type: none"> · Equitable share amount does not agree to the DoRA. The disclosed amount is understated by R407 373 		
	<ul style="list-style-type: none"> · FMG and INEP grant amounts were incorrectly captured. The following differences were noted: INEP = R45 000 (Understatement) FMG = R45000 (Overstatement) 		
	<ul style="list-style-type: none"> · For EPWP grant there is undefined difference of R710 924 		
	<ul style="list-style-type: none"> · For INEP grant there is undefined difference of R12 318414 		
11. Finance cost note 30: Not prepared in accordance with the GRAP framework(ISS.61)	Note 30: Finance cost	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	<ul style="list-style-type: none"> · Not all the required information is included in the note such as capitalization rates used. 		
12. Cash generated from operations Note 36: Misstatement identified(ISS.64)	Note 36: Cash generated from operations		
	Prior year depreciation amount is incorrect; a difference of R2 237 673 was noted		
13. Unauthorized, irregular, fruitless and wasteful expenditure note 41: Not prepared in accordance to the GRAP framework(ISS.67)	<ul style="list-style-type: none"> · Disclosure of unauthorised, irregular, fruitless and wasteful expenditure was not made. 		
14. Intangible asset Note 5: AFS not prepared in term of the framework(ISS.55)	Note 5: Intangible assets	Management will perform a review of the intangibles so that an appropriate action is taken in this regard. The current listing of the intangibles contains a line item	CFO
	<ul style="list-style-type: none"> · Amortisation amount not included for the current year. 		

		called "Computer Software". We could not establish the nature of the software hence no difference between current and prior year balances.	
15. Investment property: scope limitation(ISS.53)	Note 3: Investment property	Management agrees with audit finding. The register was subsequently submitted to Mr Sanele on 13 September 2018.	CFO
	· There are no registers in the audit file to agree the amounts to.		
16. General expenses Note 33: Not prepared in accordance with the GRAP framework(ISS.62)	Note 33: General expenses	Management agrees with the audit finding. The errors will be addressed in the post audit action plan for 2018/19.	CFO
	· Packaging costs were included as provision for landfill site in the prior year AFS		
	· Expense 3,8 and 10 line items not described		
	· Hostel charges were included as impairment in the prior year AFS		
17. Receivables: Possible limitation of scope(ISS.49)	The following requested documents (RFI 34, dated 04/09/2018) were not submitted by the municipality for audit:	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	1. Transaction listings		
	2. General ledger accounts		
	3. Sub-ledgers		
	4. Rejected transaction listing		
	5. Related suspense accounts		
	6. Debtors list		
	7. Title deed listing		
18. Consumer debtors note12: Not prepared in accordance with the GRAP framework(ISS.57)	Note 12 Consumer debtors:	Management notes the audit finding, therefore management is of the view that because no impairments were	CFO
	· Impairment provision is same as prior year; this is evidence that there was not work performed.		

	<ul style="list-style-type: none"> Consumer debtors age analysis was not performed or available as the municipality did not compile such reports at year-end. 	done in 2017/2018 financial year. Management felt it will be appropriate in keeping with the consistency principle to disclosed the impairment provisions although there were no movements.	
19. Related parties: Not prepared in accordance to the GRAP framework(ISS.66)	Note 41: Related parties		CFO
	<ul style="list-style-type: none"> Incomplete disclosure of related parties made. Senior management remuneration not disclosed. 		
1. COMM 9: Cash & cash equivalents: Amounts in trial balance & AFS do not correspond to amounts in the GL (ISS.69)	Amounts in trial balance & AFS do not correspond to amounts in the GL	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	Refer to table in COAF 9.		
2. COMM 9: HR management and compensation of employees: Internal control deficiencies(ISS.45)	The following are control deficiencies from the employee cost business process:	Management agrees with the audit findings and remedial action will be implemented as recommended by the Auditor General.	HR/MM
	There is no succession planning in the municipality.		
	There is no monitoring of employee personal details		
	There is no process to determines whether a senior employee held a political office in a political party prior to their appointment in the municipality.		
	There is no staff establishment presented to council.		
	The former MM (Mr Dintwe) restructured his remuneration package and no motivation letter was submitted.		

3. COMM 9: Non-submission of SLA's between the municipality and Ngaka Modiri Molema District Municipality for the provision of water services: Limitation of Scope (ISS.70)	The following document was requested through RFI 33 (dated 4 September 2018) and was not submitted by the municipality within the agreed time (i.e. three days):• SLA between the municipality and Ngaka Modiri Molema District Municipality for the provision of water services	The SLA was submitted on the 21 September 2018 as agreed in an Audit Steering Committee meeting	Resolved
4. COMM 9: General expenditure: Difference between trial balance and financial statements (ISS.73)	During the audit of expenditure, the following differences were identified between the Trial balance and the Annual Financial Statements:(Refer to COAF 9)	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	
1. COMM 10: Support to local government: limitation of scope(ISS.71)	The following requested documents (RFI 25, dated 15/08/2018) were not submitted by the municipality for an audit: 1. Reports on the Back to Basic (B2B) plans for the 2017/18 financial year,2. Support plans to address the key challenges in improving the areas of five pillars of the Back to Basic campaign for the 2017/18 financial year.	Management notes the Auditors findings, however the requested information was submitted but due to misunderstanding and lack of proper coordination the documents could not reach the Auditors on time. Attached please find the following documents for your consideration. 1.Back to Basics 2.Support plan	Resolved
2. COMM 10: PPE: Incomplete journal entries (ISS.80)	Upon inspection of the general ledger we noted that there were no journals pertaining to property, plant and equipment, i.e. journals for property, plant and equipment were not processed in the current year general ledger.	Management agrees with the Auditors, however the journals that were not processed in the general ledger have subsequently been updated. If permissible, management can furnish the Auditor with the adjusted balances after incorporating the unprocessed journals.	
3. COMM 10: Planning - Limitation of scope on IT audit and non-compliance identified (ISS.31)	The following information was not submitted for audit as requested in RFI 21 dated 06/08/2018		
	· Post audit assessment plan	We will develop a post audit assessment plan	CFO

<ul style="list-style-type: none"> MSCOA: Planned/Actual project budget (Contract amount) Amount spent to date (supporting documents) If implementation partners will be used, indicate name and total cost of contract (provide the contract indicating the price) 	<p>SEBATA contract document attached, supporting documents to be submitted</p>	<p>MM</p>
<ul style="list-style-type: none"> Approved IT Governance framework 	<p>A draft framework was presented to council for approval, council referred the matter back citing that it will workshopped at a policy conference to be held at a later date. The framework will be itemized for council.</p>	<p>MM</p>
<ul style="list-style-type: none"> Approved IT strategic plan: Masters System Plan (MSP) 	<p>Document to be resubmitted to the AG for review.</p>	<p>MM</p>
<ul style="list-style-type: none"> ICT: Organisational chart 	<p>Document to be resubmitted to the AG for review.</p>	<p>MM</p>
<ul style="list-style-type: none"> ICT: Committees (Terms of reference of the committee, Minutes of the meetings and appointment letters), for each committee. 	<p>Document to be resubmitted to the AG for review.</p>	<p>MM</p>
<ul style="list-style-type: none"> Have IT Risk/Control Assessments been performed? (Evidence of assessment performed). 	<p>No risk assessment was performed by management due to lack of Internal Audit division within the municipality. Office of the Premier will be engaged to assist in this regard.</p>	<p>MM</p>
<ul style="list-style-type: none"> Approved IT security policy 	<p>No security policy exists, as part of the governance framework it will be developed and presented to council for approval.</p>	<p>MM</p>
<ul style="list-style-type: none"> Patch management procedures and process (patches and updates regarding e.g. operating system, anti-virus, fire wall, etc., frequency) and Patch management screen shot. 	<p>No formal procedure or process exists for Patch management; Updates are done on ad hoc basis during support. A windows server update services will be tested and deployed during Q3.</p>	<p>Mr Morifi</p>

<ul style="list-style-type: none"> Approved standards and procedures /guidelines on how users are created on the system 	<p>No procedure nor guideline is in place. This item will be addressed by the framework.</p>	<p>Mr Morifi</p>
<ul style="list-style-type: none"> Access request documents that have been completed and approved by management 	<p>Resolved</p>	<p>Mr Morifi</p>
<ul style="list-style-type: none"> Approved standards and procedures/guidelines on how changes and upgrades to packages systems are to be handled. Examples of change request documentation with management approval 	<p>No procedure nor guideline is in place. This item will be addressed by the framework in relation to change management.</p>	<p>Mr Morifi</p>
<ul style="list-style-type: none"> SEBATA: names/user names of vendors and evidence of review. 	<p>Document to be resubmitted to the AG for review.</p>	<p>Mr Morifi</p>
<ul style="list-style-type: none"> Approved backup and retention strategy (Backup standards and procedures) 	<p>Though backups are created there is no policy. The policy will be developed as a deliverable of the governance framework and presented to council for approval.</p>	<p>Mr Morifi</p>
<ul style="list-style-type: none"> Approved disaster recovery plan 	<p>No policy exist, The policy will be developed as a deliverable of the governance framework and presented to council for approval.</p>	<p>Mr Morifi</p>
<ul style="list-style-type: none"> Backup: off site location / agreement with external party, Off site storage slips, Daily backup reports. 	<p>Document to be resubmitted to the AG for review.</p>	<p>Mr Morifi</p>
<ul style="list-style-type: none"> SLA(s) and invoices for the following vendors: <ul style="list-style-type: none"> V&D Telecoms (Pty) Ltd <ul style="list-style-type: none"> NETSEC SEBATA. True Communications (pty) 	<p>Document to be resubmitted to the AG for review.</p>	<p>Mr Morifi</p>

	<p>MSCOA Governance structures, policies, procedures</p> <ul style="list-style-type: none"> o MSCOA committee: minutes, charter, appointment letters, registers o Risk identification and issue management processes (risk register) o Actual cost to date, budgeted cost, proof of cost monitoring if any o Has a process or criteria been established to ensure that the necessary sign-offs/approvals takes place at each project stage or milestone? >provide approved progress reports o Provide supporting documentation for the following questioners 	Document to be resubmitted to the AG for review.	Mr Morifi
	<p>MSCOA Post-Implementation Questo Communication plan post implementation assessment Approved data conversion / migration plans defined. Data cleansing process Data map</p>	Management notes the Auditors findings, however the requested information was submitted.	Mr Morifi
4. COMM 10: 01 ITEC - Level 1 Auditees (Non-ISA): Scope limitation(ISS.72)	The following information was not submitted for audit as requested in RFI 38 dated 12/09/2018. Information Systems		Mr Morifi
	>Antivirus: please provide us with screen shots of 10 people, indicating the following:	Resolved	Mr Morifi
	The version of the anti-virus, how regularly the antivirus is updated, when last the antivirus was run and the name of the personnel for each screen shot.	Document to be resubmitted to the AG for review.	Mr Morifi
	>Also provide the following: The number of computers updated with the latest version and the number of computers/users that has not been updated with the latest version of the anti-virus.	Unfortunately, we are experiencing technical difficulties recovering the AV console, the required information will be availed as soon as the console is updated.	Mr Morifi

	>Backup: Please provide us with screen shorts of 10 back-ups daily backups for the month of June 2018	Backup are done remotely; backup report has been submitted as pre RFI 21 (22).	Mr Morifi
5. COMM 10: Procurement and Contract Management: Limitation of scope on Request for Information 40(ISS.77)	The following information was requested as per RFI no. 40 dated 19-September-2018 but no supporting documentation were received by the auditor within the agreed time for the following information	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	Payment vouchers attached in Annexure A should be accompanied by the following:		
	a. Declaration of interest by the supplier		
	b. Original tax clearance certificates		
	c. List of suppliers who were not awarded the contract		
	c. Deviation report (where applicable)		
d. Original BBB-EE certificate for the winning bidders			
6. COMM 10: Provisions: Non - submission of Information(ISS.76)	The following information was not submitted for audit as per RFI no.37 dated 12.09.2018 .Information requested is as follows:	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	· List of all provisions		
	· List of all employees received long service awards during the year		
	· Actuary valuation report for the provision		
· Valuation calculation of management expert			
7. COMM 10: Consumer debtors: Difference between the debtors list and the AFS(ISS.78)	During a comparison between the Debtor's list and the AFS provided for audit purposes, it was noted that there is a difference of R50 440 611.00 for consumer debtors. Find the comparison with differences below:	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO

	Total per Debtors' list 605 562 528, Difference 50 440 611, Difference % 8,33		
8. COMM 10: Receivables: Scope limitation(ISS.79)	During the performance of our normal audit procedures on receivables from non- exchange transactions and exchange transaction we requested a total breakdown and explanation of the following amounts (request for information no.39 Dated 17/09/2018): Note 9. Receivables from exchange transactions (Trade debtors) R1026 Note 10. Receivables from non-exchange transactions (Other receivables from non- exchange revenue) R11 060586 No information was received from management.	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
9. COMM 10: Revenue: No reconciliation for the valuation roll and incorrect classification	During the audit of revenue, we noticed that no reconciliation was performed between the valuation roll and the actual billable revenue for property rates to ensure completeness of the revenue recognised.	No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO

<p>1.COMM 11: Annual Financial Statements: The general ledger and trial balance does not agree to the set of financial statements (ISS.90)</p>	<p>The 2017/18 financial statements submitted for audit could not be agreed to the general ledger and the trial balance. Material differences were identified between the general ledger/trial balance and the financial statement items.</p>	<p>Management agrees with the audit findings. The reason for the differences identified are as follows:-</p> <ul style="list-style-type: none"> • We submitted the AFS on the 31st August 2018, however the subsequent to the submission we finalised the following reconciliations <ol style="list-style-type: none"> 1. Salaries reconciliations 2. Creditors reconciliations 3. Debtors reconciliations 4. Bank reconciliations <p>We submitted an updated General Ledger as opposed to the GL that was initially utilized to prepare the AFS hence the differences.</p> <ul style="list-style-type: none"> • We request the AG to allow us to resubmit the updated AFS and GL to address the differences. <p>NB! Please note that the audit findings for the preceding three (3) years were not addressed. As a result, as part of our post audit action plan we intend to address the previous financial years audit findings to correct the opening balances for 2018/19.</p> <p><i>No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS</i></p>	<p>CFO</p>
	<p>Furthermore, no reconciliation of account balance and classes of transactions was provided by management as requested in a meeting held on 18 September 2018 where such differences were presented. (Refer to table in COMM 11)</p>		

<p>2. COMM 11: Unauthorised, Irregular, Fruitless and Wasteful Expenditure Not Reported (ISS.84)</p>	<p>Contrary to the above requirement from the MFMA, the accounting officer of Ditsobotla Local Municipality did not report to the executive mayor, MEC for local government in the province and Auditor-General, any unauthorised, irregular, fruitless and wasteful expenditure incurred during the year under review.</p>	<p>Management agrees with the audit findings. We intend to review the expenditure of the preceding three (3) financial years with the view to identify UIF&W. Thereafter the register will be consolidated and reported to the Mayor, finance sub-committee, MEC for local government in the province and Auditor-General. With regards to the current financial year, upon identification of UIF&W expenditure will be reported to council on the monthly basis in line with the prescripts.</p>	<p>CFO</p>
<p>3. COMM 11: Limitation of Scope- Ratio Analysis (ISS.91)</p>	<p>Information requested from management on 07/09/2018 in RFI 36 with regards to explanation of significant fluctuations between current AFS and prior year audited AFS and the difference between current AFS the approved budget figures was not received.</p>	<p>Management agrees with the finding. However, the analytics has since been completed and will be made available to AG.</p>	<p>CFO</p>
<p>1. COMM 12: PPE: Additions & Disposals - Limitation of scope (ISS.89)</p>	<p>1. Additions</p> <ul style="list-style-type: none"> · no list of additions to assets was received as per RFI 23 (dated 14 August 2018) for the year under review. <p>no additions to assets were presented and disclosed in the annual financial statements submitted for the 2017/18 audit</p> <p>2. Disposals</p> <ul style="list-style-type: none"> · no list of disposals to assets was received as per RFI 23 (dated 14 August 2018) for the year under review. · no disposals of assets were disclosed for the year under review as per the fixed asset register. · no disposals to assets were presented and disclosed in the annual 	<p>We agree with the audit finding. At the time when the AFS were submitted, we were in the process of finalizing the disclosure relating to PPE. The disclosure not was subsequently finalized. Attached find the proposed note for disclosure purposes. The note was previously forwarded to Mr Sanele.</p> <p>No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS</p>	<p>CFO</p>

	financial statements submitted for the 2017/18 audit.		
2. COMM 12: Journals: Scope limitation (ISS.93)	The following information requested in RFI 42 dated 19 September 2018 was not submitted for audit:	Management agrees with the finding. On the receivables journals, there were journals that were passed on the Consbill module but did not appear on the general ledger. Therefore, journals had to be passed to ensure that there is a balance between Consbill and General Ledger. No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS	CFO
	1. Journals and supporting documentation to support journals listed in annexure A(Refer to table in COMM 12)	Medical aid contributions were underpaid, therefore correcting journals were performed for balancing. Journal documents are attached	CFO
3. COMM 12: PPE: Value of land - Limitation of scope (ISS.92)	Information requested from management on 20 September 2018 in RFI 43 with regards to the value of land (rateable valuation reconciliation) for the year under review was not received.	Management agrees with the audit finding. Attached please find the approved municipal valuation roll for your perusal.	
4. COMM 12: Procurement and contract management- Three quotations were not obtained and deviation form not attached) (ISS.46)	Procurement and contract management- Three quotations were not obtained and deviation form not attached: Contrary to the above, quotation process was not properly followed in procurement of goods and service between R10 000.00 and R200 000.00 as no approved deviation forms were attached.	Management does not agree with the auditors as the documents were submitted to the auditors. However, a declaration of interest as well as the deviation relating to Agnes Rose was attached on the payment voucher. Malefo Dathuu Pty LTD relates to a cession agreement. The remaining two documents relates to procurement sourced by the stores but the amount relates to three (3) quotations sourced at various time during the financial year. Also note that the amount does not relate to the R10 000.00 to R200 000 threshold.	CFO

5. COMM 12: Procurement and contract Management - Limitation of scope on request for information 45 (ISS.48)	The following information was requested as per RFI no. 45 dated 26 September 2018 but no supporting documentation was received by the auditor within the agreed time for the following information:(duplication of COMM 10 RFI 48)	n/a	
6. COMM 12: Procurement and contract management: Limitation of scope on request for information 48(ISS.74)	The following information was requested as per RFI no. 48 dated 28 September 2018 but no supporting documentation was received by the auditor within the agreed time for the following information: Payment vouchers attached in Annexure A1(refer to table COMM12) should be accompanied by the following: a. Declaration of interest by the supplier b. Original tax clearance certificates c. List of suppliers who were not awarded the contract c. Deviation report (where applicable) d. Original BBB-EE certificate for the winning bidders	Management agrees with the audit finding. Documents were submitted to the auditors except declarations of interest. Ms. Sekese and Modiri performed a reconciliation of outstanding documents. At the time of the submission we were not privy to the reconciliation results. <i>The information will be resubmitted to the Auditor General for review. No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS</i>	CFO
7. COMM 12: Procurement and Contract Management: Suppliers Tax Clearance not submitted(ISS.75)	The following regulation 32 suppliers did not submit valid tax clearance certificate prior to the appointment. (refer to table in COMM 12)		
8. COMM 12: Receivables-Debtors with	The following information requested in RFI 41 dated 19 September 2018 was not submitted for audit:		

negative balance: Scope limitation (ISS.94)	<ul style="list-style-type: none"> Debtors with credit balances-supporting documentation to explain the reasons for credit balances as listed in annexure B 	<p>Management agrees with the audit finding. Management is in the process of reconciling the debtors accounts with negative balances. The negative balances are as a result of the following:</p> <ul style="list-style-type: none"> Some of the debtors were overbilled Some of the debtors made advance payments Some of the debtors are paying via debit order or salary deductions <p>No changes were permitted by the Auditor General and as a result all the necessary adjustments and corrections will be incorporated in the 2018/19 AFS</p>	CFO
	<p>Request for information 20 dated 03 August 2018: information stated below was not submitted for audit.</p> <ol style="list-style-type: none"> List of all new applications to be registered as indigent. List of transfers from the Title Deeds Office. Consumer deposit register. All consumer deposit reconciliations (Monthly and year-end). 	<p>There is an ongoing process regarding the registration of indigents and once finalised the information will be made available to the Auditor General</p>	Mr Tsie

APPENDICES

APPENDIX A

COUNCILLORS: COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Council Members	Full Time/ Part Time FT/PT	Committees Allocated	Ward and / Or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
Cllr. S Matshane	FT	Infrastructure	ANC	75%	25%
Cllr. R. Matlholoa	FT	Planning & Development	DA	78.5 %	2.5%
Cllr. M. Gulube	FT	LED	ANC	69%	21%
Cllr. M. Seribe	FT	Finance	ANC	79.2%	2.8%
Cllr. M. Morutse	PT	Finance	ANC	60%	40%
Cllr. M. Mokoso	PT	LED	ANC	75%	25%
Cllr. O. Setlhare	PT	Infrastructure	ANC	85%	25%
Cllr. M Thebeyagae	PT	Finance	ANC	75%	25%
Cllr. J. English	PT	Infrastructure	ANC	78%	12%
Cllr. L. Mongale	PT	LED Conservation / Tourism	ANC	75%	25%
Cllr. K.H. Daeman	FT	Cooperative Service	ANC	80%	20%
Cllr. L Mtlhambe	PT	Planning & Development	ANC	55%	60%
Cllr. A Schnepel	PT	Cooperative Service	DA	40%	0.5%
Cllr. T Sonakile	PT	Finance	EEF	67.5%	32.5%
Cllr. J Moloko	PT	Planning & Development	ANC	92.2%	1%
Cllr. R Engelbrecht	PT	Community Service	DA	99%	1%
Cllr. J Mokoneng	PT	LED/ Community Service	ANC	50%	50%
Cllr. T.B. Mokhuane	PT	Infrastructure	EFF	72%	18%
Cllr. P.M. Mogatwe	PT	LED	EFF	39,2%	60.8%
Cllr M. Mofokeng	PT	Planning Development	ANC	75,5%	25,5%
Cllr T. Moreo	PT	Cooperative	ANC	60%	40%

COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE

Council Members	Full Time Part Time	Committees Allocated	Ward and / or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
Hon M.E. Mmota	FT	Speaker	ANC	98%	7.14%
Hon D.T. Buthelezi	FT	Mayor	ANC	99%	1%
Hon B.M. Modisane	FT	Council Whip	ANC	97.5%	2.5%

APPENDIX B: EXECUTIVE, PORTFOLIO ALLOCATION AND ATTENDANCE

EXECUTIVE COMMITTEES ALLOCATION AND ATTENDANCE					
Council Members	Full Time/Part Time	Committees Allocated	Ward and / or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
Cllr. D.T. Buthelezi	FT	Mayor	ANC	98%	2%
Cllr. M. Gulube	PT	Exco : LED	ANC	70%	30%
Cllr. K.H. Daeman	PT	Exco : Corporate Servicers	ANC	95%	5%
Cllr. S. Matshane	PT	Exco : Infrastructure	ANC	90%	10%
Cllr. R Matlholoa	PT	Exco : Planning & Development	DA	95%	5%
Cllr. M. Gulube	PT	Exco : Community Service	ANC	95%	5%
Cllr. M Seribe	PT	Exco : Finance	ANC	92%	8%

COUNCILLORS : COMMITTEES ALLOCATION AND COUNCIL ATTENDANCE

Name & Surname	Ordinary Council meeting 29 August 2017	Special Council Meeting 7 September 2017	Special Council Meeting 14 September 2017	Special Council Meeting 2 October 2017	Special Council Meeting 17 October 2017	Special Council Meeting 11 December 2017	Special Council Meeting 18 December 2017	Ordinary Council Meeting 31 January 2018	Special Council Meeting 14 February 2018	Special Council Meeting 20 February 2018	Special Council Meeting 28 February 2018	Special Council Meeting 12 April 2018	Special Council Meeting 20 April 2018	Special Council Meeting 8 May 2018	Special Council Meeting 24 May 2018	Special Council Meeting 31 May 2018	Special Council Meeting 19 June 2018	Special Council Meeting 29 June 2018	Total Meeting Attended	Total Meetings not Attended
Cllr ME Mmota (ANC Speaker)	Not Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	13	4
Cllr. Buthelezi (Mayor)	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	17	1
Cllr MB Modisane (ANC Council Whip)	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	16	2
Cllr. L Mongale (ANC Ward 1)	Not Attended	Not Attended	Not Attended	Not Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	11	7
Cllr J Mokoneng (ANC Ward 2)	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	16	2
Cllr. L Mthambe ANC Ward 3)	Attended	Attended	Not Attended	Not Attended	Not Attended	Not Attended	Not Attended	Attended	Not Attended	Attended	Attended	Not Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	10	8
Cllr. J. English (ANC 4	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	17	0
Cllr. T Mvundisi (ANC Ward 5)	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	17	0
Cllr R. Engelbrecht (DA Ward 6)	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	16	2
Cllr A Schnepels (DA Ward 7)	Not Attended	Attended	Not Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Not Attended	Attended	Not Attended	Not Attended	Attended	Not Attended	10	8
Cllr P Matshogo (ANC Ward 8)	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Not Attended	Not Attended	Attended	Attended	Not Attended	Attended	Not Attended	Attended	Attended	Attended	13	5

Cllr M Morutse (ANC Ward 9)	Attended	Attended	Not Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	15	3
Cllr T Mmolawa (ANC Ward 10)	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Not Attended	Attended	15	3
Cllr M Mofokeng (ANC Ward 11)	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	16	2								
Cllr O Setlhare (ANC Ward 12)	Attended	18	0																	
Cllr KH Daeman (ANC Ward 13)	Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Not Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	14	4
Cllr J Joe (ANC Ward 14)	Attended	Attended	Not Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Not Attended	Attended	Not Attended	Attended	13	5
Cllr J Leteane (ANC Ward 15 (B Cekiso EEF)	Attended	Not Attended	Attended	17	1															
Cllr VJ Moloko (ANC Ward 16)	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	16	2
Cllr H Mokoso (ANC Ward 17)	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	17	1
Cllr M Gulube (ANC Ward 19)	Attended	Not Attended	Not Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	12	6
Cllr M Thebeyagae (ANC Ward 20)	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Not Attended	15	3
Cllr W. Van der Linde (FF Plus PR)	Not Attended	Attended	Attended	Attended	Attended	Not Attended	Not Attended	Not Attended	Attended	Not Attended	Attended	Attended	Attended	Not Attended	Not Attended	Not Attended	Not Attended	Attended	10	8
Cllr T Mokhuane (EEF PR 4)	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Not Attended	Attended	Not Attended	Attended	Attended	Attended	14	4
Cllr GS Diale (EEF PR 3)	Not Attended	Not Attended	Attended	Not Attended	Not Attended	Attended	Not Attended	Not	Not Attended	Not Attended	Attended	Not Attended	Not Attended	Not Attended	Not Attended	Not Attended	Not Attended	Not Attended	3	15
Cllr M Botswe (EEF PR 1)	Attended	Attended	Not Attended	Attended	Attended	Not Attended	Not Attended	Attended	Attended	Not Attended	Not Attended	Attended	Not Attended	Attended	Attended	Not Attended	Not Attended	Attended	10	8

Cllr Itlhopeng (ACDP PR 1)	Not Attended	Not Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	13	5
Cllr T Sonalkile	Not Attended	Attended	Not Attended	Attended	Not Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	13	5
Cllr PM Mogatwe	Not Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Not Attended	Attended	Not Attended	Attended	Not Attended	Attended	Not Attended	Attended	Attended	Not Attended	Not Attended	10	8

Cllr JP Fourie	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	15	3
Cllr RB Matihloa	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	15	3
Cllr MS Matshane	Not Attended	Attended	Attended	Attended	Not Attended	Not Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	13	5
Cllr TK Melamu	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	16	2
Cllr BJ Moheta	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	18	0
Cllr K Njankanjaka	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	17	1
Cllr K Seribe	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	14	4
Cllr IT Nkashe	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Not Attended	16	2
Cllr T Moreo	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	17	1
Cllr Motlhako	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Not Attended	Attended	Attended	Attended	Attended	15	3
Cllr E Moeketsane	Attended	Attended	Attended	Attended	Attended	Attended	Not Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	17	1

COUNCILLORS : COMMITTEES ALLOCATION AND COUNCIL ATTENDANCE

Mayoral / Executive Committees and Purpose of Committes	
Portfolio Committees	
Name of the Councillor	Portfolio
Hon. Cllr. M Gulube	Community Service
Hon. Cllr.	Corporate Service
Hon. Cllr.	Infrastructure
Hon. Cllr.	Finance
Hon. Cllr.	LED
Hon. Cllr.	Planning Development
SECTION 79 COMMITTEES	
HON Cllr. K.S. Njakanjaka	MPAC Chairperson
Hon. Cllr H Mokoso	Municipal Demarcation Committee

SEAT ALLOCATION AFTER LOCAL GOVERNMENT ELECTIONS

The Local Government elections were held on the 03th August 2016. The results have been declared on the 10th August 2016 as follows

SEAT CALCULATION SUMMARY PER MUNICIPALITY DITSOBOTLA LOCAL MUNICIPALITY

Total seats Available in the Municipality 40

Party Name	Total Valid Votes	% Total Valid Votes	Total Party Seats	Ward Seats	PR List Seats Calculated	% Seats Won
African National Congress	44.463	63.30%	25	18	7	62.50%
Democratic Alliance	12.926	18.40%	7	2	5	17.50%
Economic Freedom Fighters	8.587	12.23%	5	0	5	12.50%
Vryheidsfront Plus	1.859	2.65%	1	0	1	2.50%
Forum For Service Delivery	1,512	2.15%	1	0	1	2.50%
African Christian Democratic Party	890	1.27%	1	0	1	2.50%
Total	70.237	100.00%	40	20	20	100.00%

PARTY NAME	CANDIDATES
AFRICAN NATIONAL CONGRESS	
PR1	Kedisaletse Martha Scribe
PR2	Mosidi Esther Mmota
PR3	Tebogo Daniel Buthelezi
PR4	Serurubele Andries Matshane
PR5	Blessing Mmama Modisane
PR6	Kgosi Stephen Njakanjaka
PR7	Motlhanka Patrick Moreo
Ward 63804001	Lebogang Dladwill Mongale
Ward 63804002	Itumeleng Julias Mokoneng
Ward 63804003	Joseph Letsholo Mtlhambe
Ward 63804004	Mooketsa Jacob English
Ward 63804005	Thapelo Samuel Mvundisi
Ward 63804008	Rapaseka Patrick Matshogo
Ward 63804009	Molefe Witness Morutse
Ward 63804010	Thandiwe Elizabeth Mmolawa
Ward 63804011	Moeketsi Elias Rasebopela
Ward 63804012	Ofentse Samuel Setlhare
Ward 63804013	Kebone Hildah Daeman
Ward 63804014	Tshweu John Joe
Ward 63804015	Bongani Patrick Cekiso
Ward 63804016	Buti Johannes Moheta
Ward 63804017	Motsamai Hendrik Mokoso
Ward 6380418	Maria Mashadi Gulube
Ward 6380419	Moabi Labius Thebeyagae

DEMOCRATIC ALLIANCE	
PR 1	Ronald Boitumelo Matlholoa
PR 2	Johannes Petrus Gerhardus Fourie
PR 3	Teko Miklaas Melamu
PR 4	Keorapetse Motlhako
PR 5	Sameng Ellen Moeketsane
Ward 63804006	Rene Engelbrecht
Ward 63804007	August Rudolph Schnepel
ECONOMIC FREEDOM FIGHTERS	
PR 1	Matshidiso Mathew Botswe
PR 2	Gloria Sibongile Diale
PR 3	Peter Moeti Mogatwe
PR 4	Teko Brenda Mokhuane
PR 5	Themba Sonakile
FORUM FOR SERVICE DELIVERY	
PR 1	Isaac Thabo Nkashe
AFRICAN CHRISTIAN DEMOCRATIC PARTY	
PR 1	Kingsley Lebogang Itlhopeng
VRYHEIDSFRONT PLUS	
PR 1	Wilhelmus Gerhardus Van Der Linde
Total seat assigned to this municipality	40

THIRD TIER STRUCTURE	
Directorate	Directorate / Manager (State Title and Name)
Municipal manager	Vacant
Community Service	Vacant

Local Economic Development	Vacant
Infrastructure	Vacant
Corporate Service	Vacant

MUNICIPAL / ENTITY FUNCTIONS

Municipal / Entity functions	Function Applicable to Municipality (Yes / No)	Function Applicable to Entity (Yes/No)
MUNICIPAL FUNCTIONS	NO	N/A
Constitution Schedule 4, Part B Functions	YES	N/A
Air Pollution	NO	N/A
Building regulations	YES	N/A
Child care facilities	NO	N/A
Electricity and gas reticulation	YES	N/A
Firefighting service	NO	N/A
Local Tourism	YES	N/A
Municipal airports	NO	N/A
Municipal planning	YES	N/A
Municipal health services	YES	N/A
Municipal public transport	NO	
Municipal works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	YES	N/A
Pontoons, ferries, jetties, pier, and harbours, excluding the regulation of international and national shipping and matters related thereto	NO	N/A
Storm water management systems in built-up areas.	YES	N/A
Trading regulations	YES	N/A
Water and sanitation services limited to potable water supply systems and domestic waste –water and sewage disposal system	YES	N/A
Beaches and amusement facilities	NO	N/A
Billboards and the display of advertisement in public places	YES	N/A

APPENDIX C

FUNCTIONALITY OF WARD COMMITTEES : MEETINGS

Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / NO)	Number of monthly committee meetings held during the year	Number of monthly reports submitted to Speaker's Office on time	Number of Quarterly public ward meetings held the year
Ward 01 Ward Committee	Cllr. L. Mongale	Yes	12	12	4
Members	T. Kgasu, I Radebe, K Moseki, A Marabele, A Morobe , S Tshoaeidi, W Mqamba , L Molefi, S. Mathipe, M Kuane				
Ward 02	Cllr. J. Mokoneng	Yes	12	12	4
Ward Committee Members	G Tsiamane, E Ngiba, T Mongale, , D Mogale, M Ndarala, K Samane, B Tangoane, E Nche, G Makope, T Seloane				
Ward 03	Cllr L Mtlhambe	Yes	12	12	4
Ward Committee Members	D Tekeane, T Mosebetsi, T Moseki, P Lefu, S Nanyane, S Mogaki, CL Mamabolo, MG Mogatwe, O Lee, T Mogatwe				
Ward 04	Cllr M. English	Yes	12	12	4
Ward Committee Members	KT Masebe, PM Lottering, EYL Motlhaolwa, T Molefe, L Mache, O Nkashe, P Khumalo, A Tsagae O Mocumi				
Ward 05	Cllr. T Mvundisi	Yes	12	12	4
Ward Committee Members	T Molapo, F Mere, E Madi, L Leshomo, K Mvundisi, B Lethoba, O Mojaki, S Kolobe, B Moletsane, K Molokela, T Molapo				
Ward 06	Cllr. R Engelbrecht	Yes	12	12	4
Ward Committee Members	G. Visser, I Modise, A Coetzee, M Rampou, L Molefe, Y Vogel, S van Rooyen, M Kgogamang, KG Noe, SJ Weyer				
Ward 07	Cllr. A. Schnepel	Yes	12	12	4
Ward Committee Members	EW Van Zyl, AL Houltzhauzen, H Van Jaarsveld, BK Sithole, OG Mothupi, B Lethoba, DH Nage, R Themba, J Sekwati, A Holtzhausen				
Ward 08	Cllr. P. Matshogo	Yes	12	12	4

Ward Committee Members	M Kujane, GE Fortuin, MS Bokwane, B Mokgele, GS Moroane, DE Tlhako, MS Mosiatlhaga, R Sejamoholo				
Ward 09	Cllr. M. Morutse	Yes	12	12	4
Ward Committee Members	M Magano, AJ Themba, DC Mere, ML Mothobi, G Thwala, VN Motlhabi, T Seima, OB Ntsime, LH Seleke P Dlamini				
Ward 10	Cllr. T Mmolawa	Yes	12	12	4
Ward Committee Members	TL Seabelo, KE Segongwane, PI Mokoto, JM Tlhakanyane, EM Moloetsane, PG Metsing, LI Pelele, MJ Rampai, IW Lethoko, K Malwetse				
Ward 11	Cllr. M Mofokeng	Yes	12	12	4
Ward Committee Members	JM Mogapi, P Makokoe, MC Matshogo, P Ratshefola, DS Diratsagae, K Phutiayagae, KM Tshotsi, KJ Phetoe, U Mokalleng, M Moeketsi				
Ward 12	Cllr. O Setlhare	Yes	12	12	4
Ward Committee Members	MM Dlamini, TE Phokompe, ML Thamaga, E Ntlabati, DM Menoe, SP Melato, M Phokompe, AA Fani, FD Jonathane, JM Jonas				
Ward 13	Cllr. K Daeman	Yes	12	12	4
Ward Committee Members	MH Moeng, IB Mogatwe, AO Machusi, NJ Segoe, J Melamu				
Ward 14	Cllr. J Joe	Yes	12	12	4
Ward Committee Members	P Joe, J Sebonyane, P Kwitsi, B Tsetse, P Montedi, M Matshogo, M Sole, S Sauda, G Ningi, N Lechoenyo				
Ward 15	Cllr B Cekiso	Yes	12	12	4
Ward Committee Members	BN Mosiatlhaga, N Maphela, MJ Kgamanyane, KR Leshomo, EO Motlhatlhedhi, GN Mnyakama, G Matlhaku				
Ward 16	Cllr. B Moheta	Yes	12	12	4
Ward Committee Members	DP Lebitse, EH Segomelo, TJ Sebego, B Moseki, Ds Mqobola, M Gadithubelwe, K Makgolo, K Mangena, W Groenewaldt G Mokhutshane				
Ward 17	Cllr. H Mokoso	Yes	12	12	4
Ward Committee Members	MB Gobile, T Lekgetho, N Nocwache, M Serobatse, D Moepeng, S Motone, B Morokane, ML Tomi, M Mkhuma				
Ward 18	Cllr. J Moloko	Yes			
Ward Committee Members	D Lingela, KL Masibi, KD Nonyane, TC Mtyele, KA Lemotlo, KD Mmatli, TM Matlape, TD Celu, TV Hlabe				

Ward 19	Cllr M Gulube	Yes	12	12	4
Ward Committee Members	V Tshabalala, G Letsholonyane, M Dieta, IM Mokgadi, E Mosele, D G Mazibuko, D Mohale, O Thabang, L Kodise, K Motswakae				
Ward 20	Cllr M Thebeyagae	Yes	12	12	4
Ward Committee Members	M Legote, M Moleko, P Mothobi, P Gabanakgosi, K Lesetedi, D Ditibane, S Thakadu, , M Molete				

APPENDIX E SERVICE DELIVERY BUDGET AND IMPLEMENTATION PLAN

KPA: BASIC SERVICE DELIVERY									
Measurable Objectives	Key Performance indicator	Baseline	Annual Target	Budget	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Portfolio of Evidence
Ensuring that all households have access to Electricity	Upgrading of Lichtenburg electrical substation	Electrical reticulation network has aged	New KPI	R 18 000 000 DoE	Pre engineering completed	Appointment of Contractor	Construction of Substation & Site establishment	Completion of substation	Completion Certificate
Build and maintain roads and storm water	Kilometres of Roads Upgrade	Construction of Internal Roads and Storm-water at Blydeville, Itekeng ,Itsoseng & Bodibe	June 2018	37 million	Appointment of Service Providers	40%	80%	100%	Completion Certificate
	Development of Community Facilities	Rehabilitation of Itsoseng Community Hall	June 2018	R 6 000 000	Appointment of Service Providers 10%	R 2.4m 40%	R 4,8m 80%	R 6m 100%	Completion Certificate
	Construction of Ablution Block and Fencing of Cemetery in Welverdiend	New KPI	June 2018	R 1.2m	Appointment of Service Providers 10%	R 480 000 40%	R 960 000 80%	R 1,2m 100%	Completion Certificate

KPA: MUNICIPAL TRANSFORMATION AND DEVELOPMENT

Measurable Objectives	Key Performance indicator	Baseline	Annual Target	Budget	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Portfolio of Evidence
Provide Human Resources Management	Number of HR policies reviewed	16 policies	11 HR policies reviewed	Operational	4 Policies Reviewed	4 Policies Reviewed	4 Policies Reviewed	3 Policies Reviewed	Reviewed HR Policies
	Reviewed Organisational structure	Draft structure available	December 2017	Operational	Consultation with Stakeholders	Preparation of reviewed Organizational structure to Council	-	-	Reviewed organizational structure and Council Resolution
Develop and Retain skills	Appointment of all senior managers in the municipality	Vacancies in the Snr management posts	4	Operational	Recruitment and Selection process	Preparation of Report for Appointment of Senior Managers	-	-	Signed Appointment Letters / contracts of Employment
	Number of performance review meetings held with senior managers	New KPI	2 meetings annually	Operational	-	-	1 Meeting	1 Meeting	Reports signed – off by MM
	Approval of the 2018/19 Service Delivery and budget Implementation Plan by the Mayor	SDBIP Adopted	Approved Top Layer SDBIP by June 2017	Operational	-	-	Draft incorporated in the Draft IDP Review for 2018/19	Approved Top Layer SDBIP	Approved Top Layer SDBIP
	Approval of the 2017/18 Annual Performance Report	Late	March 2018	Operational		Draft available	Adoption		Council resolution

KPA: FINANCIAL VIABILITY

Measurable Objectives	Key Performance indicator	Baseline	Annual Target	Budget	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Portfolio of Evidence
Promote Financial Accountability	Submission of the 2017/2018 Annual Financial Statements to the Office of the Auditor General	Submitted 2017/18 AFS	31 August 2017	Operational	AFS submitted to Auditor General	-	-	-	AFS signed off by the Office of the AG
	Submission of the 2017/2018 performance Report to the Auditor General	Submitted both 2017/18 Reports	31 August 2018	Operational	Performance Report submitted to the Auditor General	-	-	-	Performance Report signed off by the AG's Office
	Preparation of the Municipal Budget to Council by 2018/19 May 2017	2017/18 Budget Adopted	Budget Tabled to Council by May 2018	Operational	Budget and IDP Process Plan Adopted for 2017/18	-	Preparation of Draft Budget by 30 March 2018	Budget Tabled by 31 May 2018	Council resolutions
	Preparation of the Adjustment Budget of 2017/2018 by January 2018	2017/18 Adjustment budget approved	28 Feb 2018	Operational	-	-	Approved Adjustment budget	-	Copy of budget and council resolution
	Number of Section 71 (MBS) Reports submitted to Mayor	12	12	Operational	3 Reports per Quarter	3 Report per Quarter	3 Report per Quarter	3 Report per Quarter	Copies of reports signed off by the Mayor
	Percentage expenditure of the MIG and MSIG fund	95%	100%	Operational	10%	50%	-	100%	Report signed-off by the Mayor

KPA : LOCAL ECONOMIC DEVELOPMENT

Measurable Objectives	Key Performance indicator	Baseline	Annual Target	Budget	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Portfolio of Evidence
To Facilitate Tourism Growth	Established multi-stakeholder LED Forum headed by Mayor	No forum	January 2018	Operational	Consultations	Memorandum signed and launched	Engagement Schedule	Reporting	Report to council for noting
	Number of LED Forum meetings held	2	2 (Quarterly)	Operational	-	-	1 meeting	1 meeting	Reports to council for noting
	Percentage number of Bids awarded to local SMMEs and local contractors	New KPI	30%	Operational	30%	30%	30%	30%	Quarterly reports to council

KPA: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Measurable Objectives	Key Performance indicator	Baseline	Annual Target	Budget	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Portfolio of Evidence
	Preparation of the revised 2018/19 IDP by Council	2017/2018 IDP adopted	31 st May 2018	Operational	2017/18 IDP Process Plan approved	Priorities Adopted	Draft Reviewed IDP Tabled	Reviewed IDP Approved by 30 May 2018	Council resolution
	Percentage of Implementation of	90%	100% of Post Audit Action Plan (PAAP)	Operational	-	-	50%	100%	Post Audit Action Plan Report on

	Post Audit Action Plan								responses to Audit Queries
	Number Section 52 Reports submitted to Council	4 Reports	4 Section 52 Reports submitted to Council by end June 2018	Operational	1 Section 52 Report submitted to Council by end Sep 2017	1 Section 52 Report submitted to Council by end Dec 2017	1 Section 52 Report submitted to Council by end March 2018	1 Section 52 Report submitted to Council by end June 2018	Council Resolutions
	Submission of the Mid Term Per Report (s 72) to council	2017/18 Sec 72 Report	Mid Term Per Report (s72) Submitted to council by 31 Jan 2018	Operational	-	Mid Term Per Report (s 72) to council by 31 st Jan 2018	-	-	Council resolution
	Submission of the Annual report to Council	2016/17 Annual Report	2016/17 Annual report to Council by end March 2018	Operational	-	2016/17 Annual Report to Council by end March 2018	-	-	Council Resolution