

# MOQHAKA LOCAL MUNICIPALITY



## Annual Report 2015/16

31 July 2016

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# CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

## COMPONENT A: EXECUTIVE MAYOR’S FOREWORD

It is always a daunting task to provide a complete account on the responsibilities conferred upon us by the electorate. Most significantly, we do so being quite conscious of the fact that the general public deserves its rightful place at the apex of the ‘accountability chain’. In presenting this Annual Report, Moqhaka Municipality sets out the performance highlights and financial management for the 2015/16 financial year.

We owe this timely reporting to our colleagues in government, the people of Moqhaka and all those who live, work and play part in our Municipal Area by providing them with an insight into our approach to Governance and Service Delivery. This Annual Report is a culmination of the implementation of the Council’s adopted Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) for the 2015/16 financial year. In essence, the report is an account of Moqhaka Municipality’s achievements in the year under review, and as with any rigorous instrument it also assists in identifying our successes and failures. This report is therefore intended to attest to the collective efforts of the Administrative and Political Arms of the Municipality to progressively address the expectations of our people.

Major projects have been planned and executed like the completion of Reitz and Cross Streets, collapsed Hill Street sewer line (complete), cleaning reservoirs to bring about good quality water, and many others that they yet to be completed that includes the Brentpark Stadium, Rammulotsi Stadium, and others. These projects changed the face of the municipality and have a direct impact on the lives of the Residents of Moqhaka, which confirms our mandate to change people’s live.

We can be very proud of ensuring compliance and moving our Municipality from a disclaimer to a qualified report. This is a positive move and we are committed to improve all things as recommended by the Auditor General of South Africa. There are still new accounting standards that need to be implemented and the planning is on track to achieve the said goals. Cooperation coupled with financial discipline are the pillars that are required for the municipality’s financial viability and sustainability.

It will of course remain true for some time to come that the challenges of poverty, underdevelopment and the historical legacy of neglect will remain with us beyond the term of office of any elected political office bearer or top management official. That is why the municipality exploited every avenue available to create jobs for our people, including the creation of permanent jobs at all levels (including general workers). We pride ourselves with the employment of General Workers to address poverty stricken vulnerable families so that they also get income. We go further to create relations with Government Departments, Private

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Businesses and everyone we can to create and offer jobs to our people. This clearly qualifies the fact that 'development is not an event but a process' which requires multiple resources and effective leadership.

I have no doubt that this will be a useful document for Councillors, Staff and Stakeholders as we strive to continuously improve our services to the people of Moqhaka.

I remain committed to working together with my Mayoral Committee, the whole Council and the Municipal Administration in realising our vision and making it a practical reality. We are positive that Moqhaka Municipality's future holds the promise of a better managed and financially viable institution which delivers excellent services to the communities. I trust that every reader who studies this report from a balanced and fair perspective will concur with this impression.

CLLR J. MAREKA  
EXECUTIVE MAYOR

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## COMPONENT B: EXECUTIVE SUMMARY

### 1.1. MUNICIPAL MANAGER'S OVERVIEW

Moqhaka Municipality's commitment on service delivery in terms of infrastructure development and maintenance need not be emphasised as the municipality regards this as key importance and priority. Moqhaka Municipality has undertaken various projects that brought significant changes to our communities with regard to provision of basic services and improvement of infrastructure. These cover all spheres of service delivery which include electricity, water, sanitation, roads etc.

Over and above the continuous routine maintenance carried out on surfaced as well as gravel roads the Reconstruction of Reitz and Cross Streets is a milestone that will positively impact on the economy of Kroonstad / Maokeng while enhancing our traffic management endeavours. Various temporary jobs have been created through this project. We have further undertaken the refurbishing of our Water Purification and Waste Water Treatment Works in all the three towns. The opening of the refurbished Waste Water Treatment Plant by the honourable Minister of Water and Sanitation, Ms Nomvula Mokonyane on 14 June 2016 affirms the significance of this project and the positive impact towards the community.

Support services provided through the Expanded Public Works Programme and Community Works Programme has contributed positively in keeping our towns and public open spaces and cemeteries clean. We therefore wish to encourage our communities to assist in these programmes by also keeping our surroundings clean. The shift system for cleansing services further contributed positively towards keeping our streets clean.

A major challenge that came across our way during the 2015/16 financial year is the shortage of water which resulted from the continued drought. Notwithstanding the fact that water conservation measures were timeously implemented all surface water resources were depleted hence emergency measures required to be implemented. Overcoming and managing this challenge could only be done through the collaboration of all stakeholders which included the Department of Water and Sanitation (DWS) amongst several other. All possible alternative means of providing water to the community had to be explored and meticulously implemented. It can with confidence be indicated that this crisis was managed and attended to extremely well considering the magnitude of its parameters.

Moqhaka Municipality continued its improvement in managing its finances which amongst others included good payment records with our creditors. This efforts and improvement reflects in the enhanced audit opinion received from AG for 2014/15. A detailed audit action plan has also been developed and implemented in order to facilitate further improvement on the matters at hand of which progress has been

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carefully overseen by the Audit Steering Committee. Additionally the Municipality is progressing well in terms of transcending to the new mSCOA platform.

Procurement of some new fleet made a positive impact towards both improving efficient service delivery as well as decreasing expenditure in terms of repairs and maintenance on vehicles.

Development of SMART key performance indicators and appropriate strategies is what we rely on to improve our service delivery and budget implementation plan (SDBIP) which will be assessed annually. The output of all mentioned can only be measured by the people's satisfaction in terms of Moqhaka Municipality's service delivery.

I further wish to commend our honourable Executive Mayor, his Mayoral Committee, Councillors and also my management team and staff for all the hard work and relentless commitment in achieving our goals.

**MS Mqwathi**  
**MUNICIPAL MANAGER**

# Chapter 2

## 1.2. MUNICIPAL FUNCTIONS, POPULATION & ENVIRONMENTAL OVERVIEW

### INTRODUCTION TO BACKGROUND DATA

The area of jurisdiction of the Moqhaka Local Municipality is situated in the southern part of the Fezile Dabi District Municipality. The former Kroonstad, Steynsrus and Viljoenskroon Transitional Local Councils and sections of the Riemland, Kroonkop and Koepel Transitional Rural Councils are included in the Moqhaka Local Municipality.

The general tendency of migration from rural to urban areas is also occurring in the area, as is the case in the rest of the Free State Province. The majority of the rural population is active within the agricultural sector. Regarding the population distribution (see Table 1), the area is largely urbanized (78% urban and 22% rural). In comparison to the other municipalities within the Fezile Dabi District, it appears as if Moqhaka is significantly less urbanised. However, the large rural population of the concerned region is attributed to the fact that the population of the Vierfontein and Renovaal villages as well as the Vaal Reefs hostel complex and informal settlement (see Table 6) is included in the rural population of Moqhaka.

The Greater Kroonstad is the centre of a large agriculture community that plays an important role in the economy of the district. Industrial activities subsequently contribute significantly to the district's economy. The Department of Correctional Services and the School of Engineer's Military bases are situated in the town. Kroonstad has of late become a distinguished holiday destination due to the ultra-modern and popular holiday resort of Kroonpark, adjacent to the Vals River. The urban area is situated adjacent the N1 National Road and located adjacent one of the largest and most important four-way railway junctions in South Africa.

The Viljoenskroon/Rammulotsi urban area is located within an area of extreme agricultural significance. The urban area plays a significant role in providing residential opportunities to the adjacent Goldfields and mining activities in the North West Province. The provincial roads P15/1 and P15/2 from Kroonstad to Klerksdorp in the North West Province extend through the area from north to south.

The Steynsrus/Matlwangtlwang urban area is situated approximately 45km east of Kroonstad, 92km west of Bethlehem. The major link road between Bethlehem and Kroonstad stretches adjacent to the urban area. The area is located in an area of agricultural significance and mainly provides services in this regard to the surrounding rural areas. More specialised services are rendered by Kroonstad as a large service centre in close proximity. The accessibility of the town, due to the main road and railway line, further influences growth in the area.

In addition to the existing formal urban areas, several residential areas and proclaimed town areas are situated in Moqhaka with reference to Renovaal, Vierfontein and the Vaal Reefs hostel complex and settlement. Renovaal was established during 1974 adjacent the Vaal River with the intention to provide



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residence in the proximity of the gold mining activities in the North West Province. The town was also later marketed as a leisure residential area with recreation potential adjacent the Renoster and Vaal Rivers. Development of the town is, however, extremely latent and only the proposed first phase of the town was established. According to Proclamation No. 167 of 1975, the concerned area represented by General Plan SG No. 459/1974, was proclaimed a township under the name Renovaal.

Figure 1: Map of Moqhaka



In addition to the existing formal urban areas, several residential areas and proclaimed town areas are situated in Moqhaka with reference to Renovaal, Vierfontein and the Vaal Reefs hostel complex and settlement. Renovaal was established during 1974 adjacent the Vaal River with the intention to provide residence in the proximity of the gold mining activities in the North West Province. The town was also later marketed as a leisure residential area with recreation potential adjacent the Renoster and Vaal Rivers. Development of the town is, however, extremely latent and only the proposed first phase of the town was established. According to Proclamation No. 167 of 1975, the concerned area represented by General Plan SG No. 459/1974, was proclaimed a township under the name Renovaal.

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Vierfontein (referred to as “Vierfontein South”) is also a proclaimed town. The area was initially developed to provide residence for workers at the adjacent mine and electricity power station and was owned by Eskom. After mining activities ceased and the power station discontinued, a township establishment was done to formalize the existing town area during 1993. According to Proclamation No. 35 of 1995 (Provincial Gazette of 24 February 1995), the concerned area represented by General Plan SG No. 786/1993, was proclaimed a township under the name Vierfontein. The individual properties were sold and the majority of the inhabitants of Vierfontein are retired residents with a limited number of inhabitants that are employed in Viljoenskroon.

To the north of the town Vierfontein, a sectional title scheme was established that is referred to as “Vierfontein North”. As in the case of Vierfontein, this sectional title scheme also developed to provide residence for workers at the Vierfontein mine and power station, but most of the current inhabitants are also retired. The area was developed by the Dutch Reformed Church who was the initial property owner of the concerned farms. The concerned farms are currently the property of Vierfontein Developers Group Scheme who is also the current home owner’s association.

The Vaal Reefs hostel complex subsequently exists adjacent the Vaal River and in close proximity of Viljoenskroon. The hostels were developed by AngloGold who is the property owner of the concerned farms and provide residence to mine workers of the company. Although mining activities ceased on the Free State side of the Vaal River, the complex still exists and provides housing to approximately 9 000 residents. An informal settlement subsequently developed adjacent the Vaal Reefs hostels, consisting of approximately 720 residents.

Apart from the dominant role agriculture plays in the region, no other significant economic activity exists. The Moqhaka area, like the rest of the Fezile Dabi District, is not considered as a primary tourist destination, although the area is increasingly becoming a favourite weekend destination. The hunting and guesthouse industries displayed an exceedingly rapid growth the past few years. Recreation areas and facilities are predominantly confined to the urban areas. The Kroonpark recreation and holiday resort in Kroonstad attracts interest throughout the region.

The Vaal River borders Moqhaka to the west. The Vals and Renoster Rivers drain through the area towards the Vaal River. These rivers play a significant role in providing the raw water supply to Kroonstad, Steynsrus and Viljoenskroon respectively. The topography of the area is particularly homogeneous with no prominent features and the area is characterised by extremely moderate slopes. The western areas, in the vicinity of Viljoenskroon, are known for various shallow and non-perennial pans.

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Table 1: Overview of Neighbourhoods within Mqohaka Municipality

Overview of Neighbourhoods within Mqohaka	
Settlement Type	Households
<b>Towns</b>	
Kroonstad	4535
Viljoenskroon	620
Steynsrus	221
Sub-Total	5376
<b>Townships</b>	
Maokeng	17071
Rammulotsi	7660
Matlwangtlwang	1649
Brentpark	833
Sub-Total	27213
<b>Rural settlements</b>	
Renovaal (359)	
Vierfontein (452)	
Sub-Total	0
<b>Informal settlements</b>	
Matlwangtlwang (Phase)	205
Sub-Total	205
Total	32794
	T 1.2.6

## DEMOGRAPHIC AND SOCIO-ECONOMIC PROFILE

The official statistics according to *Statistics South Africa's Census 2001, Community Survey 2007 and Census 2011* were used to provide an overview of the municipality's demographic and socio-economic profile.

Table 2: Census Key Statistics

	2011	2001
<b>People</b>		
Total population	160,532	167,892
Young (0-14)	27%	28,1%
Working Age (15-64)	66,4%	66,4%
Elderly (65+)	6,5%	5,7%
Dependency ratio	50,5%	51%
Sex ratio	98,1	99,2
Population density	20 persons/km <sup>2</sup>	n/a
No schooling aged 20+	5,4%	10,9%
Higher education aged 20+	8,6%	6,5%

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	2011	2001
Matric aged 20+	27,8%	20%
Number of households	45,661	41,514
Average household size	3,2	3,7
Female headed households	40,9%	36,5%
<b>Economy</b>		
Unemployment rate	35,2%	39,9%
Youth unemployment rate	47,2%	54,6%
<b>Living conditions</b>		
Formal dwellings	88,7%	82,5%
Housing owned/paying off	56,1%	61,4%
Flush toilet connected to sewerage	85,6%	65,6%
Weekly refuse removal	84,9%	67,4%
Piped water inside dwelling	57,7%	28,4%
Electricity for lighting	93,3%	83,8%

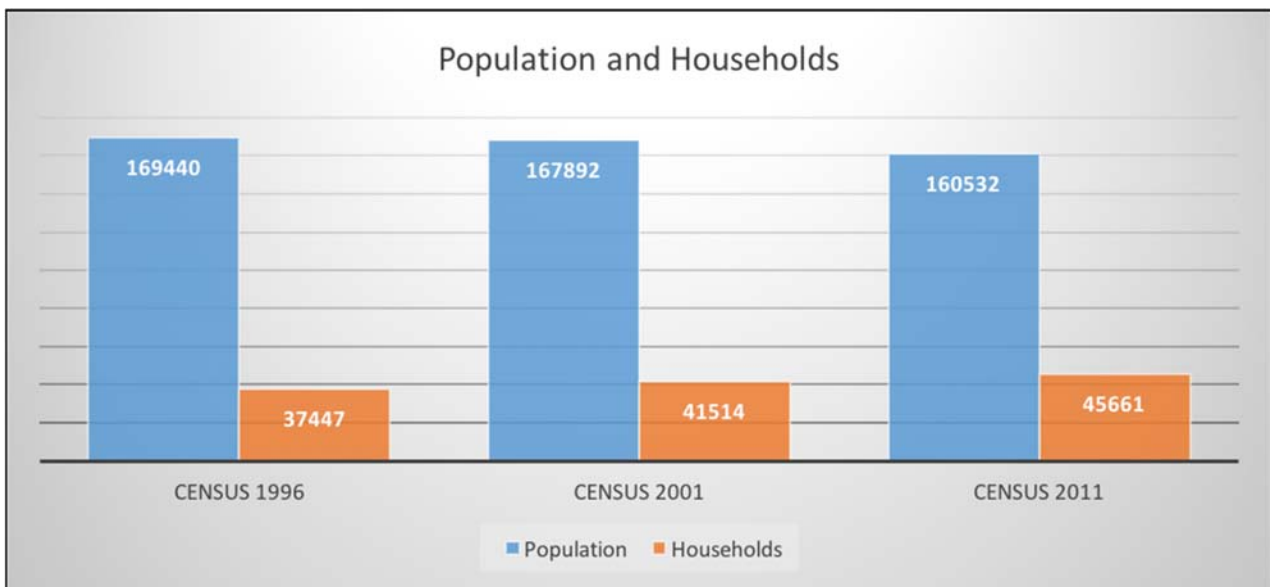


Figure 2: Population and Households

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Figure 3: Population by Age and Gender

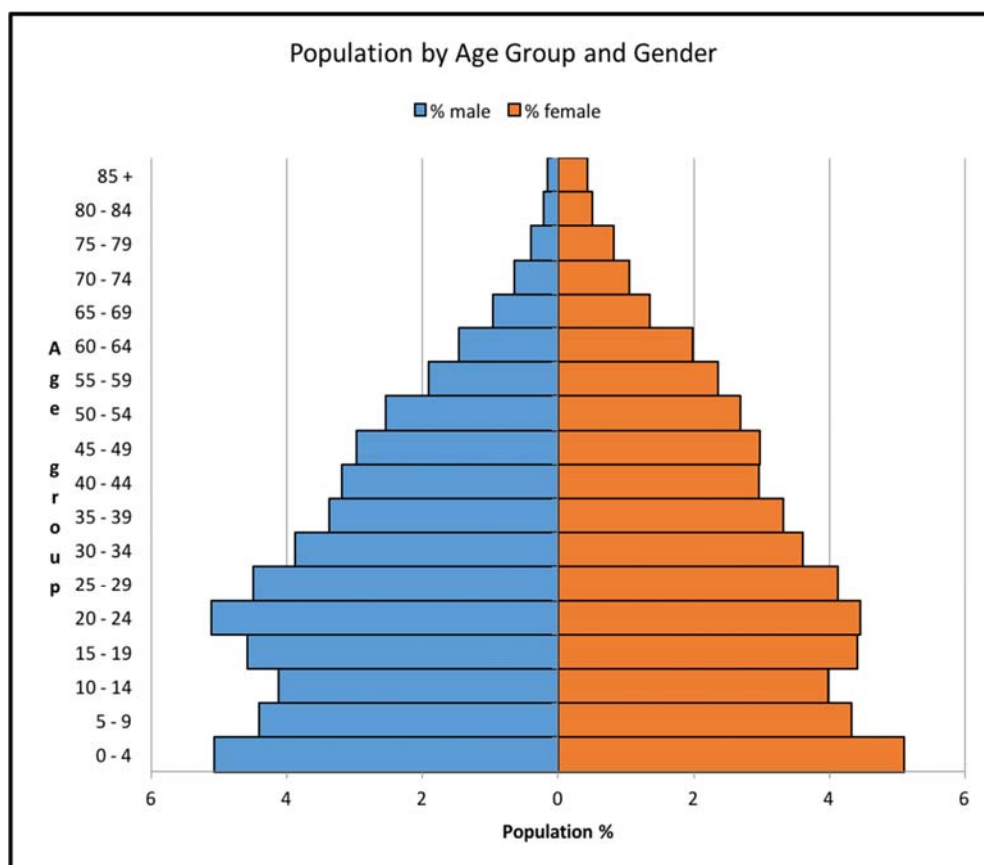


Table 3: Distribution of Population by Population Group

	Census 1996	Census 2001	Census 2011
Black African	142 711	144 793	139 970
White	21 010	18 198	14 968
Coloured	4 989	4 693	4 593
Indian or Asian	107	207	533

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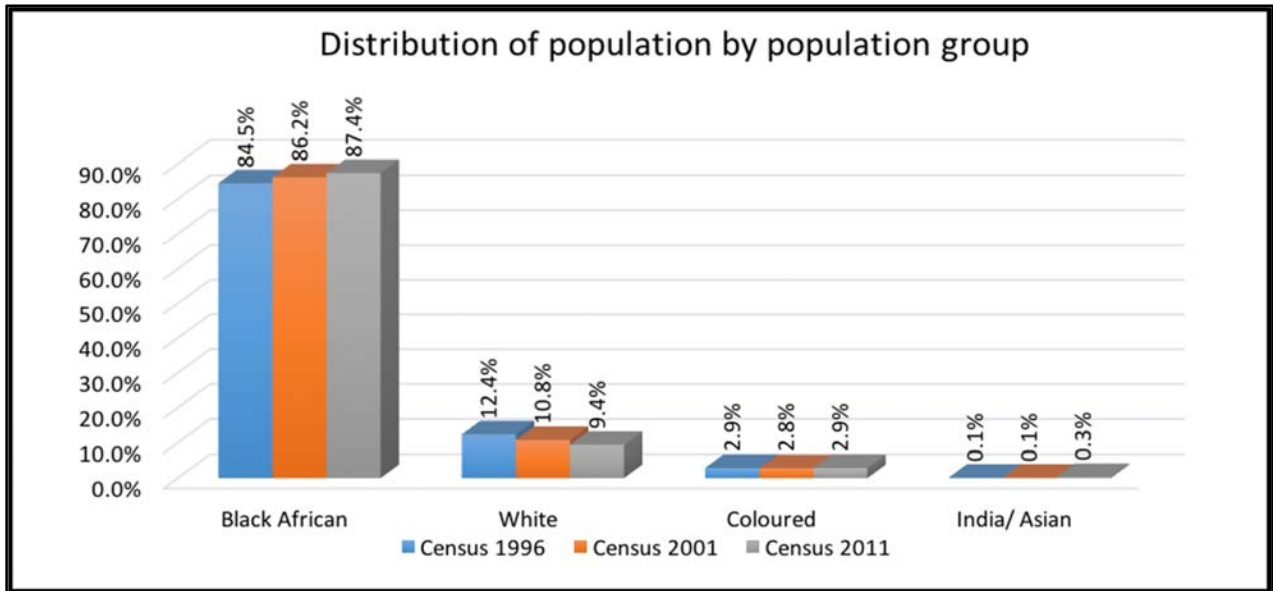


Figure 4: Distribution of Population by Population Group

Table 4: Distribution of population aged 20 years and older by level of education attained

	Census 1996	Census 2001	Census 2011
No schooling	14 017	10 512	5 025
Some primary	24 443	24 498	15 522
Completed primary	9 664	9 016	5 096
Some secondary	33 830	33 397	33 450
Grade 12/Std 10	12 023	19 325	25 883
Higher	6 207	6 242	8 022
Total	100 183	102 991	92 997

Table 5: Distribution of population aged 5-24 years by school attendance

	Census 1996	Census 2001	Census 2011
Attending	48 765	46 648	37 396
Not attending	16 654	18 690	15 182
Total	64 419	65 338	52 579

## WARD PROFILES

The ward information shown in the tables below was received from Statistics South Africa and provides a breakdown of some of the 2011 Census data according to the 25 wards in Moqhaka.

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Table 6: Distribution of Population and Population Group by Ward

FS201: Moghaka	Black African		Coloured		Indian or Asian		White		Other		Grand Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Total	69 356	70 613	2 257	2 336	353	180	7 181	7 787	330	138	160 532
Ward 1	3 499	4 260	6	10	1	1	4	8	5	-	7 794
Ward 2	3 446	2 961	81	89	31	24	746	786	10	5	8 179
Ward 3	3 321	1 733	213	177	14	12	1 376	1 529	8	4	8 387
Ward 4	3 006	3 456	64	47	-	1	13	10	2	-	6 599
Ward 5	3 290	3 716	9	9	6	-	1	1	12	7	7 050
Ward 6	1 358	1 488	27	29	4	2	20	25	9	2	2 963
Ward 7	3 506	4 135	15	13	4	-	66	76	7	8	7 828
Ward 8	2 226	2 786	22	15	7	-	-	-	2	-	5 058
Ward 9	3 755	3 944	53	66	14	7	31	26	5	3	7 904
Ward 10	2 453	2 837	14	17	6	3	14	58	5	1	5 407
Ward 11	2 175	2 431	11	18	5	-	3	3	2	4	4 654
Ward 12	2 044	2 383	6	6	8	5	3	1	12	2	4 470
Ward 13	2 452	3 011	1 196	1 341	14	1	16	16	11	14	8 073
Ward 14	1 976	2 373	10	15	-	-	1	1	5	-	4 382
Ward 15	2 723	3 051	23	26	2	3	2	1	11	2	5 845
Ward 16	1 814	1 914	118	115	77	44	1 231	1 467	73	22	6 875
Ward 17	597	575	94	104	54	60	1 804	1 943	23	21	5 274
Ward 18	3 326	3 948	24	23	2	-	1	1	10	13	7 349
Ward 19	3 177	3 555	22	29	8	1	1	1	19	2	6 815
Ward 20	3 526	4 058	29	31	21	-	3	4	10	-	7 683
Ward 21	3 097	3 514	16	14	26	-	-	2	22	6	6 697
Ward 22	3 465	3 470	30	22	7	2	223	186	14	4	7 424
Ward 23	1 634	1 401	15	8	-	-	524	550	-	1	4 132
Ward 24	4 804	985	86	50	26	7	146	107	7	2	6 220
Ward 25	2 687	2 630	76	62	18	5	948	983	47	14	7 470

Table 7: Energy for Cooking per Ward

FS201: Moghaka	None	Electricity	Gas	Paraffin	Wood	Coal	Animal dung	Solar	Total
Total	110	140 403	4 140	6 099	7 202	271	547	289	159 061
Ward 1	-	6 709	70	569	166	34	181	6	7 735
Ward 2	9	5 247	269	141	2 006	59	323	1	8 055
Ward 3	1	7 862	274	3	197	-	-	9	8 347
Ward 4	11	6 198	75	210	50	11	12	3	6 569
Ward 5	5	6 720	58	169	13	3	7	-	6 974
Ward 6	6	2 817	59	51	4	9	-	5	2 953
Ward 7	1	7 195	88	197	290	-	-	22	7 794
Ward 8	7	4 821	72	76	17	2	-	6	5 001
Ward 9	4	6 756	101	883	100	15	-	1	7 861
Ward 10	1	5 238	43	40	5	26	-	13	5 365
Ward 11	-	4 432	43	97	9	15	2	15	4 614
Ward 12	8	4 218	42	92	3	24	9	26	4 422
Ward 13	2	7 854	54	76	15	15	-	11	8 027
Ward 14	-	4 292	36	33	4	2	-	2	4 370
Ward 15	8	5 414	120	264	12	1	-	6	5 825
Ward 16	5	5 965	395	268	5	2	-	3	6 644

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FS201: Moqhaka	None	Electricity	Gas	Paraffin	Wood	Coal	Animal dung	Solar	Total
Ward 17	11	4 788	401	7	27	-	-	17	5 251
Ward 18	1	7 033	61	202	18	-	-	9	7 323
Ward 19	3	6 453	60	175	11	6	-	24	6 733
Ward 20	5	6 245	72	1 050	215	-	2	33	7 623
Ward 21	1	5 968	87	426	108	8	7	17	6 622
Ward 22	3	6 393	117	403	376	22	-	19	7 333
Ward 23	13	3 204	140	152	561	8	-	8	4 086
Ward 24	-	2 821	1 126	121	2 130	-	-	6	6 204
Ward 25	2	5 758	277	395	861	9	4	27	7 332

Table 8: Toilet Facilities per Ward

FS201: Moqhaka	None	Flush toilet (connected to sewerage system)	Flush toilet (with septic tank)	Bucket toilet	Other	Total
Total	2 752	136 052	2 347	2 746	2 096	145 994
Ward 1	329	4 965	25	144	72	5 534
Ward 2	658	2 229	685	217	159	3 949
Ward 3	51	8 208	24	8	7	8 298
Ward 4	18	6 003	186	75	83	6 366
Ward 5	9	6 927	22	3	2	6 964
Ward 6	18	2 918	2	-	11	2 949
Ward 7	55	6 999	92	147	76	7 368
Ward 8	10	4 970	21	-	-	5 001
Ward 9	420	6 887	51	101	82	7 541
Ward 10	21	5 318	5	7	5	5 357
Ward 11	-	4 586	6	-	14	4 606
Ward 12	21	4 374	9	-	8	4 412
Ward 13	67	7 830	5	3	121	8 027
Ward 14	24	4 308	18	8	-	4 358
Ward 15	-	5 768	35	-	7	5 810
Ward 16	65	6 542	9	9	16	6 640
Ward 17	10	4 955	92	1	19	5 077
Ward 18	3	7 190	112	-	11	7 317
Ward 19	7	6 584	39	18	45	6 692
Ward 20	52	6 466	47	878	109	7 551
Ward 21	15	6 061	16	375	91	6 557
Ward 22	340	5 013	356	300	217	6 226
Ward 23	247	1 093	198	210	277	2 025
Ward 24	138	5 140	114	12	286	5 690
Ward 25	175	4 718	180	231	378	5 682



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Table 9: Source of Water per Ward

FS201: Moghaka	Regional/local water scheme <i>(operated by municipality or other water services provider)</i>	Borehole	Spring	Rain water tank	Dam/ pool/ stagnant water	River/ stream	Water vendor	Water tanker	Total
<b>Total</b>	134 641	18 988	199	329	318	156	549	2 716	157 895
Ward 1	7 613	8	-	4	-	-	32	33	7 690
Ward 2	1 606	5 485	31	39	124	14	140	333	7 771
Ward 3	8 013	297	7	-	-	-	19	3	8 339
Ward 4	6 394	38	2	9	-	5	10	69	6 527
Ward 5	6 842	65	-	3	-	-	40	20	6 969
Ward 6	2 902	6	-	3	-	-	3	32	2 946
Ward 7	6 971	485	7	6	4	1	3	286	7 762
Ward 8	4 975	2	-	-	-	-	2	3	4 983
Ward 9	7 595	15	1	8	16	-	8	20	7 664
Ward 10	5 348	-	-	12	-	-	-	-	5 360
Ward 11	4 528	21	-	24	-	4	6	9	4 591
Ward 12	4 358	11	5	12	-	-	2	8	4 396
Ward 13	7 806	16	4	8	-	1	66	19	7 920
Ward 14	4 343	4	-	-	-	-	11	9	4 367
Ward 15	5 760	23	7	3	-	-	1	19	5 814
Ward 16	6 523	11	-	-	1	3	20	10	6 568
Ward 17	4 880	206	-	7	39	83	17	6	5 237
Ward 18	7 249	11	-	11	-	-	9	7	7 287
Ward 19	6 582	13	-	8	7	-	1	96	6 707
Ward 20	7 197	16	92	4	-	-	53	208	7 571
Ward 21	6 560	8	-	1	9	-	12	31	6 621
Ward 22	5 153	1 252	11	26	34	20	14	742	7 252
Ward 23	987	2 652	16	87	41	14	12	235	4 045
Ward 24	23	5 977	12	-	12	1	-	177	6 202
Ward 25	4 433	2 365	4	54	33	8	67	341	7 305

## 1.3 SERVICE DELIVERY OVERVIEW

The Moghaka Local Municipality as a Service Authority within its area of jurisdiction has a Legislative Mandate to provide services in a sustainable, safe and healthy manner. The Municipality is also responsible for operation, maintenance and upgrading of infrastructure, which include electricity, water services, sewer, roads and storm water.

The municipality is doing relatively well in terms of access to water and electricity as well as access to sanitation and refuse removal. Access to basic housing remains a challenge as this function is still performed by the Provincial Department of Human Settlements. Various service delivery targets have been set in the municipality's IDP to ensure that access to basic services is realised in line with the national government's target dates. Free basic services are provided to indigent households according to the

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municipality's indigent policy. This includes 6kl of water, 50kWh electricity, free sanitation and refuse removal per month.

The Municipality has achieved various achievements in terms of service delivery and infrastructure development targets. The projects were implemented using both internal budget and funding received from Sector departments.

Some of the key service delivery achievements by the municipality in recent years include:

- Installation of sewer line to serve 4000 new erven in Rammulotsi (Northleigh). Phase 1 of this project was launched in 2009, and to date a bulk sewer pipeline has been constructed in Northleigh and 4000 new erven have been connected to the bulk sewer line. Phase 2 of the project entails the installation of a transfer pump station collecting sewage from these 4000 erven in Northleigh to the Viljoenskroon Waste Water Treatment Plant. Construction for phase 2 is scheduled for the 2016/17 financial year,
- Construction of an outfall sewer line in Maokeng, between Dinoheng and Delswa, this project was completed in February 2014,
- The replacement of a collapsed sewer line in Hill Street. The project was completed in March 2015 and benefited 2001 households in Kroonstad and alleviated the pollution to Vals River.
- The replacement of the bulk sewer pipeline from Boitumelo Hospital to 11<sup>th</sup> Avenue in Marabastad. The project was completed in July 2015,
- The refurbishment of Brentpark, Smit and Gelukwaarts Pump stations, completed in January 2015,
- The refurbishment of Viljoenskroon Waste Water Treatment Plant (WWTP) was completed in August 2015 and benefited 7000 households living in Viljoenskroon.
- Refurbishment of the Kroonstad Waste Water Treatment Works. The project was completed in November 2015 and benefited 26 000 households in Maokeng, Kroonstad and Brentpark.
- Upgrade of Sewer Treatment Works, Ponds and Filters in Steynsrus, the project was completed in July 2016.
- Refurbishment of four sewer pump stations in Kroonstad (Kroonpark, A-station, Jordania, and Tuinhof pump station)
- Upgrading and Refurbishment of the Kroonstad treatment Works, which is still underway and planned to be completed in October 2016. When completed, the treatment works will benefit 26 000 households within Kroonstad, Maokeng and Brentpark.
- Refurbishment of the Steynsrus Water Treatment Works, completed in the 2015/16 financial year and benefitting 4000 households of Matlwangtlwang and Steynsrus.
- Improved security and availability of bulk electricity supply through the construction of 66kV overhead line and additional 20MVA transformer at Maokeng Substation.
- The refurbishment of 66kV incomers at Main Substation in Industria, Kroonstad.

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- The construction of a 66kV overhead line and 66Kn feeder bay between Main Substation and Maokeng Substation. Phases 1 and 2 were completed during the 2012/13 financial year. Phase 3 was completed in during the 2013/14 financial year.
- Installation of 7 high mast lights in Maokeng and 4 high mast lights in Rammulotsi. The project was completed during the 2014/15 financial year.
- Electrification of Khatliso Moeketsi, completed in 2014/15.
- Naledi Trust fuel cell electrification project.
- Reconstruction of main roads in Kroonstad CBD (Cross and Reitz Street)
- Reconstruction of collector roads (Botha, and Paul Kruger Roads in Kroonstad)
- Upgrading of 11<sup>th</sup> Avenue Road, Marabastad.
- Upgrading of collector roads and storm water in Gelukwaarts
- Upgrade of Area Link Road in Rammulotsi
- Upgrading of Internal Road and Providing of Storm Water System in Steynsrus.

The Municipality was also able to purchase some new vehicles and equipment from own funding to improve service delivery. There has been progress made in addressing staff shortage through the appointment of a Sanitation Manager, Solid Waste Manager, and process controllers. However, there is still a number of critical positions that are vacant and therefore impacting on service delivery.

## ACCESS TO BASIC MUNICIPAL SERVICES

The figure below shows the progress made with regard to service delivery since 2012/13.

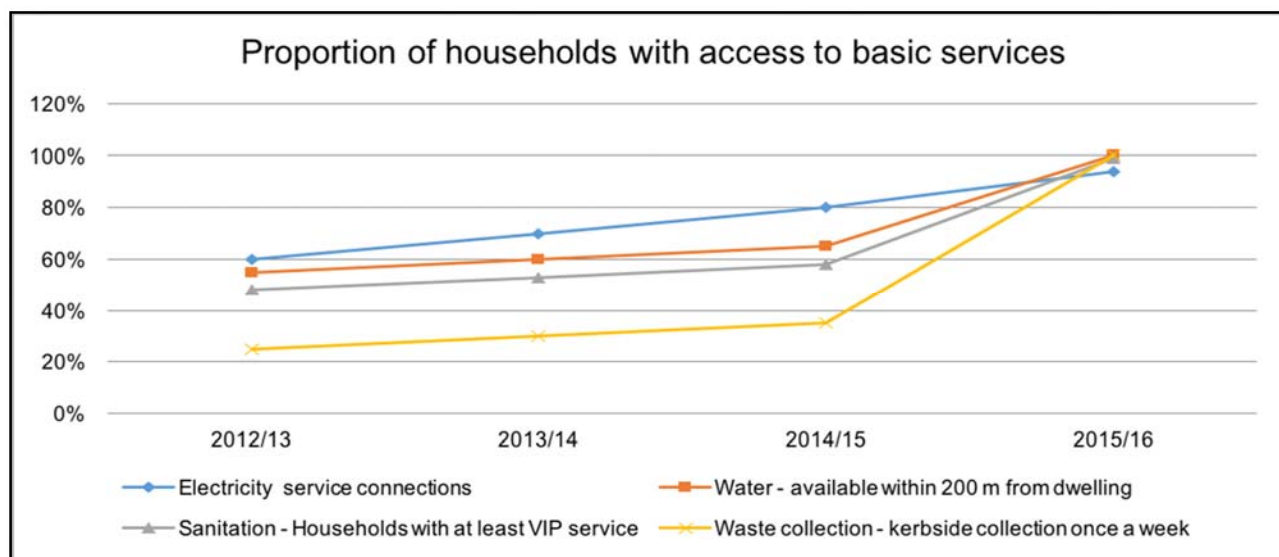


Figure 5: Access to services

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## COMMENT ON ACCESS TO BASIC SERVICES

Currently 100% of the households in the municipal area have access to piped water within 200m from their dwelling. In regard to access to basic sanitation 99% of households had access to flush toilets and ventilated pit latrines (VIPs) and 100% of households received a weekly refuse removal service. Only 88% of households had access to electricity during 2015/2016. Mostly Households in the ESCOM area of responsibility do not have access to electricity. In the municipality's area of responsibility only 149 households do not have access to electricity. This backlog will be eradicated during the 2016/17 financial year. The municipality has set targets for achieving the national outcomes for basic services in the 2012-2017 approved Integrated Development Plan (IDP).

### 1.4 FINANCIAL OVERVIEW

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

The municipality has performed relatively well over the past year despite the prevailing market and economic conditions, in line with its business plan. Despite the existence of indigent communities within the municipality's area of jurisdiction and the impact it has on the revenue collection rate which in turn put pressure on the cash flows, the municipality's cash flows remained relatively consistent as compared to the previous financial year.

Over the past year, the total revenue increased by 7% to R708 million. Service charges grew by 4% while growth of property rates is 5%. Total revenue was 1% more than the budgeted amount.

Total expenditure increased by 17% to R761 million. Depreciation and amortization expenditure increased by 5% while bulk purchases grew by 14%. Repairs and maintenance expenditure amounted to R57 million for the year (2015 R36 million). The municipality continues to prioritise repairs and maintenance because the preservation of infrastructural assets is important for continued basic service delivery.

The municipality recorded a net operating deficit of R41 million (2015: A surplus of R17 million) taking into account the impact of GRAP 17 depreciation.

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Table 10: Financial Overview – 2015/16

Financial Overview: 2015/16			
Details	Original budget	Adjustment Budget	R' 000 Actual
Income:			
Grants	163 700	164 292	265 080
Taxes, Levies and tariffs	481 930	503 322	405 164
Other	20 885	37 433	50 055
Sub Total	666 515	705 047	720 299
Less: Expenditure	(665 510)	(667 123)	(804 202)
Net Total*	1 005	37 924	(83 903)
<i>* Note: surplus/(deficit)</i>			

Table 11: Operating Ratios

Operating Ratios	
Detail	%
Employee Cost	28
Repairs & Maintenance	8
Finance Charges	2
Debt Impairment	8

## COMMENT ON OPERATING RATIOS

All of the above operating ratios depict a favourable status regarding the municipality's expenditure, and are within the norms and standards.

Table 12: Total Capital Expenditure

Total Capital Expenditure: 2013/14 to 2015/16					
Detail	2011/12	2012/13	2013/14	2014/15	R'000 2015/16
Original Budget	110 007	56 897	105 554	57 124	52 756
Adjustment Budget	64 744	70 342	112 954	112 250	56 092
Actual	51 632	74 657	94 211	78 181	56 092
T 1.4.4					

## COMMENT ON CAPITAL EXPENDITURE

The municipality's property, plant and equipment for the financial year under review amounted to R78 million, compared to R86 million for the previous year.

Capital commitments as at 30 June 2016 amounted to R107 million (2015: R125 million).

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The fixed assets were financed from government grants.

## 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

The municipality had 1407 approved posts on its organisational structure with 717 employees and a vacancy rate of 49,25% at the end of the 2014/2015 financial year. The highest vacancy rate is found at LED (100%), Security 84%, Workshop/Fleet Management 83%, Infrastructure & PMU and Roads and Storm Water at (70%). The turnover rate stood at 0,68%. The municipality had a high rate turnover due to a general shortage experienced employees who can do the duties of technicians (e.g. artisans, mechanical and electrical engineers) whilst certain departmental vacancies could not be filled due to the lack of plant and equipment.

The approval of outstanding workforce-related policies remains a challenge and it is envisaged that all outstanding policies will be approved during the 2015/16 financial year.

The average sick leave per employee was 5 days. A total number of 5135 sick leave days were taken by employees at an estimated cost of R 4 816, 630.

## 1.6 AUDITOR GENERAL REPORT

### AUDITOR-GENERAL REPORT: 2015/16

The Auditor General Report for 2015/16 financial year is fully detailed out in Chapter 6 of the Annual Report.

## 1.7 STATUTORY ANNUAL REPORT PROCESS

According to legislation the Annual Report of a municipality must be tabled in the municipal council on or before 31 January each year. In order to enhance Councils oversight function the municipality should submit their Annual Reports as soon as possible after the financial year end ideally this ought to be the end of August. Both the draft Annual Financial Statements and the Annual Report were submitted by the end of August to the Auditor-General. Management is currently developing processes and systems in order to ensure that the remaining sections be in place for the 2015/16 Annual Report process. It is expected that the entire process should be concluded by the end of December.

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The anticipated process for the creation, submission, review and approval of the 2015/16 Annual Report is set out in the table below.

Table 13: Statutory Annual Report Process

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft 2015/16 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to Municipal Manager	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor-General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

## COMMENT ON THE ANNUAL REPORT PROCESS

The municipality has been able to meet the new deadlines as per MFMA Circular No. 63 issued by the National Treasury in September 2012. Substantial progress has been made to align the format and contents of the Annual Report with the guidelines issued by the National Treasury. A concerted effort has been made by the municipality to ensure adherence to the above timelines with the compilation of the unaudited 2015/16 Annual Report.

The municipality appreciates the importance of alignment between the IDP, Budget and Performance Management System and the process to ensure proper alignment is continuously being reviewed and implemented.

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## CHAPTER 2 – GOVERNANCE

### INTRODUCTION TO GOVERNANCE

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

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### 2.1 POLITICAL GOVERNANCE

##### INTRODUCTION TO POLITICAL GOVERNANCE

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

The Council appointed an Audit and Performance Audit Committee which performs its functions in accordance with section 166(2) of the MFMA and the approved audit committee charter. This Committee reports directly to Council and make recommendations to Council in terms of its functions.

The Executive Mayor exercises his responsibilities in terms of the Municipal Structures Act, Municipal Systems Act, and Municipal Finance Management Act and in accordance with any powers and functions so delegated by the Council. The Executive Mayor is assisted by a Mayoral Committee who has been appointed in terms of section 60(1)(a) of the Municipal Structures Act. Members of the Mayoral Committee have been assigned specific areas of responsibility and chair the various portfolio committees (See **Appendix B** for committees and committee purposes). The portfolio committees consist of Councillors and reports directly to the Mayoral Committee.

The municipality has established an Oversight Committee, comprised of non-executive councillors, with the specific purpose of providing your Council with comments and recommendations on the Annual Report. The



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Oversight Committee report on the 2013/14 Annual Report will be published separately in accordance with MFMA guidance.

## POLITICAL STRUCTURE

	Function
<b>EXECUTIVE MAYOR</b> Cllr Justice Mareka	<i>Overall political responsibility for sound governance and service delivery</i>
<b>SPEAKER</b> Cllr Disebo Nakedi	<i>Public participation, ward committees and managing Council and Committee meetings</i>
<b>CHIEF WHIP</b> Cllr Tshidi Koloji	<i>Ensures discipline among Councillors; Managing relations between political parties and representation on Committees</i>
<b>MAYORAL COMMITTEE</b> Cllr Mokone Thipane Cllr Mpesi Mokotla Cllr Modiehi Machobane Cllr Tommy Makau Cllr Dikeledi Tau Cllr Tseleng Mkhwanazi Cllr Simon Mokoena Cllr Zenzile Magadlela Cllr Rachere Moletsane Cllr Donald Colbert	<i>Infrastructure and Technical Services</i> <i>Public Safety and Transport</i> <i>Special Programmes</i> <i>HR and Administration</i> <i>Urban Planning and Human Settlements</i> <i>Women, Children, Youth, Disability and Rural Development</i> <i>Community Services</i> <i>Sports, Arts, Culture and Recreation</i> <i>LED and Investment</i> <i>Finance, Audit and Risk Management</i>

## COUNCILLORS

The municipality has 50 Councillors of which 25 are Ward Councillors and 25 PR Councillors. A full list of Councillors can be found (including committee allocations and attendance at council meetings) in **Appendix A**. Further note that **Appendix B** sets out committees and committee purposes.

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## 2.2 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

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

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

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

### TOP ADMINISTRATIVE STRUCTURE

	POST DESIGNATION	FUNCTION	PERFORMANCE AGREEMENT SIGNED YES/NO
1.	<b>MUNICIPAL MANAGER</b> Mr. MS Mqwathi	Accounting Officer and Head of Administration	Yes
2.	<b>DIRECTOR: CORPORATE SERVICES</b> Mr. M Mthwalo	<i>Human Resources, Auxiliary and Legal Services,; Council Support, Housing and LED</i>	Yes
3.	<b>CHIEF FINANCIAL OFFICER</b> Mr. T Marumo	<i>Expenditure, Revenue, Assets &amp; Liability Management, Budgeting &amp; Reporting</i>	Yes
4.	<b>DIRECTOR: COMMUNITY &amp; EMERGENCY SERVICES</b> Ms. P Tshabalala	<i>Waste Management, Sport &amp; Recreation, Arts &amp; Culture, Public Safety and Parks</i>	Yes
5.	<b>DIRECTOR: TECHNICAL SERVICES</b> Vacant: Acting Director	<i>Water, Sanitation, Electricity, Roads &amp; Storm water, Urban Planning and PMU</i>	Yes
6.	<b>DIRECTOR: LED &amp; PLANNING</b> Vacant	<i>Local Economic Development, Town and Regional Planning,</i>	No

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## COMPONENT B: INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO COOPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Moqhaka Municipality through the 2015/16 financial year participated in a number of intergovernmental forums. This ensures that the Municipality is kept up to date on key developments in strategic areas of its responsibilities.

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

### 2.3 INTERGOVERNMENTAL RELATIONS

#### NATIONAL INTERGOVERNMENTAL STRUCTURES

The Municipality participated in the following National Structures

- SALGA National Assembly
- SALGS: National Municipal Managers Forum

#### PROVINCIAL INTERGOVERNMENTAL STRUCTURES

The municipality participated in the following forums:

- Premier's Coordinating Forum (PCF)
- MECLOGA.
- SALGA Human Resource Practitioners Forum
- SALGA Working Groups
- Provincial IDP Managers Forum
- Provincial PMS Forum
- Inter-Governmental Relations Forum
- Technical Inter-Governmental Forum

The municipality did participate in these structures and this has promoted good inter relations, best practices and information sharing amongst stakeholders.

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## DISTRICT INTERGOVERNMENTAL STRUCTURES

The Municipality is part of the District Coordinating Forum (DCF) where principal members are the Mayors, Speakers, Mayoral Committee Members and Municipal Managers. This platform assists the municipality to foster better relations with sister municipalities within the district.

In additions other structures such as the District Energy Forum (DEF) which is specifically focused on the relevant service delivery aspects are attended. This provides a platform for interaction with other Municipalities as well as Sector Departments involved.

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## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The municipality improved on the responsibilities mentioned above as indicated in the 2015/2016 IDP by:

- Providing feedback to different communities on issues people raised during the first round of public engagements.
- Providing progress report on funded projects implemented in the different Wards.
- Providing opportunity for communities to making input to the 2015/2016 IDP process.
- Providing Ward Committee an opportunity to prioritise inputs received from the different wards.
- Encouraging Ward Councillors and Ward Committees to do further consultation about communities service delivery priorities.
- Encouraging communities, Stakeholders and individual members of society to make use of the opportunity to do submission regarding the IDP review and budget of the municipality.

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

### 2.4 PUBLIC MEETINGS

#### KEY PURPOSES OF WARD COMMITTEES

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

#### COMMUNICATION, PARTICIPATION AND FORUMS

The municipality uses loud hailing, print media, posters, as well as physical delivery of invitation such as IDP/budget which are on semester interval. These meetings are inclusive of representative from Safety, Business and CBO's. The office is also intending on using ward committee in distributing pamphlets

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Table 14: Public Meetings

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Budget	26/04/2016 – 03/05/2016	26	19	5 660	Yes	Monthly Community Meeting
Constituency Meeting	03/11/2015- 17/11/2015	50	5	5 700	Yes	Monthly Community Meeting
IDP	18/11/2015- 03/12/2015	45	22	6 634	Yes	Monthly Community Meeting

## COMMENT ON THE EFFECTIVENESS OF PUBLIC MEETINGS HELD

Meetings have succeeded hence community have reported improvement and improvement is seen on infrastructure requested by community have been upgraded.

## 2.5 IDP PARTICIPATION AND ALIGNMENT

Table 15: IDP Participation and Alignment Criteria

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align directly to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	No
*Section 26 Municipal Systems Act 2000	

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## COMPONENT D: CORPORATE GOVERNANCE

### OVERVIEW OF CORPORATE GOVERNANCE

The municipality endeavours to comply with the regulatory frameworks and best practices regarding corporate governance.

This includes the establishment of a risk management function, internal audit unit and independent audit committee and the implementation of fraud and anti-corruption policies and measures.

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

### 2.6 RISK MANAGEMENT

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

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

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

### 2.7 ANTI-CORRUPTION AND FRAUD

The actions that constitute corruption are can be classified as follows:

- Any dishonest, fraudulent or corrupt act,
- Theft of funds, supplies and other assets,
- Maladministration or financial misconduct in handling or reporting of money,
- Making profit from insider knowledge,
- Disclosing confidential information to outside parties,

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- Deliberately refusing or omitting to report or act upon reports of irregular or dishonest conduct

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

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

A previous challenge that is now overcome was the lack of important structures to effectively deal with the occurrence of corruption and fraud within the municipality. A lack of capacity at the Internal Audit and Supply Chain and the ineffective functioning of the Audit Committee were some of the challenges the municipality faced to effectively eliminate the occurrence of fraud and corruption. These challenges have now been resolved and a functional internal audit, supply chain and Audit Committee exists.

## 2.8 SUPPLY CHAIN MANAGEMENT

Note: MFMA section 110 - 119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

SCM is governed by policies & processes that include Demand Management, Acquisition Management, Logistics, Disposal & Risk and Performance Management.

The improvements pertaining to Demand Management are that procurement plan is in place that outlines most of the projects that are included in IDP to ensure effective service delivery. Assistance is provided to user departments to compile specifications for tenders & request for quotations.

### **The improvements pertaining to Acquisition Management are as follows:**

There is an SCM threshold in place which gives guidance for procurement ranges e.g.

- Completion of a deviation form as per SCM Regulation 36,
- When request for Quotations, seven (7) days & tender advertisements must be made,
- Long term contracts are advertised for 30 days as per regulations,
- The safe keeping of tender documents has also been improved.



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In line with this Regulation and Supply Chain Management Reforms introduced by Government, all prospective service providers of goods and services and infrastructure procurement are required to apply on Central Supplier Database in order to do business with all organs of State in the Republic of South Africa at <https://secured.csd.gov.za>.

## 2.9 BY-LAWS

Table 16: By-laws introduced

By-laws Introduced during 2015/16					
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
11	0	Yes	July 2015 – Oct 2015	Yes	November and December 2015
<i>*Note: See MSA section 13.</i>					

### COMMENT ON BY-LAWS

An extensive public participation process was followed in Viljoenskroon, Rammulotsi, Kroonstad, Maokeng, Steynsrus and Matlwangtlwang. Both Councillors as well as officials from the user departments and legal section. The process of developing additional by-laws has been commenced with.

The following by-laws were developed and gazetted:

Table 17: List of Bylaws Developed

List of Bylaws Developed
Building Regulations By-Law
Control of Collections By-law
Electricity Supply By-law
Encroachment on Property By-law
Fences and Fencing By-law
Public Amenities By-law
Sporting Facilities By-law
Taxi Ranks By-law
Unsanitary and Neglected By-law
Commonage By-law
Municipal Land use Planning By-law

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## 2.10 WEBSITE

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

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

Table 18: Municipal Website: Content and Currency of Material

Municipal Website: Content and Currency of Material	
Documents published on the Municipality's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (2014/15)	Yes
The annual report (2015/16) published/to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2015/16) and resulting scorecards	Yes
All service delivery agreements (2015/16)	Yes
All long-term borrowing contracts (2015/16)	No
All supply chain management contracts above a prescribed value (give value) for 2015/16	No
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No
Contracts agreed in 2015/16 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in 2015/16	No
All quarterly reports tabled in the council in terms of section 52 (d) during 2015/16	Yes
T 2.10.1	

### COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS

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

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

## 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

No public satisfaction surveys were undertaken this year.

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

### INTRODUCTION

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

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

The purpose of the report is to provide information in respect of the core responsibilities, objectives, achievements as well as challenges faced by the Technical Department during the 2015/16 financial year.

### COMPONENT A: BASIC SERVICES

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

### INTRODUCTION TO BASIC SERVICES

Technical Services Department is responsible for the following services:

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

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

A. Water and waste water services

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

B. Roads, storm water, railways and public works

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

C. Electricity

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

D. Buildings survey

- Approval of building plans, construction and inspections thereof

## **Objectives and Achievements**

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

- Access to water,
- Water loss,
- Water quality,

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- Access to sanitation,
- Access to electricity,
- Energy efficiency,
- Access to municipal surfaced roads

## Departmental Challenges

- Institutional and organizational development:
  - Inadequate attraction and retention of skilled competent personnel,
  - Prolonged recruitment processes,
  - Inadequate training and development of staff
- Infrastructure maintenance and development:
  - Outdated technology and aged infrastructure,
  - Lack of infrastructure master plans and maintenance plans,
  - Inadequate infrastructure capacity to meet supply demand,
  - Increasing theft and vandalism of infrastructure,
  - Limited preventative maintenance,
  - Decaying infrastructure,
  - Heavy motor vehicular movement through and around CBD,
  - High distribution losses (water and electricity)
- Machinery, equipment and fleet:
  - Shortage of machinery, equipment and fleet,
  - High average age of municipal fleet,
  - Most fleet out of useful lifespan,
  - Prolonged turnaround time in terms of repairs and continued breakages,
  - Limited maintenance equipment,
  - Delayed processing time of purchase request in terms of maintenance and repairs,
  - Shortage of vehicles and machinery causing low productivity and low morale of staff cascading into serious delays in service delivery.

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- Financial Constraints:
  - Insufficient maintenance budget,
  - Insufficient capital budget appropriated (own funding),
  - Lack of consumables and sundry items,
  - Supplier / municipal relations dented,
  - Long processing period of purchase orders.
- Natural Hazards:
  - rainfall and flooding causes delay in project implementation and flooding of residential areas,
  - drought, leading to inadequate raw water supply and thereby negatively affecting the Municipality's mandate of providing basic water service to its communities.
  - extensive damage to infrastructure (decaying roads surfaces and potholes) and facilities / property.
- Compliance to Regulations:
  - Inadequate monitoring and measuring equipment and processes to facilitate compliance.
- Bulk Supply Services:
  - Inadequate bulk raw water supply in Kroonstad and Steynsrus due to the drought that was experienced during the 2015/16 financial year,
  - Inadequate electricity bulk supply in Viljoenskroon.
  - Rapidly deteriorating condition of roads network including main roads.

## 3.1. WATER PROVISION

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

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

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The top three priorities are:

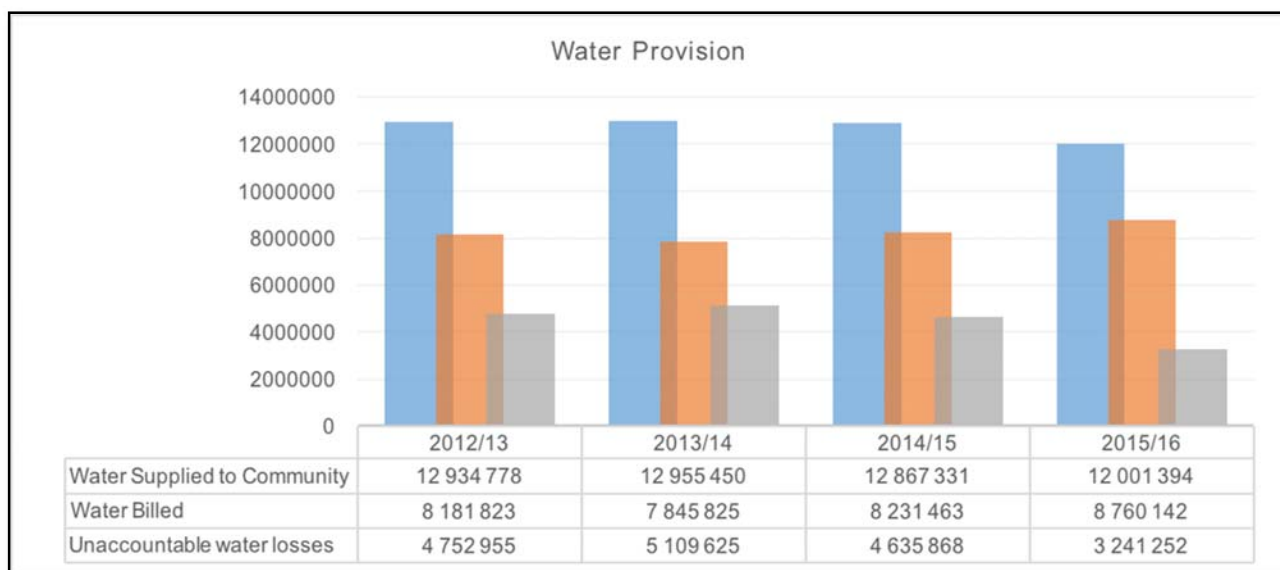
1. Sufficient water supply for communities.
2. Connections to individual stands with provision for indigents.
3. Provision of water within legal requirements (Water within Blue drop and SANS 241 standards)

The challenge in water supply remains the balance between the available raw water and demand from the community. Although we have three dams and one weir in the river with an off channel storage dam in Kroonstad, a off channel storage dam in Steynsrus and depend on the Renoster River in Viljoenskroon with water that can be augmented from the Vaal River when required we still have a challenge when flow in the river is minimal as in the case of the current drought. In Steynsrus there is a RBIG project in progress to address the raw water shortfall while in Viljoenskroon there are ongoing studies to increase supply in the area. Another challenge experienced in Kroonstad is the silting of the dams in the river which reduces the available capacity of water available.

The blue drop status have increased to 60.1% and it is expected to improve with a bigger percentage the next financial year due to the appointment of process controllers that are in line with regulation 16. The Steynsrus water treatment works was recently upgraded and there is mayor upgrading in progress at the Kroonstad water treatment plant. This will improve the quality of water from both the works as well and also contribute to an increase in the blue drop status.

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

Figure 6: Total use of water



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## COMMENT ON WATER USE BY SECTOR:

For the relevant financial year reported on there is a definite imbalance between domestic and commercial/industries consumption due to the fact that the community was provided by water from free standing unmetered tanks for a large period of the year. Water demand currently exceeds the supply in both Steynsrus as well as Viljoenskroon due to the following:

1. In Steynsrus the raw water supply from the Vals River is affected by the fact that the seasonal flow in the river is unreliable and the limited raw water storage capacity in the off channel storage dam cannot keep up with the demand that originated from the installation of waterborne toilets in Matlwangtlwang. A project funded by DWA (RBIG) is currently running to increase the availability of raw water in the area. During the reporting year three new borehole were added to the supply network but the total yield of only 0.5 Mega litre is insufficient to cope with the average demand of 2 mega litre. The project is continuing with investigations on methods to augment the existing raw water supply. These include additional of channel storage dams as well as the possibility of obtaining water from the Lesotho highlands water scheme. The latter would be the best solution as this water could then only be used to augment the supply during such times that there is no more raw water available in the local storage dams.
2. In Viljoenskroon the placement of residents in the Northleigh is placing pressure on the water supply as the treatment works can only provide a limited volume of water thus placing the supply under pressure and impacting on supply and pressure. Because of this some high lying areas are without water during certain periods of the day.

Table 19: Water Service Delivery Levels

Water Service Delivery Levels					Households
Description	Ref	2012/13 Actual No.	2013/14 Actual No.	2014/15 Actual 0-Jan-00	2015/16 Actual No.
<b><u>Water: (above min level)</u></b>					
Piped water inside dwelling		N/A	18 518	18 729	18 928
Piped water inside yard (but not in dwelling)		35 201	13 771	13 560	13 661
Using public tap (within 200m from dwelling )	2	400	205	205	205
Other water supply (within 200m)	4	0	0	0	0
<i>Minimum Service Level and Above sub-total</i>		35 601	32 494	32 494	32 794
<i>Minimum Service Level and Above Percentage</i>		100%	100%	100%	100%
<b><u>Water: (below min level)</u></b>					
Using public tap (more than 200m from dwelling)	3	0	0	0	0
Other water supply (more than 200m from dwelling)	4	0	0	0	0
No water supply		0	0	0	0
<i>Below Minimum Service Level sub-total</i>			0	0	0
<i>Below Minimum Service Level Percentage</i>			0%	0%	0%
<b>Total number of households*</b>	5	35 601	32 494	32 494	32 794
* - To include informal settlements					T 3.1.3

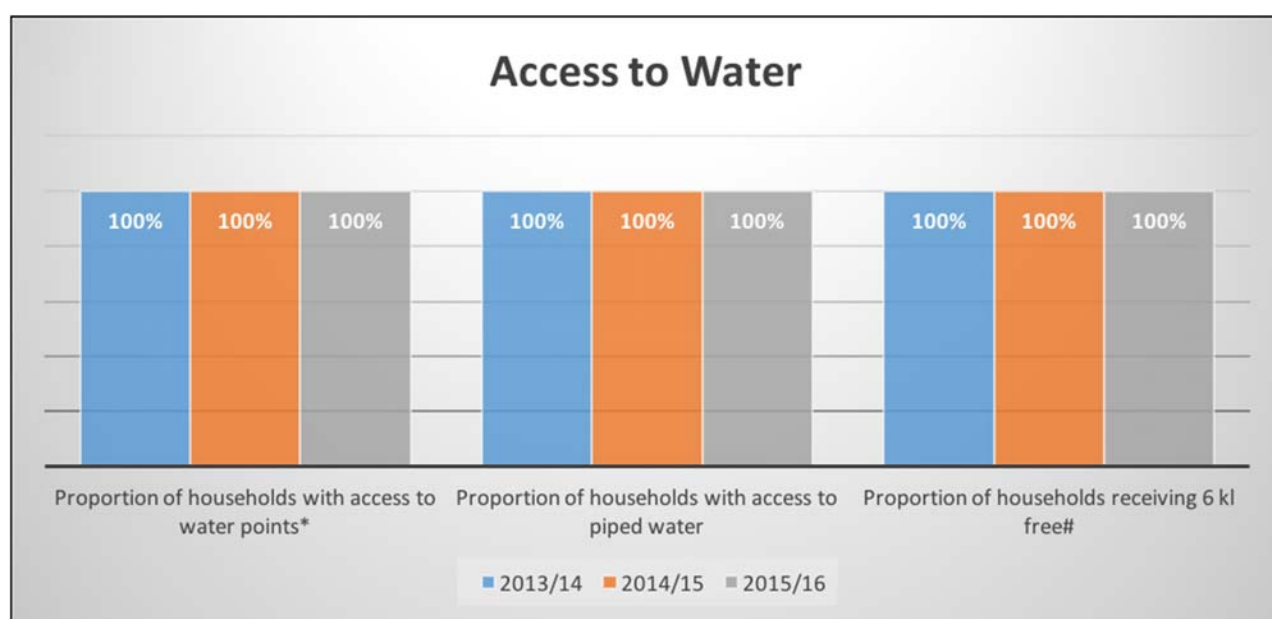


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Table 20: Households - Water Service Delivery Levels

Households - Water Service Delivery Levels below the minimum					Households
Description	2011/12	2012/13	2013/14	2014/15	2015/16
	Actual No.	Actual No.	Actual No.	Actual No.	Actual No.
<b>Formal Settlements</b>					
Total households	35 201	32 589	32 589	32 589	32 794
Households below minimum service level	100	100	100	0	0
Proportion of households below minimum service level	0%	0%	0%	0%	0%
<b>Informal Settlements</b>					
Total households	400	400	400	300	205
Households below minimum service level	0	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%	0%
					<b>T 3.1.4</b>

Figure 7: Access to water



All households in the municipal area of responsibility have access to water.

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## Policy Objectives taken from IDP and SDBIP

**Municipal Scorecard Perspective:** Service Delivery

**KPA:** Basic Service Delivery and Infrastructure Investment

**IDP Priority 1:** Water provision

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL1	To ensure approved water master plan is in place.	Basic Service Delivery	% of households with access to basic level of water service standard	# of HH with access to basic water divided by total # of HH	Director: Technical Services	New KPI	100%	100%	Target Achieved	N/A	B2B report and Technical Report	New KPI for the 2015/16 year and therefore no comparison possible.
TL5	To ensure approved water master plan is in place.	Basic Service Delivery	# of formal households that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network as at 30 June 2016	# of households which are billed for water or have pre-paid meters as at 30 June 2016	Director Finance	New KPI	32 589	32 068	Both annual and 4th quarter Target not achieved	The department of finance is currently busy with its revenue enhancement project, which amongst others will address the issue of the completeness of revenue. This project will also outline/indicate as to which of the erfs/households are not been billed for water services.	BS 506 Report	New KPI for the 2015/16 year and therefore no comparison possible.
TL9	To ensure approved water master plan is in place.	Basic Service Delivery	% of indigent households	# of HH receiving free basic water	Director Finance	26%	35%	39%	Target Achieved	N/A	Indigents Register & BS 506	Performance increased from the

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KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
			receiving free basic water	divided by # of HH								previous financial year.
TL50	By reducing water loss in the municipal distribution areas.	BSD	To reduce water loss in distribution to 37%. (MFMA Circular 71)	(# of Kilolitres Water Purchased or Purified - # of Kilolitres Water Sold) / # of Kilolitres Water Purchased or Purified × 100	Director: Technical Services	40%	37%	Actual cannot be calculated	Target not achieved. Cannot be determined as a result of the drought and water restriction measures. Water being tankered to community in areas and not going through meters.	Can only be done once water supply normalises and all consumers are provided via the networks again. In the meantime replacement of faulty meters are proceeding.	No information provided	Comparison with the previous year results could not be made due to the fact that the actual losses could not be calculated
TL51	To provide sufficient portable water to meet demand by upgrading of treatment plan.	BSD	# of HH in formal areas meet the minimum water service standards (Stand pipe 200m & better)	# HH with access to water within 200m	Director: Technical Services	New KPI	32 589	32589.00	Target achieved	All existing stands have access to water.	B2B Report	New KPI for the 2015/16 year and therefore no comparison possible.

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Table 21: Employees Water Service

Employees: Water Services					
Job Level	2014/15	2015/16			
	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	17	4	13	76%
7 - 9	9	42	12	30	71%
10 - 12	6	16	12	4	25%
13 - 15	2	8	2	6	75%
16 - 18	80	128	73	55	43%
19 - 20		0	0	0	0%
Total	100	212	104	108	51%
Due to current structure division of function/staff between water & sanitation cannot be provides accurately in tables. Total figures of Water & Sanitation sections is correct.					

Table 22: Financial Performance Water Service

Financial Performance 2014/15: : Water Services					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	85 620	93 086	97 974	80 347	-14%
Expenditure:					
Employees	12 039	13 254	13 466	13 081	-1%
Repairs and Maintenance	8 258	16 281	14 471	11 232	-31%
Other	21 956	30 513	27 219	26 256	-14%
<b>Total Operational Expenditure</b>	42 253	60 048	55 156	50 569	-16%
Net Operational Expenditure	-43 367	-33 038	-42 818	-29 778	-10%

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Table 23: Capital Expenditure Water Service

Capital Expenditure 2015/16: Water Services					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	30 164	-	30 164	0%	
Rehabilitation of water purification plant	30 164	-	30 164	0%	43 803
					T 3.1.9

## COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The refurbishment of Kroonstad water treatment works is intended to improve the quality and quantity of water supplied to the Kroonstad / Maokeng / Brentpark communities. This will also increase the Blue drop rating. This project is performing well despite several setbacks delaying the project as work had to be managed such that water provision to the community could be maintained. This is because of the refurbishment nature of the project.

The Steynsrus project is intended to improve the available raw water supply to Steynsrus.

## 3.2 WASTE WATER (SANITATION) PROVISION

### INTRODUCTION TO SANITATION PROVISION

MLM residents enjoy 99% sanitation service coverage and 100% water service provision. In alignment with the National Policy and Emergency Housing Service Guidelines, the municipality met the minimum level of service for sanitation. This included the provision of a basic sanitation infrastructure facility necessary to provide a sanitation service which is safe, reliable, private, protected from the weather, ventilated, keeps smells to the minimum, is easy to keep clean, minimises the risk of the spread of sanitation-related diseases by facilitating the appropriate control of disease-carrying flies and pests, and enables safe and appropriate treatment and/or removal of human waste and wastewater in an environmentally sound manner.

Sanitation needs are determined via the consumer base on the ground. Shortages and spillages are monitored and future needs are based on results. Further inputs from the community and political offices

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are compared with departmentally identified issues and included in the IDP as needed. National government targets are also included in future planning.

The top three priorities with regard to sanitation are:

1. Access to sanitation for all
2. Connections to individual stands
3. Reduction of spillages

MLM has taken great efforts towards the reduction of spillages, through the replacement of 2.5km collapsed sewer pipeline at Marabastad and replacement of 1.4km sewer pipeline in Hill Street, Kroonstad. Efforts made towards improving the Municipality's Green Drop Score include refurbishment of the Kroonstad Waste Water Treatment Works, Refurbishment of the Steynsrus Waste Water Treatment Works, Refurbishment of the Viljoenskroon Waste Water Treatment Works (on-going), monthly testing of effluent by an accredited laboratory, and the appointment of experienced process controllers to mend the Kroonstad WWTW.

Table 24: Sanitation Service Delivery

Sanitation Service Delivery Levels *Households				
Description	2012/13 Outcome No.	2013/14 Outcome No.	2014/15 Outcome No.	2015/16 Actual No.
<b><u>Sanitation/sewerage: (above minimum level)</u></b>				
Flush toilet (connected to sewerage)	30 939	30 939	30 939	30 939
Flush toilet (with septic tank)	450	450	450	450
Chemical toilet	0	0	0	0
Pit toilet (ventilated)	1 200	1 200	1 200	1 200
Other toilet provisions (above min. service level)				
<i>Minimum Service Level and Above sub-total</i>	32 589	32 589	32 589	32 589
<i>Minimum Service Level and Above Percentage</i>	100.0%	100.0%	100.0%	99.4%
<b><u>Sanitation/sewerage: (below minimum level)</u></b>				
Bucket toilet				
Other toilet provisions (below min. service level)				
No toilet provisions				205
<i>Below Minimum Service Level sub-total</i>	400	400	400	205
<i>Below Minimum Service Level Percentage</i>	0.0%	0.0%	0.0%	0.6%
<b>Total households</b>	<b>32 589</b>	<b>32 589</b>	<b>32 589</b>	<b>32 794</b>
<i>*Total number of households including informal settlements</i>				<i>T 3.2.3</i>

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Table 25: Sanitation Service Delivery below the Minimum

Households - Sanitation Service Delivery Levels below the minimum				
Description	2012/13	2013/14	2014/15	Households 2015/16
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<b>Formal Settlements</b>				
Total households	32 589	32 589	32 589	32 794
Households below minimum service level	400	400	200	198
Proportion of households below minimum service level	1%	1%	1%	1%
<b>Informal Settlements</b>				
Total households	400	400	400	205
Households below minimum service level	400	400	400	205
Proportion of households below minimum service level	100%	100%	100%	100%
				<i>T 3.2.4</i>

All informal settlements in Rammulotsi were formalised and the only informal settlement is currently in Matlwangtlwang in Steynsrus that consist of 205 households.

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Policy Objectives taken from IDP and SDBIP

**Municipal Scorecard Perspective:** Service Delivery

**KPA:** Basic Service Delivery and Infrastructure Investment

**IDP Priority 2:** Sanitation provision

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL2	Develop a credible Sanitation Master Plan.	Basic Service Delivery	% of households with access to basic sanitation service standard	# of HH with access to basic sanitation divided by total # of HH	Director: Technical Services	New KPI	100% at the end of the year due to 198 erven not serviced	99%	No of current HH minus area in Viljoenskroon for which pump station is required. No electricity available for pump station. Dry on-site sanitation system currently under investigation for unserviced stands	N/A	Appointment letter of contractor	New KPI for the 2015/16 year and therefore no comparison possible.
TL6	Develop a credible Sanitation Master Plan.	Basic Service Delivery	# of formal households connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) at 30 June 2016	# of households which are billed for electricity or have pre-paid meters (Excluding Eskom areas) at 30 June 2016	Director Finance	New KPI	23 037	26 643	Target achieved	N/A	BS 506 Report	New KPI for the 2015/16 year and therefore no comparison possible.



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KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL7	Develop a credible Sanitation Master Plan.	Basic Service Delivery	# of formal households connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the # of water closets (toilets) at 30 June 2016	# of households which are billed for sewerage at 30 June 2016	Director Finance	New KPI	32 589	32 829	Both annual and 4th quarter Target not achieved	The department of finance is currently busy with its revenue enhancement project, which amongst others will address the issue of the completeness of revenue. This project will also outline/indicate as to which of the erfs/households are not been billed for sewer services.	BS 506 Report	New KPI for the 2015/16 year and therefore no comparison possible.
TL52	Increase capacity to operate and maintain treatment plants.	BSD	# of HH in formal areas meet the minimum sanitation service standards (VIP)	Sum of HH with access to basic sanitation	Director: Technical Services	New KPI	32 589 HH must have access to sanitation at the end of the year	32 391	Target not achieved	Project in progress. Installation of dry sanitation.	Appointment letter of contractor	New KPI for the 2015/16 year and therefore no comparison possible.
TL53	Increase capacity to operate and maintain treatment plants.	BSD	# of HH without access to minimum sanitation standards	Sum of HH without access to minimum sanitation services	Director: Technical Services	198	198	198	Target not achieved	Project in progress, budget for only 100 connections	Appointment letter of contractor	No change in the results from the previous year

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Figure 8: Access to sanitation

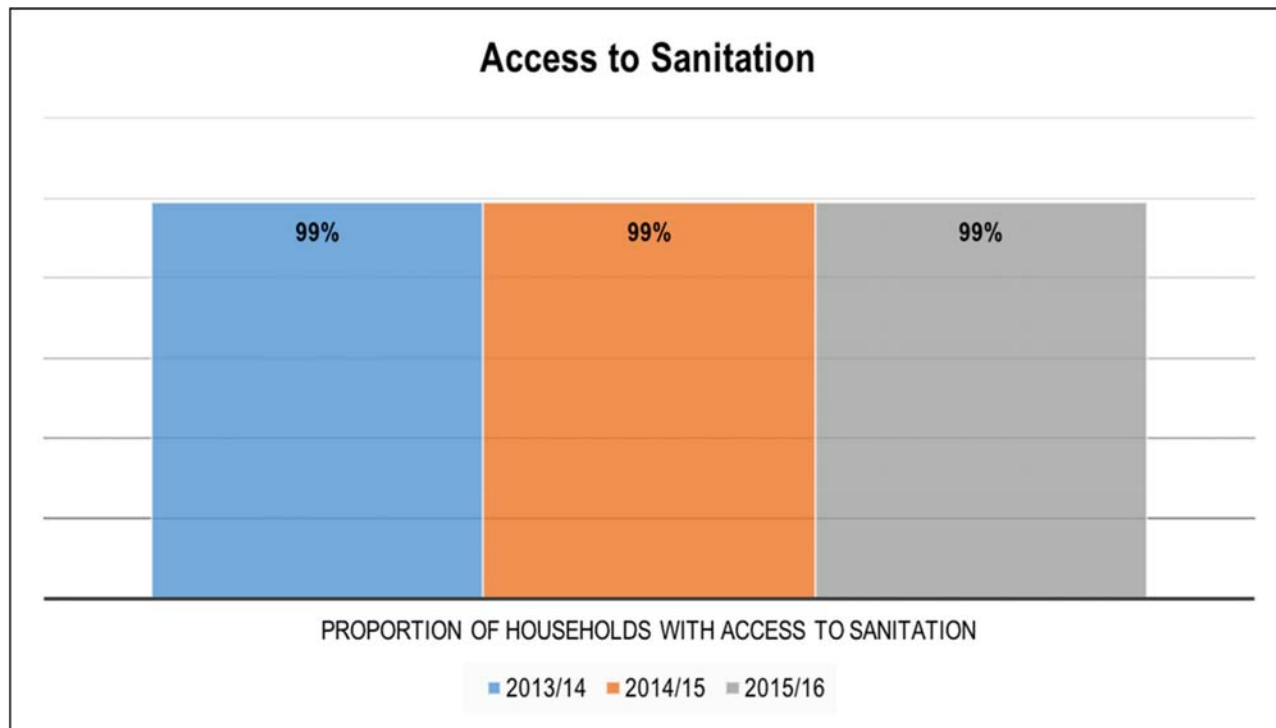


Table 26: Employees: Sanitation Service

Employees: Sanitation Services					
Job Level	2014/15	2015/16			
	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	5	3	2	40
7 - 9	1	25	5	20	80
10 - 12	6	9	6	3	33
13 - 15	2	12	2	10	83
16 - 18	34	68	34	34	50
19 - 20	0	0	0	0	0
Total	45	120	51	69	58

T 3.2.7

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Table 27: Financial Performance 2014/15: Sanitation Service

Financial Performance 2014/15: : Sanitation Services					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	25 833	25 950	27 648	27 786	7%
Expenditure:					
Employees	12 734	13 954	15 986	16 481	18%
Repairs and Maintenance	6 590	7 731	11 698	9 514	23%
Other	6 052	6 619	6 736	7 442	12%
Total Operational Expenditure	25 376	28 304	34 420	33 437	18%
Net Operational Expenditure	-457	2 354	6 772	5 651	140%
T 3.2.8					

Table 28: Capital Expenditure 2014/15: Sanitation Service

Capital Expenditure 2015/16: Sanitation Services					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	33 639	33 639	33 639	0%	
Upgrading Refurbishment of Kroonstad waste water treatment works	12 324	12 324	12 324	0%	27 951
Refurbishment of Steynsrus waste water treatment works	13 157	13 157	13 157	0%	13 157
Refurbishment of collapsed sewer line Hill street	7 390	7 390	7 390	0%	11 677
Upgrading of outfall sewer line in Marabastad	769	769	769	0%	4 749
T 3.2.9					

## COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL

The upgrading and Refurbishment of the Kroonstad and Steynsrus waste water treatment works were the most critical projects of those implemented for the 2015/16 financial year. The full scope of work for the Upgrading of the Kroonstad waste water treatment works was completed in November 2015 and the plant is now fully functional and benefitting the communities of Kroonstad, Maokeng, and Brentpark. Unfortunately, the MIG funding allocated for the Upgrading of the Steynsrus WWTW was not sufficient to complete the upgrading of the works. However, processes are underway to apply for additional funding within the 2016/17 financial year.

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The refurbishment of the collapsed sewer line in Hill Street and the upgrading of the outfall sewer line in Marabastad, were also critical sanitation projects. Prior to the implementation of the projects, there were sewer spillages that resulted in health risks to the surrounding communities of Kroonstad and Maokeng and the pollution to the Vals River. The implementation of the project eliminated the risks in this regard.

## 3.3 ELECTRICITY

### INTRODUCTION TO ELECTRICITY

The Municipality as a licensed electricity distribution authority has the responsibility of providing quality of service to its consumers in accordance with the applicable Regulations and prescribed standards.

During the 2015/16 financial year the Electricity Section experienced numerous challenges in terms of copper theft and vandalism consequently a few minor outages occurred specifically in the non-residential areas with low traffic. In addition numerous other incidents of theft occurred all over the distribution network where pole transformers and cables were stolen. This led to unnecessary service interruptions and expenditure on the already insufficient maintenance budget.

Overall the Electricity Section has during the 2015/16 financial year made good progress in addressing various challenges mainly relating to the high and medium voltage supply and reticulation and in the process improving quality and security of supply to the community. It should however be emphasised that due to the insufficient resources such as budget, personnel and equipment such as vehicles etc. the routine maintenance on the existing infrastructure are neglected which is a point of concern.

The shortage of vehicles and equipment seriously impaired the operation of this Section and had a negative effect on service delivery in general. Due to the shortage of vehicles the cut-off action could not be executed properly as required and this reflected negatively on the overall financial situation of Council.

Challenges are experienced with meters that are being tampered with or unavailability of meters. The shortage of vehicles is also a challenge in this regard. The high number of prepaid meters that are bypassed due to defects also impact negatively on electricity sales and these meters are addressed as resources are available. In addition faulty communication cables in relation to pole mounted meters are a growing concern. The faulty communication between the meter and the keypad implicate that the consumer cannot enter the electricity coupon at the keypad nor monitor his or her consumption hence personnel from the Consumption Care Section are called out to enter these coupons at the pole. This implicates negatively in terms of overtime claims and limits the operational efficiency of the section due to the fact that this challenge requires dedicated personnel. In order to address this problem meters are moved to the house thus not requiring the communication function however the process of moving these meters are slow due to limited resources.

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The frequent theft and vandalism of equipment and cables also impacted negatively on the financial and operational effectiveness of the section due to the fact that materials and equipment stolen must be replaced as soon as possible.

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

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

Previously the municipality only reported on electricity services in the municipality's area of responsibility for which the municipality holds the license. For the 2015/16 financial year the municipality included the areas in which ESKOM delivers services. The reporting figures below therefore includes all households that have access to electricity.

Table 29: Electricity Service Delivery Levels

Electricity Service Delivery Levels					Households
Description	2011/12 Actual No.	2012/13 Actual No.	2013/14 Actual No.	2014/15 Actual No.	2015/16 Actual No.
<b>Energy: (above minimum level)</b>					
Electricity (at least min.service level)	2 105	1 884	1 807	1 831	1 765
Electricity - prepaid (min.service level)	12 179	12 222	19 311	14 138	26 875
<i>Minimum Service Level and Above sub-total</i>	14 284	14 106	21 118	15 969	28 640
<i>Minimum Service Level and Above Percentage</i>	63%	61.5%	83.6%	70.5%	87.3%
<b>Energy: (below minimum level)</b>					
Electricity (< min.service level)	135	190	190	43	4 154
Electricity - prepaid (< min. service level)	4 345	8 653	4 147	6 625	
Other energy sources	0	0	0	0	0
<i>Below Minimum Service Level sub-total</i>	8 480	8 843	4 147	6 668	4 154
<i>Below Minimum Service Level Percentage</i>	37%	38.5%	16.4%	29.5%	12.7%
<b>Total number of households</b>	22 765	22 949	25 265	22 637	32 794
					73.33

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Table 30: Households - Electricity Service Delivery Levels below the minimum

Households - Electricity Service Delivery Levels below the minimum				
Description	2012/13	2013/14	2014/15	Households
	Actual	Actual	Actual	2015/16
	No.	No.	No.	Actual
<b>Formal Settlements</b>				
Total households	22 949	25 455	22 637	32 794
Households below minimum service level				3 949
Proportion of households below minimum service level	0%	0%	0%	12%
<b>Informal Settlements</b>				
Total households				205
Households below minimum service level				205
Proportion of households below minimum service level	0%	0%	0%	100%
				<i>T 3.3.4</i>

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## Policy Objectives taken from IDP and SDBIP

**Municipal Scorecard Perspective:** Service Delivery

**KPA:** Basic Service Delivery and Infrastructure Investment

**IDP Priority 4:** Electricity and Energy

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL3	To ensure that Electricity and Energy Master Plan is developed and approved.	Basic Service Delivery	% of households with access to basic electricity service standard	# of HH with access to basic electricity service divided by total # of HH	Director: Technical Services	New KPI	98,7%	98.7%%	Target achieved. Electrification of Khatliso Moeketsi completed	N/A	Completion certificates of project	New KPI for the 2015/16 year and therefore no comparison possible.
TL6	To ensure that Electricity and Energy Master Plan is developed and approved.	Basic Service Delivery	# of formal households connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) at 30 June 2016	# of households which are billed for electricity or have pre-paid meters (Excluding Eskom areas) at 30 June 2016	Director Finance	New KPI	23 037	26 643	Target achieved	N/A	BS 506 Report	New KPI for the 2015/16 year and therefore no comparison possible.
TL11	To ensure that Electricity and Energy Master Plan is developed and approved.	Basic Service Delivery	% of Indigent households receiving free basic electricity.	# of HH that are registered as indigent receiving free basic electricity divided by the total # of HH	Director Finance	46%	46%	47%	Target Achieved	N/A	Indigents Register & BS 506	Performance increased from the previous financial year.

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KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL55	To ensure that Electricity and Energy Master Plan is developed and approved.	BSD	Rate of reduction in backlog (electricity supply)	"Reduction of backlog by calculating increase in services A=# of HH with access to minimum electricity services at 1 Jul B=# of HH with access to basic minimum electricity service at date of measurement =(B-A)/A"	Director: Technical Services	New KPI	1%	1%	Target achieved	N/A	Project completion certificate	New KPI for the 2015/16 year and therefore no comparison possible.
TL56	To ensure that Electricity and Energy Master Plan is developed and approved.	BSD	# of HH in municipal supply area meet agreed electricity service standards (connected to the national grid)	Sum of HH with access to electricity (connected to the National Grid)	Director: Technical Services	New KPI	23 037	23 037	Target achieved	N/A	Completion certificate	New KPI for the 2015/16 year and therefore no comparison possible.
TL57	To ensure that Electricity and Energy Master Plan is developed and approved.	BSD	# of HH without access to minimum electricity standards	Sum of HH without access to minimum electricity services	Director: Technical Services	607	256	256	Target achieved. 405 of the 627 HH on the project completed and connected to electricity service	N/A	Connection certificates of consumers	The number of HH without access decreased WITH 57% from the previous year results.



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KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL58	Reduce electricity losses by improving inspections and maintenance.	BSD	% Electricity distribution losses.(KWH billed/KWH acquired) (MFMA Circular 71)	(# of Electricity Units Purchased and / or Generated - # of Electricity Units Sold) / # of Electricity Units Purchased and / or Generated) × 100	Director: Technical Services	14.5%	11%	14.80%	Target not achieved	Busy replacing faulty meters and bypassed meters and busy with tenders for smart metering. Changed to new billing system, all information not up to date	Meter numbers of faulty and bypassed meters and financial records of purchases and billings	Electricity losses decreased with 0.04% from the previous year's results

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Table 31: Employees: Electricity Services

Employees: Electricity Services					
Job Level	2014/15	2015/16			
	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	7	2	5	71%
7 - 9	14	30	15	15	50%
10 - 12	5	17	7	10	59%
13 - 15	3	8	2	6	75%
16 - 18	17	47	28	19	40%
Total	42	110	55	55	50%
					<i>T 3.3.6</i>

Table 32: Financial Performance: Electricity Services

Financial Performance 2015/16: : Electricity Services					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	243 943	279 032	293 413	252 286	-11%
Expenditure:					
Employees	13 622	15 579	15 382	14 027	-11%
Repairs and Maintenance	4 383	9 370	11 460	8 788	-7%
Other	191 285	225 574	225 124	220 682	-2%
<b>Total Operational Expenditure</b>	209 290	250 523	251 966	243 497	-3%
<b>Net Operational Expenditure</b>	-34 653	-28 509	-41 447	-8 789	-224%
					<i>T 3.3.7</i>

Table 33: Capital Expenditure: Electricity Services

Capital Expenditure 2015/16:					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	8 291	55	7 476	-11%	
Electrification of Khalitso Moketsi Phase 2	5 000	0	4 283	-17%	280
Installation of high mast lights in Maokeng	2 093		2 006	-4%	150
Installation of high mast lights in Rammulotsi	1 163		1 107	-5%	320
					<i>T 3.3.8</i>

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## COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL

### **CAPITAL PROJECTS**

#### **1. ELECTRIFICATION OF KHALITSO MOKETSI**

This development is in Maokeng situated south of Seeisoville with a total of 627 houses. The area had no existing electrical infrastructure. The construction of houses are undertaken and funded by Sector Departments. Water and sewer infrastructure were previously installed after approval of funding by MIG in this regard.

The Municipality received R 5,000,000 for the 2014/15 financial year for phase 2 to complete the remainder of Khatliso Moeketsi.

Due to SCM processes the contractor was only appointed at the end of June 2015. An application was sent to National Treasury to roll over the R5,000,000. The contractor started immediately after appointment.

Phase 2 was completed at the end of May 2016.

No of stands	: 627
No. of stands electrified in phase 1	: 212
No. of stands electrified in phase 2	: 276
Total no. of stands electrified	: 488
No. of stands not electrified due empty stands or incomplete house	: 139

#### **2. INSTALLATION OF 12 HIGH MAST LIGHTS**

Through funding allocated under the Municipal Infrastructure Grant (MIG) a total of 12 new 40m high mast lights were constructed. 8 of the lights were installed in Maokeng and 4 in Rammulotsi

### **CONSUMER AND CONSUMPTION INFORMATION 2015 / 16**

Number of consumers	: 23702
Total number of units from Eskom	: 261 074 393
Total Cost (excl. VAT)	: R 205 146 990.90
Total Number of units sold	: 212 877 581
Total Amount (excl. VAT)	: R 241 075 499.51
Total units lost (line losses incl.)	: 48 196 812
Cost of units lost (line losses incl.)	: R 55 838 035.84

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## 3.4 WASTE MANAGEMENT

### INTRODUCTION TO WASTE MANAGEMENT

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

- Pollution and waste minimization;
- Impact management and remediation;
- Holistic and integrated planning with the intention to develop mechanisms to ensure that integrated pollution and waste management considerations are integrated into the development of government policies, strategies and programmes; and
- Alignment of waste management with all spatial and economic development planning processes within the municipal space.

The Waste Management Plan will focus on a system that will ensure the least possible volumes of waste land up at engineered landfills. In order to achieve this the emphasis would be on the following:

- Waste education;
- Effective law enforcement; and
- Material recovery and treatment plants.

The key elements of the Integrated Waste Management Plan are:

- Waste Avoidance;
- Waste Reduction;
- Re- use and Re-cycle;
- Treatment of waste; and

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- Disposal at landfill.

Solid Waste Management comprises of collection, transportation, disposal and treatment of garbage and other waste products. For the purpose of achieving the standards of the National Environmental Management: Waste Act, 2008 (Act 59 of 2008), refuse removal is done according to a fixed weekly schedule. Every household and business is served at least once a week.

The three (3) top delivery priorities are:

- Refuse collection
- Refuse transportation to landfill sites, and
- The maintenance of the landfill sites.

Although some household are informal and some do not pay for services, refuse removal is one service that is rendered to all (paying and non-paying) households.

Street cleansing in the CBD area is done according to a fixed daily program. Since the introduction of the shift system for the Kroonstad town, the town can be counted amongst the cleanest towns in the country. The structure of the shifts is: 06:00 – 14:00 and 14:00 – 22:00



The town before the piloting of the shift system



The shift system was implemented to accommodate all businesses including those that shut down late in the night. The town after the implementation of the shift system is reflected in the pictures below.

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The town after the implementation of the shift system

Since the appointment of service providers for Viljoenskroon and Steynsrus landfill sites, conditions at the said landfill sites have improved drastically. Unfortunately this cannot be said for the Kroonstad landfill site due to financial constraints. The processes of closing the current landfill site and opening a new landfill site in Viljoenskroon are sturdily running.

The indigent communities in Moghaka Local Municipality are receiving free basic services including refuse removal.

Table 34: Solid Waste Service Delivery Levels

Solid Waste Service Delivery Levels				Households
Description	2012/13	2013/14	2014/15	2015/16
	Actual No.	Actual No.	Actual No.	Actual No.
<b><u>Solid Waste Removal: (Minimum level)</u></b>				
Removed at least once a week	32 214	32 214	32 464	32 794
<i>Minimum Service Level and Above sub-total</i>	32 214	32 214	32 464	32 794
<i>Minimum Service Level and Above percentage</i>	99.2%	100.0%	100.0%	100.0%
<b><u>Solid Waste Removal: (Below minimum level)</u></b>				
Removed less frequently than once a week				
Using communal refuse dump				
Using own refuse dump				
Other rubbish disposal				
No rubbish disposal	250	0	0	0
<i>Below Minimum Service Level sub-total</i>	250	0	0	0
<i>Below Minimum Service Level percentage</i>	0.8%	0.0%	0.0%	0.0%
<b>Total number of households</b>	<b>32 464</b>	<b>32 214</b>	<b>32 464</b>	<b>32 794</b>
T 3.4.2				

# Chapter 3

Table 35: Households - Solid Waste Service Delivery Levels

Households - Solid Waste Service Delivery Levels below the minimum				
Description	2012/13	2013/14	2014/15	Households 2015/16
	Actual No.	Actual No.	Actual No.	Actual No.
<b>Formal Settlements</b>				
Total households	31 964	31 964	32 214	32 589
Households below minimum service level	0	0	0	0
Proportion of households below minimum service level	0%	0%	0%	0%
<b>Informal Settlements</b>				
Total households	400	400	400	205
Households below minimum service level	250	0	0	0
Proportion of households below minimum service level	63%	0%	0%	0%
<i>T 3.4.3</i>				

# Chapter 3

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: Basic Service Delivery and Infrastructure Investment

IDP Priority 7: Solid Waste Management

TL KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Comments
TL4	To ensure that the IWMP is finalized and approved.	BSD	% of households with access to basic refuse service standard in the municipal area of responsibility	# of HH with access to basic refuse service divided by total # of HH within the municipal area	Director Community & Emergency Services	New KPI	100%	100%	New KPI for the 2015/16 year and therefore no comparison possible.
TL8	To ensure that the IWMP is finalized and approved.	BSD	# of formal households for which refuse is removed once per week at 30 June 2016	# of households which are billed for refuse removal at 30 June 2016	Director Finance	New KPI	32 589	32 023	New KPI for the 2015/16 year and therefore no comparison possible.
TL62	To ensure that the IWMP is finalized and approved.	BSD	IWMP developed and submitted to Council for approval on or before 31 Dec 2015	Date IWMP approved by Council	Director Community & Emergency Services	0	1	1	Target not achieved in the second quarter as set. Target achieved in the 3 <sup>rd</sup> Quarter.
TL63	To ensure that the IWMP is finalized and approved.	BSD	Completion with the rehabilitation and licensing of unlicensed waste disposal sites	Unlicensed sites	Director Community & Emergency Services	0	1	0	Performance target not achieved.



# Chapter 3

Table 36: Employee: Waste Management Services

Employees: Waste Management Services					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	1	0	0%
4 - 6	1	1	1	0	0%
7 - 9	0	1	0	1	100%
10 - 12	5	10	5	5	50%
13 - 15	27	24	22	2	8%
16 - 18	118	150	149	1	1%
19 - 20	0	0	0	0	0
Total	151	187	178	9	5%
T 3.4.5					

Table 37: Financial Performance 2015/16: Waste Management Services

Financial Performance 2015/16: Waste Management Services					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	20 172	26 045	27 657	26 244	0%
Expenditure:					
Employees	15 401	19 591	20 683	21 336	8%
Repairs and Maintenance	1 791	2 155	1 285	1 109	-94%
Other	8 084	11 163	11 660	10 886	-3%
Total Operational Expenditure	25 276	32 909	33 628	33 331	1%
Net Operational Expenditure	5 104	6 864	5 971	7 087	3%
T 3.4.7					

Table 38: Capital Expenditure: Waste Management Services

Capital Expenditure 2015/16: Waste Management Services					
R' 000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No projects for the financial year					

# Chapter 3

## COMMENT ON THE OVERALL PERFORMANCE OF WASTE MANAGEMENT SERVICES

Since the beginning of 2015 to date, the new extensions of formal houses both in Viljoenskroon and in Kroonstad were included in the refuse removal program and been serviced at least once a week. The biggest challenge is with illegal dumping. Currently there are no fines issued though there are by-laws in place.

Due to frequent vehicle breakdowns there are very serious challenges with the continuous provision of refuse removal services. The implementation of the adopted Integrated Waste Management Plan (IWMP) can assist in resolving this challenge but the budgetary challenges are obstructing its implementation.

### 3.5 HOUSING

#### INTRODUCTION TO HOUSING

There are approximately 31 347 formal households and 1 242 informal households in the Moqhaka Municipal Area in 2016. The provision of affordable housing units remains a high priority for the Council of Moqhaka Municipality in order to restore the dignity of poor people and provide them with proper shelter as enshrined in the Constitution of South Africa.

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

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

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

# Chapter 3

Table 39: Households - Access to basic housing

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2010/11	30039	28273	94.1%
2011/12	30239	28473	94.2%
2012/13	30469	29687	97.4%
2013/14	33573	33400	99.4%
2014/15	31520	31347	99.4%
2015/16	32794	32544	99.2%
			<i>T 3.5.2</i>

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery  
KPA: Basic Service Delivery and Infrastructure Investment  
IDP Priority 5: Housing

No top layer KPI's were set for housing for the financial year due to the fact that the housing sector plan was reviewed in the previous financial year.

The reviewed HSP must be able to indicate how many housing opportunities of what sort are to be provided, where and when over the short, medium and long term. It must also be able to address the current challenges experienced in terms of human settlement planning and how the municipality will be able to provide adequate housing opportunities to keep pace with the demand. In particular it should address how this will be achieved without placing stress on the Council's limited financial resources. The master planning of bulk infrastructure (water, sewerage and electricity) must also be aligned and integrated with the targets determined in the reviewed HSP.

It must be noted that migration and growth in population will always have an impact on the need for houses and the housing waiting list. The waiting list of consist of the following possible beneficiaries:

- People earning more than R3 500-00 ±1 900
- People earning R 3 500 and lees per month ± 14 500

The housing demand is significantly higher than the resources available and that is why the allocation of houses to potential beneficiaries becomes a challenge for the municipality.

# Chapter 3

Table 40: Employees: Housing

Employees: Housing					
Job Level	2014/15	2015/16			
	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	1	1	1	0	0%
10 - 12	2	2	2	0	0%
13 - 15	0	0	0	0	0%
16 - 18	8	8	8	0	0%
19 - 20	0	0	0	0	0%
Total	13	13	13	0	0%
T 3.5.4					

Table 41: Financial Performance: Housing

Financial Performance 2015/16: Housing					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	909	3 846	3 925	3 772	0%
Expenditure:					
Employees	3 416	3 591	3 639	3 881	7%
Repairs and Maintenance	2	2	-	-	0%
Other	226	86	69	201	57%
Total Operational Expenditure	3 644	3 679	3 708	4 082	10%
Net Operational Expenditure	2 735	-167	-217	310	154%
T 3.5.5					

Table 42: Capital Expenditure: Housing

Capital Expenditure 2015/16: Housing					
R' 000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No capital projects for the financial year.					

# Chapter 3

## 3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

### INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Section 97(1)(c) of the Municipal Systems Act requires municipalities to formulate an Indigent Policy that is consistent with Council's rate and tariff policies and also meets the requirements of S152 of the Constitution.

The Municipality has in place a fair but rigorous credit control policy and has a good record of debt recovery. Furthermore, its policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt. Nevertheless, there will always be an element of the total amount billed that will remain uncollected. The Municipality is the same as any other business in this regard. Adequate provision has to be made in the budget for any bad debts based on assumptions on collection rates.

The municipality has an indigent register with 12 551 approved indigent households at the end of 2015/2016 financial year. The municipality provides indigent households with free 6kl of water per month, free sanitation and refuse removal per month, 50 units of electricity per indigent household per month and exemption on Property Rates for properties valued at or under R50 000 per month.

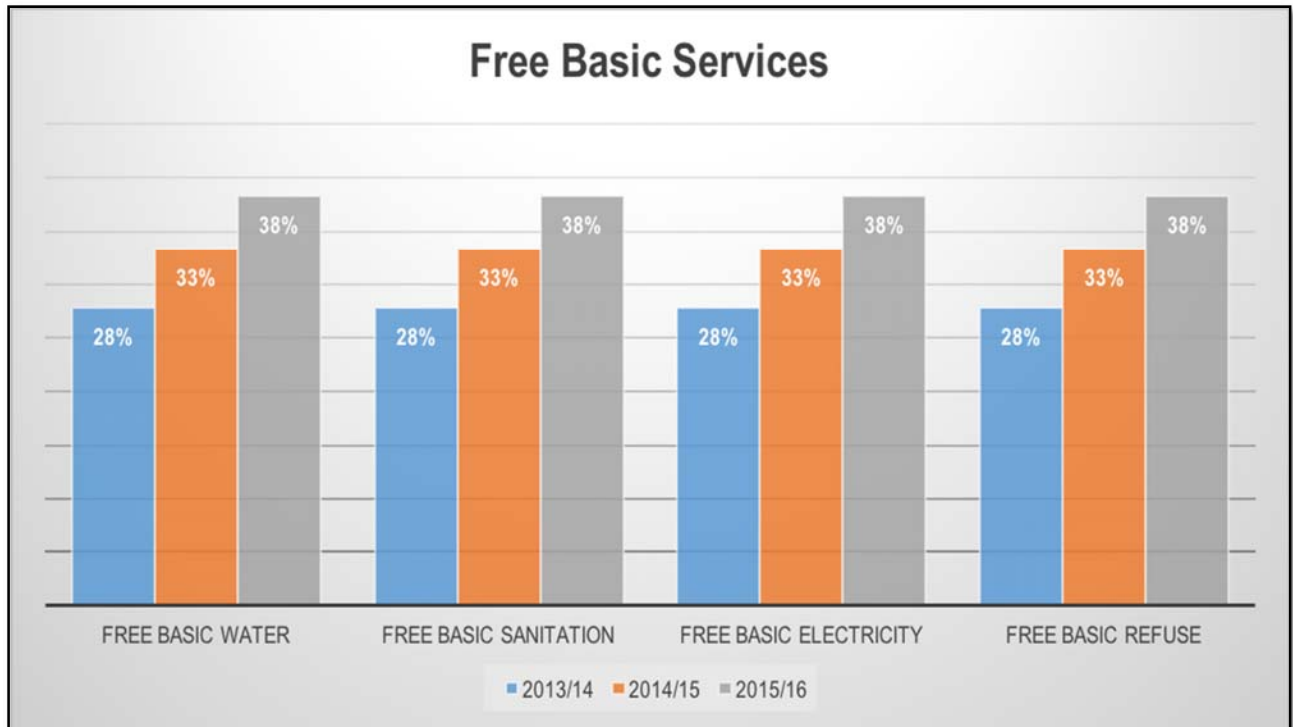


Figure 9: Free Basic Services

# Chapter 3

Table 43: Free Basic Services

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R1,100 per month								
			Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
		Total	Access	%	0-Jan-00	%	Access	%	Access	%
2013/14	33 573	33 573	9 313	28%	9 313	28%	9 313	28%	9 313	28%
2014/15	31 520	31 520	10 494	33%	10 494	33%	10 494	33%	10 494	33%
2015/16	32 794	32 794	12 551	39%	12 551	39%	12 551	39%	12 551	39%
										<i>T 3.6.3</i>

Table 44: Financial Performance: Free Basic Services

Financial Performance 2015/16: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2014/15	2015/16			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	5 440	5 765	5 765	6 895	16.39%
Waste Water (Sanitation)	5 251	5 566	5 566	6 657	16.39%
Electricity	5 747	6 045	6 045	7 229	23.01%
Waste Management (Solid Waste)	3 576	4 793	4 793	5 732	-5.45%
Total	20 015	22 168	22 168	26 514	81.92%
					<i>T 3.6.4</i>

## COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality allocates free basic water to indigents households only in terms of the national norms. The municipality through the offices of the Executive Mayor and the Speaker is in the process of increasing the number of indigents, by raising community awareness and have more households registered.

# Chapter 3

## Policy Objectives taken from IDP and SDBIP

**Municipal Scorecard Perspective:** Service Delivery

**KPA:** Basic Service Delivery and Infrastructure Investment

**IDP Priority:** Free Basic Services

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL9	To ensure approved water master plan is in place.	Basic Service Delivery	% of indigent households receiving free basic water	# of HH receiving free basic water divided by # of HH	Director Finance	26%	35%	39%	Target Achieved	N/A	Indigents Register & BS 506	Performance increased from the previous financial year.
TL10	Develop a credible Sanitation Master Plan.	Basic Service Delivery	% of indigent households receiving free basic sanitation	# of HH receiving free basic sanitation divided by # of HH	Director Finance	26%	35%	38%	Target Achieved	N/A	Indigents Register & BS 506	Performance increased from the previous financial year.
TL11	To ensure that Electricity and Energy Master Plan is developed and approved.	Basic Service Delivery	% of Indigent households receiving free basic electricity.	# of HH that are registered as indigent receiving free basic electricity divided by the total # of HH	Director Finance	46%	46%	47%	Target Achieved	N/A	Indigents Register & BS 506	Performance increased from the previous financial year.
TL12	To ensure that the IWMP is finalized and approved.	Basic Service Delivery	% of Indigent households receiving free basic Refuse	# of HH that are registered as indigent receiving free basic refuse divided by the total # of HH	Director Finance	26%	34%	39%	Target Achieved	N/A	Indigents Register & BS 506	Performance increased from the previous financial year.

# Chapter 3

## COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

The objective of Indigent Support is to ensure the following:

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



# Chapter 3

## COMPONENT B: ROAD TRANSPORT

### INTRODUCTION TO ROAD TRANSPORT

Moqhaka Local Municipality have the following roads in the municipal area which are the responsibility of the municipality to maintain:

Table 45: Kilometre Roads in Moqhaka

Town	Kilometre Roads	
	Gravel	Paved
Kroonstad/ Maokeng	254	232
Viljoenskroon/ Rammulotsi	46	40
Steynsrus/ Matlwangtlwang	29	15
<b>Total Kilometre Roads</b>	<b>329</b>	<b>287</b>

### 3.7 ROADS

#### INTRODUCTION TO ROADS

Service delivery was drastically improved with the purchase of three new patch trucks as well as the appointment of additional general workers. The cash flow to purchase was much better than previous years and the Technical Department could buy more patching material to maintain roads and do proper maintenance to paved roads.

Roads are inspected on a monthly bases and the Technical Department concentrate on main access roads as well as roads around schools, business areas and churches. One road in Rammulotsi was upgraded from a unpaved road to a paved road by implementing a project funded by MIG. The two main access roads into Kroonstad were reconstructed and the project will be completed in October 2016.

Challenges for road maintenance are as follow:

- Shortage of staff
- Shortage of patching equipment
- Aged infrastructure
- No master plan

# Chapter 3

Business plans are prepared and submitted to sector departments for possible funding to upgrade unpaved roads to paved roads in the previous disadvantage areas.

A road upgrade and maintenance plan was submitted to council with the IDP and was approved by council.

Table 46: Gravel Road Infrastructure

Gravel Road Infrastructure				Kilometres
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2013/14	373.7	0.0	7.8	251.0
2014/15	369.6	0.0	4.1	136.0
2015/16	329.0	0.0	2.6	509.0
				<i>T 3.7.2</i>

Table 47: Tarred Road Infrastructure

Tarred Road Infrastructure					Kilometres
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2013/14	465.2	7.8	0.0	0.0	418.0
2014/15	469.3	4.1	0.0	0.0	450.0
2015/16	287.0	2.6	0.0	1.6	287.0
					<i>T 3.7.3</i>

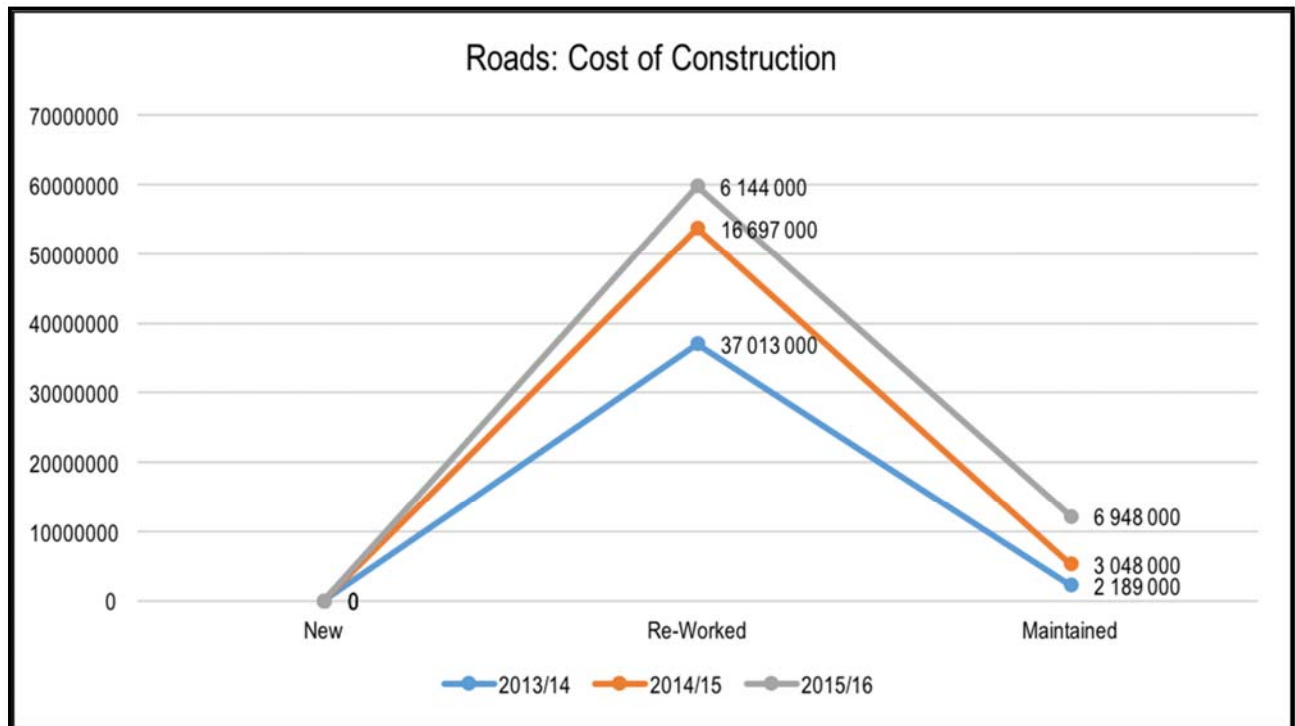
The reduction in the km of roads is mainly due to a calculation mistake that was done in the development of the master plan. The actual km of roads in the municipal area is 287 km.

Table 48: Cost of Construction/Maintenance

Cost of Construction/Maintenance				R' 000
	Roads			
	New	Re-Worked	Maintained	
2013/14	–	37 013		2 189
2014/15	–	16 697		3 048
2015/16	–	6 144		6 948
				<i>T 3.7.4</i>

# Chapter 3

Figure 10: Roads: Cost of Construction/Maintenance



# Chapter 3

Policy Objectives taken from IDP and SDBIP

**Municipal Scorecard Perspective:** Service Delivery

**KPA:** Basic Service Delivery and Infrastructure Investment

**IDP Priority 3:** Roads and storm water

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL54	By ensuring that the Roads and Storm Water Master Plan is developed and approved.	BSD	% of the roads and storm water maintenance budget spent by the end of June	Actual expenditure on maintenance divided by the total approved maintenance budget	Director: Technical Services	New KPI	95%	86.4%	Not achieved due to cash flow problems the last quarter. No billing and income from water due to drought and the fact that the municipality could not deliver water.	Improve revenue of Municipality	Printout of monthly expenditure report	New KPI for the 2015/16 year and therefore no comparison possible.

# Chapter 3

Table 49: Employees: Road Services

Employees: Road Services					
Job Level	2014/15	2015/16			
	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	2	6	4	2	33%
10 - 12	1	30	11	19	63%
13 - 15	3	21	1	20	95%
16 - 18	29	85	35	49	58%
19 - 20	0	0	0	0	0%
Total	37	145	53	91	63%
T3.7.7					

Table 50: Financial Performance: Road Services

Financial Performance 2015/16: Road Services					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	466	648	208	583	-11%
Expenditure:					
Employees	9 823	12 539	11 793	12 787	2%
Repairs and Maintenance	4 601	11 663	10 686	12 660	8%
Other	2 138	2 327	2 305	3 245	28%
Total Operational Expenditure	16 562	26 529	24 784	28 692	8%
Net Operational Expenditure	16 096	25 881	24 576	28 109	8%
T3.7.8					

# Chapter 3

Table 51: Capital Expenditure: Road Services

Capital Expenditure 2015/16: Road Services					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	6 144	6 144	6 144	0%	
Upgrading of area link Rammulotsi	6 144	6 144	6 144	0%	6 144
Reconstruction of Paul Kruger Street	5 283	5 283	5 283	0%	5 283
Reconstruction of Botha and Strange Street	5 690	5 690	5 690	0%	5 690
					<i>T 3.7.9</i>

## COMMENT ON THE PERFORMANCE OF ROADS OVERALL

Priorities of capital roads projects are determined by the annually revised IDP process. MIG fund most of the capital projects but during the 2015/2016 financial year a project to reconstruct main access roads was also funded with internal funds. The total budget was spent on all the road projects. The main roads and collector roads are prioritised by the municipality to ensure that more community members benefit from the projects.

### 3.8 TRANSPORT

The municipality does not perform this function.

### 3.9 WASTE WATER (STORMWATER DRAINAGE)

#### INTRODUCTION TO STORMWATER DRAINAGE

The Municipality did install a new storm water system as part of a new road construction project. An EPWP project was done where the concentration was mostly on the cleaning of existing storm water manholes and systems. New projects were identified via the IDP process and business plans were submitted to MIG for possible funding of storm water systems in the previous disadvantage areas.

This above mentioned new project will commence in the 2016/2017 financial year.

# Chapter 3

Table 52: Storm water Infrastructure

Storm water Infrastructure				Kilometres
	Total Storm water measures	New storm water measures	Storm water measures upgraded	Storm water measures maintained
2013/14	461.0	7.0	7.0	0.3
2014/15	465.0	4.0	6.0	12.3
2015/16	469.0	2.6	0.0	3.7
				T 3.9.2

Table 53: Cost of Storm water Construction/Maintenance

Cost of Construction/Maintenance				R' 000
	Storm water Measures			
	New	Upgraded	Maintained	
2013/14	14 805	–	47	
2014/15	7 410	1 550	46	
2015/16	6 144	–	40	
				T 3.9.3

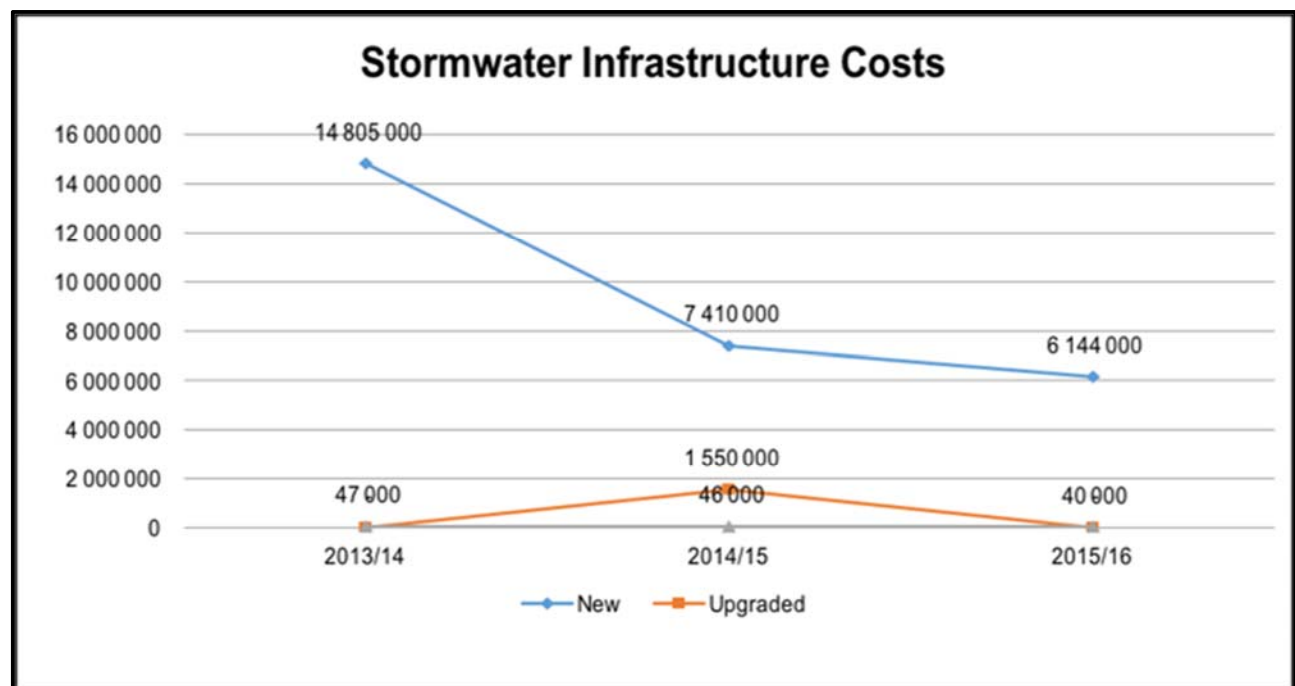


Figure 11: Storm water: Infrastructure Cost

# Chapter 3

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery  
KPA: Basic Service Delivery and Infrastructure Investment  
IDP Priority 3: Roads and Storm water

No top layer KPI's were set for storm water.

Table 54: Employees: Storm water Services

Employees: Storm water Services					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3		Water employees also perform the storm water function. Included in the water employees in table 20 above			
4 - 6					
7 - 9					
10 - 12					
13 - 15					
16 - 18					
19 - 20					
Total					
T 3.9.6					

Table 55: Financial Performance: Storm water Services

Financial Performance 2015/16: Storm water Services					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Included in table 21 above				
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
Total Operational Expenditure					
Net Operational Expenditure					
T 3.9.7					



# Chapter 3

Table 56: Capital Expenditure: Storm water Services

Capital Expenditure 2015/16: Storm water Services					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	6 144	6 144	6 144	0%	
Upgrading of area link Rammulotsi	6 144	6 144	6 144	0%	6 144
					<i>T 3.9.8</i>

## COMMENT ON PERFORMANCE OF STORMWATER DRAINAGE OVERALL

Only one project, which was funded by MIG, was done during the 2015/2016 financial year. This was a road project which includes the installation of a storm water system for the road. The targets for storm water projects are determined by the IDP process. Business plans are compiled and submitted for possible funding. The focus of the municipality is on the previous disadvantage areas to prevent houses to be flooded.

# Chapter 3

## COMPONENT C: PLANNING AND DEVELOPMENT

### INTRODUCTION TO PLANNING AND DEVELOPMENT

This component includes planning and local economic development.

#### 3.10 PLANNING

##### INTRODUCTION TO PLANNING

The planning landscape in South Africa changed during 2013 with the promulgation of the Spatial Planning and Land Use Management Act, 2013 (No 16 of 2013). In terms of this Act Local Governments are the authority of first instance and all development application must be considered on local level by the Municipal Planning Tribunal, whereas in the past this type of applications were considered by the provincial authorities. The Act was, however, only made effective with effect from 1 July 2015. No applications could, however, be received and/or considered before the Municipality's by-laws on Planning were in place. These by-laws were promulgated in the Provincial Gazette of 27 November 2015 and since then the new era of planning started in Moqhaka.

The Urban Planning and Property Management Department is striving to ensure that the long term planning of the Municipality caters for the development of the town along sustainable principles that will ensure that the Municipality not only grows in population, but also develops an economy that can sustain the growth in numbers.

In terms of the organisational structure approved by Council on 27 May 2015 the Building Survey Section was moved from Technical Services to, with the Planning Section form part of the Spatial Planning Department. The three top priorities of the Spatial Planning Department are to (i) compile a Spatial Development Framework (SDF), which encapsulates the long term spatial vision of the Municipality, (ii) compile a Land Use Scheme (LUS), which governs the use of each parcel of land situated in the jurisdiction area of the Municipality and (iii) attend to building plans on a continuous basis so as to ensure the continuous growth and development of the Municipality.

Unfortunately the first two priorities could not be met 100% during the current year due to the fact that the Spatial Planning Department did not exist prior to 1 July 2015 and after its establishment were not populated immediately. Drafts of both the SDF and LUS has, however, been compiled and will be dealt with during the next year. In terms of the third priority the Department did perform well and has met its set targets.

# Chapter 3

Measures have been put in place to ensure that the Spatial Planning Department is capacitated in terms of human resources as well as equipment to ensure it excels the coming year.

Table 57: Applications for Land Use Development

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Planning application received	N/A	N/A	5	3	250	235
Determination made in year of receipt	N/A	N/A	2	1	243	221
Determination made in following year	N/A	N/A	3	1	0	0
Applications withdrawn	N/A	N/A	0	1	7	14
Applications outstanding at year end	N/A	N/A	3	0	0	0
						<i>T 3.10.2</i>

# Chapter 3

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: Basic Service Delivery and Infrastructure Investment

IDP Priority 5: Housing

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	Past Year Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL70	To review the Housing Sector Plan.	Municipal Transformation and Institutional Development	Spatial Development Framework reviewed and submitted to Council for approval on or before 30 June 2016	Date SDF approved by Council	Director LED & Planning	New KPI	1	0	Target not achieved	SDF currently being made SPLUMA compliant by the service provider	Appointment letter of the service provider	New KPI. No comparison possible with previous year.
TL71	To review the Housing Sector Plan.	Municipal Transformation and Institutional Development	Convene a SPLUMA workshop with all role-players to determine roles and responsibilities and develop an implementation plan by 30 September 2015	Workshop held and implementation plan developed by 30 September 2015	Director LED & Planning	New KPI	1	1	KPI Completed in the first quarter	N/A	Report	New KPI. No comparison possible with previous year.

# Chapter 3

Table 58: Employees: Urban Planning & Property Management

Employees: Urban Planning & Property Management					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	3	1	2	67%
4 - 6	0	3	0	3	100%
7 - 9	2	2	2	0	0%
10 - 12	0	0	0	0	0%
13 - 15	1	1	1	0	100%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	9	4	5	56%
T 3.10.4					

Table 59: Financial Performance: Urban Planning & Property Management

Financial Performance 2015/16: Urban Planning & Property Management					
R'000					
Details	2014/15	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	(135)	0	(288)	(253)	100%
Expenditure:					
Employees	1 447	0	1 754	1 597	100%
Repairs and Maintenance	53	0	111	63	100%
Other	353	0	77	178	100%
Total Operational Expenditure	1853	0	1942	1838	100%
Net Operational Expenditure	1988	0	2230	2091	100%
T 3.10.5					

Table 60: Capital Expenditure 2014/15: Urban Planning & Property Management

Capital Expenditure 2014/15: Urban Planning					
R' 000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No projects for the financial year					

# Chapter 3

## COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

In terms of capital the Spatial Planning Department did not have any capital projects for the 2015/2016 year.

In terms of operating expenditure of the Spatial Planning Department the variance between the budgeted amount and the actual expenditure is a mere 3.55% and can mainly be attributed to problems in respect of the cash flow of the Council during the last quarter of the year.

In terms of operating revenue to variance (12.15%) was due to much less building plans being received than what was estimated.

### 3.11 LOCAL ECONOMIC DEVELOPMENT

#### INTRODUCTION TO ECONOMIC DEVELOPMENT

Moqhaka Municipality has undertaken various projects that brought significant changes to the lives of people in our communities with regard to provision of basic services and improvement of infrastructure. These cover various spheres of service delivery which include electricity, water, sanitation, roads etc.

Reconstruction of Reitz and Cross Streets is a milestone that will positively impact on the economy of Kroonstad while enhancing our traffic management endeavours. Some temporary jobs have been created in this project. The refurbishing of Water Purification and Waste Water Treatment Works in all the three towns also created jobs while improving the infrastructure.

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

#### COMMENT ON LOCAL JOB OPPORTUNITIES:

After several challenges on refuse collection within Moqhaka, the management identified refuse collection as the key priority within the Council that will create a lot of jobs. Much has been achieved in terms of employment creation and income generations. More than 150 permanent jobs have been directly created, most of who are poor women and men.

The cleanliness of the town has been improved and the refuse collected and disposed on the official waste dumping site has dramatically increased. During the year 263 jobs were also created through EPWP as part of poverty eradication and unemployment.

# Chapter 3

As the town regain its beauty, economy comes back to life, the travel, tourism and hospitality industries stand to benefit from increased business activity and consumer spending. More activities are staged and as a result more jobs are created. The past financial year saw private companies staging tourism events at Kroonpark. The Council also supports informal businesses through issuing of licences while paying attention to our by-laws.

Table 61: Jobs Created during 2014/15 by LED Initiatives

Jobs Created during 2014/15 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)				
2014/15	1 182	0	1 182	Project documentation
2015/16	13	N/A	N/A	Project documentation
Top 3 initiatives				
Initiative A	13	N/A	N/A	Project documentation

Table 62: Jobs Created through EPWP projects

Job creation through EPWP* projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
2012/13	5	202
2013/14	6	203
2014/15	16	238
2015/16	13	263

\* - Extended Public Works Programme

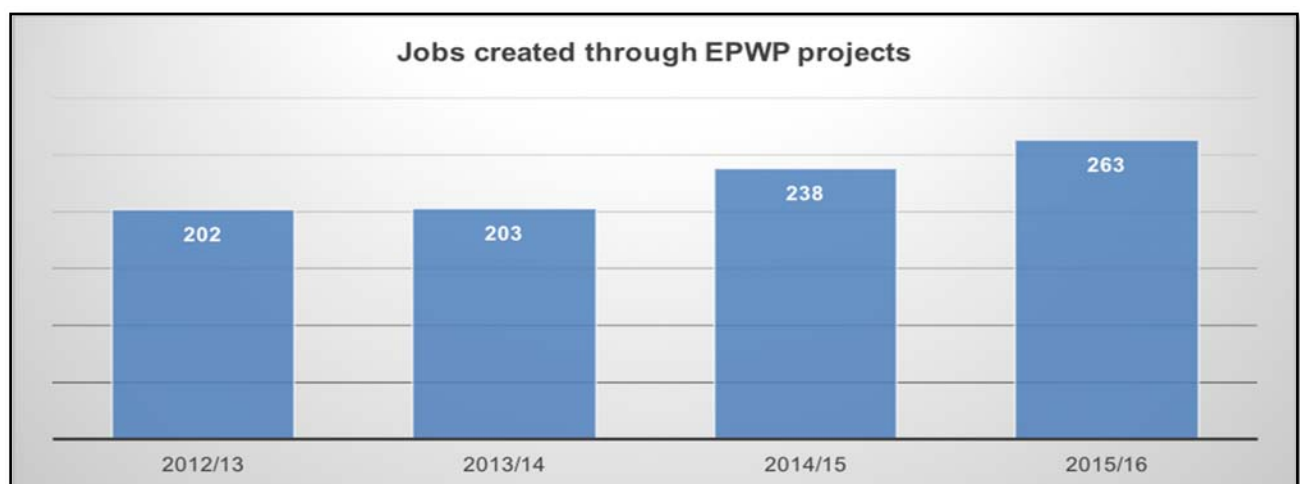


Figure 12: Jobs created through EPWP Projects

# Chapter 3

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: LED

IDP Priority 7: LED

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	Past Year Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL13	To review and submit LED Strategy to Council for Approval.	Local Economic Development	No of jobs created through the municipality's LED, EPWP and other initiatives (Reg 796)	Sum of jobs created per year	Director: Technical Services	New KPI	48	154	EPWP projects	N/A	Appointment letters	New KPI for the 2015/16 year and therefore no comparison possible.
TL72	To review and submit LED Strategy to Council for Approval.	Local Economic Development	LED Strategy reviewed and approved by Council	LED Strategy approved	Director LED & Planning	25% completed	1	1	Target achieved.	N/A	Attendance register	Performance Achieved.
TL73	To develop a database for SMMEs.	Local Economic Development	No of new business registrations processed in terms of the Business Act, 1991	No of reports regarding new business registrations submitted to the Director	Director LED & Planning	New KPI	4 reports per year	3	Target not achieved. First quarter report not submitted.	Ensure that reports are submitted as requested.	Attendance register	New KPI. No comparison possible with previous year.
TL74	To develop a database for SMMEs.	Local Economic Development	No of SMME/Co-operative enterprise support programs implemented	Sum of SMME support programs implemented	Director LED & Planning	New KPI	2	1	Target not achieved	Programs were not implemented due to financial constraints	N/A	New KPI. No comparison possible with previous year.
TL75	To develop a database for SMMEs.	Local Economic Development	Number of business development events held	Sum of all events held	Director LED & Planning	New KPI	1	1	Target Achieved in the second quarter.	N/A	N/A	New KPI. No comparison possible with previous year.
TL76	To develop a database for SMMEs.	Local Economic Development	No of SMME assisted with business development in waste management	No of promotional sessions held for SMME regarding waste management business opportunities	Director LED & Planning	New KPI	2	0	Target not achieved	Due to financial constraints no events were held	N/A	New KPI. No comparison possible with previous year.



# Chapter 3

Table 63: Employees: LED Services

Employees: Local Economic Development Services					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	3	0	3	100%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%
					<i>T 3.11.8</i>

Table 64: Financial Performance 2014/15: LED Services

Financial Performance 2015/16: Local Economic Development Services					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0%
Expenditure:	0	0	0	0	0%
Employees	0	0	0	0	0%
Repairs and Maintenance	0	0	0	0	0%
Other	96	49	121	85	42%
<b>Total Operational Expenditure</b>	96	49	121	85	42%
<b>Net Operational Expenditure</b>	96	49	121	85	42%
					<i>T 3.11.9</i>

# Chapter 3

Table 65: Capital Expenditure 2014/15: LED Services

Capital Expenditure 2015/16: Economic Development Services R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	28 803 637	7 293 874	9 800 000	-194%	
Matlwangtlwang: Upgrading of Internal road and providing of storm water system	6 565 715	-	-	0%	6 565 715
Stilfontein Cemetery: Palisade Fencing and Roads	10 331 781	-	-	0%	10 331 781
Rammulotsi – Erf 4942 to Northleigh – Upgrading of area link	6 144 000	-	-	0%	6 144 000
Maokeng: Installation of 9 high mast lights	2 093 153	-	-	0%	2 093 153
Rammulotsi: Installation of high mast lights	1 162 862	-	-	0%	1 162 862
Brentpark: Upgrading of ablution blocks and rehabilitation of football field for sports stadium	2 506 126	7 293 874	9 800 000	74%	9 800 000
T 3.11.10					

## COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

In creating a conducive environment for local economic development, the Council managed to upgrade internal road and providing of storm water system amounting to R6 565 714.86. The upgrading of internal, access and connector road amounting to R19m was also a major capital project that created 46 jobs. This project will also play a major role in attracting investors. Reconstruction of Reitz and Cross Streets is a milestone that will positively impact on the economy of Kroonstad while enhancing our traffic management endeavours. Some temporary jobs have been created in this project. We have further undertaken the refurbishing of our Water Purification and Waste Water Treatment Works in all the three towns.

The grading and maintain of gravel roads and maintenance of surfaced roads has been ongoing throughout the period under review using own machinery and this has made huge impact in terms of improving accessibility.

# Chapter 3

## COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: Arts and Culture, Parks and Cemeteries, Public Safety, Sport and Recreation, Kroonpark as well as Solid Waste Management.

### INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

The libraries function has been transferred to the Provincial Government. The municipality only have the Civic Theatre. The Civic Theatre is a Community based Arts and Culture venue that promotes arts in its diversity in order to enhance social cohesion through cross cultural activities to advance tolerance and celebrate heritage.

### 3.12 CIVIC THEATRE, ARTS AND CULTURE

#### INTRODUCTION TO CIVIC THEATRE, ARTS AND CULTURE

The Civic Theatre was built in 1973 and officially opened 12 June 1976 during the uprising of the youth.

It is situated 1000metres from the Central Business District, have 688 capacities Auditorium and multipurpose Allen Rautenbach Hall with +-300 people seats including tables. The Entertainment-hall at the upper level with balcony could accommodate +-30 people minimum for board room meetings and mini functions.

The key Strategic objective of the Civic theatre

- To promote Arts and Culture, music, drama/theatre, poetry, language in school and community Partnership with the government department and NGO's.
- Enhance social cohesion through Arts and culture activities.
- Creating vibrancy within our locality to advance Tourism.
- Celebrate Heritage.

# Chapter 3

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Service Delivery

KPA: Basic Service Delivery

IDP Priority 10: Arts and Culture

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	Previous Year Performance	Annual Target	Q4 Target	Q4 Results	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL69	To optimize community participation in Arts and Culture.	BSD	No of arts and culture activities and events held in the municipal area	No of activities held	Director Community & Emergency Services	New KPI	40	10	4	26	Not achieved	There is a detailed report of the state of the theatre that was submitted to the Council for adoption and corrective measures to be taken and creating a conducive environment for the theatre to function effectively. Library Services has been moved to the Province with effect from 01 January 2016	Quarterly Report.	New KPI. No comparison possible with previous year.

# Chapter 3

Table 66: Employees: Civic Theatre

Employees: Civic Theatre (Old Structure)					
Job Level	2014/15	2015/16			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3					
4 - 6	1	1	1	0	100%
7 - 9	1	1	1	0	100%
10 - 12	1	1	1	0	100%
13 - 15					
16 - 18	3	4	3	1	75%
19 - 20					
Total	6	7	6	1	73.7 %

Table 67: Financial Performance: Civic Theatre

Financial Performance 2015/16: Civic Theatre R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	151	162	162	113	30%
Expenditure:					
Employees	1 133	1 393	1 325	136	90%
Repairs and Maintenance	3	16	59	3	96%%
Other	524	612	619	552	11%
Total Operational Expenditure	1 661	2 021	2 003	691	5%
Net Operational Expenditure	1 509	1 860	1 842	578	3%

Table 68: Capital Expenditure: Civic Theatre

Capital Expenditure 2015/16: Civic Theatre R' 000					
Capital Projects	2014/15				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No projects for the financial year under review					

# Chapter 3

## COMMENT ON THE PERFORMANCE OF THE CIVIC THEATRE, ARTS AND CULTURE PERFORMANCE OVERALL

### Achievements

- The Civic Theatre Division is continuously giving access for the Theatre and Allen Rautenbach Hall to all community to utilise it for variety of events and functions.
- The following activities are being held annually e g: Musical Shows, Prize giving, Matric Farewells,
- Commercial functions, wedding functions, School Choir Festival and Dance Shows, Arts Festivals and Auditions.

### Challenges

- The infrastructure that is dilapidated due to aging need total refurbishment of the whole Civic Complex
- The roof is leaking and during the rainy season and this affects the floor, Power supply, stage floor and the equipment on the stage.
- The Air-conditioning, Fire Curtain is not functioning and the Fire extinguishers are not serviced since November 2004 and this is not in compliance with National Health and safety Act, and the insurance won't be able to pay if there is a damage caused by Fire.
- The equipment that is outdated of lighting system and none existence of sound system for Production.
- The organogram that is not in line with the required standard of production.

### Measures to improve Productivity

- The Strategic Business plan that is in line with the IDP strategy of the Civic Theatre.
- Acquire funds to all spheres of government in order to address all the challenges of the theatre.
- Refurbishment of the entire Civic Complex in order to create conducive environment for productivity.
- Implementation of the new organizational structure that is proposed in line with the Theatre management for Efficiency.

# Chapter 3

## 3.13 PARKS AND CEMETERIES

### INTRODUCTION TO PARKS AND CEMETERIES

#### OVERVIEW

It is the responsibility of the Parks division to provide healthy and aesthetical environment to the public, to upgrade the current developed parks and to develop new parks for informal recreation. It is of aesthetical importance to maintain cemeteries and to provide graves for burials. Moqhaka is rich on historical cemeteries and by keeping it clean and to upgrade it from time to time can promote tourism. Due to global warming it is necessary to promote the causes and impact thereof and to plant as many trees as possible. It is also of most importance to remove invasive plants to prevent the exhausting of our water sources.

#### CORE AREAS OF RESPONSIBILITY

- Public Parks and open spaces
- Cemeteries
- Biodiversity with regard to planting of trees and controlling of invasive plants

#### LOCAL JOB OPPORTUNITIES

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

### SERVICE STATISTICS FOR PARKS AND CEMETERIES

Table 69: Service Statistics: Parks and Cemeteries

SERVICE OBJECTIVES	SERVICE TARGETS	2013/14	2014/15	2015/16
To maintain parks and open spaces according to a plan.	8 x The cutting of grass every second week on developed/irrigation parks.	100%	100%	100%
	15 x cutting open spaces every fourth week	100%	100%	100%
	Urban greening: 50 trees per town	0%	100%	10%
	Implementation of in service training to improve skills and developed staff on street tree maintenance and mowing equipment.	0%	100%	100%
	To provide adequate equipment for the maintenance and watering of urban greening.	0%	25%	0%
	2 x developing of water wise landscaping areas	0%	100%	0%
Cemeteries	The maintenance of 4 x operational cemeteries	100%	100%	100%
	Enforce the by-laws on illegal dumping and public participation to the community.	0%	25%	100%

# Chapter 3

Policy Objectives taken from IDP and SDBIP

**Municipal Scorecard Perspective:** Service Delivery

**KPA:** Basic Service Delivery

**IDP Priority 13:** Parks and Cemeteries

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	Previous Year Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL65	Ensure effective maintenance of cemeteries.	Basic Service Delivery	No of cemeteries maintained quarterly	Sum of cemeteries maintained	Director Community & Emergency Services	4	3	9	Achieved	N/A	Monthly Report	Performance improved from the previous financial year results



# Chapter 3

Table 70: Employees: Parks and Cemeteries

Employees: Parks and Cemeteries					
Job Level	2014/15	2015/16			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	1	1	1	0	0%
4 - 6	2	2	2	0	0%
7 - 9	3	6	0	6	100%
10 - 12	7	7	5	2	29%
13 - 15	12	17	12	5	29%
16 - 18	29	30	26	4	13%
19 - 20	38	38	38	0	0%
Total	92	101	84	17	17%
T 3.13.4					

Table 71: Financial Performance: Parks and Cemeteries

Financial Performance 2015/16: Parks and Cemeteries					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	955	987	992	992	0%
Expenditure:					
Employees	9 774	10 554	13 258	12 270	14%
Repairs and Maintenance	1 073	1 198	3 424	1 097	-9%
Other	1 265	1 982	1 366	1 150	-72%
Total Operational Expenditure	12 112	13 734	18 048	14 517	5%
Net Operational Expenditure	11 157	12 747	17 057	13 525	6%
T 3.13.5					

Table 72: Capital Expenditure: Parks and Cemeteries

Capital Expenditure 2015/16: Parks and Cemeteries					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	200	–	200	0%	0
Casting of Concrete Slabs	200		200	0%	
T 3.13.6					

# Chapter 3

## COMMENT ON PARKS AND CEMETERIES PERFORMANCE OVERALL

Parks and cemeteries have only one capital project for the current financial year, the casting of concrete slabs for the erecting of tombstones at Wespark Cemetery.

### **CLEANING OF CEMETERIES**

Brentpark cemetery, Wespark cemetery, and the four (4) cemeteries in Viljoenskroon and Rammulotsi were cleaned twice during the year 2015/2016. The thorn trees were cut in Stilfontein cemetery. It was the intension to spray weed killer at two of the old cemeteries in Maokeng, but the procurement procedures took too long. Weed killer can only be sprayed within a crucial time frame to be effective.



Stilfontein Cemetery – Before Cleaning



Stilfontein Cemetery – After Cleaning

### **SIDEWALKS**

The ideal circumstances are to clean the sidewalks in such a way that we can cut the grass on a regular basis by removing all stones and obstructions.

# Chapter 3



Cleaning of Sidewalks



Perfect Sidewalk

## **OPEN SPACES**

Due to the changes in the climate, the heat created an ideal environment for thorn tree seed to germinate abnormal faster and for a change in the metaphase of the specie. However, this creating a plague in the sense that open spaces overgrowth which created security and safety problems for the community.



Thorn trees that grown into roads



Removed

# Chapter 3

## CLEANING OF OPEN SPACES



Aggressive cleaning campaigns were done in partnership with all relevant stakeholders.

### 3.14 SPECIAL PROGRAMMES

#### INTRODUCTION TO SPECIAL PROGRAMMES

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

#### SERVICE STATISTICS FOR SPECIAL PROGRAMMES

Number of programmes on youth participated in/held:	12
Number of programmes on women participated in/held:	14
Number of programmes on disabled participated in/held:	8
Number of programmes on children participated in/held:	14
Number of programmes on HIV/AIDS participated in/held:	6

**\*Note:** Employees of special programmes are included under Executive and Council.

# Chapter 3

**\*\*Note:** Financial performance information for special programmes is included under Executive and Council.

## COMMENT ON THE PERFORMANCE OF SPECIAL PROGRAMMES OVERALL

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



# Chapter 3

## COMPONENT E: ENVIRONMENTAL PROTECTION

### INTRODUCTION TO ENVIRONMENTAL PROTECTION

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

### SERVICE STATISTICS FOR ENVIRONMENTAL PROTECTION

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

#### 3.15 POLLUTION CONTROL

The Municipality does not perform the above functions

#### 3.16 BIO-DIVERSITY; LANDSCAPE (INCL. OPEN SPACES); AND OTHER (EG. COASTAL PROTECTION)

This function is part of parks and cemeteries in the municipality.

#### **BIODIVERSITY**

Trees were planted at the new developed sport field in Rammulotsi



# Chapter 3

## COMPONENT F: HEALTH

This component includes: clinics; ambulance services; and health inspections. The Municipality does not perform the above function.

## COMPONENT G: PUBLIC SAFETY

This component includes: security services, traffic management, Fire Brigade services and disaster management.

### 3.17 SECURITY SERVICES

Security Services' mandate is derived from Chapter 7 of the Constitution of the Republic of South Africa, 1996 (Act No.108 of 1996). The department has functions to develop security related policies and procedures for the Council and monitor the implementation of the following:

- Security policy
- Vetting policy
- Fraud/corruption policy
- Access and key control procedure
- Utilization of Council vehicle procedure

#### **VISION**

To be a united, non-racial, transparent, responsive development and efficient municipality that renders sustainable services, so as to improve the quality of life in the community.

#### **MISSION**

Working effectively with all stakeholders to serve the people of Moqhaka Local Municipality through:

Ensuring a safe, secure and healthy environment;

# Chapter 3

## **VALUES**

As a Division we have committed ourselves to set standards and values. These standards and values are the foundation by which we deliver our services and interact with one another on a personal and professional level.

Respect for the individual, employees and the public, First rate public service; and Organizational excellence; and integrity.

Each of us must be committed to ensure that these values and standards are practiced daily and that they provide the framework and principles by which we function as a department. Nothing less will be acceptable.

## **ETHICS**

As Security Services our fundamental duties are to protect employees, Councillor's, Council property and to serve the community safeguard lives and property protect the peaceful against violence and disorder; and to respect the constitutional rights of all persons as to liberty, equality and justice.

We will keep our private lives unsullied as an example to all maintain courageous calm in the face of danger, scorn, or ridicule; develop restraint and remain constantly mindful of the welfare of others. Honest in thought and deed, both in personal and professional interaction, we will serve as an example in obeying the laws of the land and the department's regulations. Whatever confidential matters are confided upon us within our official capacity will be kept ever secret unless revelation is necessary in the performance of duty.

We will never act officiously or permit personal feeling, prejudices, animosities, or friendships to influence our decisions. With no compromise for crime and with relentless prosecution of criminals, we will enforce the law courteously and appropriately without fear of favour, malice or ill will, never employing unnecessary force or violence, and never accepting gratuities.

We recognize the badge of our office as a symbol of public faith and accept it as public trusts to be held so long as we are true to the ethics of the department. We will constantly strive to achieve these objectives and ideals.

## **PRIORITIES**

Ensuring a safe, healthy and secure environment as enshrined in the Constitution



# Chapter 3

## GOAL

Actively assist the SAPS in the reduction of crime levels in Moqhaka Municipal jurisdiction

## BY-LAWS ENFORCEMENT

The By-laws for Moqhaka Local Municipality were published in the Provincial Gazette, No 117 Free State Province on Friday, 13 March 2015. The Admission of Guilt was approved and signed by the Senior Magistrate.

Table 73: Municipal Security Service Data

Municipal Security Service Data			
	Details	2014/15	2015/16
1	Number of key points visited	8 933	22 375
2	Number of by-law infringements attended	28	62
3	Number of Security Officers in the field on an average day	3	5/7
4	Number of Security Officers on duty per day	3	5/7

Table 74: Employees: Security Services

Employees: Security Services					
Job level	2014/15		2015/16		
Security	Employees No.	Posts no.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	0	1	0	1	100%
4 – 6	1	9	1	8	89%
7 – 9	8	8	8	0	0%
10 -12	4	13	6	7	54%
13 – 15	8	34	8	26	76%
16 – 18	0	0	0	0	0%
19 – 20	0	0	0	0	0%
<b>TOTAL</b>	<b>21</b>	<b>65</b>	<b>23</b>	<b>42</b>	<b>65%</b>

# Chapter 3

Table 75: Financial Performance: Security Services

Financial Performance 2015/16: Security Services R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	-	-	-	0%
Expenditure:					
Police Officers	-	-	-	-	0%
Other employees	3 928	4 414	5 252	5 402	18%
Repairs and Maintenance	400	134	333	282	52%
Other	17 483	20 572	23 691	25 332	19%
<b>Total Operational Expenditure</b>	21 811	25 120	29 276	31 016	19%
<b>Net Operational Expenditure</b>	21 811	25 120	29 276	31 016	19%
					<i>T 3.20.5</i>

Table 76: Capital Expenditure Security Services

Capital Expenditure 2015/16: Security Services R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	197	197	173	-14%	
Steel Pallisade Fence)	197	197	173	-14%	173
					<i>T 3.19.6</i>

## 3.18 TRAFFIC MANAGEMENT SERVICES

The Traffic Management aspects for which Moqhaka Local Municipality is responsible cover the following areas:

- Traffic Law Enforcement
- By-Law Enforcement
- Road Safety Awareness
- Social Crime Prevention which is done jointly with SAPS & Free State Province Department of Police, Roads and Transport

# Chapter 3

## SERVICE STATISTICS FOR TRAFFIC SERVICES

Table 77: Service Statistics: Traffic Services

Traffic Service Data					
	Details	2014/15	2015/16		2016/17
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of road traffic accidents during the year	1 142	0	1 169	1 100
2	Number of by-law infringements attended	12 788	0	10 504	20 000
3	Number of police officers in the field on an average day	26	52	23	45
4	Number of police officers on duty on an average day	26	52	18	40
					<i>T 3.20.2</i>

# Chapter 3

Policy Objectives taken from IDP and SDBIP

**Municipal Scorecard Perspective:** Municipal Development

**Municipal KPA:** Community Development and Social Cohesion

**IDP Priority 12:** Traffic Law Enforcement

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	Previous Year Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL64	To ensure the provision of an effective and efficient law enforcement service to increase public safety.	Basic Service Delivery	No of Traffic violations issued	No of tickets issued to offenders	Director Community & Emergency Services	13016	14050	10 545	Quarterly and annual target not achieved. This was mainly due to the fact that Traffic Officers were for the most part during the quarter under review preoccupied focusing on Point Duty because of the road construction project	None. The available traffic officers to do law enforcement were used to do point duty due to road construction in the municipal main road. Once the construction is completed normal law enforcement duties will continue.	Reports from the Traffic Management System	New KPI. No comparison possible with previous year.

# Chapter 3

Table 78: Employees: Traffic Services

Employees: Traffic Services					
Job Level	2014/15	2015/16			
	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	6	9	8	1	11%
10 - 12	6	9	8	1	11%
13 - 15	14	17	14	3	18%
16 - 18	6	6	6	0	0%
19 - 20	0	0	0	0	0%
Total	35	44	39	5	11%

T 3.20.4

Table 79: Financial Performance: Traffic Services

Financial Performance 2015/16: Traffic Services R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	4 272	806	809	2 478	67%
Expenditure:					
Employees	7 748	8 265	9 568	8 765	6%
Repairs and Maintenance	256	1 313	347	343	-283%
Other	3 149	2 714	1 874	1 283	-112%
Total Operational Expenditure	11 153	12 292	11 789	10 391	-18%
Net Operational Expenditure	6 881	11 486	10 980	7 913	-45%

Table 80: Capital Expenditure: Traffic Services

Capital Expenditure 2015/16: Traffic Services R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No capital projects for the year under review.					

## COMMENT ON TRAFFIC SERVICE PERFORMANCE OVERALL

In terms of the Traffic Management Program for the year under review, the following targets were achieved:

# Chapter 3

- Scholar Patrollers Training – Provincial Road Safety arranged a Workshop where all schools were trained
- Roadblock Operations – 112 operations were carried out
- By-Law Enforcement – 1,064 fines were issued for by-law infringements during the year under review
- Traffic Law Enforcement (General Traffic Offences) – 10,504 traffic fines were issued
- Two people were arrested for driving under the influence
- One person was arrested for reckless driving

## **Challenges**

In certain areas the Traffic Management Section was not able to perform to the expected levels mainly due to lack of capacity as a result of shortage of personnel and ageing fleet.

### 3.19 FIRE BRIGADE SERVICES

#### INTRODUCTION TO FIRE SERVICES

Fire Services in the Republic of South Africa and in particular in Moqhaka are regulated in terms of National Legislation.

The top priorities are as follows:

- (a) prevent the outbreak or spread of a fire;
- (b) fight or extinguish a fire;
- (c) protection of life or property against a fire or other threatening danger; and
- (d) rescue of life or property from fire or other danger.

Fire Services in the first priority is the prevention of the outbreak of fire. This could not be achieved as there is no functional Fire Safety division within the Moqhaka Fire Service due to understaffing.

The prevention of spreading of fires could only partly be accomplished as the Fire Service had to do without proper and sufficient fire fighting vehicles and equipment and staff shortages for an amount of time.

The Fire Service has a challenge in that the Steynsrus/Matlwangtlwang and Viljoenskroon/Rammulotsi areas have to be attended to from Kroonstad Head Office and this impact on the response time to these areas.

# Chapter 3

## SERVICE STATISTICS FOR FIRE SERVICES

Table 81: Service Statistics: Fire Services

Fire Service Data					
	Details	2014/15	2015/16		2016/17
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Total fires attended in the year	198	109	139	120
2	Total of other incidents attended in the year	156	161	214	190
3	Average turnout time - urban areas	15 min	15min	15 min	15 min
4	Average turnout time - rural areas	60 min	60 min	60 min	60 min
5	Fire fighters in post at year end	20	20		
6	Total fire appliances at year end	1	2	1	1
7	Average number of appliance off the road during the year	2	0	2	2
					<i>T 3.21.2</i>

Average turnout time within built-up area falls within accepted standards but the average attendance times for rural areas do not fall within accepted standards.

# Chapter 3

Policy Objectives taken from IDP and SDBIP

**Municipal Scorecard Perspective:** Municipal Development

**Municipal KPA:** Community Development and Social Cohesion

**IDP Priority 15:** Fire fighting

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	Previous Year Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL67	To provide an effective and efficient fire service in Mqohaka to ensure community safety.	Basic Service Delivery	Number of premises inspected for fire safety and compliance	Sum of premises inspected for fire safety and compliance	Director Community & Emergency Services	50	100	103	Achieved	N/A	Monthly report	Performance improved from the previous financial year results



# Chapter 3

Table 82: Employees: Fire Services

Employees: Fire Services					
Job Level	2014/15	2015/16			
Fire Fighters	Employees	Posts	Employees	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
Chief Fire Officer & Deputy	1	1	1	0	0%
Other Fire Officers	5	5	5	0	0%
0 - 3	1	1	1	0	0%
4 - 6	5	5	5	0	0%
7 - 9	13	13	12	1	8%
10 - 12	21	21	21	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	4	4	4	0	0%
Total	50	50	49	1	2%
					T 3.21.4

Table 83: Financial Performance: Fire Service

Financial Performance 2015/16: Fire Services					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	608	688	608	984	30%
Expenditure:					
Employees	9 638	8 054	640	11 611	31%
Repairs and Maintenance	2 118	69	704	850	92%
Other	1 133	1 508	777	1 039	-45%
Total Operational Expenditure	12 890	9 632	2 120	13 500	29%
Net Operational Expenditure	12 282	8 944	1 512	12 516	29%
					T3.21.5

Table 84: Capital Expenditure: Fire Service

Capital Expenditure 2015/16: Fire Services					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No capital projects for the year under review.					

## COMMENT ON FIRE SERVICE PERFORMANCE OVERALL

No capital expenditure were done as there was no budget allocated to the Fire and Rescue services

# Chapter 3

## 3.20 OTHER (DISASTER MANAGEMENT & OTHER)

### INTRODUCTION TO DISASTER MANAGEMENT

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

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

Moghaka Municipality has mostly partnered with the Fezile Dabi District Municipality to develop a disaster management plan for its area of jurisdiction since. The exercise of the disaster management function has not been fully effective due to staff shortages and lack of equipment. Although this has placed a strain on the municipality all incidents where the community was affected due to roofs being blown off or houses being flooded by heavy rains all were attended to and assistance given to inhabitants.

### SERVICE STATISTICS FOR DISASTER MANAGEMENT

Table 85: Service Statistics for Disaster Management

Details	Estimate	Actual
Number of meetings held with National Provincial and District Departments as well as NGO's to ensure their involvement in Disaster Management in Moghaka.	4	1x meeting per quarter held 4
Number of awareness sessions held with all disaster management disciplines	4	4 disaster management awareness sessions held 4

Table 86: Employees Disaster Management

Employees 2015/16: Disaster Management					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%

T 3.22.4

# Chapter 3

Table 87: Employees: Call Centre

Employees 2015/16: Call Centre					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	1	0	1	100%
10 - 12	7	10	9	1	10%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	7	11	9	2	18%
T 3.22.4					

Table 88: Financial Performance: Disaster Management

Financial Performance 2015/16: Disaster Management					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-	-	-	-	0%
Expenditure:					
Employees	2 095	402	1 447	2 481	84%
Repairs and Maintenance	-	39	39	2	-1850%
Other	71	-	9	1	100%
Total Operational Expenditure	2166	441	1495	2484	82%
Net Operational Expenditure	2166	441	1495	2484	82%
T 3.22.5					

Table 89: Financial Performance: Call Centre

Financial Performance 2015/16: Call Centre					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-	-	-	-	0%
Expenditure:					
Employees	1 941	1 953	1 953	2 305	15%
Repairs and Maintenance	-	48	50	2	-2300%
Other	58	8	8	22	64%
Total Operational Expenditure	1 999	2 009	2 011	2 329	14%
Net Operational Expenditure	1 999	2 009	2 011	2 329	14%
T 3.22.5					

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Table 90: Capital Expenditure 2015/16: Disaster Management

Capital Expenditure 2015/16: : Disaster Management					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No capital projects for the year under review.					

Table 91: Capital Expenditure: Call Centre

Capital Expenditure 2015/16: Call Centre					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No capital projects for the year under review.					

## COMMENT ON DISASTER MANAGEMENT PERFORMANCE OVERALL

No capital budget was available

# Chapter 3

## COMPONENT H: SPORT AND RECREATION

### 3.21 SPORT AND RECREATION

#### INTRODUCTION TO SPORT AND RECREATION

##### OVERVIEW

The Sport and Recreation division is mainly responsible for the upgrading and developing of sport facilities, which comply with national and international standards, with the exclusive purpose for developing of the different sport codes. In Moqhaka the sport facilities is in a very poor condition which led the community members to lose interest in sport. It is the Municipality's responsibility to provide sport and recreation facilities to community members. The biggest challenge is the allocation for funds for sport.

##### STRATEGIC OBJECTIVES

- Upgrade and development of sport at indoor and outdoor facilities to promote sport all year round;
- Provide recreation programs;

#### SERVICE STATISTICS FOR SPORT AND RECREATION

Table 92: Service Statistics for Sport and Recreation

Details	Actual	Comments
Number of informal sports fields maintained to a higher standard for practicing various sporting codes	20 informal sports fields maintained in identified areas	Breakage of graders and a decrease in the different sport codes.
Number of current formal grounds renovated and maintained	3 sports grounds renovated- Brentpark ( still busy)Rammulotsi and Loubserpark completed and 5 maintained	N/A
Number of swimming pools maintained and provided with adequate & qualified life savers during peak holiday seasons	2 swimming pools maintained and provided with adequate and qualified lifesavers	N/A
% of Nyakallong resort fencing upgraded	100% of fencing completed (extent of 1000 meters)	Did not form part of the 2015/16 budget. A technical report currently on its way for 2017/18 MIG project.
Number of meetings of the Sports Council held	4 Sports Council meetings held	N/A
Number of sports and recreation meeting and event attended arranged by both provincial, District, Local sports council as well as NGO	21 meetings AND 6 events	N/A
Number of sport activities conducted	4 sports activities arranged in collaboration with the Sports council and Fezile Dabi	N/A

# Chapter 3

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Municipal Development

KPA: Community Development and Social Cohesion

IDP Priority 9: Sport and Recreation and Community Facilities

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	Previous Year Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL66	To optimize community participation in Arts and Culture.	Basic Service Delivery	No of sport and recreation facilities maintained per quarter	Sum of sport and recreation facilities maintained	Director Community & Emergency Services	4	4 per quarter	4	Achieved. Players (hockey and cricket) field was added.	N/A	Monthly Report	Performance improved from the previous financial year results

# Chapter 3

Table 93: Employees: Sport and Recreation

Employees: Sport and Recreation					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	100%
4 - 6	0	1	1	0	0%
7 - 9	1	2	1	1	50%
10 - 12	3	5	2	3	60%
13 - 15	3	2	0	2	100%
16 - 18	15	6	15	-9	-150%
19 - 20	0	22	6	16	73%
Total	22	39	25	14	36%
					<i>T 3.23.3</i>

Table 94: Financial Performance: Sport and Recreation

Financial Performance 2015/16: Sport and Recreation R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	147	182	189	393	54%
Expenditure:					
Employees	3 077	2 829	3 187	4 238	33%
Repairs and Maintenance	161	328	165	110	-199%
Other	185	302	410	63	-382%
<b>Total Operational Expenditure</b>	3 423	3 459	3 762	4 410	22%
<b>Net Operational Expenditure</b>	3 276	3 277	3 573	4 017	18%

Table 95: Capital Expenditure: Sport and Recreation

Capital Expenditure 2015/16: Sport and Recreation R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	20 036	-	-	#DIV/0!	
Upgrading of Brentpark stadium	9 800	-	-	#DIV/0!	9 800
Loubserpark facilities	3 902	-	-	#DIV/0!	3 902
Rammulotsi stadium	6 334	-	-	#DIV/0!	6 334
					<i>T 3.23.5</i>

# Chapter 3

## COMMENT ON SPORT AND RECREATION PERFORMANCE OVERALL

### LOUBSERPARK STADIUM

The project was complete in August 2015. The standard of work was extremely professional and very effective for use.



Netball/Basketball Court at Louberspark

### RAMMULOTSI STADIUM

The project was complete in August 2015. Construction of the soccer pitch and levels are not on national standard. It will take some time for the pitch to set and to rectify the levels. Construction of tennis, netball and basketball was done professional.



Netball/Basketball and Tennis Courts at Rammulotsi



# Chapter 3

## BRENTPARK STADIUM

The project is still in progress. The MIG funds received for this stadium was not enough to complete the project and the specifications for the lights and ablutions is not on standard.



Brentpark Stadium Pavillion in Progress

## KROONPARK HOLIDAY RESORT

Kroonpark was build and established just after the floods in 1989 and officialy open in 1990. The resort was mainly astablished and build as a recreational facility for the lager community of Kroonstad and for local economical development as a tourist atraction facilities for Kroonstad.

The core function of resort is to provide accomodation and leisure facilities to tourist. The resort carters for different businesses and govenmental conferences.

The resort also success fully hosted one of South Africa's biggest annual Biker Rally, The Annual Poison Rally with just over 10,000 bikers visiting the resort.

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Besides biker Rallies Kroonpark hosted two of South Africa's fastest growing sports. The annual motor vehilce shows. There is also the annual Free State Beach Party music festival. Kroonpark Holiday Resort is also one of the few resort country wide with an indoor heated swimming pool.



Kroonpark attracted 26 680 day visitors for 2015/2016 financial year.

## SERVICE STATISTICS FOR KROONPARK

Table 96: Service Statistics for Kroonpark

Details	Actual
10 chalets (totally renovated) 2 sleeper X 5 and 6sleeper X 5	10
5 chalets re-sealed /patched (roof)	5
53 buildings fumigated (including offices)	53
1 ablution facilities renovated 60%	60%
50% of reception office renovated	50%
Number of visitors increased to 25 000 for the year	26 680

# Chapter 3

## Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Municipal Development

KPA: Community Development and Social Cohesion

IDP Priority 9: Sport and Recreation and Community Facilities

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	Past Year Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL78	To ensure the effective, efficient and economical management of municipal assets.	Municipal Financial Viability and Management	Revenue per available chalet	[revenue] divided by [number of available chalets] for each quarter and calculating an average for the year	Director LED & Planning	New KPI	11512 average for the year.	R13 210.74	Quarterly target not achieved. However the annual target achieved better than target set.	Normally a slow season as a big part of the quarter falls in winter	Computerised booking system	New KPI. No comparison possible with previous year.
TL79	To ensure the effective, efficient and economical management of municipal assets.	Municipal Financial Viability and Management	Revenue per Caravan site	[revenue] divided by [number of available Caravan/camping sites] for each quarter and calculating an average for the year	Director LED & Planning	New KPI	753,76 average for the year	R934.59	Quarterly target not achieved. However the annual target achieved better than target set.	Normally a slow season as a big part of the quarter falls in winter	Computerised booking system	New KPI. No comparison possible with previous year.
TL80	To ensure the effective, efficient and economical management of municipal assets.	Municipal Financial Viability and Management	% of occupancy of chalets	number of days that chalets were occupied in measurement period relative to days in measurement period x # of chalets and calculating an average for the year	Director LED & Planning	New KPI	9.00%	12.1%	Quarterly target not achieved. However the annual target achieved better than target set.	Normally a slow season as a big part of the quarter falls in winter	Computerised booking system	New KPI. No comparison possible with previous year.
TL81	To ensure the effective, efficient and economical	Municipal Financial	% of occupancy of Caravan sites	number of days that Caravan/Camping	Director LED & Planning	New KPI	2.5%	5.5%	Quarterly target achieved and	N/A	Computerised booking system	New KPI. No comparison

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KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	Past Year Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
	management of municipal assets.	Viability and Management		sites were occupied in measurement period relative to days in measurement period x # of Caravan/Camping sites and calculating an average for the year					Annual target exceeded			possible with previous year.
TL82	To ensure the effective, efficient and economical management of municipal assets.	Municipal Financial Viability and Management	% increase in the number of day visitors at Kroonpark	Number of day visitors at Kroonpark for the period divided by the baseline of 24 000 and calculating an average for the year	Director LED & Planning	24 000	10.00%	11.2%	Quarterly target achieved and Annual target exceeded	Normally a slow season as a big part of the quarter falls in winter	Computerised booking system	Target achieved. Day visitors increased from 24 000 to 26 680 in 2015/16

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Table 97: Employees: Kroonpark

Employees: Kroonpark					
Job Level	2014/15	2015/16			
	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	0	0%
7 - 9	0	1	0	1	100%
10 - 12	8	14	7	7	50%
13 - 15	0	1	1	0	0%
16 - 18	14	29	29	0	0%
19 - 20	0	0	0	0	0%
Total	23	46	38	8	17%

Table 98: Financial performance: Kroonpark

Financial Performance 2015/16: : Kroonpark					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	2 536	3 880	4 492	4 464	13%
Expenditure:					
Employees	5 407	5 298	5 806	7 138	26%
Repairs and Maintenance	950	895	917	945	5%
Other	1 370	1 503	1 464	1 755	14%
Total Operational Expenditure	7 727	7 696	8 187	9 838	22%
Net Operational Expenditure	5 191	3 816	3 695	5 374	29%

Table 99: Capital Expenditure: Kroonpark

Capital Expenditure 2015/16: : Disaster Management					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No capital projects for the year under review.					

# Chapter 3

## COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

### 3.22 EXECUTIVE AND COUNCIL

This component includes: Executive office (mayor; councillors; and municipal manager).

#### INTRODUCTION TO OFFICE OF THE EXECUTIVE MAYOR

The Office of the Executive Mayor participated in the following community upliftment projects:

- School uniform – Built the dignity of learners from indigent families.
- Wheel Chair – Eased the lives of people with disability.
- Bicycle Project for farm learners – improved school attendance of learners who travels long distances to School.

#### SERVICE STATISTICS FOR THE OFFICE OF THE EXECUTIVE MAYOR

Table 100: Service Statistics: Office of the Executive Mayor

Service Activity	Service Results
Number of MAYCO committee meetings held:	8
Number of quarterly stakeholder meetings convened:	4

# Chapter 3

**Municipal Scorecard Perspective:** Governance

**KPA:** Good Governance and Community Participation

**IDP Priority 28:** Corporate and Democratic Governance

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL18	To ensure that all key municipal stakeholder are engaged.	Good Governance and Public Participation	# of community report back meetings convened by Councillors for improved communication on service delivery including IDPs, SDBIP, etc.	# of community report back meetings held	Manager: Speakers Office	No information provided	4	2	No information provided for measurement	Ensure that information is provided by the relevant KPI owner to ensure proper measurement of KPI's	Minutes and agendas of meetings held	Performance not achieved.
TL19	To ensure that functional ward committees are established.	Good Governance and Public Participation	# of meetings per ward per annum	# of meetings held from 1 Jul to 30 Jun (25 wards X 12)	Manager: Speakers Office	No information provided	12	6	No information provided for measurement	Ensure that information is provided by the relevant KPI owner to ensure proper measurement of KPI's	Minutes and agendas of meetings held	Performance not achieved.

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Table 101: Employees: Office of the Executive Mayor

Employees: Office of the Executive Mayor					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
4 - 6	8	8	8	0	0%
7 - 9	0	0	0	0	0%
10 - 12	3	3	3	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	13	13	13	0	0%
T 3.24.4					

Table 102: Financial Performance: Office of the Executive Mayor

Financial Performance 2015/16: Office of the Executive Mayor					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-	-	-	-	
Expenditure:					
Employees	5 245	5 450	4 904	5 095	-7%
Repairs and Maintenance	4	181	60	11	100%
Other	2 332	1 290	2 116	2 013	36%
Total Operational Expenditure	7 581	6 921	7 080	7 119	3%
Net Operational Expenditure	7 581	6 921	7 080	7 119	3%
T 3.24.5					

Table 103: Capital Expenditure: Office of the Executive Mayor

Capital Expenditure 2015/16: The Executive and Council					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
No capital projects for the financial year					
T 3.24.6					



# Chapter 3

## INTRODUCTION TO OFFICE OF THE SPEAKER

The office had noticed under performance by ward committees and had set itself the following priorities 1. Reporting 2. Communication and 3. Accountability. The office has helped in the establishment of complaints management system.

## SERVICE STATISTICS FOR THE OFFICE OF THE SPEAKER

The following services were achieved by the Office of the Speaker during the period under review.

Table 104: Service Statistics: Office of the Speaker

Service Activity	Service Results
Number of public participation meetings held:	75
Number of ward committees established:	25
Number of ward committees trained	25
Number of ward committee meetings held:	177
Number of council meetings convened:	10
Number of CDWs employed:	25
Number of ward committee meeting held:	1 per ward per quarter (75 in total for the first three quarters. The last quarter was marked by election activities.

Table 105: Employees: Office of the Speaker

Employees: Office of the Speaker					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	0	2	100%
4 - 6	6	6	6	0	0%
7 - 9	1	1	0	1	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	9	9	6	3	33%
T 3.24.4					

# Chapter 3

Table 106: Financial Performance: Office of the Speaker

Financial Performance 2015/16: Office of the Speaker					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	-	-	-	
Expenditure:					
Employees	4 154	4 625	4 521	4 380	-6%
Repairs and Maintenance	103	37	37	37	100%
Other	2 662	2 659	2 498	2 372	-12%
<b>Total Operational Expenditure</b>	6 919	7 321	7 056	6 789	-8%
<b>Net Operational Expenditure</b>	6 919	7 321	7 056	6 789	-8%
<i>T 3.24.5</i>					

## INTRODUCTION TO THE OFFICE OF THE MUNICIPAL MANAGER

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

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

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

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

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

# Chapter 3

## SERVICE STATISTICS FOR THE OFFICE OF THE MUNICIPAL MANAGER

Table 107: Service Statistics: Office of the Municipal Manager

Service Activity	Service Results
Number of senior management meetings held:	23
Number of management meetings held:	23
Number of quarterly stakeholder meetings convened:	4

# Chapter 3

## Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Governance

KPA: Good Governance and Community Participation

IDP Priority 28: Corporate and Democratic Governance

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL22	To ensure a fully functional Audit Unit.	GGPP	Develop a risk based audit plan with an internal audit plan (RBAP) (MFMA - Section 165(2)(a)) and submit to the Audit Committee by 30 June 2016	RBAP with internal audit program submitted to the Audit Committee by 30 June 2016	Municipal Manager	New KPI	1	0	Risk register being updated	Will be finalized during July 2016. IA need to start preparation at an earlier date.	NA	Target almost achieved in the current year.
TL23	To ensure a fully functional Audit Unit.	GGPP	Audit action plan developed to address AG Findings and submitted to council for approval on or before 30 Jan 2016	Date Audit action plan submitted to council for approval	Municipal Manager	1	1	1	Audit action plan compiled and approved by the Audit Steering Committee	N/A	Audit Action Plan	In comparison with the previous year's results the municipality maintained its performance as required by legislation.
TL24	To ensure that an effective and efficient risk management function is established.	GGPP	Risk management strategy, that includes fraud prevention plan, and policy reviewed and approved on or before 30 September annually	Date risk register approved	Municipal Manager	1	1	1	Achieved in 1st Q	N/A	Risk Management Strategy	In comparison with the previous year's results the municipality maintained its performance as required by legislation.

# Chapter 3

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL25	To ensure that an effective and efficient risk management function is established.	GGPP	Monthly submit the Back to Basics report to take part in the provincial intergovernmental programs	# of reports submitted by the 15th of each month	Municipal Manager	New KPI	12	12	Quarterly and annual target achieved.	N/A	Monthly Reports	All twelve reports were submitted as required by CoGTA.
TL26	To facilitate the optimal functioning of Council.	GGPP	Annual Report tabled in council on or before 31 Jan 2016	Date annual report tabled	Municipal Manager	1	1	1	Quarterly and annual target achieved.	N/A	Minutes	In comparison with the previous year's results the municipality maintained its performance as required by legislation.
TL27	To facilitate the optimal functioning of Council.	GGPP	Annual review of IDP completed before the end of May 2016	Date annual review completed	Municipal Manager	1	1	1	Quarterly and annual target achieved.	N/A	Minutes of Council Meeting	In comparison with the previous year's results the municipality maintained its performance as required by legislation.
TL28	By developing a comprehensive Audit Plan reflective of quarterly improvement and ultimately achieve an unqualified Audit Report	GGPP	Achieve a qualified audit (2014/15 FY)	AG report determine audit results	Municipal Manager	New KPI	1	1	Achieved in 2nd Qtr.	N/A	Outcome	Performance increased from the previous year's results
TL29	To facilitate the optimal functioning of Council.	GGPP	% of Council Resolutions implemented within prescribed	# of council resolutions implemented within time	Municipal Manager	New KPI	95%	100%	Quarterly and annual target achieved.	N/A	Report on Council resolutions	Key Performance Indicator achieved

# Chapter 3

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
			timeframe stipulated on resolution register	frame divided by total # of resolutions								
TL30	To ensure that the customer care policy is approved and implemented.	GGPP	Complete a customer satisfaction survey by end of March and submit report with recommendations to Council	# of surveys conducted and # of reports submitted to council	Municipal Manager	New KPI	2	0	Official surveys not undertaken	Standing over. Ensure that survey is conducted to measure public satisfaction.	None	KPI Not achieved.
TL31	To facilitate the optimal functioning of Council.	GGPP	Submit quarterly reports to council on the actual performance in terms of the Top Layer SDBIP	# of SDBIP Top Layer performance reports submitted to council	Municipal Manager	4	4	4	Quarterly and annual target achieved.	N/A	Minutes	Performance in line with requirements set annually.

# Chapter 3

Table 108: Employees: Office of the Municipal Manager

Employees: Office of the MUNICIPAL MANAGER					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	4	3	1	25%
4 - 6	0	1	1	0	0%
7 - 9	1	1	1	0	0%
10 - 12	2	2	1	1	50%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	5	8	6	2	25%
					T 3.24.4

Table 109: Financial performance: Office of the Municipal Manager

Financial Performance 2015/16: Office of the MUNICIPAL MANAGER					
					R'000
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-	-	-	-	
Expenditure:					
Employees	2 723	5 053	4 458	4 558	-11%
Repairs and Maintenance	-	5	5	-	100%
Other	560	619	4 395	3 084	80%
Total Operational Expenditure	3 283	5 677	8 858	7 642	26%
Net Operational Expenditure	3 283	5 677	8 858	7 642	26%
					T 3.24.5

Table 110: Capital Expenditure: Office of the Municipal Manager

Capital Expenditure 2015/16: Office of the MUNICIPAL MANAGER					
					R' 000
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No capital expenditure for the financial year					

# Chapter 3

## 3.23 FINANCIAL SERVICES

### INTRODUCTION TO FINANCIAL SERVICES

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

Table 111: Debt Recovery

Debt Recovery								
								R' 000
Details of the types of account raised and recovered	2013/14		2014/15			2015/16		Proportion of accounts value billed that were collected %
	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	42 381	35 391	46 276	37 521	81%	48 983	40 597	83%
Electricity - C	139 913	123 487	160 024	128 109	80%	165 982	141 774	85%
Water	70 009	38 938	84 144	46 582	55%	83 052	45 396	55%
Sanitation	23 192	11 967	25 701	13 482	52%	27 555	14 641	53%
Refuse	13 312	7 414	17 510	9 150	52%	22 142	10 848	49%
Other	8 590	2 809	11 881	3 693	31%	18 545	2 719	15%
								T 3.25.2

There is a Revenue Enhancement Forum in place to try and address revenue losses with regards to electricity, water and other services. Faulty meters are being replaced on an ongoing basis. Cut-off processes are performed on regular basis to improve the collection rate.



# Chapter 3

Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Financial Management

KPA: Financial Viability and Financial Management

IDP Priority 26: Financial accountability and compliance

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL15	To ensure that the municipal budget and financial reporting process are compliant with applicable legislation.	Municipal Financial Viability and Management	Financial Viability: Cost coverage (Reg. 796)	Where - "A" represents cost coverage "B" represents all available cash at a particular time "C" represents investments "D" represents monthly fixed operating expenditure $A = (B + C) / D$	Director Finance	0	3	0	Both annual and 4th quarter Target not achieved	The Current drought conditions prevailing at Mqohaka has had a negative impact on the municipality's debt collection. The municipality is currently busy with various projects with the endeavour of enhancing and recovering most of its revenue/cash to improve its cost coverage.	Annexure 2 - Uniform Financial Ratios & Norms.	Performance not achieved.
TL16	To ensure that the municipal budget and financial reporting process are compliant with applicable legislation.	Municipal Financial Viability and Management	Financial Viability: Debt coverage (Reg. 796)	Where - "A" represents debt coverage "B" represents total operating revenue received "C" represents operating grants	Director Finance	1%	7%	27%	Target achieved	N/A	Annexure 2 - Uniform Financial Ratios & Norms.	Performance increased from the previous financial year.

# Chapter 3

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
				"D" represents debt service payments (i.e. interest + redemption) due within the financial year; $A=(B-C)/D$								
TL17	To ensure that the municipal budget and financial reporting process are compliant with applicable legislation.	Municipal Financial Viability and Management	Financial Viability: Service debtors to revenue (Reg. 796)	Where - "A" represents outstanding service debtors to revenue "B" represents total outstanding service debtors "C" represents annual revenue actually received for services; $A=(B/C)$	Director Finance	92%	95%	97%	Target achieved	N/A	Annexure 2 - Uniform Financial Ratios & Norms.	Performance increased from the previous financial year.
TL20	To implement an effective and efficient system of expenditure and supply chain management.	Basic Service Delivery	% of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan (MFMA Circular 71)	Actual Capital Expenditure / Budget Capital Expenditure x 100	Director Finance	96%	95%	96%	Target Achieved	N/A	Annexure 2 - Uniform Financial Ratios & Norms.	Performance achieved and same as the previous year's results

# Chapter 3

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL32	To ensure that the municipal budget and financial reporting process are compliant with applicable legislation.	MFVM	Date budget approved by Council	Actual date budget approved	Director Finance	1	1	1	Target Achieved. Budget approved by Council on the 29 June 2016.	N/A	Council Resolution on the Annual Budget approval for 2016/17 financial year.	In comparison with the previous years results the municipality maintained its performance as required by legislation.
TL33	To ensure that the municipal budget and financial reporting process are compliant with applicable legislation.	MFVM	Submit monthly Section 71 Report in terms of the MFMA before the 10th working day of each month	Working days taken to submit sec 71 report after end of month	Director Finance	12	12	12	Quarterly and annual target achieved.	N/A	Proof of emails sent to Treasury.	In comparison with the previous year's results the municipality maintained its performance as required by legislation.
TL34	To implement an effective and efficient system of expenditure and supply chain management.	MFVM	% MSIG grant spent	Actual MSIG Expenditure /Total MSIG grant x 100	Director Finance	95%	100%	100%	Quarterly and annual target achieved.	N/A	Section 52 Quarterly Report. Pg. 10.	Performance improved
TL35	To implement an effective and efficient system of expenditure and supply chain management.	MFVM	% expenditure on repairs and maintenance	Total Repairs and Maintenance Expenditure /Total amount budgeted for repairs and maintenance x 100	Director Finance	97%	100%	100%	Quarterly and annual target achieved.	N/A	Section 52 Quarterly Report. Pg. 6.	Performance improved

# Chapter 3

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Result	Performance Comment	Corrective Measures	POE	Comments
TL36	To ensure the effective and efficient management of municipal revenue and cash-flow according to national norms and standards.	MFVM	% of consumer debtors revenue collected (actual total collections as a percentage of total levies/billings) (MFMA Circular 71)	Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	Director Finance	91%	95%	92%	Both quarterly and annual targets not achieved.	The collection for the 4th Quarter was mainly affected by the current Drought conditions that Mophaka is experiencing. The municipality is prioritising its debt collection mechanisms.	Section 52 Quarterly Report. Pg. 2.	The % of consumer debtors revenue collected overall for the year was on average 80%. The municipality is busy with revenue enhancement strategies to increase overall collection.
TL37	To ensure the effective and efficient management of municipal revenue and cash-flow according to national norms and standards.	MFVM	Ave no of days taken to complete Monthly bank reconciliations .	Date bank recons completed within 30 Days after end of each month	Director Finance	New KPI	12	12	Both quarterly and annual targets achieved.	N/A	Copies of bank reconciliations sign-offs.	Target achieved
TL38	To ensure the effective and efficient management of municipal revenue and cash-flow according to national norms and standards.	MFVM	Date Financial statements submitted to AG	Date annual financial statements submitted to the AG	Director Finance	1	1	1	Achieved in the first quarter	N/A	N/A	In comparison with the previous year's results the municipality maintained its performance as required by legislation.

# Chapter 3

Table 112: Employees: Financial Services

Employees: Financial Services					
Job Level	2014/15	2015/16			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	5	6	6	0	0%
4 - 6	12	25	14	11	44%
7 - 9	7	15	8	7	46%
10 - 12	23	29	22	7	24%
13 - 15	14	23	20	3	13%
16 - 18	4	4	3	0	0%
19 - 20	0	0	0	0	0%
Total	65	102	73	29	28%
					T 3.25.4

Table 113: Financial Performance: Financial Services

Financial Performance 2015/16: Financial Services R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	66 492	58 256	69 012	75 429	0%
Expenditure:					
Employees	21 058	23 878	23 553	22 604	-6%
Repairs and Maintenance	62	124	66	58	-114%
Other	8 109	6 980	7 163	6 096	-15%
Total Operational Expenditure	29 229	30 982	30 782	28 758	-8%
Net Operational Expenditure	(37 263)	(27 274)	(38 230)	(46 671)	42%
					T 3.25.5

Table 114: Capital expenditure: Financial Services

Capital Expenditure 2015/16: Financial Services R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No capital expenditure for the financial year					

# Chapter 3

## 3.24 HUMAN RESOURCE SERVICES

### INTRODUCTION TO HUMAN RESOURCE SERVICES

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

#### **Priority: Institutional Performance Capacity and staff provision**

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

### SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

The Municipality is currently standing with a total staff component 878 employees as at end July 2016. The Municipality filled a total number of 236 positions, during the financial year 2015/2016. A total of 68 terminations were recorded due to different types of terminations e.g. Death, retirement, ill health and resignations.

A total number of 10 training interventions were implemented with 112 employees being trained. Other main service statistics are included in Chapter 4 of the Annual Report.

# Chapter 3

## Policy Objectives taken from IDP and SDBIP

**Municipal Scorecard Perspective:** Institutional Development

**KPA:** Municipal Transformation and Institutional Development

**IDP Priority 18:** Human Resources

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL42	To ensure that the HR function responsibly forecast the future staffing needs and create plans for recruiting, hiring and retaining top talent.	Municipal Transformation and Institutional Development	# EEA reports submitted to the DoL by 15 January each year	Sum of reports submitted	Director Corporate Services	2	2 (EEA2 & EEA4)	2	Target achieved in the third quarter.	N/A	Proof of submission received from DoL	Results achieved same as previous year results as required by legislation
TL43	To ensure continuous training and development of employees.	Municipal Transformation and Institutional Development	WSP, annual training report(ATR) & PIVOTAL report compiled and submitted to LGSETA on 30 April each year.	Date annual training report and WSP submitted to the LGSETA	Director Corporate Services	1	1	1	Target achieved	N/A	Proof of submission from LGSETA	Results achieved same as previous year results as required by legislation
TL44	To ensure that the HR function responsibly forecast the future staffing needs and create plans for recruiting, hiring and retaining top talent.	Municipal Transformation and Institutional Development	# of LLF meetings held per quarter	Sum of LLF meetings held per year	Director Corporate Services	New KPI	8	9	Meetings did not form a quorum due to non-attendance and had to be postponed.	Letter send to Municipal Manager	Agenda of meetings	New KPI for the 2015/16 year and therefore no comparison possible.

# Chapter 3

KPI Ref	Municipal Strategy	KPA	KPI	Calculation	KPI Owner	2014/15 Performance	Annual Target	Annual Results	Performance Comment	Corrective Measures	POE	Comments
TL45	To ensure that the HR function responsibly forecast the future staffing needs and create plans for recruiting, hiring and retaining top talent.	Municipal Transformation and Institutional Development	Strategic HR Plan developed and approved by Council	Strategic plan developed and approved	Director Corporate Services	New KPI	1	2	Target Achieved in the third quarter	N/A	N/A	New KPI for the 2015/16 year and therefore no comparison possible.
TL47	To ensure that the HR function responsibly forecast the future staffing needs and create plans for recruiting, hiring and retaining top talent.	Municipal Transformation and Institutional Development	Review of EE Plan and numerical goals and targets by 31 Dec 2015	Revised EEPlan and Council Resolution	Director Corporate Services	0	1	1	Target achieved	N/A	EE Plan and Council resolution	Performance improved.
TL48	To ensure that the HR function responsibly forecast the future staffing needs and create plans for recruiting, hiring and retaining top talent.	Municipal Transformation and Institutional Development	% of Full Time Equivalent posts on the organogram vacant	Number of vacant posts divided by Total No of posts	Director Corporate Services	New KPI	45%	34.9%	Both quarterly and annual targets were achieved.	N/A	HR Quarterly Reports	New KPI for the 2015/16 year and therefore no comparison possible.
TL49	To ensure that the HR function responsibly forecast the future staffing needs and create plans for recruiting, hiring and retaining top talent.	Municipal Transformation and Institutional Development	Total overtime hours as a percentage of all work hours	Overtime hours worked divided by total hours worked	Director Corporate Services	New KPI	20%	9.0%	Both quarterly and annual targets were achieved.	N/A	Financial and Payroll info from financial system.	New KPI for the 2015/16 year and therefore no comparison possible.



# Chapter 3

Table 115: Employees: Human Resource Services

Employees: Human Resource Services					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	1	1	50%
4 - 6	2	3	2	1	33%
7 - 9	0	2	0	2	100%
10 - 12	6	6	4	2	33%
13 - 15	1	2	0	2	100%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	11	15	7	8	53%
					<i>T3.26.4</i>

Table 116: Financial Performance: Human Resource Services

Financial Performance 2015/16: Human Resource Services					
R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	709	-	602	105	100%
Expenditure:					
Employees	2 597	3 073	2 683	3 266	5.91%
Repairs and Maintenance	-	-	-	-	0.00%
Other	941	710	905	566	-25.44%
Total Operational Expenditure	3538	3783	3588	3832	1.28%
Net Operational Expenditure	2829	3783	2986	3727	-1.50%
					<i>T 3.26.5</i>

Table 117: Capital Expenditure: Human Resource Services

Capital Expenditure 2015/16: Human Resource Services					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No projects for the financial year					

# Chapter 3

## COMMENT ON HUMAN RESOURCE SERVICE PERFORMANCE OVERALL

Shortage of staff in all Directorates has been address with the appointment of General Workers which will impact positively towards service delivery. Reviewed organisational structure has been approved by Council.

Capacitation of workforce is still a challenge since the department could not effectively implement planned training interventions.

Leave administration is no longer a challenge for the Municipality since leave is no longer captured manually but captured on the Pay Day System.

## 3.25 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

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

### INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Our 3 primary objectives in ICT are:

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

With the upgrade on our wireless network there have been improvements in the speed/performance of the network at the external offices. We are continually upgrading as technology is improving consistently.

IT queries range from hardware to software issues, 99% of the time our technicians address the issues within 2 working days. Our more complex issues are dealt with by specialist staff. The recruitment and retention of competent and experienced personnel remains a significant challenge.

# Chapter 3

## SERVICE STATISTICS FOR ICT SERVICES

Table 118: Service Data: ICT Services

Details	2014/15	2015/16		2016/17
	Actual	Estimate	Actual	Estimate
Network Downtime	<3%	<5%	<3%	<4%
Query resolutions	100%	98%	100%	98%
Back-ups	100%	100%	100%	100%

Policy Objectives taken from IDP and SDBIP

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

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

Table 119: Employees: ICT Services

Employees: ICT Services					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	0	1	0	1	100%
7 - 9	2	2	2	0	0%
10 - 12	2	2	2	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	5	6	5	1	17%
					T3.27.4

# Chapter 3

Table 120: Financial Performance: ICT Services

Financial Performance 2015/16: ICT Services R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0%
Expenditure:					
Employees	1 860	1 756	104	2 036	14%
Repairs and Maintenance	1 141	552	589	487	-13%
Other	4 153	3 486	667	4 142	16%
<b>Total Operational Expenditure</b>	7154	5794	1360	6665	13%
<b>Net Operational Expenditure</b>	7154	5794	1360	6665	13%
					<i>T 3.27.5</i>

Table 121: Capital Expenditure: ICT Services

Capital Expenditure 2015/16: ICT Services R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	#DIV/0!	0
Project A				#DIV/0!	
Project B				#DIV/0!	
Project C				#DIV/0!	

## 3.26 LEGAL AND COUNCIL SUPPORT SERVICES

### INTRODUCTION TO LEGAL AND COUNCIL SUPPORT SERVICES

The by-laws were in line with the prescriptions as contained in the Local Government Systems Act, 2000 (Act 32 of 2000), presented to Council to be approved as draft By-laws, where after a due public participation process were followed. The public participation process consisted of advertisements in the press and notices on the Council's notice boards, giving information as to time and dates of public meetings as well as when and where submissions may be handed in. Meetings with the community, explaining the by-laws were held in six (6) different towns on different occasions. After the public participation process a report was submitted to Council to finally approve and adopt the by-laws for promulgation.

# Chapter 3

## SERVICE STATISTICS FOR LEGAL AND COUNCIL SUPPORT SERVICES

Number of By-Laws developed	11
Number of ordinary Council meetings convened	8
% of Council, MAYCO and Committee agendas delivered on time	100%
Number of quarterly reports submitted to Council on tracking of council resolutions	1

### Policy Objectives taken from IDP and SDBIP

Municipal Scorecard Perspective: Institutional Development  
KPA: Municipal Transformation and Institutional Development  
IDP Priority 23: Legal Services

Table 122: Employees: Legal and Council Support Services

Employees: Legal and Council Support Services					
Job Level	2014/15	2015/16			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	3	3	0	0%
4 - 6	0	3	0	3	100%
7 - 9	6	7	6	1	14%
10 - 12	4	8	8	0	0%
13 - 15	0	0	0	0	0%
16 - 18	1	2	1	1	50%
19 - 20	28	21	34	-13	-62%
Total	40	44	52	-8	-18%
					<i>T 3.28.4</i>

Table 123: Financial Performance: Legal and Council Support Services

Financial Performance 2015/16: Legal and Council Support Services R'000					
Details	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	(388)	(360)	(414)	(372)	3%
Expenditure:					
Employees	10 186	11 079	11 030	10 762	-3%
Repairs and Maintenance	40	45	46	20	-125%
Other	1 121	1 088	975	948	-15%
<b>Total Operational Expenditure</b>	11347	12212	12051	11730	-4%
<b>Net Operational Expenditure</b>	11735	12572	12465	12102	-4%
					<i>T 3.28.5</i>

# Chapter 3

Table 124: Capital Expenditure: Legal and Council Support Services

Capital Expenditure 2015/16: Legal and Council Support Services R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	92	92	92	0%	
Polishers	19	19	19	0%	
Space saving cabinets	73	73	73	0%	
					<i>T 3.28.6</i>

## COMMENT ON LEGAL AND COUNCIL SUPPORT SERVICE PERFORMANCE OVERALL

In terms of capital the Support Services obtained polishers for the attendance and cleaning of the floors in Hill Street and Manki Street offices. There was no variance from the budgeted amount to the actual expenditure. As part of the capital expenditure space saving cabinets was also purchased for the Registry Office. There was also no variance from the budgeted amount to the actual expenditure.

In terms of operating cost the variances in the employee cost (2.4%), was due to people leaving the employment of Council. The variance in respect of repairs and maintenance (56.5%) is on a very small amount (R46 000 budgeted) and was due to less breakages than anticipated. The variance in respect of other expenditure (2.8%) can mainly be attributed to problems in respect of the cash flow of the Council during the last quarter of the year.

In terms of operating revenue to variance (10.1%) was due to the loss of income due to the telephone management system not functioning.

## COMPONENT J: MISCELLANEOUS

No additional functions to report.

# Chapter 3

## COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

Performance Management is a process, which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, and measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

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

The constitution of S.A (1996), section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of section 195 (1) are also linked with the concept of Performance management, with reference to the principles of inter alia:

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

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Section 57 makes the employment of the Municipal Manager and Managers directly accountable to him subject to a separate performance agreement concluded annually before the end of July each year. Section 67 regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to hold municipal staff accountable to serve the public efficiently and effectively. Performance Management, therefore, is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities.

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

### INTRODUCTION

#### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

##### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Table 125: Total Number of Employees

Description	Employees				
	2014/15	2015/16			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water and Sanitation	109	245	150	95	39%
Electricity	49	115	54	61	53%
Waste Management (Refuse)	114	156	126	30	19%
Housing	15	20	15	5	25%
Roads and Storm water	49	217	62	155	71%
Urban Planning	6	7	6	1	14%
Local Economic Development	0	3	0	3	100%
Fire and Rescue	31	44	39	5	11%
Call Centre	9	11	12	-1	-9%
Security and Safety	11	64	19	45	70%
Parks	83	134	119	15	11%
Office of the Executive Mayor	11	17	11	6	35%
Office of the Speaker	10	7	10	-3	-43%
Office of the Council Whip	3	4	3	1	25%
Municipal Manager, Audit & IDP	7	28	8	20	71%
Infrastructure & PMU	3	11	2	9	82%
Corporate Services	50	93	66	27	29%
Public Safety	3	5	3	2	40%
Kroonpark Resort	39	24	47	-23	-96%
Workshop/Fleet Management	5	18	9	9	50%
Finance	70	83	74	9	11%
Traffic	26	38	33	5	13%
Sports & Recreation	8	37	8	29	78%
Community & Social Services	2	4	2	2	50%
<b>Totals</b>	<b>713</b>	<b>1385</b>	<b>878</b>	<b>507</b>	<b>37%</b>

T 4.1.1



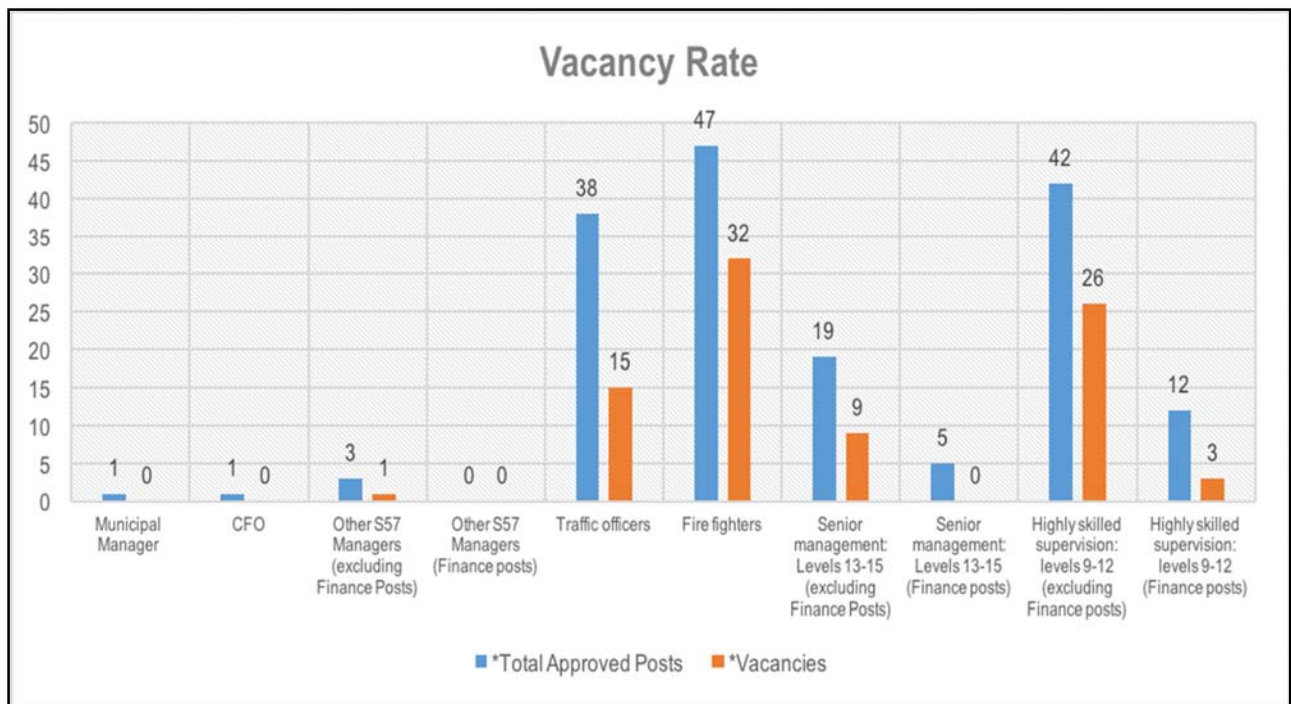
# Chapter 4

Table 126: Vacancy Rate

Vacancy Rate: 2015/16			
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)	3	1	33.3%
Other S57 Managers (Finance posts)	0	0	0.0%
Police officers	38	15	39.5%
Fire fighters	47	32	68.1%
Senior management: Levels 13-15 (excluding Finance Posts)	19	9	47.4%
Senior management: Levels 13-15 (Finance posts)	5	0	0.0%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	42	26	61.9%
Highly skilled supervision: levels 9-12 (Finance posts)	12	3	25.0%
<b>Total</b>	<b>168</b>	<b>86</b>	<b>51.2%</b>

T 4.1.2

Figure 13: Vacancy Rate



# Chapter 4

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

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

Table 127: Turn-over rate

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2013/14	1	53	5300%
2014/15	48	33	69%
2015/16	236	68	29%
			<i>T 4.1.3</i>

## COMMENT ON VACANCIES AND TURNOVER:

In May 2015 Council approved the organisational structure. Critical and compliance positions that needed to be filled have been advertised and recruitment is on process. During the 2015/16 financial year a total number of 46 positions were advertised both internally and externally.

Currently there is only one vacant position of Section 57 Manager (Technical Services) and recruitment for the post is on process.

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

# Chapter 4

## COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

During the financial year 2015/2016 a total number of 236 positions were filled (186 external appointments, 35 absorption and 15 was internal appointments). Turnover is mainly as a result of deaths and retirements.

Council approved the new organisational structure in May 2015.

### 4.2 POLICIES

Table 128: HR Policies and Plans

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action	0%	0%	Policy still to be drafted
2	Attraction and Retention	100%	100%	Policy not submitted to council yet
3	Code of Conduct for employees	100%	n/a	SALGBC/MSA
4	Delegations of powers	100%	90%	Policy approved by council 2007
5	Disciplinary Code and Procedures	100%	n/a	SALGBC
6	Essential Services	100%	n/a	SALGBC
7	Employee Assistance / Wellness	100%	100%	Policy approved by council 07 November 2013
8	Employment Equity	100%	100%	Policy was referred back for work-shopping by council
9	Exit Management	0%	0%	Policy still to be drafted
10	Grievance Procedures	100%	n/a	SALGBC
11	HIV/Aids	100%	100%	Policy approved by council 07 November 2013
12	Human Resource and Development	100%	100%	Policy approved by council 07 November 2013
13	Information Technology	100%	100%	Policy approved by council 07 November 2013
14	Job Evaluation	100%	100%	Policy approved by council 22 August 2014
15	Leave	100%	100%	Policy approved in October 2009 & SALGBC
16	Occupational Health and Safety	100%	100%	Policy approved by council 07 November 2013
17	Bursary	100%	100%	Policy approved by council 07 November 2013
18	Subsistence & Travelling	100%	100%	Policy approved by council 30 March 2016
19	Bereavement	100%	100%	Policy approved by council 28 October 2015
20	Official Working Hours and Overtime	100%	n/a	SALGBC
21	Organisational Rights	100%	n/a	SALGBC
22	Employee Remuneration	100%	100%	Policy approved by council October 2009
23	Performance Management Framework	100%	100%	Policy approved by council 30 March 2016
24	Recruitment, Selection and Appointments	100%	100%	Policy referred back by council for work-shopping
25	Remuneration Scales and Allowances	100%	n/a	SALGBC
26	Relocation	100%	100%	Policy approved by council 13 October 2009
27	Sexual Harassment	100%	100%	Policy approved by council 13 October 2009 & review in progress.

# Chapter 4

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
28	Other:			
T 4.2.1				

## COMMENT ON WORKFORCE POLICY DEVELOPMENT:

During the financial year 2015/16, three HR Policies were reviewed and will be workshopped to Councillors and submitted to Council for approval.

## 4.3 INJURIES, SICKNESS AND SUSPENSIONS

Table 129: Number and Cost of Injuries on Duty

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	14	8	57%	3	5 883
Temporary total disablement	144	3	2%	29	154 084
Permanent disablement	0	0		0	0
Fatal	0	0		0	0
Total	158	11	7%	32	159 967
T 4.3.1					

## COMMENT ON INJURY AND SICK LEAVE:

Employees using IOD sick leave are submitting their progress medical report, we make follow up with the doctors and supervisors and we send them to any doctors according to the nature of the injury and the distance from their working places. Occupational Health and Safety liaise with HR IOD sick days to be recorded and captured.

# Chapter 4

Table 130: Number and Period of Suspensions

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Electrician	Cable Theft	10-Nov-15	Resigned	13-Jan-16
Secretary	Fraud/Theft	16-Jul-15	Resigned	3-Sep-15
General Worker	Bribery	9-Oct-15	Employee Absconded	31-Jan-16
Public Participation	Misuse of Council property		Employee submitted sick notes	Salary suspended
Supervisor	Diesel Theft	21-May-16	Dismissed	4-Sep-15
General Worker	Diesel Theft	21-May-16	Dismissed	4-Sep-15
Petrol Attendant	Diesel Theft	21-May-16	Dismissed	4-Sep-15
Superintendent	Bringing Municipality into disrepute	4-Nov-15	Early Retirement	11-Feb-16
				<i>T 4.3.5</i>

Table 131: Disciplinary Action Taken on Cases of Financial Misconduct

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Secretary	Fraud/Theft ± R81 060,00	Employee resigned	3-Sep-15
Supervisor	Diesel Theft ± R2 400,00	Dismissed	4-Sep-15
General Worker	Diesel Theft ± R2 400,00	Dismissed	4-Sep-15
Petrol Attendant	Diesel Theft ± R2 400,00	Dismissed	4-Sep-15
Electrician	Cable Theft – Value unknown	Resigned	13-Jan-16
			<i>T 4.3.6</i>

## COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

All cases of suspension and cases of financial misconduct were handled and finalised.

## 4.4 PERFORMANCE REWARDS

In terms of regulation 8 of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 R.805 a bonus may only be paid after the municipal council has adopted the annual report of the year under review.

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

# Chapter 4

The table below sets out the total number and cost of annual bonuses paid out to senior managers and fixed term contract employees for the 2015/16 financial year:

Table 132: Performance Rewards by Gender

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2013/14 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	0	0	0	0
	Male	0	0	0	0
Skilled (Levels 3-5)	Female	0	0	0	0
	Male	0	0	0	0
Highly skilled production (levels 6-8)	Female	0	0	0	0
	Male	0	0	0	0
Highly skilled supervision (levels 9-12)	Female	0	0	0	0
	Male	0	0	0	0
Senior management (Levels 13-15)	Female	0	0	0	0
	Male	0	0	0	0
MUNICIPAL MANAGER and S57	Female	0	0	0	0
	Male	0	0	0	0
Total					
<i>Has the statutory municipal calculator been used as part of the evaluation process ?</i>					N/A

## COMMENT ON PERFORMANCE REWARDS

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

# Chapter 4

## COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose the human resource capacity of a Municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The WSP 2015/16 and annual implementation plan 2015/16 was submitted to LGSETA on 30 April 2015. With submission of the report and implementation plan thereof the Municipality will be received reimbursement of 20% of total levies paid to SARS from LGSETA.

Training Programmes are not effectively implemented as planned. Some department do not submit their departmental training programme to up-skill the staff before the submission of the Municipal Workplace Skills Plan and thus affect the implementation process since some programmes will be requested by the departmental heads for implementation after the submission of Workplace Skills Plan to the Local Government Sector and Training Authority.

### Improvements made in terms of capacity building by the municipality

- A total amount of R 285 896,66 was received by the municipality as a mandatory grant from LGSETA after submission of WSP & ATR 2015/2016.
- With the mandatory grant received fom LGSETA and the municipal budget a total number of 112 employees were trained on the following courses:

- Municipal Financial Management Training	- 15 employees
- Batho Pele Training	- 14 employees
- Local Labour Forum Training	- 15 employees
- Peace Officers Training	- 09 employees
- Municipal Standard Chart of Accountants (mSCOA)	- 05 employees
- RPL: Artisans Plumbing	- 21 employees
- Certified Fraud Examiners Course	- 01 employee
- SOLAR Computer System	- 12 employees
- Bruch Cutter	- 10 employees

# Chapter 4

- Chain Saw

- 10 employees

## **Challenges facing capacity development in the municipality**

- Slow implementation of the Workplace Skills Plan (WSP)
- Non approvals of the training submissions
- Non availability of job description and poor submission of skills audit forms, which makes it difficult for the section to identify and plan relevant training needs for each employee.
- Assessment of the value of training in the municipality.

## **Way forward**

- Workplace Skills Plan must be implemented as per approved quarterly implementation plan and mandatory grant received from LGSETA be utilized for payments.
- Approvals of training submissions must be delegated to the Director Corporate Services as the custodian of the WSP.
- The issue of job description must be urgently attended to.
- Performance assessments must be conducted six (6) months or twelve (12) months after training to measure the impact of training and to check whether employees are implementing what they have learned.



# Chapter 4

## 4.5 SKILLS DEVELOPMENT AND TRAINING

Table 133: Skills Matrix

Skills Matrix														
Management level	Gender	Employees in post as at 30 June 2015/16	Number of skilled employees required and actual as at 30 June 2015/16											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of 2014/15	Actual: End of 2015/16	2015/16 Target	Actual: End of 2014/15	Actual: End of 2015/16	2015/16 Target	Actual: End of 2014/15	Actual: End of 2015/16	2015/16 Target	Actual: End of 2014/15	Actual: End of 2015/16	2015/16 Target
MUNICIPAL MANAGER and s57	Female	1	-	-	-	1	1	1	-	-	-	1	1	1
	Male	3	-	-	-	3	2	3	-	-	-	3	2	3
Councillors, senior officials and managers	Female	20	-	-	-	20	5	20	-	-	-	20	5	20
	Male	28	-	-	-	28	6	28	-	-	-	28	6	28
Technicians and associate professionals*	Female	4	-	-	-	4	-	4	-	-	-	4		4
	Male	71	-	-	-	73	7	73	-	-	-	73	7	73
Professionals	Female	6	-	-	-	6	2	6	-	-	-	6	2	6
	Male	12	-	-	-	12	3	12	-	-	-	12	3	12
Sub total	Female	31	-	-	-	31	8	31	-	-	-	31	8	31
	Male	114	-	-	-	116	8	116	-	-	-	116	8	116
Total		286	0	0	0	294	42	294	0	0	0	294	42	294
*Registered with professional Associate Body e.g CA (SA)													T 4.5.1	

# Chapter 4

Table 134: Financial Competency Development: Progress Report

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>	24	0	24	12	2	13
<i>Accounting officer</i>	1	-	1	1	1	1
<i>Chief financial officer</i>	1	-	1	-	1	-
<i>Senior managers</i>	10	-	10	5	-	4
<i>Any other financial officials</i>	12	-	12	6	-	8
<b>Supply Chain Management Officials</b>	1	0	1	1	1	1
<i>Heads of supply chain management units</i>	-	-	-	-	-	-
<i>Supply chain management senior managers</i>	1	-	1	1	1	1
<b>TOTAL</b>	<b>25</b>	<b>0</b>	<b>25</b>	<b>13</b>	<b>3</b>	<b>14</b>
T 4.5.2						

# Chapter 4

Table 135: Skills Development Expenditure

Skills Development Expenditure R'000										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MUNICIPAL MANAGER and S57	Female	1	0	0	0	0	0	0	0	0
	Male	3	0	0	0	0	0	0	0	0
Legislators, senior officials and managers	Female	23	0	0	0	0	0	0	0	0
	Male	73	0	0	0	0	0	0	0	0
Professionals	Female	8	0	0	0	0	0	0	0	0
	Male	9	0	0	0	0	0	0	0	0
Technicians and associate professionals	Female	4	0	0	0	0	0	0	0	0
	Male	61	0	0	0	0	0	0	0	0
Clerks	Female	59	0	0	0	0	0	0	0	0
	Male	53	0	0	0	0	0	0	0	0
Service and sales workers	Female	278	0	0	0	0	0	0	0	0
	Male	51	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	Female	0	0	0	0	0	0	0	0	0
	Male	49	0	0	0	0	0	0	0	0
Elementary occupations	Female	83	0	0	0	0	0	0	0	0
	Male	201	0	0	0	0	0	0	0	0
Sub total	Female	456	0	0	0	0	0	0	0	0
	Male	500	0	0	0	0	0	0	0	0
Total		956	55 000	-	106 200	98 698	500 713	91 499	661 913	190 197
T4.5.3										

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

### Expenditure on financial competency regulations:

- A training provider has been appointed by the municipality for training of (12) municipal officials on Municipal Financial management Programme.
- Other officials from Finance Department are sufficiently capacitated; eleven (11) officials attended CPMD.

# Chapter 4

## **Adequacy of training plans and the effectiveness of its implementation**

- Municipality to conduct a skills audit process again, for review of training needs identified on the previous audit.
- Training and Development Section consulted all municipal sections for submission of training needs to be included on the Work Place Skills Plan and PIVOTAL Plan 2015/2016, and the document has been submitted to LGSETA on the 30 April 2015.
- Training are implemented as per Work Place Skills Plan.
- Municipal Training Committee is functional.

## **Adequacy of funding**

- The funding can decrease in future depending on the total number of trained employees and skills needs addressed, it can also increase depending on changes of technology, legislations and turnover that will be experienced by the municipality.
- Currently the value of training activities are not assessed as the municipality does not have a performance management system in place.

# Chapter 4

## COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

### INTRODUCTION TO WORKFORCE EXPENDITURE

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

### 4.6 EMPLOYEE EXPENDITURE

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

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

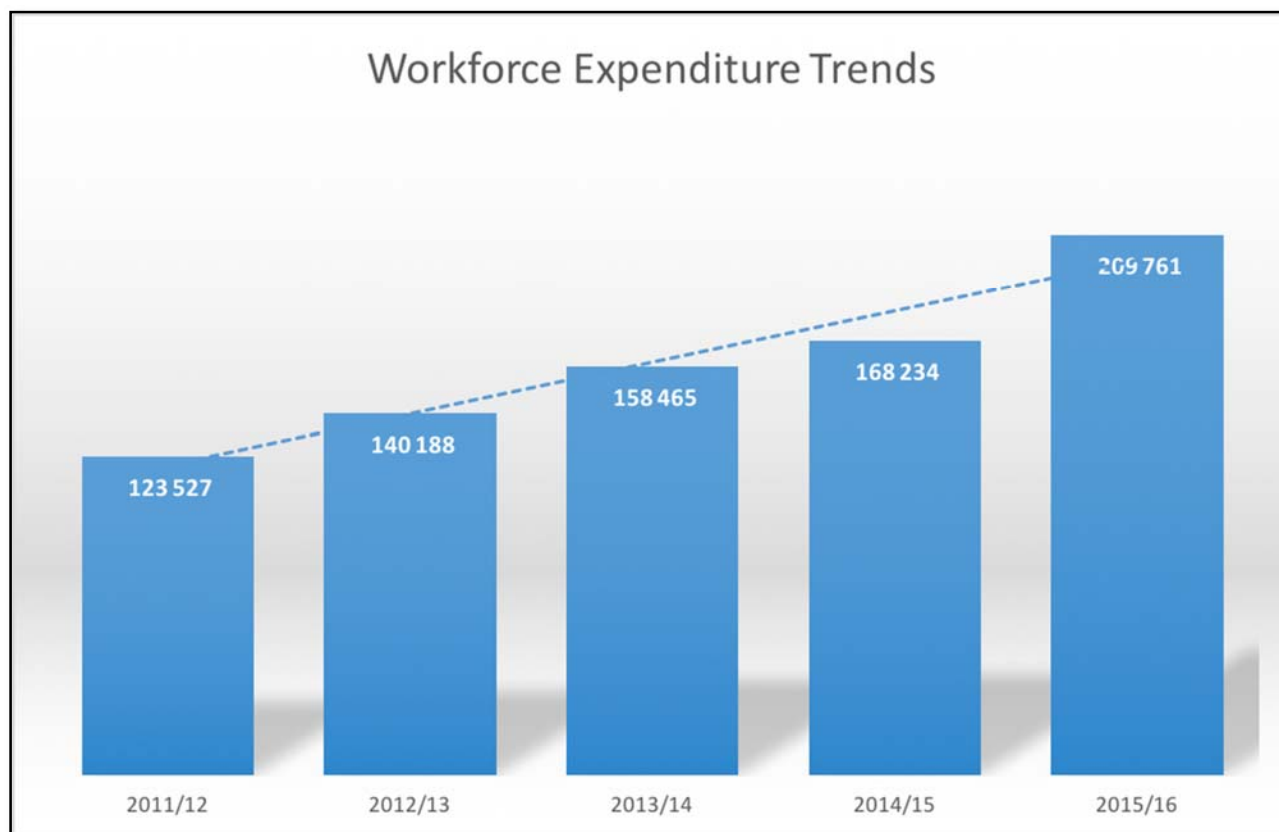
At an aggregate level, about 30 per cent of the total municipal operating budget is spent on the remuneration of personnel.

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

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

# Chapter 4

Figure 14: Workforce Expenditure trends



## COMMENT ON WORKFORCE EXPENDITURE:

**Delete Directive note once comment is completed** – Explain the spending pattern in the context of the actual and two previous years plus the budget year. Refer to implications for workforce ratio in Chapter 5. Comment on factors influencing workforce expenditure during the year.

Table 136: Number of Employees Whose Salaries Were Increased Due to Their Positions Being Upgraded

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
There were no salary increases due to upgrading of employee's position on the period under review.		
Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).		

# Chapter 4

Table 137: Employees Whose Salary Levels Exceed the Grade Determined by Job Evaluation

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

Table 138: Employees appointed to posts not approved

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

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

There was no upgrade of positions due to job evaluation for the financial year 2015/16. Some variances are legacy issues that occurred as a result of previous amalgamation.

## CHAPTER 5 – FINANCIAL PERFORMANCE

### INTRODUCTION

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

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

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

#### INTRODUCTION TO FINANCIAL STATEMENTS

*Note: Statements of Revenue Collection Performance by vote and by source are included at **Appendix K**.*



# Chapter 5

## 5.1 STATEMENTS OF FINANCIAL PERFORMANCE

### INTRODUCTION TO FINANCIAL STATEMENTS

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

Table 139: Financial Summary

Financial Summary R'000						
Description	2014/15	Current:2015/16			2015/16 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b>Financial Performance</b>						
Property rates	46 125	61 895	62 147	48 467	79%	78%
Service charges	344 092	420 035	441 176	356 697	85%	81%
Investment revenue	2 513	1 059	751	8 282	682%	1 002%
Transfers recognised-operational	240 348	163 700	164 291	265 080	61%	61%
Other own revenue	35 857	19 826	36 682	41 774	110%	12%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>668 935</b>	<b>666 515</b>	<b>705 047</b>	<b>720 300</b>	<b>8%</b>	<b>2%</b>
Employee costs	176 084	198 144	198 576	209 761	5.54%	5.33%
Remuneration of councillors	16 757	17 341	16 596	17 824	2.71%	6.89%
Depreciation & asset impairment	109 730	25 344	21 190	109 149	330%	415%
Finance charges	7 144	3 590	2 522	8 562	138%	239%
Materials and bulk purchases	186 166	215 268	214 107	211 953	-1%	-1%
Transfers and grants	-	-	-	-	-	-
Other expenditure	160 334	205 823	214 132	246 953	19%	15%
<b>Total Expenditure</b>	<b>656 215</b>	<b>665 510</b>	<b>667 123</b>	<b>804 202</b>	<b>20%</b>	<b>20%</b>
<b>Surplus/(Deficit)</b>	<b>12 720</b>	<b>1 005</b>	<b>37 924</b>	<b>-83 902</b>	<b>-7 095%</b>	<b>-121%</b>
Transfers recognised - capital	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>12 720</b>	<b>1 166</b>	<b>37 924</b>	<b>21 621</b>	<b>94.61%</b>	<b>-75.40%</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>12 720</b>	<b>1 166</b>	<b>37 924</b>	<b>21 621</b>	<b>94.61%</b>	<b>-75.40%</b>
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	<b>78 181</b>	<b>106 497</b>	<b>130 306</b>	<b>108 918</b>	<b>2%</b>	<b>16%</b>
Transfers recognised - capital	73 339	105 686	92 598	77 918	-26	-15%
Public contributions & donations	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-
Internally generated funds	4 842	811	37 708	30 999	3 722%	17%
<b>Total sources of capital funds</b>	<b>78 181</b>	<b>106 497</b>	<b>130 306</b>	<b>108 918</b>	<b>2%</b>	<b>16%</b>
<b>Financial position</b>						
Total current assets	156 961	132 881	156 961	203 477	34.69%	22.86%
Total non-current assets	2 428 898	3 553 462	2 428 899	2 450 769	-44.99%	0.89%
Total current liabilities	144 760	63 620	144 760	138 911	54.20%	-4.21%
Total non-current liabilities	94 077	122 819	94 077	94 100	-30.52%	0.02%
Community wealth/Equity	2 347 023	3 499 903	2 347 023	2 370 928	-47.62%	1.01%
<b>Cash flows</b>						
Net cash from (used) operating	87 510	106 691	95 262	78 337	-36.19%	-21.61%
Net cash from (used) investing	(78 181)	(105 686)	(130 306)	(108 679)	2.75%	-19.90%
Net cash from (used) financing	(1 021)	(3 590)	(2 522)	(1 467)	-144.72%	-71.92%
<b>Cash/cash equivalents at the year end</b>	<b>30 560</b>	<b>7 658</b>	<b>(17 249)</b>	<b>11 845</b>	<b>35.35%</b>	<b>245.62%</b>

# Chapter 5

Financial Summary R'000						
Description	2014/15	Current: 2015/16			2015/16 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b><u>Cash backing/surplus reconciliation</u></b>						
Cash and investments available	30 793	2 597	30 794	11 584	77.58%	-165.83%
Application of cash and investments	30 647	(16 463)	6 695	(1 467)	-1022.22%	556.37%
<b>Balance - surplus (shortfall)</b>	<b>146</b>	<b>19 060</b>	<b>24 099</b>	<b>10 135</b>	<b>-88.06%</b>	<b>-137.78%</b>
<b><u>Asset management</u></b>						
Asset register summary (WDV)	2 428 665	127 970	2 428 666	2 450 648	94.78%	0.90%
Depreciation & asset impairment	107 784	25 344	21 190	10 142	-149.89%	-108.93%
Renewal of Existing Assets	78 181	106 497	130 306	-	-	-
Repairs and Maintenance	53 479	52 756		54 896	3.90%	100.00%
<b><u>Free services</u></b>						
Cost of Free Basic Services provided	20 015	22 168	22 168	26 514	16.39%	16.39%
Revenue cost of free services provided	-	-	-	-	-	-
<b><u>Households below minimum service level</u></b>						
Water:	5 440	5 765	5 765	6 895	16.39%	16.39%
Sanitation/sewerage:	5 251	5 566	5 566	6 657	16.39%	16.39%
Energy:	5 747	6 044	6 044	7 229	16.39%	16.39%
Refuse:	3 576	4 793	4 793	5 732	16.38%	16.38%
<i>T 5.1.1</i>						

# Chapter 5

Table 140: Financial Performance of Operational Services

Financial Performance of Operational Services						
Description	2014/15	2015/16			2015/16 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>					<b>0%</b>	
Water	46 796	61 853	57 409	62 807	1%	9%
Waste Water (Sanitation)	25 499	28 184	34 427	33 772	19%	9%
Electricity	214 840	215 268	214 107	245 430	14%	-14%
Waste Management	25 277	32 910	33 875	40 377	22%	-19%
Housing	-	-	-	-	-	-
Component A: sub-total	312 412	338 215	339 818	382 386	13%	12%
Waste Water (Storm water Drainage)	-	-	-	-	-	-
Roads	18 297	26 218	25 286	25 213	3%	0%
Transport	-	-	-	-	-	-
Component B: sub-total	18 297	26 218	25 286	25 213	3%	0%
Planning						
Local Economic Development						
Component B: sub-total	-	-	-	-	-	-
Planning (Strategic & Regulatory)						
Local Economic Development						
Component C: sub-total	-	-	-	-	-	-
Community & Social Services	77 536	91 030	97 043	98 451	8%	8%
Environmental Protection						
Health						
Security and Safety						
Sport and Recreation						
Corporate Policy Offices and Other	247 970	210 047	204 976	298 152	41%	45%
Component D: sub-total	325 506	301 077	302 019	396 603	31%	31%
<b>Total Expenditure</b>	<b>656 215</b>	<b>665 510</b>	<b>667 123</b>	<b>804 202</b>	<b>20%</b>	<b>20%</b>

T 5.1.2

# Chapter 5

## 5.2 GRANTS

Table 141: Grant Performance

Grant Performance R' 000						
Description	2014/15		2015/16		2015/16 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	170 035	163 700	164 291	163 688	0%	0%
Equitable share	167 294	161 083	161 083	161 083	0%	0%
Municipal Systems Improvement	934	967	930	930	0%	0%
Department of Water Affairs				-	#DIV/0!	#DIV/0!
Levy replacement				-	#DIV/0!	#DIV/0!
Financial Management Grant	1 807	1 650	2 278	1 675	0%	-26%
<b>Provincial Government:</b>	-	-	-	-	#DIV/0!	#DIV/0!
Health subsidy					#DIV/0!	#DIV/0!
Housing					#DIV/0!	#DIV/0!
Ambulance subsidy					#DIV/0!	#DIV/0!
<b>District Municipality:</b>	-	-	-	-	#DIV/0!	#DIV/0!
<i>[insert description]</i>					#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!
<b>Other grant providers:</b>	-	-	-	-	#DIV/0!	#DIV/0!
<i>[insert description]</i>					#DIV/0!	#DIV/0!
<b>Total Operating Transfers and Grants</b>	170 035	163 700	164 291	163 688	0%	0%

Table 142: Grants received from sources other than Division of Revenue Act (DoRA)

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

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

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

# Chapter 5

## 5.3 ASSET MANAGEMENT

### INTRODUCTION TO ASSET MANAGEMENT

Table 143: Treatment of the three largest assets acquired

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2015/16				
Asset 1				
Name	Passenger vehicle			
Description	Vehicle			
Asset Type	Vehicle			
Key Staff Involved	Political Office Bearer			
Staff Responsibilities	Safe keeping and maintenance			
	2013/14	2015/16	2014/15	2015/16
Asset Value	-	-	-	531 920
Capital Implications	None			
Future Purpose of Asset	Good Governance			
Describe Key Issues	None			
Policies in Place to Manage Asset	Asset Management Policy			
Asset 2				
Name	Isuzu Crew Cap Truck			
Description	Heavy Duty Vehicle			
Asset Type	Vehicle			
Key Staff Involved	Technical Services			
Staff Responsibilities	Safe keeping and Maintenance			
	2013/14	2015/16	2014/15	2015/16
Asset Value	-	-	-	717 627
Capital Implications	None			
Future Purpose of Asset	Service Delivery			
Describe Key Issues	None			
Policies in Place to Manage Asset	Asset Management Policy			
Asset 3				
Name	Isuzu Cherry Picker Truck			
Description	Heavy Duty Truck			
Asset Type	Vehicle			
Key Staff Involved	Technical Services			
Staff Responsibilities	Safe keeping and Maintenance			
	2013/14	2015/16	2014/15	2015/16
Asset Value				741 912
Capital Implications	None			
Future Purpose of Asset	Service Delivery			
Describe Key Issues	None			
Policies in Place to Manage Asset	Asset management Policy			
T 5.3.2				

# Chapter 5

## COMMENT ON ASSET MANAGEMENT:

Movable asset acquisitions for the 2015/16 financial year amounted to R12.6 million and the additions on immovable assets amount to R68 million. Work in progress including project completed in the financial year amount to R92.4 million. Additions to the intangible assets amounted to R2.5 million, this mainly due to the upgrade of the financial system. There were no additions to heritage assets, land and buildings for the 2015/16 financial year. Disposal for the year amounted to R886 929.

Table 144: Repairs and Maintenance Expenditure

Repair and Maintenance Expenditure: 2015/16				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	53 479	52 756	56 633	5.57%
				T 5.3.4

## 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

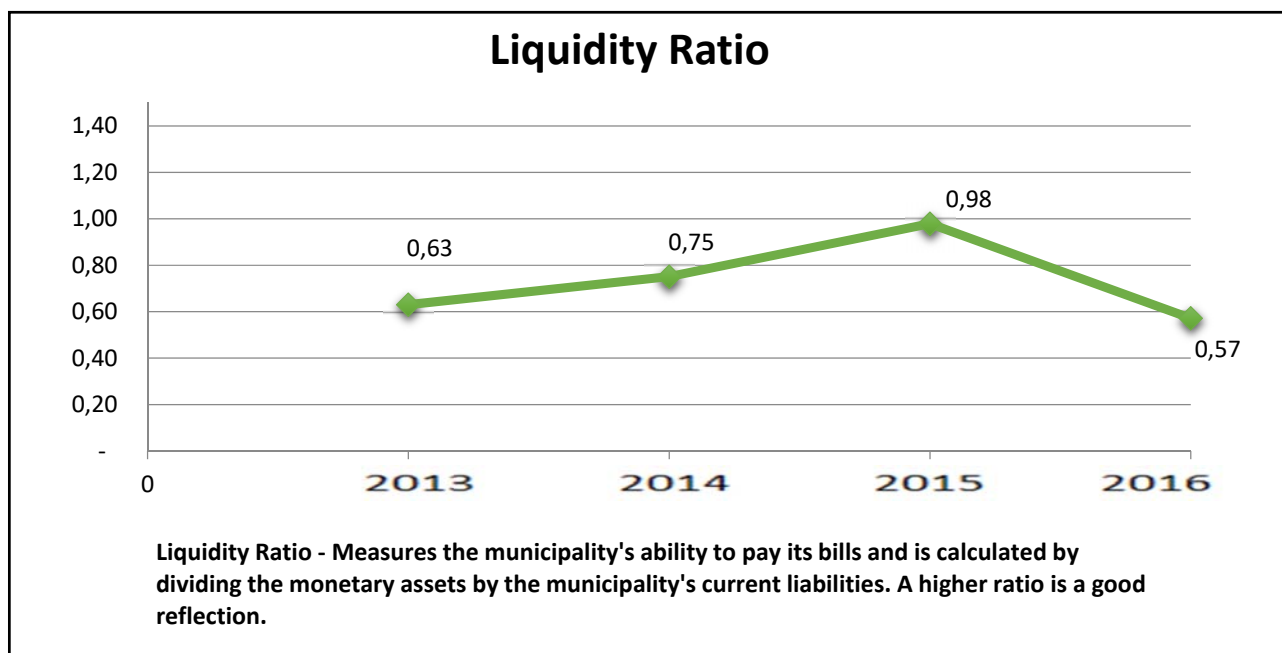


Figure 15: Liquidity Ratio

# Chapter 5

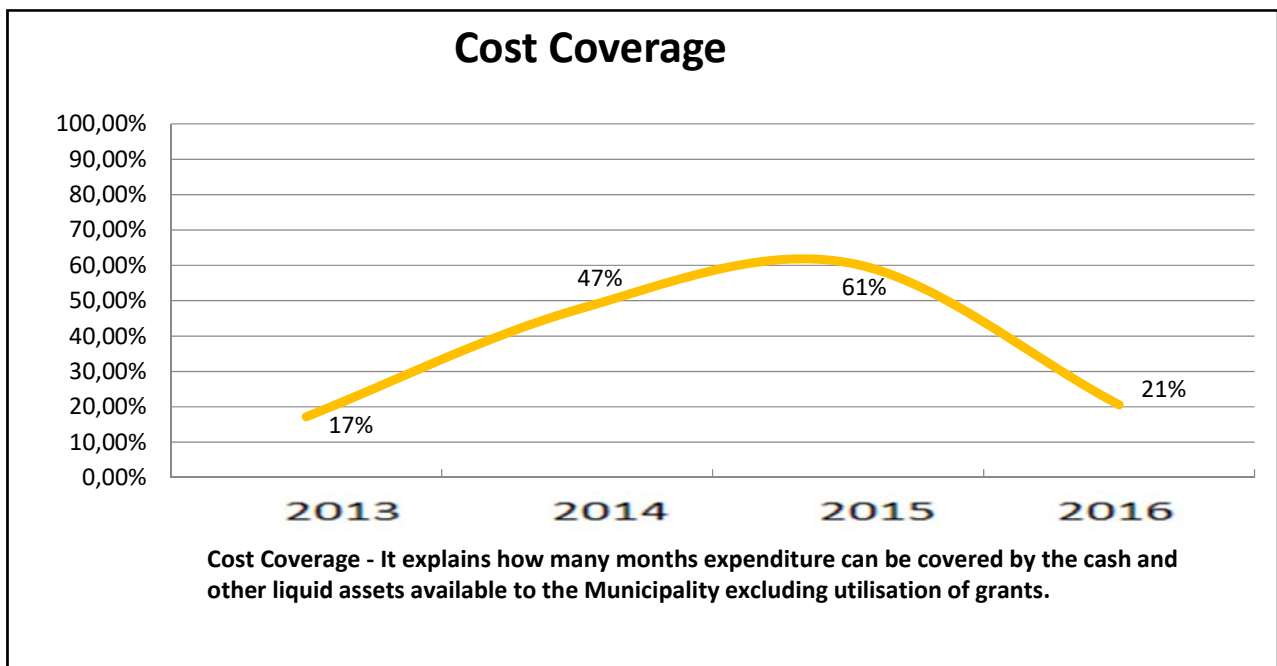


Figure 16: Cost Coverage Ratio

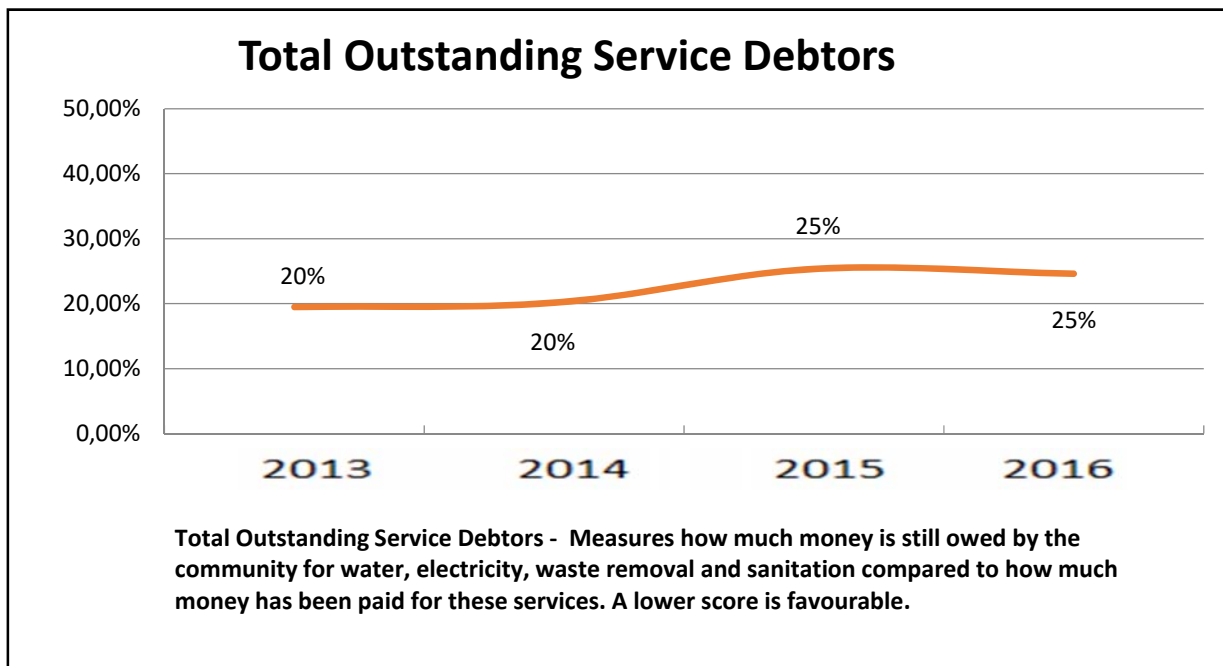


Figure 17: Ratio: Total Outstanding Service Debtors

# Chapter 5

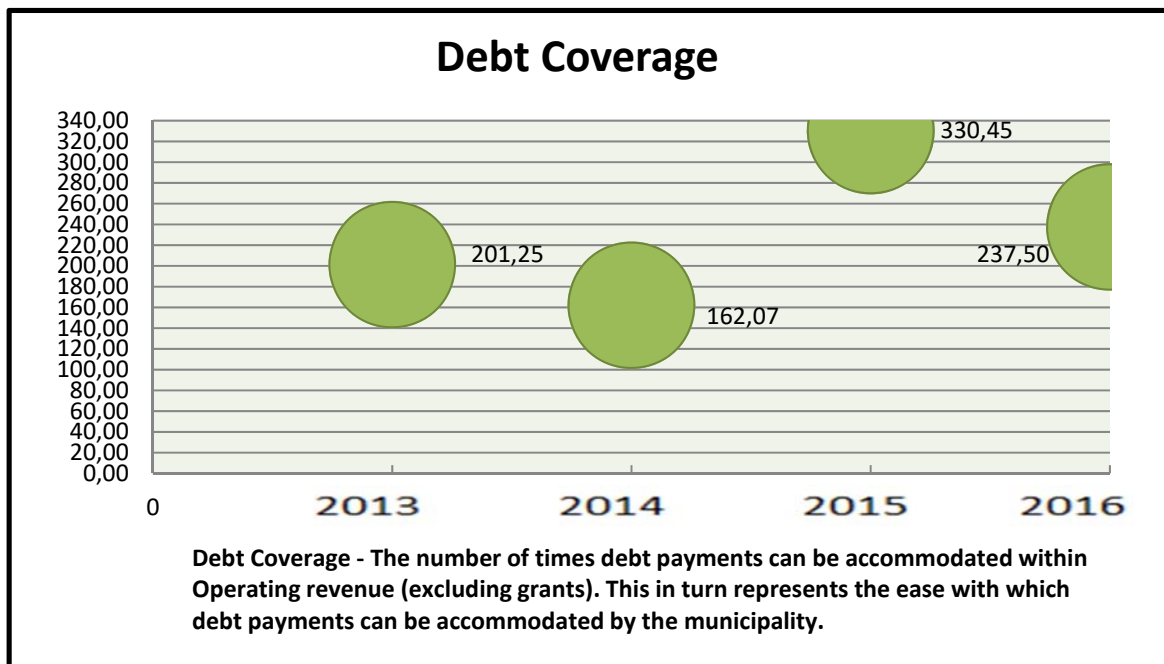


Figure 18: Debt Coverage Ratio

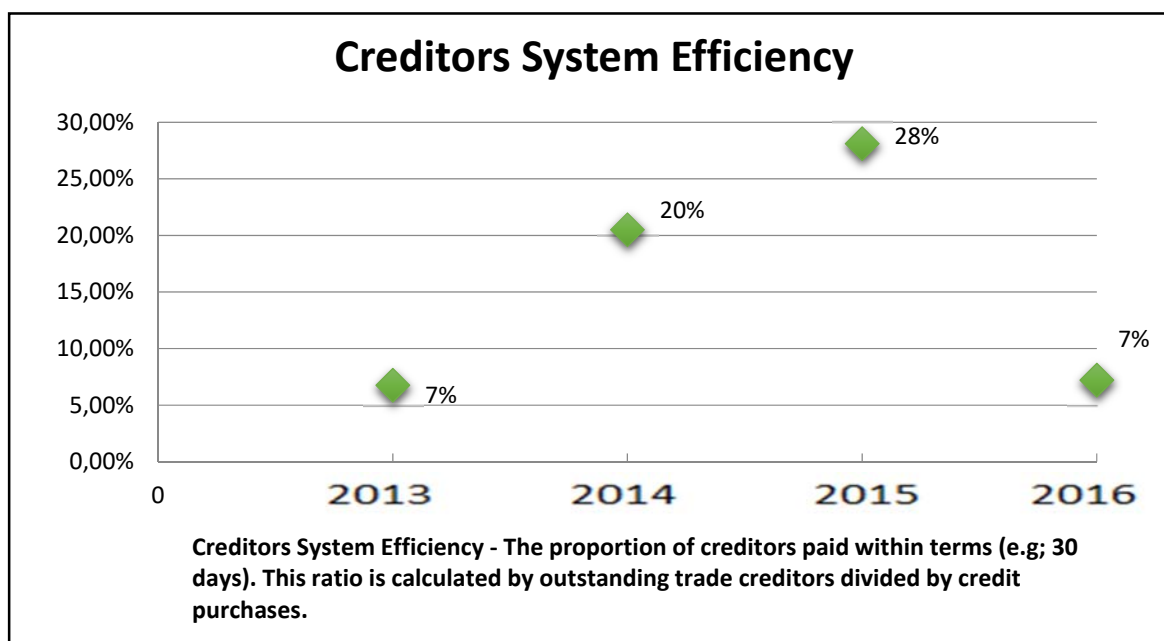


Figure 19: Creditor System Efficiency



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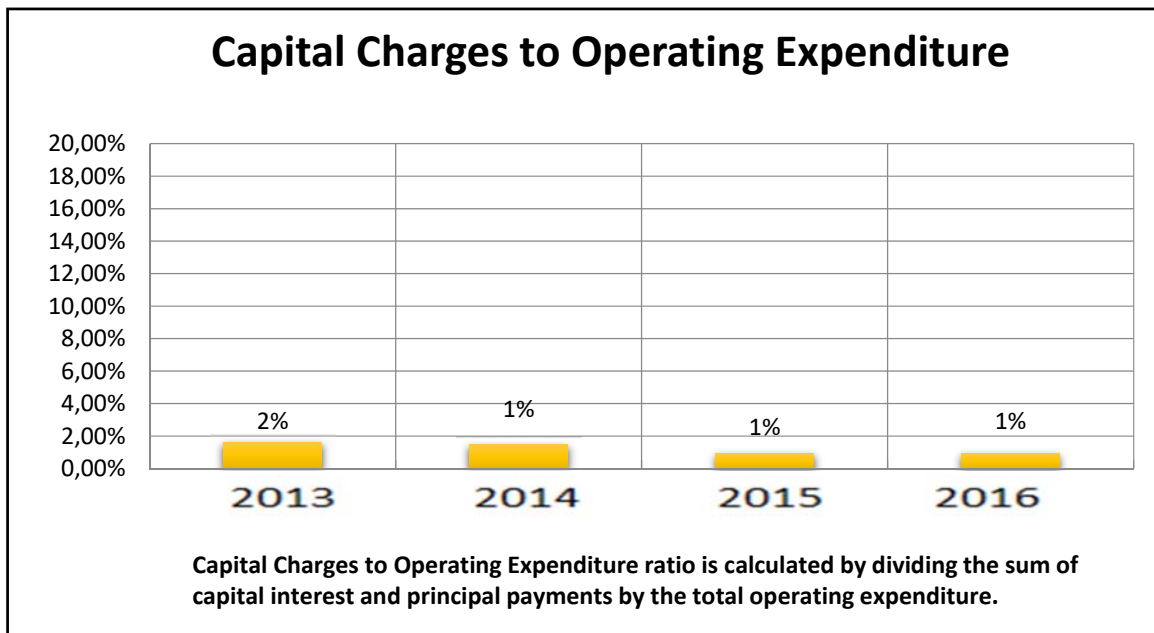


Figure 20: Capital Charges to Operating Expenditure

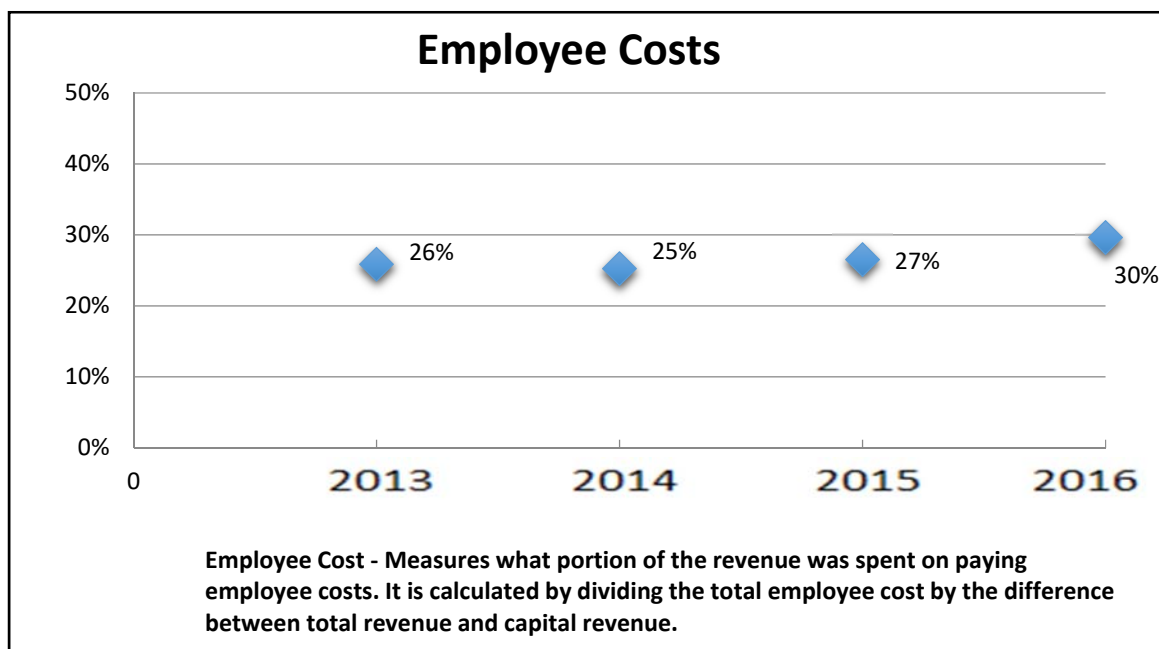


Figure 21: Employee Cost

# Chapter 5

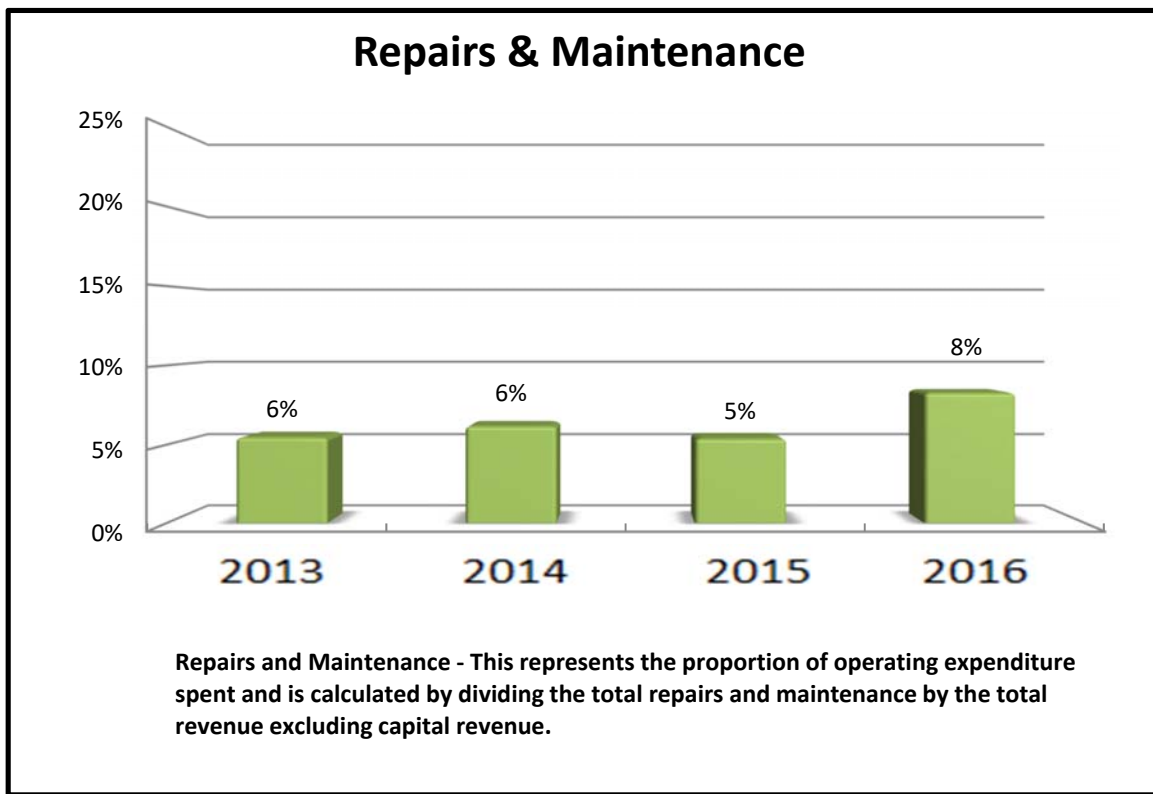


Figure 22: Repairs and Maintenance

## COMMENT ON FINANCIAL RATIOS:

**Liquidity ratio** – this ratio is unfavourable, as it is below the 1.5 as compared to the 1-1.5 of the previous financial year.

**Cost Coverage ratio** – this ratio proves to be unfavourable as the liquid resources of the municipality cannot cover the costs for at least 1 month versus the norm of 1-3 months.

**Total Outstanding Service Debtors ratio** – this ratio is unfavourable as it reflects that 25% of the revenue raised annually is not collected/paid to the municipality. Which effectively translates to the collection rate of 75% which is below the norm of 95%.

**Debt Coverage ratio** – this ratio is favourable as it exceeds the norm of 8% in terms of debt repayments.

**Creditors System Efficiency ratio** – this ratio is unfavourable as the municipality could not honour its obligations on time due to cash flow problems and the effects of drought that the municipality experienced during the 2015/16 financial year.

# Chapter 5

**Capital Charges ratio** – this ratio is favourable as it is below the norm of 8%.

**Employee Cost ratio** – this ratio is favourable as it is within the norm of 25% - 40%.

**Repairs and Maintenance ratio** – this ratio is favourable as it is within the norm of 8%.

# Chapter 5

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend. Highlight the 5 largest projects (see T5.7.1) and indicate what portion of the capital budget they use. In the introduction briefly refer to these key aspects of capital expenditure (usually relating to new works and renewal projects) and to **Appendices M** (relating to the new works and renewal programmes), **N** (relating to the full programme of full capital projects, and **O** (relating to the alignment of projects to wards).

### 5.5 CAPITAL EXPENDITURE

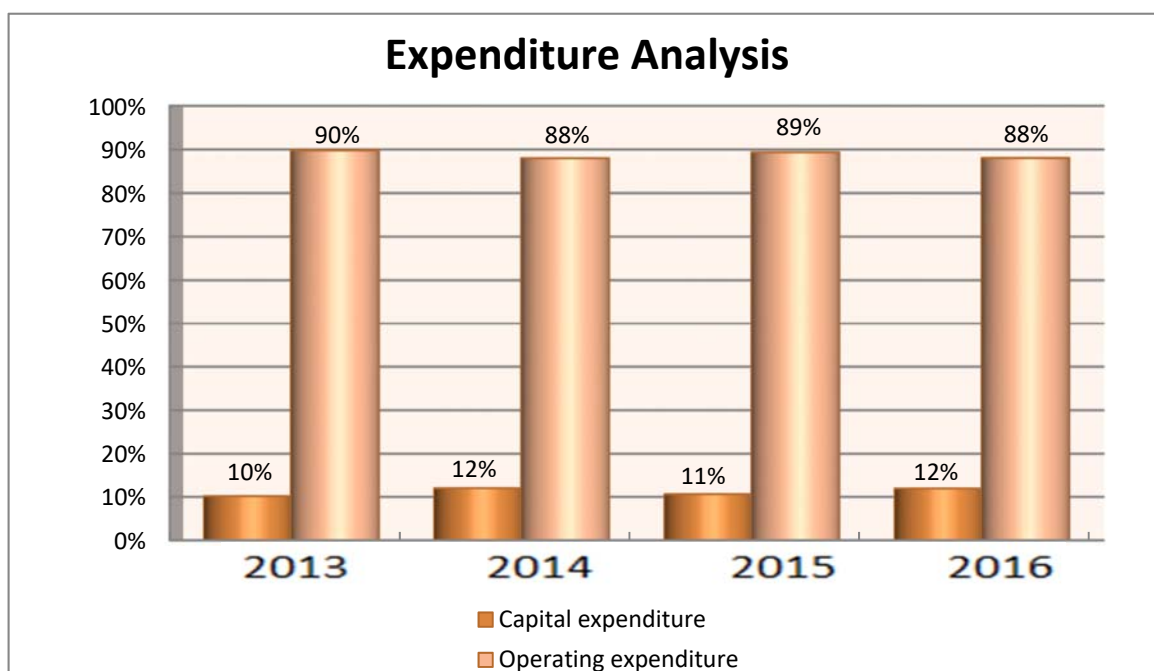


Figure 23: Expenditure Analysis

# Chapter 5

## 5.6 SOURCES OF FINANCE

Table 145: Capital Expenditure Funding Sources

Capital Expenditure - Funding Sources: 2014/15 to 2015/16						
R' 000						
Details	2014/15	2015/16				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
<b>Source of finance</b>						
External loans	-	-	-	-	0.00%	0.00%
Public contributions and donations	-	-	-	-	0.00%	0.00%
Grants and subsidies	73 339	105 686	92 598	77 918	26%	15%
Other	4 842	811	37 708	30 999	3 822%	17%
<b>Total</b>	<b>78 181</b>	<b>106 497</b>	<b>130 303</b>	<b>108 918</b>	<b>2%</b>	<b>16%</b>
<b>Percentage of finance</b>						
External loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Public contributions and donations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants and subsidies	93.8%	99.2%	71.1%	71%	28%	0%
Other	6.2%	0.8%	28.9%	29%	3 625%	0%
<b>Capital expenditure</b>						
Water and sanitation	50 557	56 748	65 238	56 763	0%	0%
Electricity	399	14 044	10 878	8 334	40%	23%
Housing	-	-	-	-	0.00%	0.00%
Roads and storm water	22 782	19 275	32 506	24 590	27%	24%
Other	4 442	16 430	21 684	19 231	17%	11%
<b>Total</b>	<b>78 180</b>	<b>106 497</b>	<b>130 306</b>	<b>108 918</b>	<b>2%</b>	<b>16%</b>
<b>Percentage of expenditure</b>						
Water and sanitation	64%	53%	50%	52%	98%	104%
Electricity	0%	13%	8%	7%	54%	88%
Housing	0%	0%	0%	0%	0%	0%
Roads and storm water	29%	18%	24%	22%	122%	92%
Other	5%	15%	16%	17%	113%	106%
T 5.6.1						

### COMMENT ON SOURCES OF FUNDING:

The municipality did not experience severe variances between the approved budget and the capital spent for the financial year. The capital expenditure for the financial year is within the parameters of the approved budget. The total capital expenditure comprises 12% of the total expenditure for the financial year.

# Chapter 5

## 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Table 146: Capital Expenditure: 5 Largest Projects

Capital Expenditure of 5 largest projects*					
Name of Project	Current: 2015/16			Variance: Current 2015/16	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - RBIG - Rehabilitation and Upgrading of water purification plants	30 164	-	30 164	0%	100%
B - Rehabilitation and Upgrading of waste water treatment plants	18 764	-	18 764	0%	100%
C - Upgrading sewer treatment works phase 3	12 238	-	12 238	0%	100%
D - Rehabilitation Paul Kruger, Botha and Strang Str	10 972	-	10 972	0%	100%
E - Upgrading of sports facilities Brentpark	8 716	-	8 716	0%	100%
* Projects with the highest capital expenditure in 2015/16					
Name of Project - A	Rehabilitation and Upgrading of water purification plants				
Objective of Project	To ensure that water is treated to produce desired quality of water.				
Delays	None				
Future Challenges	Costly Maintenance				
Anticipated citizen benefits	Quality Water				
Name of Project - B	Rehabilitation and Upgrading of waste water treatment plants				
Objective of Project	To ensure provision quality sewer management system				
Delays	None				
Future Challenges	Costly Maintenance				
Anticipated citizen benefits	Uninterrupted running sewer facilities				
Name of Project - C	Upgrading sewer treatment works phase 3				
Objective of Project	To ensure provision quality sewer management system				
Delays	None				
Future Challenges	Costly Maintenance				
Anticipated citizen benefits	Uninterrupted running sewer facilities				
Name of Project - D	Rehabilitation Paul Kruger, Botha and Strang Str				
Objective of Project	To ensure provision of quality roads				
Delays	None				
Future Challenges	Maintenance				
Anticipated citizen benefits	Better Roads				
Name of Project - E	Upgrading of sports facilities Brentpark				
Objective of Project	To develop sporting facilities for community use				
Delays	None				
Future Challenges	Maintenance				
Anticipated citizen benefits	Community and Youth development				
T 5.7.1					

# Chapter 5

## 5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

### INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Table 147: Service Backlogs

Service Backlogs as at 30 June 2016				
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	32 794	100%	0	100%
Sanitation	32 544	99.2%	205	0.6%
Electricity	28 640	87%	4 154	12%
Waste management	32 794	100%	0	0%
Housing	32 544	99.2%	205	0.6%
				<i>T 5.8.2</i>

Table 148: MIG Expenditure on backlogs

Municipal Infrastructure Grant (MIG)* Expenditure 2015/16 on Service backlogs R' 000						
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
<b>Infrastructure - Road transport</b>						
<i>Roads, Pavements &amp; Bridges</i>	-	-	-	0%	0%	
<i>Storm water</i>	14 943	-	14 943	0%	100%	
<b>Infrastructure - Electricity</b>						
<i>Transmission &amp; Reticulation</i>	-	-	-	0%	0%	
<i>Street Lighting</i>	3 113	-	3 113	0%	100%	
<b>Infrastructure - Water</b>						
<i>Water purification</i>	-	-	-	0%	0%	
<b>Infrastructure - Sanitation</b>						
<i>Reticulation</i>	-	-	-	0%	0%	
<i>Sewerage purification</i>	12 238	-	12 238	0%	100%	
<b>Infrastructure - Other</b>						
<i>Waste Management</i>	881	-	881	0%	100%	
<i>Transportation</i>	-	-	-	0%	0%	
<i>Other Specify:</i>						
Sports	6 568	-	6 568	0%	100%	
PMU	1 156	-	1 156	0%	100%	
<b>Total</b>	<b>62 855</b>	<b>-</b>	<b>62 855</b>	<b>0%</b>	<b>100%</b>	
						<i>T 5.8.3</i>

### COMMENT ON BACKLOGS:

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

# Chapter 5

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The proper management of cash resources is paramount in ensuring viability and sustainable growth and development. The collective objectives of the cash and investment management is to ensure availability at all times of adequate liquid resources for operational purposes and investment in assets and maintaining optimal balance between available cash and cash investments. The municipality did not maintain significant investments due to pressing operational requirements and an effort to maintain creditors' payment within 30 days and addressing the long term liabilities.

### 5.9 CASH FLOW

Table 149: Cash flow

Description	2014/15	Current Year 2015/16		
R thousands	Actual	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Government grants	233 062	296 386	256 889	264 726
Interest	12 282	5 382	5 382	17 724
Dividends	11	-	-	12
Cash receipts from customers	348 684	497 433	497 433	359 288
<b>Total Receipts</b>	<b>594 039</b>	<b>799 701</b>	<b>759 704</b>	<b>641 750</b>
<b>Payments</b>				
Employees	(183 921)	(193 144)	(198 576)	(218 803)
Suppliers	(313 047)	(416 337)	(422 675)	(324 166)
Finance charges	(7 144)	(3 590)	(2 522)	(8 562)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>87 510</b>	<b>106 691</b>	<b>95 262</b>	<b>90 219</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds from sale of property, plant and equipment				
Proceeds from sale of investment property				
Proceeds from sale of intangible assets				
Increase/ (decrease) of financial assets				
<b>Payments</b>				
Purchase of property, plant and equipment	(80 365)	(105 686)	(130 306)	(106 404)
Purchase of investment property				
Purchase of intangible assets				(2 514)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(78 181)</b>	<b>(105 686)</b>	<b>(130 306)</b>	<b>(108 918)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase/(decrease) in Long-term loans	(1 063)	(3 590)	(2 522)	(1 166)
Increase/(decrease) in finance leases	42			1 150
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(1 021)</b>	<b>(3 590)</b>	<b>(2 522)</b>	<b>(16)</b>



# Chapter 5

Description	2014/15	Current Year 2015/16		
R thousands	Actual	Original Budget	Adjusted Budget	Actual
Net increase in cash and cash equivalents	8 308	(2 585)	(37 566)	(18 715)
Cash and cash equivalents at the beginning of the year	22 252	10 243	20 317	30 560
Cash and cash equivalents at the end of the year	30 560	7 658	(17 249)	11 846

## 5.10 BORROWING AND INVESTMENTS

### INTRODUCTION TO BORROWING AND INVESTMENTS

The majority of this long-term borrowing is attributable to the Development bank of South Africa (DBSA), with a remaining repayment period of 11 years as at 30 June 2016. The municipality is servicing this debt in line with the agreement.

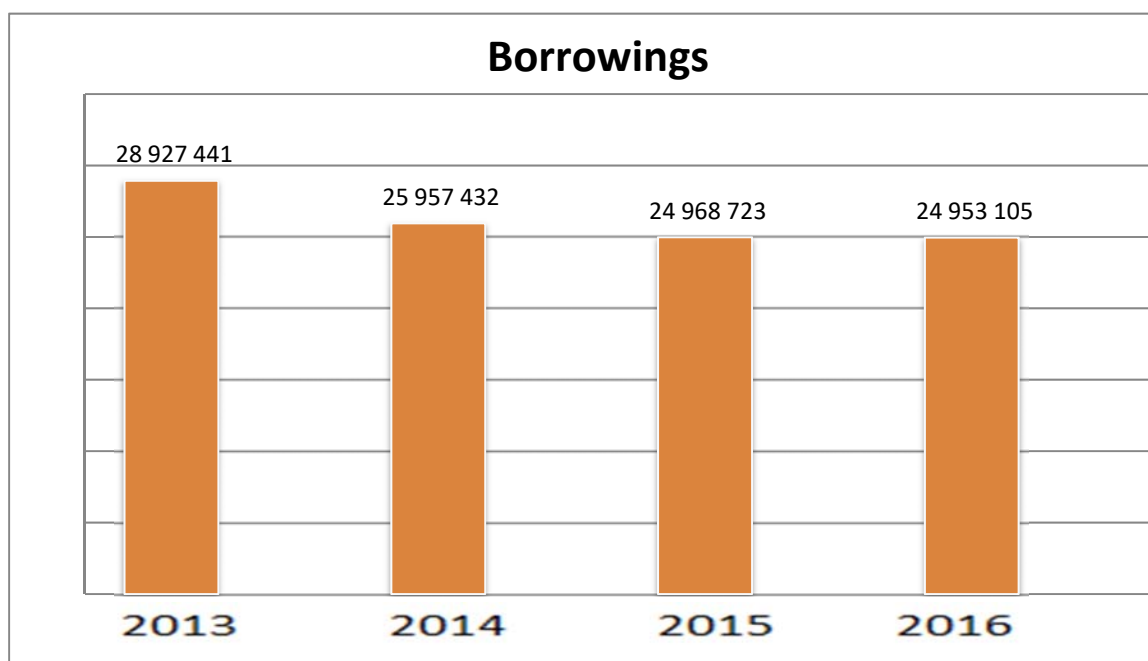


Figure 24: Actual Borrowings 2013/14 to 2015/16

# Chapter 5

Table 150: Municipal Investments

Municipal Investments			
Investment* type	2013/14	2014/15	R' 000 2015/16
	Actual	Actual	Actual
<b>Municipality</b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank	221	233	233
Deposits - Public Investment Commissioners			
Repurchase Agreements - Banks			
Municipal Bonds			
Other			
<b>Municipality sub-total</b>	221	233	233
<b>Consolidated total:</b>	221	233	233
<i>T 5.10.4</i>			

## COMMENT ON BORROWING AND INVESTMENTS:

The municipality's investments were made in line with the municipal investment regulations GNR 308 01 April 2005.

### 5.11 PUBLIC PRIVATE PARTNERSHIPS

The municipality has not entered into any public private partnerships.

# Chapter 5

## COMPONENT D: OTHER FINANCIAL MATTERS

### 5.12 SUPPLY CHAIN MANAGEMENT

#### COMMENTS ON SUPPLY CHAIN MANAGEMENT

The municipality's implementation of the supply chain unit is progressing slowly due to shortage of staff and a challenge of obtaining a credible supply chain manager. Three of the existing supply chain officials have attained the required MFMA Competency level and the other eleven officials have not. The municipality has appointed a service provider to assist by offering the MFMP Course to the employees.

The shortage of staff in the supply chain management unit has had a negative effect on controls in the procurement environment and the lack of effective segregation of duties impairs the objectivity of the tender committees if only a few supply chain practitioners support of all the tender committees.

The municipality continues to make effort to revise the organogram of supply chain and employ independent and reputable officials in the SCM Unit.

### 5.13 GRAP COMPLIANCE

#### COMMENTS ON GRAP COMPLIANCE

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

The municipality complies with the requirements of all GRAP standards which are effective and applicable to its environment. On a yearly basis new/updated/revised standards are issued by the Accounting Standard Board, which are implemented accordingly by the municipality.

# Chapter 5

The following standards of GRAP has been issued but not yet implemented by the municipality;

GRAP STANDARDS	
Audit Report Status*:	Unqualified Audit Opinion
Standards not yet adopted	Remedial Action Taken
GRAP 16: Investment Property	To be adopted during the 2016/17 financial year.
GRAP 17: Property, Plant and Equipment	To be adopted during the 2016/17 financial year.
GRAP 32: Service Concession Arrangements: Grantor	Not yet effective.
GRAP 109: Accounting by Principals and Agents	Not yet Effective.
GRAP 20: Related Party Disclosures	Not yet effective.
IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Not yet effective.

# Chapter 6

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### INTRODUCTION

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

The following table outlines the municipality's performance in the Audit outcomes from prior year to current financial year.

Refer to the Annual Financial Statements set out in Volume II and the timescale for the audit of these accounts and the audit of performance and the production of reports on these matters by the Auditor General as set out in this Chapter.

### COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2014/15

#### 6.1 AUDITOR GENERAL REPORTS 2014/15

Auditor-General Report on Financial Performance: 2014/15	
Audit Report Status*:	Qualified Audit Opinion
Non-Compliance Issues	Remedial Action Taken
Annual financial Statements and Annual Report	The Chief Financial Officer will establish controls to ensure that the compilation of the AFS is done in a timely manner to minimise the margin of errors during the compilation process.
Audit Committee	The Accounting Officer will establish a prominent channel of communication and monitoring to ensure that the Audit Committee meets its legislative mandate.
Human Resource Management and Compensation	The Department of Corporate Services is in the process of reviewing the job description of all municipal officials to ensure that officials have a good understanding as to what is expected of them.
Expenditure Management	The accounting officer has developed internal controls to ensure that Irregular, Fruitless and wasteful expenditure is timely detected and prevented.
Revenue Management	The Chief Financial Officer is in the process of developing/enhancing internal controls to ensure that all revenue due to the municipality is accurately billed and collected on a monthly basis.
Consequence Management	The municipality has established a Section 32 Committee, which is a committee of Council. To investigate and hold accountable all those officials who are contravening section 32 of the MFMA.
T 6.1.1	

# Chapter 6

Auditor-General Report on Service Delivery Performance: 2014/15	
Audit Report Status:	Qualified Audit Opinion
Non-Compliance Issues	Remedial Action Taken
Strategic planning and performance management	The Accounting Officer is in the process of reviewing the PMS System, which among other things will include compliance with laws and regulations.
T 6.1.2	

## COMPONENT B: AUDITOR-GENERAL OPINION 2015/16 (CURRENT YEAR)

### 6.2 AUDITOR GENERAL REPORT 2015/16

Auditor-General Report on Financial Performance 2015/16*	
Status of audit report:	Unqualified Audit Opinion
Non-Compliance Issues	Remedial Action Taken
Expenditure Management	Controls have been implemented / improved to ensure that the irregular, fruitless and unauthorised expenditure is prevented by the municipality in line with section 62 (1) (d) of the MFMA.
Revenue Management	The controls will be improved / enhanced to ensure that all revenue due to the municipality is billed and collected accordingly.
Asset Management	The controls will be revisited and improved, to ensure that the investment reporting is in line with the requirements of the Municipal Investment Regulation 3 (3).
Procurement and Contract Management	The SCM processes are been reviewed and improved on an ongoing basis, to ensure that all goods acquired by the municipality are in compliance with all SCM requirements.
Financial Statements	Management has implemented controls by appointing a Professional Accountant to prepare the AFS, to ensure that the municipality complies with the requirements of section 122 of the MFMA.
Consequence Management	The municipality has established a Section 32 Committee, which is a committee of Council. To investigate and hold accountable all those officials who are contravening section 32 of the MFMA. A bulk of this S32 Expenditure relates to prior financial years, which are been investigate by the Committee.
T 6.2.1	

Auditor-General Report on Service Delivery Performance: 2015/16*	
Status of audit report**:	Unqualified Audit Opinion
Non-Compliance Issues	Remedial Action Taken
Annual Reports	The controls has been implemented to ensure that the Oversight report on the Annual Report is adopted as required by section 129 (1) of the MFMA.
T 6.2.2	

# Chapter 6

## AUDITOR GENERAL REPORT ON THE ANNUAL FINANCIAL STATEMENTS: 2015/16

### Report of the auditor-general to the Free State Legislature and the council on the Moqhaka Local Municipality

#### Report on the financial statements

#### Introduction

1. I have audited the financial statements of the Moqhaka Local Municipality set out on pages 238 to 330, which comprise the statement of financial position as at 30 June 2016, 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, comprising a summary of significant accounting policies and other explanatory information.

#### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An

# Chapter 6

audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

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

## Emphasis of matters

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

## Restatement of corresponding figures

8. As disclosed in note 50 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of errors discovered during 2015-16 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

## Material losses

9. As disclosed in note 55 to the financial statements, material electricity and water losses of R55 838 036 (2015: R39 138 180) and R15 137 855 (2015: R16 488 431), respectively, were incurred as a result of line losses, tampering and theft.

## Material impairments

10. As disclosed in note 4 to the financial statements, receivables from exchange transactions were impaired by R287 000 299 (2015: R226 134 991) and, as disclosed in note 6 to the financial statements, receivables from non-exchange transactions were impaired by R15 543 376 (2015: R12 999 828).

## Irregular expenditure

11. As disclosed in note 56 to the financial statements, the municipality incurred irregular expenditure of R29 713 693 (2015: R35 673 826) in 2015-16 due to non-compliance with supply chain management (SCM) requirements.



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## Unauthorised expenditure

12. As disclosed in note 58 to the financial statements, the municipality incurred unauthorised expenditure of R190 575 160 (2015: R133 829 889) during 2015-16 due to expenditure exceeding the limits provided for in the main divisions of the approved budget.

## Going concern

13. Note 53 to the financial statements indicates that the municipality incurred a net loss of R83 901 995 during the year ended 30 June 2016 and, as of that date, the municipality's current liabilities exceeded its current assets by R76 680 598. In addition, the municipality owed Eskom R63 080 478 at 30 June 2016 of which R33 123 946 was long overdue. These conditions, along with other matters as set forth in note 53, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.

## Additional matters

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

## Unaudited disclosure notes

15. In terms of section 125(2) (e) of the MFMA the 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 on it.

## Unaudited supplementary information

16. The appropriation statement set out on page xx does not form part of the financial statements and is presented as additional information. I have not audited this statement and, accordingly, I do not express an opinion there-on.

# Chapter 6

## Report on other legal and regulatory requirements

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

### Predetermined objectives

18. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected KPAs presented in the annual performance report of the municipality for the year ended 30 June 2016:
- Key performance area: Basic service delivery on pages 43 to 159
19. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned KPAs. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPi)*.
20. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
21. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following KPA:
- Basic service delivery

### Compliance with legislation

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

### Expenditure management

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

# Chapter 6

- 24. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA.
- 25. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1) (d) of the MFMA.
- 26. Money owed by the municipality was not always paid within 30 days, as required by section 65(2) (e) of the MFMA.

## Revenue management

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

## Asset management

- 28. Not all investments were made in accordance with the requirements of paragraph 5 of the cash and investment policy, as required by municipal investment regulation 3(3).
- 29. Capital assets were written off without the approval of the council, contrary to section 14(2)(a) of the MFMA.

## Procurement and contract management

- 30. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management regulation 17 (a) and (c).

## Financial statements and annual reports

- 31. 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.
- 32. The oversight report adopted by the council on the 2014-15 annual report was not made public, as required by section 129(3) of the MFMA.
- 33. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, resulting in the financial statements receiving an unqualified audit opinion.

# Chapter 6

## Consequence management

- 34. Unauthorised expenditure by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2) (b) of the MFMA.
- 35. Irregular expenditure by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2) (b) of the MFMA.

## Internal control

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

## Leadership

- 37. Management did not effectively exercise their oversight responsibility to address all the risks in the internal controls of the municipality. Timely and adequate action was not taken and resulted in non-compliance with legislation and gave rise to unauthorised, irregular as well as fruitless and wasteful expenditure.

## Financial and performance management

- 38. Due to a lack of capacity and proper monitoring, material misstatements to the financial statements submitted for auditing had to be made.
- 39. Processes to monitor compliance with legislation were not effective and management did not implement consequence management where laws and regulations have not been complied with.

*Auditor-General*

Bloemfontein

30 November 2016



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Chapter 6

## COMMENTS ON AUDITOR-GENERAL'S OPINION YEAR 2015/16:

The municipality welcomes the Audit Opinion of the Auditor General-SA for the 2015/16 financial year. The municipality is continually prioritising the Audit process, so as to ensure that the issues raised by the AGSA are timeously attended to and corrected so as to ensure continuous service delivery to the community of Moqhaka Local Municipality. This is evidenced by the year-on-year improvements on the municipality's Audit Outcomes (2015-16: Unqualified Audit Opinion, 2014-15: Qualified Audit Opinion, 2013-14: Disclaimer of Audit Opinion).

**Delete Directive note once comment is completed** - Provide comments from the Municipal Manager / CFO on the Auditor-General's opinion. Include comments on year 0 if it provides useful context.

## COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

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

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

# Glossary

## GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give <i>"full and regular"</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>"what we do"</i> .
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)

# Glossary

<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

## APPENDICES

### APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Colbert DPC	FT	Finance, Audit and Risk Management, Infrastructure and Technical Services	ANC	89	0
Dalton CM	PT	Infrastructure and Technical Services	DA	100	0
Dire AMS	PT	Community Services	ANC	89	100
Green MM	PT	Sport, Art and Culture	5 / ANC	89	100
Hattingh JM	PT	Community Services	3 / DA	89	0
Kgang LD	PT	Community Services	8 / ANC	100	0
Koloi MA	FT	Personnel and Administration, Sport, Art and Culture	ANC	44	80
Letsabo MJ	PT	Finance, Audit and Risk Management	APC	100	0
Letsitsa ME	PT	Human Settlements, Personnel and Administration	18 / ANC	78	0
Lithupa MJ	PT	IDP and Planning	DA	100	0
Machobane ML	FT	Personnel and Administration, Rural Development and Land Reform	ANC	78	0
Magadla ZS	PT	Sport, Art and Culture	21 / ANC	56	50
Mahasa LP	PT	Sport, Art and Culture	ANC	17	0
Makau TL	FT	LED and Investment, Public Safety	12 / ANC	67	100
Makoele WL	PT	Public Safety	DA	100	0
Malinga DM	PT	Public Safety	7 / ANC	100	0
Malokotsa SV	PT	Human Settlements	1 / ANC	56	100
Mareka J	FT		ANC	67	33
Masuret A	PT	Finance, Audit and Risk Management	DA	100	0
Matshediso DA	FT	Finance, Audit and Risk Management, IDP and Planning	ANC	78	50
Mbono MD	PT	Sport, Art and Culture	ANC	78	50
Mkhotheni NW	PT	Infrastructure and Technical Services, Public Safety	24 / ANC	78	0
Mkhwanazi TM	PT	Human Settlements	22 / ANC	67	33
Moeketsi DA	PT	Community Services	COPE	89	100
Mofokeng MJ	PT	Rural Development and Land Reform	23 / ANC	89	0
Mohapi MJ	FT		ANC	67	67
Mokodutlo NP	FT	Community Services, Sport, Art and Culture	ANC	89	100
Mokoena S	FT	Community Services, Human Settlements	20 / ANC	67	0



# Appendices

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Mokotla ME	FT	Human Settlements, Rural Development and Land Reform	10 / ANC	89	0
Moletsane ER	FT	IDP and Planning, Public Safety, LED and Investment,	19 / ANC	56	50
Monoto MA	PT	Rural Development and Land Reform	4 / ANC	89	0
Nakedi ACWD	FT		ANC	78	100
Notsi EM	PT	Finance, Audit and Risk Management	ANC	44	20
Ntsala TM	PT	LED and Investment, Sport, Art and Culture	9 / ANC	67	33
Nzunga DN	PT	Sport, Art and Culture	DA	100	0
Pittaway M	PT	Personnel and Administration	17 / DA	89	100
Rajuli EV	PT	IDP and Planning, Infrastructure and Technical Services, Personnel and Administration, Public Safety	ANC	22	57
Rooskrans B	PT	Finance, Audit and Risk Management	13 / ANC	89	0
Seleke LM	PT	Rural Development and Land Reform	COPE	100	0
Selikoe NM	PT		15 / ANC	89	100
Sethabela MJ	PT	Infrastructure and Technical Services, LED and Investment	11 / ANC	89	100
Shahim DM	PT	Community Services	25 / DA	56	50
Silevu SJ	PT	Rural Development and Land Reform	DA	100	0
Taje FM	PT	Rural Development and Land Reform	14 / ANC	89	100
Thajane MI	PT	LED and Investment	COPE	100	0
Thipane MP	FT	IDP and Planning, Infrastructure and Technical Services	6 / ANC	67	33
Tladi SB	PT	Community Services, Personnel and Administration	2 / ANC	56	50
Twapa VPM	PT	Sport, Art and Culture	ANC	100	0
Vermeulen M	PT	Infrastructure and Technical Services	VF+	89	100
Viljoen AH	PT	LED and Investment	DA	56	75
Wille GV	PT	Human Settlements	16 / DA	78	100

# Appendices

## APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Portfolio Committee: Infrastructure and Technical Services	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Public Safety	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: IDP and Planning	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: HR and Administration	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Rural Development and Land Reform	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Human Settlements	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: LED and Investment	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Sports, Arts, Culture and Recreation	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Community Services	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Portfolio Committee: Finance, Audit and Risk Management	Oversight over departmental activities through consideration of reports from the Municipal Manager and Directors. Make recommendations for consideration by the Mayoral Committee.
Audit and Performance Audit Committee (s79)	Roles and responsibilities as outlined by section 166 of the MFMA and the approved charter
Oversight Committee (s79)	Roles and responsibilities as outlined by section 129 of the MFMA and the National Treasury guidelines issued in MFMA Circular 32 (18 March 2006)
TB	

# Appendices

## APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
<b>Office of the Municipal Manager</b>	Chief Internal Auditor
Mr. Mncedisi Mqwathi	Ms M Dzonzie
	Manager: IDP
	Mr T Leie
	Manager: PMS
	Ms Eunice Lungu
<b>Financial Services</b>	Manager: Revenue Management
CHIEF FINANCIAL OFFICER Mr T Marumo	Mr S Theletsane
	Manager: Expenditure Management
	Mr J Muller
	Manager Asset Management
	Mrs I Mokheseng
	Manager: Supply Chain Management
<b>Technical Services</b>	Mrs J Majola
	Manager: PMU
DIRECTOR: Technical Services Ms P. Botha (Acting)	Mrs P. Botha
	Manager: Electricity
	Mr Greef (Acting)
	Assistant Manager: Water
	Mr. H. Rautenburg
	Manager : Sanitation
	Ms D. Ngwenya
<b>Corporate services</b>	Manager: Human Resources
DIRECTOR: Corporate Services Mr M Mthwalo	Mrs G Ramaboea
	Manager: Information Technology
	Mr A Qaba
	Manager : Administration
<b>Community and Emergency Services</b>	Mr. A. Kotze
Director: Community and Emergency Services Mrs PH Tshabalala	Manager: Solid Waste
	Mr. T. Ohena
	Manager Parks, sports and Recreation
	Mrs H de Bruin
	Chief Fire Officer
	Mr L Ingram
	Chief: Traffic Services
	Mr M. Lethetsa

# Appendices

## APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal Functions	
Municipal Functions	Function Applicable to Municipality (Yes / No)*
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Storm water management systems in built-up areas	Yes
Trading regulations	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes
TD	

# Appendices

## APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Mr Er Mahlatsi	YES	10	0	4
	Mr Lebuseng Jacob Seleke				
	Zukiswa Petricia Sefako				
	Sipho George Mooi				
	Motlalepule Ishmael Mokhele				
	Konoswang Christina Dlamini				
	Mr Phahlane Victor Mabaso				
	Miss Matsietsi Sara Borotho				
	Cllr Khiba				
2	Mrs Maserame Constance Leburu	YES	8	1	4
	Mr Tonobel Castboy Tumahole				
	Mr Abram Moeketsi Semakale				
	Mr Phillip Lipholo				
	Mrs Kedibone Letitia Mothola				
	Mrs Eunice Sibongile Khumalo				
	Mr Ramothibe Johannes China				
	Me. Puleng Emily Ramphore				
	Mrs. Thembu Catherine Zondi				
	Cllr Tladi				
3	Mrs Alina Madintja Khumalo-Tsotetsi	YES	4	2	4
	Mrs Liesbeth Mantsane Mariti				
	Mrs Marlien Susan De Barros				
	Mrs Dorette Juanita Oosthuizen				
	Mr Taeli Daniel Morabe				
	Mr Machiel Andries Aucamp				
	Mr Lauwrens Cornelius Steyn				
	Mrs Masello Josephine Mohlabi				
	Mr Meshack Mtutuzeli				
	Cllr Hattignh				
4	Mrs Motsilisi Dorophy Mokhele	YES	10	8	4
	Mrs Mmawesi Lydia Malete-Mosia				
	Mrs Mmanoko Evodia Mntuza				
	Mrs Keneiloe Eugenia Rahab Moreki				
	Mrs Faniswe Martha Radebe				
	Mr B Inda Leepo				
	Mphonyana Sanah Mbambo				
	Joseph Paseka Rasentsoere				
	Motshamai Shadrack Lulama				
	Cllr Monoto				
5	Mr Phakwe Charles Majoro	YES	8	3	4

# Appendices

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	Sethibelebethe Joel				
	Sarah Moroamohapi				
	Joel Letsabo				
	Seipati Ida Mahlatsi				
	Malepileliphoko				
	Masabataletaramokhwoase				
	Mmane Merriam Poolo				
	Cllr Green				
<b>6</b>	Ishmael Sithole	YES	8	3	4
	Mokotedi Mv				
	Masiu Hs				
	Matsikinyane Ts				
	Chabedi T				
	Nkaki Es				
	Matoa M				
	Maseko M				
	Cllr Thipane				
<b>7</b>	Chakane Fm	YES	10	2	4
	Phakoe Rp				
	Semase Mm				
	Seranyane Tp				
	Mohlomi Jp				
	Sebotso Me				
	Manyanye Pd				
	Lekgopo M.V				
	Cllr Malinga				
<b>8</b>	Margret Leshodi	YES	10	6	4
	Lydia Seipati Kau				
	Mpenga Mamile Esther				
	Audrey Khotle				
	Maria Rakhale				
	Elias Thibile				
	Agnes Likeleli Mokgemisa				
	Joseph Tsheliso Motsapi				
	Cllr Kgang				
<b>9</b>	Deliwe Thobatsi	YES	8	1	4
	Elizabeth Moloi				
	Pule Mathlare				
	Tlaleng Mokgatla				
	Peter Msimango				
	Malikapi Molebatsi				
	Mphoko Moletsane				
	Maise Sempapalele				

# Appendices

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	Cllr Ntsala				
10	Evonne Sepanki Mosebi	YES	7	4	4
	Thabo Enerst Seseng				
	Nomalanga Diphoko				
	Liphaphang Lebona				
	David Mokebe				
	Sekgametsi Makanyane				
	David Masaphenki				
	Mampidi Leah Moliko				
	Mpho Cynthia Kosaka				
	Cllr Chakane				
11	Mokatsanyane Joyce	YES	9	1	4
	Smit Joseph				
	Mbokotwane Busisiwe				
	Xaba Zepho				
	Setai Teboho				
	Mabiele Pricilla Dabi				
	Selloane Martha Ramotsoela				
	Daphne Mogoye				
	Moeketsi Moremi				
	Cllr Sethabela				
12	Mpondo Mosampi	YES	4	2	4
	Legopo Sello				
	Mthombeni Martha				
	Letaba Segomotso				
	Bulwana Paulina				
	Mohanoe Petrus				
	Emily Sethsego Mogorosi				
	Cllr Makau				
13	Raymond Ramotsoela	YES	7	0	4
	Emily Lesia				
	Mamosiuoa Emily Diphoko				
	Magriet Makhethi				
	Abram Yawa				
	Patric Moeketsi Mokhele				
	Bella Beker				
	Evelyn Manyanye				
	Salman Motlogeloa				
	Cllr Rooskrans				
14	Emely Toli	YES	10	8	4
	Lisbeth Padi				
	Jeremia Smith Ramokgoase				

# Appendices

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	Selina Mofokeng				
	Thabo Motiea				
	Maria Thatelo				
	Mphongoa Mc				
	Makhobotloane				
	Cllr Taje				
<b>15</b>	<b>Maki Bella Mthombeni</b>	<b>YES</b>	<b>10</b>	<b>2</b>	<b>4</b>
	Violet Modisenyane				
	Phumelelo April Dabi				
	Elizabeth Speelman				
	Aaron Tshepo Kobuoe				
	Dieketseng Khumisi				
	Mosiua Jonas Raliopane				
	Mabitle Mokete				
	Tsietsi Lekhonthula				
	Cllr Selikoe				
<b>16</b>	<b>Tjaart Benade</b>	<b>YES</b>	<b>4</b>	<b>0</b>	<b>4</b>
	Majane Morapedi				
	Liphina Mashinini				
	Phillip Mogorosi				
	Sara Borotho				
	Julia Mohlabe				
	Augustinus Mphuthi				
	Julia Mohlakoana				
	Surina Le-Roux				
	Cllr Ville				
<b>17</b>	<b>Mr. Mellet Gert</b>	<b>YES</b>	<b>3</b>	<b>0</b>	<b>3</b>
	Mrs. Thateng Seheri				
	Mr. Berten Herman				
	Mr. Coetzee Riaan				
	Miss. Dennis Hester				
	Mrs. Ponase Pepe				
	Mr. Muller Nicholas				
	Mrs. Makoala Deovelynto				
	Cllr Geldenhuis				
<b>18</b>	<b>Mthejwa Edwin Mokoena</b>	<b>YES</b>	<b>10</b>	<b>1</b>	<b>4</b>
	Violet Nthbiseng Mlangeni				
	Theresia Mokhele				
	Mathapelo Sarah Thobatsi				
	Mpeake Ishmael Mkhwanazi				
	Puseletso Theodry Motsei				
	Mapulane Maria				
	Cllr Letsitsa				



# Appendices

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
19	Lekone Rebecca	YES	10	5	4
	Marumo Agnes				
	Ntsala Precilla				
	Simon Yabo				
	Snail Emily				
	Roberts Alletah				
	Cllr Moletsane				
20	Ditsietsi Sehla	YES	10	5	4
	Tshwane Madumise				
	Godfrey Tsotsotso				
	Shadrack Lekhetha				
	Dorah Mahlatsi				
	Malebo Modisa				
	Mpepuwa Masulubele				
	Cllr Mokoena				
21	Masethoene Motlhale	YES	10	6	4
	Matshidiso Baas				
	Maditaba Modungwa				
	Zacharia Mohoko				
	Petrus Tele				
	Moletsane Mbi				
	Mohlomi Phefeni				
	Tshidiso Toli				
	Cllr Magadlela				
22	Sara Mokodutlo	YES	8	0	4
	Nthabiseng Mphafi				
	Johannes Makopo				
	Toko Mofokeng				
	Puleng Snyman				
	Mampe Motsumi				
	Redrie Zakaria				
	Tshidi Redrie				
	Botsielo Thumelo				
	Cllr Mkhwanazi				
23	Moselantja Sithole	YES	7	2	4
	Kedibone Katiba				
	Annah Zenzile				
	Nthabiseng Jonas				
	Lidiwe Fingwana				
	Eva Siyadikobo				
	Mminah Machobane				
	Jermina Letsoara				

# Appendices

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
	Selemo Lekhoaba				
	Cllr Mofokeng				
24	Manquma T	YES	4	2	4
	Baas .S				
	Cllr Mkhotheni				
25	Mrs Pricilla Ntsutle	YES	5	2	4
	Miss Alina Masumpa				
	Miss Alleta Tladi				
	Mr. Ntsokolo Jilimba				
	Mr. Gabriel Masakale				
	Mrs. Violet Mohlokoana				
	Mr. Paulos Mogorosi				
	Cllr Shahim				

# Appendices

## APPENDIX F – WARD INFORMATION

Capital Projects: Seven Largest in 2015/16				
				R' 000
Ward	Project Name and detail	Start Date	End Date	Total Value
16	Rehabilitation and Upgrading of water purification plant	2014/15	2015/16	40 711
16	Rehabilitation and Upgrading of waste water treatment plant	2014/15	2015/16	24 456
1	Upgrading of sewer treatment works phase3	2014/15	2015/16	13 157
17	Rehabilitation of Paul Kruger road, Botha and Strang Street	2015/16	2015/16	10 972
13	Upgrading of sports facilities Brentpark	2015/16	2015/16	8 716
21	Rammulotsi – Erf 4492 to Northleigh – Upgrading of area link road	2015/16	2015/16	6 972
3,4,5,6	Installation of High mast lights	2015/16	2015/16	2 006
T F.1				

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	32 794	32 392	8 082	28 640	
Households without minimum service delivery	0	402	590	4 154	
Total Households*	32 794	32 794	8 672	32 794	
Houses completed in year					
Shortfall in Housing units					
*Including informal settlements					T.F.2

# Appendices

## APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2015/16

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2015/16	Recommendations adopted (enter Yes) If not adopted (provide explanation)
13 Aug 2015	<b>Internal Audit to administratively assist AC</b>	Yes
	Internal Audit to attend MPAC and Sec 32 Committee Meetings	Yes however, Internal Audit has not been invited to a
	Audit Committee be invited to Risk Workshop	No, there were no risk workshop's scheduled for 2015/16. The workshop will be organised during the course of 2016/17 third quarter.
	Audit Committee Charter be send to Council for approval.	No, sufficient effort were not taken to send the charter to Council. The charter for 2016/17 will be reviewed and provided to Council in the first seating.
27 Aug 2015	Financial Statements be submitted to AC in time for review.	Yes
	Performance be cascaded downwards to lower level	No, the HR planned to pilot the cascading of performance assessment for level 1-4 during 2016/17 financial period.
31 Aug 2015	Amendments proposed by AC on the AFS be implemented and provided to AG-SA.	Yes
18 Feb 2016	Internal Audit Reports always be presented to Audit Steering Committee meetings	Yes
	Audit Action Plan be send to AG-SA for inputs and comments	Yes
	Internal Audit to assist the Section 32 to investigate the irregular, Unauthorised, wasteful and fruitless expenditure.	No, the consulting company was appointed to assist the municipality On this matter and so as to minimise duplication of efforts the internal Audit will be able to assist section 32 during 2016/17 financial period.
2 March 2016	Chief Risk Officer be appointed	No, the Chief Risk Officer will be appointed during 2016/17 financial period.
	Risk Management Committee be established	Yes, the separate Risk Management Committee will be established during 2016/17 financial period.
	Audit Committee Chairperson must report to Council in the next Council meeting.	Yes, The Annual Report will be consolidated and reported to Council after the inauguration of the new Council as per recommendations by the Audit Committee during the meeting held on 08-10-2016
	On the next financial year the SDBIP should be structured in such that the top layer is outcome based and the bottom layer is output based.	Yes
T G		

# Appendices

## APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into during 2015/16) R' 000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
Tipublox (Pty) Ltd	Panel for Supply & Delivery of Fleet Oil For a Period of Three Years	20-Jun-15	20-Jun-18	Mr Sekhobe	As and When Required
GSRC Occusheq Health Services	Request for Proposal to Provide Medical Examination to Moqhaka Municipality Employees for a Period of Three Years	11-Jun-15	11-Jun-18	Mr Moino	As and When Required
Gerox Trading CC	Supply & Delivery of Rental / Leasing of Photocopy Machines for a Period of Three Years	23-Jun-15	23-Jun-18	Mr Xaba	2 334 895
Nkanyezi Energy & Elster Solutions (Pty) Ltd	Panel for Supply & Delivery of Electrical Equipment for a Period of Three Years	23-Jun-15	23-Jun-18	Mr Greeff	As and When Required
Powervac	Service Providers for Supply & Delivery of Water Chemicals for a Period of Three Years	10-Jun-15	10-Jun-18	Mr Rautenbach	As and When Required
Lemontswa Trading & Projects , Star Trading t/a Jotell Engineering & elster Kent Metering	Panel for Supply & Delivery of Water Meters, Plumbing & Supplies for a Period of Three Years	10-Jun-15	10-Jun-18	Mr Rautenbach	As and When Required
Mofomo Construction CC	Upgrading of Area Link ERF 4942 to Northleigh	15-Sep-15	16-Mar-16	Ms P Botha	7 911 516
Mofomo Construction CC	Upgrading Of BrentPark Sports Facilities	15-Sep-15	16-Sep-16	Ms P Botha	8 011 944
Matla Pre Mix	Request for Service Providers - Supply & Delivery of Road Kerbs, Paving Slabs , Paving Bricks, Catch Pits & Erosion Protection Blocks , Crusher Run & Average for Concrete & Road Surfacing	21-Sep-15	21-Aug-18	Ms P Botha	As and When
IPES UMS (Pty) Ltd	Request for Proposal : Meter Reading Services for a Period of Three Years	25-Nov-15	15-Nov-16	Mr Theletsane	As and When
Lauretta Maphaka Tefto t/a LMTPD	Request for proposal : LED Strategy	25-Nov-15	30-Mar-16	Mr Madiba	350 000
Ikageng Electrical	Panel for the Refurbishment / Repair of Faulty High Mast Lights in Moqhaka Local Municipality for a Period of Three Years	15-Dec-15	18-Dec-18	Mr Greeff	As and When
Kiriah Chemicals	Re-advertisement: Panel for Supply & Delivery of Cleaning Material & Supplies for a Period of Three Years	22-Feb-16	22-Feb-19	Mr Sekhobe	As & When
VUT, Umbuso Training & Khulanonke Training	Panel of Reputable Training Providers for a Period of Three Years	22-Feb-16	22-Feb-19	Ms Ramaboe	AS & When

# Appendices

Long Term Contracts (20 Largest Contracts Entered into during 2015/16) R' 000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
Kgolo Business Trust t/a Kgolo Institute	MFMP for 12 people	22-Feb-16	30-Nov-16	Ms Ramaboe	727 776
Conlog (Pty) Ltd	Re-advertisement: Request for Proposal: Supply & installation of AMI/ Pre-payment	22-Feb-16	1-Mar-19	Mr Greeff	As and When Required
Caveletto 8 (Pty) Ltd t/a Sasol	Re-Advertisement: Supply of Petrol & Diesel for a period of Three Years	6-Jun-16	6-Jun-19	Mr Sekhobe	As & When Required
DDP Valuers (Pty) Ltd	Compilation & Maintenance of Property Register: Valuation Roll	26-May-16	26-Jun-19	Mr Theletsane	2 600 000
Malanda Engineering JV Riverside Chuene Construction	Construction of Access Collector Roads Provision of Storm Water at Matlwangtlwang	21-Apr-16	21-Apr-17	Ms P Botha	5 832 680
Malanda Engineering JV Riverside Chuene Construction	Construction of Access Collector Roads Provision of Storm Water at Stillfontein	21-Apr-16	21-Apr-17	Ms P Botha	7 244 491
T.H.1					

Public Private Partnerships Entered into during 2015/16 R' 000					
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value 2015/16
None entered into.					
T.H.2					

# Appendices

## APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

The municipality does not have a municipal entity.

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## APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of 2015/16 (Current Year)		
Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor		
Member of MayCo / Exco		None
Councillors		None
Municipal Manager		None
Chief Financial Officer		None
Deputy MM and (Executive) Directors		N/A
Other S57 Officials		
Director Community and Emergency Services		Municipal Electoral Officer (IEC)
T J		



# Appendices

## APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

### APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
R' 000						
Vote Description	2014/15	Current: 2015/16		2015/16 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Councillors - Vote 1	151 998	142 265	142 265	142 265	0%	0%
Municipal Manager - Vote 2	0	0	0	0	0%	0%
Corporate Services - Vote 3	4488	4 207	4 207	4 207	0%	0%
Finance Services - Vote 4	55 085	57 884	57 884	57 884	0%	0%
Technical Services - Vote 5	380 953	428 967	428 967	428 967	0%	0%
Community Services - Vote 6	36 175	33 192	33 192	33 192	0%	0%
<b>Total Revenue by Vote</b>	<b>624 211</b>	<b>666 515</b>	<b>666 515</b>	<b>666 515</b>	<b>–</b>	<b>–</b>
<i>TK.1</i>						

# Appendices

## APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
Description	2014/15	2015/16		2015/16 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	37 521	61 895	62 147	40 597	-52%	-53%
Property rates - penalties & collection charges	-	-	-	-	0%	0%
Service Charges - electricity revenue	203 070	279 032	293 412	221 414	-26%	-33%
Service Charges - water revenue	46 582	93 086	97 974	45 396	-105%	-116%
Service Charges - sanitation revenue	13 482	25 950	27 648	14 641	-77%	-89%
Service Charges - refuse revenue	9 150	21 968	22 142	10 848	-103%	-104%
Service Charges - other	-	-	-	-	0%	0%
Rentals of facilities and equipment	-	-	-	-	0%	0%
Interest earned - external investments	1 001	1 059	751	-	-	-
Interest earned - outstanding debtors	-	-	-	-	0%	0%
Dividends received	-	-	-	-	0%	0%
Fines	792	860	967	872	1%	-11%
Licenses and permits	-	-	-	-	0%	0%
Agency services	-	-	-	-	0%	0%
Transfers recognised - operational	163 750	163 700	255 377	248 985	34%	-3%
Other revenue	13 980	18 965	35 715	18 171	-4%	-97%
Gains on disposal of PPE	-	-	-	-	0%	0%
Environmental Protection	-	-	-	-	0%	0%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>489 328</b>	<b>666 515</b>	<b>796 133</b>	<b>600 924</b>	<b>-10.92%</b>	<b>-32.48%</b>
T K.2						

# Appendices

## APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant						
Public Transport Infrastructure and Systems Grant						
<i>Other Specify:</i>						
<b>Total</b>						
						TL

### COMMENT ON CONDITIONAL GRANTS EXCLUDING MIG:

The municipality did not receive any conditional grants.

# Appendices

## APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

### APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
Description	2014/15	2015/16			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	<b>399</b>	<b>97 917</b>	<b>113 037</b>	<b>87 586</b>	<b>93 233</b>	<b>51 242</b>	<b>77 932</b>
Infrastructure: Road transport - Total	-	19 275	32 514	25 279	29 144	15 982	26 702
Roads, Pavements & Bridges	-	19 275	32 514	25 279	29 144	15 982	26 702
Storm water							
Infrastructure: Electricity - Total	399	14 044	10 878	7 518	8 084	12 000	9 000
Generation	399	14 044	10 878	7 518	8 084	12 000	9 000
Transmission & Reticulation							
Street Lighting							
Infrastructure: Water - Total	-	24 312	38 252	36 045	47 885	15 000	33 887
Dams & Reservoirs							
Water purification							
Reticulation		24 312	38 252	36 045	47 885	15 000	33 887
Infrastructure: Sanitation - Total	-	32 436	26 986	17 972	8 104	-	-
Reticulation	-	32 436	26 986	17 972	8 104	-	-
Sewerage purification							
Infrastructure: Other - Total	-	7 850	4 407	772	16	8 260	8 343
Waste Management	-	7 850	4 407	772	16	8 260	8 343
Transportation							
Gas							
Other							
<b>Community - Total</b>	<b>-</b>	<b>5 850</b>	<b>13 941</b>	<b>6 820</b>	<b>-</b>	<b>-</b>	<b>-</b>
Parks & gardens	-	5 850	13 941	6 820	-	-	-
Sportsfields & stadia							
Swimming pools							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							
Table continued next page							

# Appendices

Table continued from previous page							
Capital Expenditure - New Assets Programme*							
Description	2014/15	2015/16		Planned Capital expenditure			
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Heritage assets - Total</b>	-	-	-	-	-	-	-
Buildings							
Other							
<b>Investment properties - Total</b>	-	-	-	-	-	-	-
Housing development							
Other							
<b>Other assets</b>	77 744	2 730	3 327	3 900	-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)	77 744	2 730	3 327	3 900	-	-	-
Other							
<b>Agricultural assets</b>	-	-		-	-	-	-
List sub-class							
<b>Biological assets</b>	-	-		-	-	-	-
List sub-class							
<b>Intangibles</b>	-	-		-	-	-	-
Computers - software & programming							
Other (list sub-class)							
<b>Total Capital Expenditure on new assets</b>	78 143	106 497	130 305	98 306	93 233	51 242	77 932

# Appendices

## APPENDIX M (ii): CAPITAL EXPENDITURE – UPGRADE/RENEWAL PROGRAMME

Capital Expenditure - Upgrade/Renewal Programme*							
Description	R '000						
	2014/15 Actual	2015/16 Original Budget	2015/16 Adjustment Budget	2015/16 Actual Expenditure	Planned Capital expenditure		
					FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	-	-	-	-	-	-	-
Infrastructure: Road transport -Total	-	-	-	-	-	-	-
<i>Roads, Pavements &amp; Bridges</i>							
<i>Storm water</i>							
<b>Infrastructure: Electricity - Total</b>	-	-	-	-	-	-	-
<i>Generation</i>							
<i>Transmission &amp; Reticulation</i>							
<i>Street Lighting</i>							
<b>Infrastructure: Water - Total</b>	-	-	-	-	-	-	-
<i>Dams &amp; Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
<b>Infrastructure: Sanitation - Total</b>	-	-	-	-	-	-	-
<i>Reticulation</i>							
<i>Sewerage purification</i>							
<b>Infrastructure: Other - Total</b>	-	-	-	-	-	-	-
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
<i>Other</i>							
<b>Community</b>	37	-	1 306	3 900	-	-	-
Parks & gardens							
Sportsfields & stadia							
Swimming pools							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other	37		1 306	3 900			
<b>Heritage assets</b>	-	-	-	-	-	-	-
Buildings							
Other							

Table continued next page

# Appendices

Table continued from previous page							
Capital Expenditure - Upgrade/Renewal Programme*							
Description	2014/15	2015/16		Planned Capital expenditure			
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b><u>Investment properties</u></b>	-	-	-	-	-	-	-
Housing development							
Other							
<b><u>Other assets</u></b>	-	-	9 150	9 150	-	-	-
General vehicles			9 150	9 150			
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
<b><u>Agricultural assets</u></b>	-	-	-	-	-	-	-
<i>List sub-class</i>							
<b><u>Biological assets</u></b>	-	-	-	-	-	-	-
<i>List sub-class</i>							
<b><u>Intangibles</u></b>	-	-	-	-	-	-	-
Computers - software & programming							
Other ( <i>list sub-class</i> )							
<b>Total Capital Expenditure on renewal of existing assets</b>	37	-	10 456	13 050	-	-	-
<b><u>Specialised vehicles</u></b>	-	-	-	-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							
* Note: Information for this table may be sourced from MBRR (2009: Table SA34b)							
T.M.2							

# Appendices

## APPENDIX N – CAPITAL PROGRAMME BY PROJECT 2015/16

Capital Programme by Project: 2015/16					
R' 000					
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
<b>Water</b>					
Refurbish Krd Water Treatment Works	33 934	33 934	25 310	-34%	-34%
<b>Sanitation/Sewerage</b>					
Refurbish Krd Waste Water Treatment Works	21 038	21 038	12 500	-68%	-68%
Upgrading Sewer Treatment Work Phase 3	13 157	13 157	10 881		
Rehabilitation of Collapsed sewer Hill str	2 643	2 643	6 482	59%	59%
Replacement of bulk sewer line Boitumelo	4 691	4 691	674	-596%	-596%
<b>Electricity</b>					
Electrification of Khatliso Moeketsi	3 667	3 667	2 048	-79%	-79%
High mast Lights	3 786	3 786	2 682	-41%	-41%
<b>Roads</b>					
Upgrade area link erf 4942 Northleigh	7 912	7 912	5 542	-43%	-43%
Matlwangtlwang Collector Road	1 500	1 500	1 072	-40%	-40%
Connector Road and Provision of Storm water	6 537	6 537	902		
Rehabilitation of Paul Kruger, Botha and Strang Str	2 880	2 880	75	-3740%	-3740%
<b>Cemetries</b>					
Pallisade Fencing Stilfontein	8 480	8 480	5 200	-63%	-63%
<b>Refuse Removal</b>					
Rammulotsi Development and fencing Landfill site	2 374	2 374	772	-208%	-208%
<b>Sports, Arts &amp; Culture</b>					
Upgrading sports facility Brentpark	8 012	8 012	6 820	-17%	-17%
Rammulotsi Sport Ground	4 894	4 894	1 704	-187%	-187%
Upgrade Loubsherpark	7 183	7 183	1 582	-354%	-354%
Brentpark Swimming pool	480	480	854	44%	44%
Phomolong parking area and fence	5 732	5 732	390		
<b>Safety and Security</b>					
Steel Pallisade Fencing – Main Building	197	197	197	0%	0%
T N					



# Appendices

## APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2015/16

Capital Programme by Project by Ward: 2015/16			R' 000
Capital Project	Ward(s) affected	Works completed (Yes/No)	
<b>Water</b>			
Refurbish Kroonstad Water Treatment Works	All Wards in Kroonstad	No	
<b>Sanitation/Sewerage</b>			
Refurbish Kroonstad Waste Water Treatment Works	All Wards in Kroonstad	Yes	
Upgrading Sewer Treatment Work Phase 3	16 & 25	No	
Rehabilitation of Collapsed sewer Hill str.	17	Yes	
Replacement of bulk sewer line Boitumelo	16	Yes	
<b>Electricity</b>			
Electrification of Khatliso Moeketsi	13	No	
High mast Lights	3-6 & 19-22	Yes	
<b>Roads</b>			
Upgrade area link erf 4942 Northleigh	21	Yes	
Matlwangtlwang Collector Road	01	No	
Connector Road and Provision of Storm water	18	Yes	
Matlwangtlwang Internal roads	01	No	
Rehabilitation of Paul Kruger, Botha and Strang St	17	No	
<b>Cemeteries</b>			
Palisade Fencing Stilfontein	10	No	
<b>Refuse Removal</b>			
Rammulotsi Development and fencing Landfill site	23	No	
<b>Sports, Arts &amp; Culture</b>			
Upgrading sports facility Brentpark	13	No	
Rammulotsi Sport Ground	20	Yes	
Upgrade Loubsherpark	16	Yes	
Brentpark Swimming pool	13	No	
Phomolong parking area and fence	08	No	
<b>Safety and Security</b>			
Steel Palisade Fencing – Main Building	17	Yes	
			<i>TO</i>

# Appendices

## APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Service Backlogs: Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (NAMES, LOCATIONS)				
None that the municipality is aware of.				
Clinics (NAMES, LOCATIONS)				
None that the municipality is aware of.				
Names and locations of schools and clinics lacking one or more services. Use 'x' to mark lack of service at appropriate level for the number of people attending the school/clinic, allowing for the proper functioning of the establishment concerned.				

TP

# Appendices

## APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
Clinics:	None that the municipality is aware of.	
Housing:		
Licensing and Testing Centre:		
Reservoirs		
Schools (Primary and High):		
Sports Fields:		

# Appendices

## APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

Declaration of Loans and Grants made by the municipality: 2015/16				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2015/16 R' 000	Total Amount committed over previous and future years
No grants or loans were made.				
<i>* Loans/Grants - whether in cash or in kind</i>				<i>T R</i>

## VOLUME II: ANNUAL FINANCIAL STATEMENTS



**Moqhaka Local Municipality  
Audited Annual Financial Statements  
for the year ended 30 June 2016**

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## General Information

<b>Jurisdiction Number</b>	Municipal demarcation code FS201
<b>Legal form of entity</b>	<p>South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998).</p> <p>Moqhaka Local Municipality is situated within the southern part of the Fezile Dabi District in the Free State province. The seat of local government is Kroonstad.</p>
<b>Nature of business and principal activities</b>	Moqhaka is a local municipality performing functions as set out in the constitution (Act 105 of 1996)
<b>Mayoral committee</b>	
Executive Mayor	Mareka, J
Speaker	Nakedi, ACWD
Chief Whip	Koloi, MA
Members of the Mayoral Committee	Colbert, DPC
	Makau, TL
	Thipane, MP
	Dire, AMS
	Machobane, ML (Deceased)
	Mokoena, S
	Moletsane, ER
	Tau, DA
	Magadlela, ZS
	Mkhwanazi, TM
	Tladi, SB
<b>Grading of local authority</b>	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
<b>Accounting Officer</b>	Mqwathi, MS
<b>Chief Finance Officer (CFO)</b>	Marumo, T
<b>Registered office</b>	Municipal Offices Hill Street Kroonstad 9499
<b>Business address</b>	Municipal Offices Hill Street Kroonstad 9499
<b>Postal address</b>	PO Box 302 Kroonstad 9500
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Du Randt & Louw Majavu Incorporated Lebea & Associates Attorneys

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## General Information

### Preparer

The audited annual financial statements were internally compiled by:  
The office of the CFO

### Members of council

Dalton, CM  
Chakane MS  
Geldenhuis, J  
Green, MM  
Hattingh, JM  
Kgang, LD  
Khiba, SV  
Leokaoke, TJ  
Letsitsa, ME  
Lithupa, MJ  
Makoele, WL  
Malinga, DM  
Masuret, A  
Mbono, MD  
Mkhotheni, NW  
Mokodutlo, NP  
Mofokeng, MJ  
Monoto, MA  
Mofokeng, RD  
Nkettle, MA  
Notsi, EM  
Ntsala, TM  
Nzunga, DN  
Phooko, PJ  
Rooskrans, B  
Seleke, LM  
Selikoe, NM  
Sethabela, MJ  
Shahim, DM  
Taje, FM  
Thajane, MI  
Twapa, VPM  
Van Schalkwyk, L  
Vermeulen, M  
Viljoen, AH  
Wille, GV



# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Index

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The following supplementary information does not form part of the audited annual financial statements and is unaudited:

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# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
SCM	Supply Chain Management
DBSA	Development Bank of South Africa
EPWP	Extended Public Works Programme
MMC	Member of Mayoral Committee
COGTA	Cooperative Governance and Traditional Affairs
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IDP	Integrated Development Plan
DWS	Department of Water and Sanitation
MSIG	Municipal Systems Improvement Grant

## **Moghaka Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

### **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 audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited 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 2017 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.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 33 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The audited annual financial statements set out on pages 6 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on the 31 August 2016:



**MqwaThi, M.S.**  
Accounting Officer

**Kroonstad**

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

### 1. Review of activities

#### Main business and operations

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the Moqhaka Municipal Area.

Net deficit of the municipality was R 83 901 995 (2015: surplus R 12 720 336).

### 2. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated deficits of R 2 235 292 210 and that the municipality's total liabilities exceed its assets by R 2 235 292 210.

The audited 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act of 2016.

### 3. Subsequent events

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

### 4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

### 5. Accounting policies

The audited annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

### 6. Non-current assets

No major changes were experienced within the non-current assets.

### 7. Accounting Officer

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

Name	Nationality
Mqwathi, MS	South African

### 8. Auditors

Auditor General of South Africa (AG-SA).

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand

	Note(s)	2016	2015 Restated*
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	3	11 845 788	30 560 306
Receivables from exchange transaction	4	87 751 236	87 189 412
Inventories	5	12 088 788	11 125 716
Receivables from non-exchange transactions	6	18 936 775	19 317 010
		<b>130 622 587</b>	<b>148 192 444</b>
Non-Current Assets			
Investments	7	232 911	232 636
Heritage assets	8	2 163 451	2 163 451
Investment property	9	158 154 797	154 157 178
Property, plant and equipment	10	2 234 929 431	2 239 660 671
Intangible assets	11	3 241 781	1 102 996
Long term debtors	4	7 028 943	7 854 766
		<b>2 405 751 314</b>	<b>2 405 171 698</b>
<b>Total Assets</b>		<b>2 536 373 901</b>	<b>2 553 364 142</b>
<b>Liabilities</b>			
Current Liabilities			
Consumer deposits	13	12 720 145	12 146 690
Finance lease obligation	14	646 563	140 272
Other financial liabilities	15	1 218 947	1 142 474
Payables from exchange transactions	16	167 481 716	109 552 631
Unspent conditional grants and receipts	17	339 282	693 419
VAT payable	19	24 896 532	16 386 077
		<b>207 303 185</b>	<b>140 061 563</b>
Non-Current Liabilities			
Employee benefit obligation	12	40 796 000	42 561 000
Finance lease obligation	14	678 642	34 900
Other financial liabilities	15	22 408 953	23 651 077
Provisions	18	29 894 911	27 861 409
		<b>93 778 506</b>	<b>94 108 386</b>
<b>Total Liabilities</b>		<b>301 081 691</b>	<b>234 169 949</b>
<b>Net Assets</b>		<b>2 235 292 210</b>	<b>2 319 194 193</b>
Accumulated surplus		2 235 292 210	2 319 194 193

\* See Note 50

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand

	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
Government grants & subsidies	22	265 079 643	240 348 389
Property rates	23	48 467 154	46 124 567
Service charges	24	356 697 208	344 092 277
Donated assets	25	271 360	2 449 130
Rental of facilities and equipment	26	5 998 754	3 746 958
Fees earned	27	1 179 594	753 375
Dividends received	28	11 831	11 421
Interest received	28	17 724 177	12 281 949
Other income	29	9 988 553	9 719 841
Discount received	30	90 025	161 947
Fines	31	2 634 920	4 545 114
<b>Total revenue</b>		<b>708 143 219</b>	<b>664 234 968</b>
<b>Expenditure</b>			
Employee related costs	32	209 760 410	176 083 798
Remuneration of councillors	33	17 824 721	16 756 655
Debt Impairment	34	66 683 498	25 968 340
Depreciation and amortisation	35	109 148 908	103 812 220
Impairment loss on assets	36	1 332 184	5 917 886
Finance costs	37	8 562 250	7 143 528
Contracted services	38	27 431 000	19 007 428
Repairs and maintenance	39	58 889 678	36 003 408
Grants and subsidies paid	40	3 346 719	2 948 451
Bulk purchases	41	211 953 085	186 165 818
Loss on disposal of assets	42	2 228 931	24 823
General Expenses	43	87 040 142	76 383 135
<b>Total expenditure</b>		<b>804 201 526</b>	<b>656 215 490</b>
<b>Operating surplus / (deficit)</b>		<b>(96 058 307)</b>	<b>8 019 478</b>
Fair value adjustments	45	5 197 896	3 045 229
Inventories write-ups / (write-downs)	5	1 714 657	-
Actuarial gains / (losses) on employees benefit obligation	61	5 243 759	1 655 629
		<b>12 156 312</b>	<b>4 700 858</b>
<b>Surplus / (deficit) for the year</b>		<b>(83 901 995)</b>	<b>12 720 336</b>

\* See Note 50

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 334 552 593	2 334 552 593
Adjustments		
Prior year adjustments (Refer Note 50)	(28 078 736)	(28 078 736)
<b>Balance at 01 July 2014 as restated*</b>	<b>2 306 473 857</b>	<b>2 306 473 857</b>
Changes in net assets		
Surplus / (Deficit) for the year	12 720 336	12 720 336
Total changes	12 720 336	12 720 336
<b>Restated* Balance at 01 July 2015</b>	<b>2 319 194 205</b>	<b>2 319 194 205</b>
Changes in net assets		
Surplus / (Deficit) for the year	(83 901 995)	(83 901 995)
Total changes	(83 901 995)	(83 901 995)
<b>Balance at 30 June 2016</b>	<b>2 235 292 210</b>	<b>2 235 292 210</b>

\* See Note 50

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand

	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		340 510 888	334 303 463
Grants		264 725 506	233 061 843
Interest income		17 724 177	12 281 949
Dividends received		11 831	11 421
Discount received		90 025	161 947
Other receipts		18 687 381	13 984 473
		641 749 808	593 805 096
<b>Payments</b>			
Employee costs		(218 803 141)	(183 920 724)
Suppliers		(324 165 760)	(313 046 725)
Finance costs		(8 562 250)	(7 143 528)
		(551 531 151)	(504 110 977)
<b>Net cash flows from operating activities</b>	46	<b>90 218 657</b>	<b>89 694 119</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(106 404 053)	(80 365 316)
Purchase of intangible assets	11	(2 513 504)	-
<b>Net cash flows from investing activities</b>		<b>(108 917 557)</b>	<b>(80 365 316)</b>
<b>Cash flows from financing activities</b>			
Decrease in Long term loans		(1 165 651)	(1 062 781)
Increase in Finance lease liabilities		1 150 033	41 999
<b>Net cash flows from financing activities</b>		<b>(15 618)</b>	<b>(1 020 782)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(18 714 518)</b>	<b>8 308 021</b>
Cash and cash equivalents at the beginning of the year		30 560 306	22 252 285
<b>Cash and cash equivalents at the end of the year</b>	3	<b>11 845 788</b>	<b>30 560 306</b>

The indirect method is used to present the cash flow statement.

\* See Note 50



# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue by source

Property rates	61 895 000	252 000	<b>62 147 000</b>	48 467 154	<b>(13 679 846)</b>	23
Service charges	420 036 000	21 140 000	<b>441 176 000</b>	356 697 208	<b>(84 478 792)</b>	24
Investment revenue	1 059 000	(308 000)	<b>751 000</b>	8 281 773	<b>7 530 773</b>	28
Transfers recognised - operational	172 436 000	(8 145 000)	<b>164 291 000</b>	265 079 643	<b>100 788 643</b>	22
Other revenue	19 825 000	16 857 000	<b>36 682 000</b>	41 773 753	<b>5 091 753</b>	21

<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>675 251 000</b>	<b>29 796 000</b>	<b>705 047 000</b>	<b>720 299 531</b>	<b>15 252 531</b>	
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##### Expenditure by type

Employee costs	(193 144 000)	(5 432 000)	<b>(198 576 000)</b>	(209 760 410)	<b>(11 184 410)</b>	32
Remuneration of councillors	(17 341 000)	745 000	<b>(16 596 000)</b>	(17 824 721)	<b>(1 228 721)</b>	33
Debt impairment	(14 300 000)	8 736 000	<b>(5 564 000)</b>	(66 683 498)	<b>(61 119 498)</b>	34
Depreciation & asset impairment	(25 344 000)	4 154 000	<b>(21 190 000)</b>	(109 148 908)	<b>(87 958 908)</b>	35
Finance charges	(3 590 000)	1 068 000	<b>(2 522 000)</b>	(8 562 250)	<b>(6 040 250)</b>	37
Bulk purchases	(215 268 000)	1 161 000	<b>(214 107 000)</b>	(211 953 085)	<b>2 153 915</b>	38
General expenditure	(201 069 000)	(7 499 000)	<b>(208 568 000)</b>	(180 268 654)	<b>28 299 346</b>	43

<b>Total expenditure</b>	<b>(670 056 000)</b>	<b>2 933 000</b>	<b>(667 123 000)</b>	<b>(804 201 526)</b>	<b>(137 078 526)</b>	
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<b>Surplus / (Deficit)</b>	<b>5 195 000</b>	<b>32 729 000</b>	<b>37 924 000</b>	<b>(83 901 995)</b>	<b>(121 825 995)</b>	
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<b>Surplus / (Deficit) after capital transfers &amp; contributions</b>	<b>5 195 000</b>	<b>32 729 000</b>	<b>37 924 000</b>	<b>(83 901 995)</b>	<b>(121 825 995)</b>	
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<b>Surplus / (Deficit) for the year</b>	<b>5 195 000</b>	<b>32 729 000</b>	<b>37 924 000</b>	<b>(83 901 995)</b>	<b>(121 825 995)</b>	
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The accounting policies on pages 13 to 38 and the notes on pages 39 to 87 form an integral part of the audited annual financial statements.

The variances of the Actual amounts vs Budget that are more than 10% have fully explained in Appendix E1.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2016</b>											
<b>Financial Performance</b>											
Property rates	61 895 000	252 000	62 147 000	-		62 147 000	48 467 154		(13 679 846)	78 %	78 %
Service charges	420 036 000	21 140 000	441 176 000	-		441 176 000	356 697 208		(84 478 792)	81 %	85 %
Investment revenue	1 059 000	(308 000)	751 000	-		751 000	8 281 773		7 530 773	1 103 %	782 %
Transfers recognised - operational	172 436 000	(8 145 000)	164 291 000	-		164 291 000	265 079 643		100 788 643	161 %	154 %
Other own revenue	19 825 000	16 857 000	36 682 000	-		36 682 000	41 773 753		5 091 753	114 %	211 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>675 251 000</b>	<b>29 796 000</b>	<b>705 047 000</b>	<b>-</b>		<b>705 047 000</b>	<b>720 299 531</b>		<b>15 252 531</b>	<b>102 %</b>	<b>107 %</b>
Employee costs	(193 144 000)	(5 432 000)	(198 576 000)	-	-	(198 576 000)	(209 760 410)	-	(11 184 410)	106 %	109 %
Remuneration of councillors	(17 341 000)	745 000	(16 596 000)	-	-	(16 596 000)	(17 824 721)	-	(1 228 721)	107 %	103 %
Debt impairment	(14 300 000)	8 736 000	(5 564 000)			(5 564 000)	(66 683 498)	-	(61 119 498)	1 198 %	466 %
Depreciation and asset impairment	(25 344 000)	4 154 000	(21 190 000)			(21 190 000)	(109 148 908)	-	(87 958 908)	515 %	431 %
Finance charges	(3 590 000)	1 068 000	(2 522 000)	-	-	(2 522 000)	(8 562 250)	-	(6 040 250)	340 %	239 %
Materials and bulk purchases	(215 268 000)	1 161 000	(214 107 000)	-	-	(214 107 000)	(211 953 085)	-	2 153 915	99 %	98 %
Other expenditure	(201 069 000)	(7 499 000)	(208 568 000)	-	-	(208 568 000)	(180 268 654)	-	28 299 346	86 %	90 %
<b>Total expenditure</b>	<b>(670 056 000)</b>	<b>2 933 000</b>	<b>(667 123 000)</b>	<b>-</b>	<b>-</b>	<b>(667 123 000)</b>	<b>(804 201 526)</b>	<b>-</b>	<b>(137 078 526)</b>	<b>121 %</b>	<b>120 %</b>
<b>Surplus/(Deficit)</b>	<b>5 195 000</b>	<b>32 729 000</b>	<b>37 924 000</b>	<b>-</b>		<b>37 924 000</b>	<b>(83 901 995)</b>		<b>(121 825 995)</b>	<b>(221)%</b>	<b>(1 615)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>5 195 000</b>	<b>32 729 000</b>	<b>37 924 000</b>	<b>-</b>		<b>37 924 000</b>	<b>(83 901 995)</b>		<b>(121 825 995)</b>	<b>(221)%</b>	<b>(1 615)%</b>

# **Moqhaka Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

### **1. Presentation of Audited Annual Financial Statements**

The audited 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 audited 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 audited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### **1.1 Presentation currency**

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality, and have been rounded off to the nearest Rand.

#### **1.2 Significant judgements and sources of estimation uncertainty**

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

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

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

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

##### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance in the year in which it arose.

##### **Fair value estimation**

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

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

# **Moqhaka Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment testing**

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

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

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

#### **Useful lives and residual values**

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

#### **Post retirement benefits**

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

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

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

#### **Effective interest rate and deferred payment terms**

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

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

### **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.

# **Moghaka Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

### **1.3 Investment property (continued)**

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

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

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

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

#### **Fair value**

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

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

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

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

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.

#### **Derecognition**

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

### **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, or for administrative purposes, and are expected to be used during more than one reporting period.

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

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

Property, plant and equipment is initially measured at cost.

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

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Item	Average useful life
Land	Indefinite
Buildings	7 - 80 years
Plant and machinery	2 - 15 years
Furniture and fixtures	2 - 10 years
Motor vehicles	2- 20 years
Office equipment	3 - 7 years
IT equipment	3 - 7 years
Infrastructure	
□ Park Infrastructure assets	7 - 80 years
Community	
• Land	Indefinite
• Buildings	7 - 80 years
Electricity	7 - 80 years
Quarries	15 - 20 years
Landfill sites	15 - 80 years
Finance leases - 3G cards	2 years
Finance leases - Cellphones	2 years
Solid waste	15 - 80 years
Waste water network	7 - 80 years
Portable water network	8 - 100 years
Storm water	40 - 60 years
Heritage	Indefinite
Roads, Bridges and Roadside Structures	8 - 80 years
Roads, Bridges and Roadside Structures	8 - 80 years
Railway	60 - 100 years

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

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

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

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

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

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

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

#### Impairment

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

#### Transfer

Transfers from property, plant, and equipment assets are only made when the particular asset no longer meets the definition of a property, plant, and equipment.

Transfers to property, plant, and equipment are only made when the asset meets the definition of a property, plant, and equipment.

### 1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.



# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 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 audited 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.

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.

### Recognition

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

### Initial measurement

Heritage assets are measured at cost.

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

### Subsequent measurement

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

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

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



## Accounting Policies

### 1.6 Heritage assets (continued)

#### Impairment

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

#### Transfers

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

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

#### Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.7 Intangible assets

An asset is identifiable as an intangible asset when it:

- 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.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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.

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

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

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

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.7 Intangible assets (continued)

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

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

Item	Useful life
Computer software, internally generated	20 years
Computer software, other	3 - 5 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.8 Financial instruments (continued)

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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 unissued 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

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.8 Financial instruments (continued)

- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Classification

The entity classifies financial assets and financial liability as reflected on the face of the statement of financial position into the following categories:

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

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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

The entity measures a financial asset and financial liability initially at its fair value.

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.

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.8 Financial instruments (continued)

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

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

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

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

#### Fair value measurement considerations

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

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

#### Reclassification

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

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

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

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

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

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

# **Moghaka Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

### **1.8 Financial instruments (continued)**

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

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

Financial assets measured at cost:

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

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.8 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 recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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

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

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

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

##### Financial liabilities

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

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

# **Moqhaka Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

### **1.8 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.

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.

### **1.9 Tax**

#### **Value Added Tax (VAT)**

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7(1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### **1.10 Leases**

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

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

#### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.



# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.10 Leases (continued)

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

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

#### Operating leases - lessee

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

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

### 1.11 Inventories

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

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

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

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

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

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

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

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

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

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.11 Inventories (continued)

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.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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 held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

Useful life is either:

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

Impairment losses are recognised immediately in surplus or deficit.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

# **Moghaka Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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

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

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

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

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

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

Useful life is either:

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

Impairment losses are recognised immediately in surplus or deficit.

### **1.14 Equity instruments**

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

### **1.15 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.15 Employee benefits (continued)

#### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs: Recognise past service cost as an expense in the reporting period in which the plan is amended.

Actuarial gains or losses: Actuarial gains and losses are recognised in the surplus or deficit in the reporting period in which they occur.

Gains or losses on the curtailment or settlement of the defined benefit plan is recognised when the curtailment or settlement occurs.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

#### Post retirement obligations

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

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charged to income as incurred throughout the year.

### 1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Future events that may affect the amount required to settle an obligation is reflected in the amount of the provision where there is sufficient objective evidence that they will occur.

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.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.16 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

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, an municipality recognises the obligation at the higher of:

- the amount determined using 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.

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.17 Revenue from exchange transactions

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

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

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

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable.

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

## Accounting Policies

### 1.17 Revenue from exchange transactions (continued)

#### Interest and dividends

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

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

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

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

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

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

Penalty interest is levied on unpaid amounts each month. This revenue is recognised when leviable in terms of law.

### 1.18 Revenue from non-exchange transactions

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

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

Control of an asset arises 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.

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

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

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

#### 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.

The municipality is required to recognise a corresponding liability when a transferred asset is received if there are conditions attached to the asset which, if not met, will result in the money being refundable to the transferor.

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.18 Revenue from non-exchange transactions (continued)

#### Measurement

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

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

#### Assessment Rates

Revenue from rates, including collection charges and penalty interest, shall be recognised when

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- there has been compliance with the relevant legal requirement.
- changes to property values during a reporting period, which are referred to as "interims", are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised

#### Transfers

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

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

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

#### Fines

Revenue from the issuing of fines shall be recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably
- there are two types of fines; spot fines and summonses. Municipalities will usually issue both types of fines. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable
- In respect of summonses the public prosecutor can decide whether to waive the fines made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where reliable estimate cannot be made of revenue from summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### 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.



# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.18 Revenue from non-exchange transactions (continued)

#### Services in-kind

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

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

Where the municipality enters a financial guarantee contract, and it does not pay a guarantee to the insurer, the municipality discloses the existence of such contracts and the fact that no fee was paid to the insurer, but no assets are recognised.

### 1.19 Investment income

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

### 1.20 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

### 1.21 Comparative figures

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

Budget information, in accordance with GRAP 24, has been provided in Annexure E(1) to these financial statements.

Then the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 51.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 51.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practical, and the prior year comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 51.

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.23 Fruitless and wasteful expenditure

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

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

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.24 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and which was written off 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 write off 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 written off 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 written off 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 written off 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.

### 1.25 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

### 1.26 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

An entity needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants should only be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue should only be recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, whichever is earlier.

In certain circumstances government will only remit grants on a re-imbursement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

### Other Grants and Donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

### 1.28 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

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

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

### 1.29 Related parties (continued)

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.30 Contractual Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Contractual commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements
- Other commitments for contracts which are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality. Expenditure on research is recognised as an expense when it is incurred.

### 1.31 Subsequent Events

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### 1.32 GRAP 24 Presentation of Budget information

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

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

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

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The audited 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.

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 2. Standards, amendments to Standards, Directives and Interpretations issued but not yet effective

#### GRAP16 Investment Property

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 audited annual financial statements.

The expected impact of the standard is an increased disclosure relating to repairs and maintenance and long-overdue projects. Re-assessment of useful lives and residual values on a indicator basis - not annually. Encouraged disclosure removed.

It is expected to have a significant impact on the financial statements, but cannot be quantified are present.

#### GRAP17 Property, Plant and Equipment

The effective date of the standard is for years beginning on or after 01 April 2016. The municipality expects to adopt the standard for the first time in the 2017 audited annual financial statements.

The expected impact of the standard is an increased disclosure relating to repairs and maintenance and long-overdue projects. Re-assessment of useful lives and residual values on a indicator basis - not annually. Encouraged disclosure removed.

#### GRAP20 Related Party Disclosures

The effective date of the standard is not yet set.

Standard is available for the entity to use to disclose information in its financial statements pertaining to related parties. The entity is currently applying this Standard.

#### GRAP32 Service Concession Arrangements: Grantor

The effective date of the standard is not yet set.

The Standard requires the accounting for service concession assets by the grantor.  
This Standard is not relevant to the entities operations.

#### GRAP108 Statutory Receivables

The effective date of the standard is not yet effective.

The Standard requires the accounting for receivables that arise from legislation or similar means. The recognition and measurement is at transaction date and the transaction amount. Separate presentation and disclosure is also required. The Standard is available for the entity to formulate accounting policies. The entity has opted to apply the principles in formulating its accounting policies. Refer accounting policies.

#### GRAP109 Accounting by Principals and Agents

The effective date of the standard is not yet set.

The Standard requires the consideration of principal-agent arrangements to determine whether the entity should account as principal or agent. It also requires additional disclosure pertaining to the arrangement.  
It is expected to have a significant impact on the financial statements, but cannot be quantified are present.

#### IGRAP 17 Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

The effective date of the standard is not yet set.

The Interpretation requires the accounting for service concession assets by the grantor.  
This Interpretation is not relevant to the entities operations.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	15 480	13 920
Bank balances	5 481 718	15 404 366
Short-term deposits	6 348 590	15 142 020
	<b>11 845 788</b>	<b>30 560 306</b>

The fair value of the cash and cash equivalents approximate their carrying value.

#### Cash and cash equivalents pledged as collateral

Local guarantees issued to Department of Mining and Energy This cession is unlimited and is linked to ABSA fixed deposit account number: 205 824 7882	-	65 690
Local guarantees issued to Department of Mining and Energy This cession is linked to ABSA notice deposit account number: 630 1219190	50 000	40 015
	<b>50 000</b>	<b>105 705</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA BANK - Cheque Account - 405-327-4876	5 063 141	17 707 778	6 676 739	5 464 749	15 384 837	6 304 450
ABSA BANK - Fixed Deposit - 204-843-5948	-	54 064	51 397	-	54 064	51 397
ABSA BANK - Fixed Deposit - 205-824-7882	69 809	65 690	62 652	69 809	65 690	59 912
ABSA BANK - Notice Deposit - 630-0121-9190	-	40 015	39 696	-	40 015	39 696
ABSA BANK - Savings Account - 913-190-1443	6 271 062	14 870 953	15 653 770	6 271 062	14 870 953	15 653 770
ABSA BANK - Savings Account - 914-414-9383	-	6 680	2 839	-	6 680	2 839
ABSA BANK - Savings Account - 918-265-3631	-	2 574	2 525	-	2 574	2 525
ABSA BANK - Savings Account - 923-247-6515	-	94 863	93 049	-	94 863	93 049
ABSA BANK - Notice Deposit - 207-531-4898	3 671	-	-	3 671	-	-
Cash on hand	-	-	-	15 480	13 920	15 920
Accrued interest	-	-	-	21 017	26 710	25 988
<b>Total</b>	<b>11 407 683</b>	<b>32 842 617</b>	<b>22 582 667</b>	<b>11 845 788</b>	<b>30 560 306</b>	<b>22 249 546</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>4. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	42 171 108	34 136 832
Water	178 319 216	152 300 138
Interest on debtors	59 278 013	44 414 264
Sewerage	42 327 677	37 475 674
Refuse	30 099 449	25 537 734
Other services*	20 088 318	16 043 678
Deposit	2 467 754	3 416 083
	<b>374 751 535</b>	<b>313 324 403</b>
*Other Service comprise of: Rental (including leases), Fire services and advertising services.		
<b>Less: Allowance for impairment</b>		
Electricity	(10 955 264)	(11 357 223)
Water	(161 884 234)	(120 319 366)
Interest on debtors	(39 632 079)	(31 079 537)
Sewerage	(34 136 600)	(27 604 056)
Refuse	(23 124 765)	(18 752 156)
Other services*	(15 540 548)	(14 708 560)
Deposits	(1 726 809)	(2 314 093)
	<b>(287 000 299)</b>	<b>(226 134 991)</b>
<b>Net balance</b>		
Electricity	31 215 844	22 779 609
Water	16 434 982	31 980 772
Interest on debtors	19 645 934	13 334 727
Sewerage	8 191 077	9 871 618
Refuse	6 974 684	6 785 578
Other services	4 547 770	1 335 118
Deposit	740 945	1 101 990
	<b>87 751 236</b>	<b>87 189 412</b>
<b>Electricity</b>		
Current (0 -30 days)	10 399 009	11 860 326
31 - 60 days	1 219 275	1 150 573
61 - 90 days	661 759	698 996
91 - 120 days	18 935 801	9 069 714
	<b>31 215 844</b>	<b>22 779 609</b>
<b>Water</b>		
Current (0 -30 days)	560 446	6 670 535
31 - 60 days	446 495	4 011 847
61 - 90 days	373 043	3 423 139
91 - 120 days	15 054 998	17 875 251
	<b>16 434 982</b>	<b>31 980 772</b>
<b>Interest on debtors</b>		
Current (0 -30 days)	507 433	1 290 703
31 - 60 days	511 981	1 448 934
61 - 90 days	986 788	1 412 812
91 - 120 days	17 639 732	9 182 278
	<b>19 645 934</b>	<b>13 334 727</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>4. Receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	344 862	1 581 662
31 - 60 days	189 891	962 657
61 - 90 days	162 777	867 557
91 - 120 days	7 493 547	6 459 742
	<b>8 191 077</b>	<b>9 871 618</b>
<b>Refuse</b>		
Current (0 -30 days)	321 119	1 050 533
31 - 60 days	181 615	632 665
61 - 90 days	159 331	572 629
91 - 120 days	6 312 619	4 529 751
	<b>6 974 684</b>	<b>6 785 578</b>
<b>Other services</b>		
Current (0 -30 days)	211 693	246 401
31 - 60 days	145 782	109 692
61 - 90 days	92 372	242 193
91 - 120 days	4 097 923	736 832
	<b>4 547 770</b>	<b>1 335 118</b>
<b>Deposit</b>		
Current (0 -30 days)	32 599	322 029
31 - 60 days	22 449	144 879
61 - 90 days	14 224	152 737
91 - 120 days	671 673	482 345
	<b>740 945</b>	<b>1 101 990</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	9 586 402	16 981 392
31 - 60 days	7 778 760	6 888 438
61 - 90 days	7 913 807	6 353 719
91 - 120 days	321 187 495	246 462 732
	346 466 464	276 686 281
Less: Allowance for impairment	(282 152 148)	(224 167 600)
	<b>64 314 316</b>	<b>52 518 681</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	8 469 491	8 786 714
31 - 60 days	744 522	1 246 757
61 - 90 days	378 451	796 550
91 - 120 days	9 067 384	21 078 467
	18 659 848	31 908 488
Less: Allowance for impairment	(4 848 151)	(1 967 390)
	<b>13 811 697</b>	<b>29 941 098</b>



# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>4. Receivables from exchange transactions (continued)</b>		
<b>National and provincial government</b>		
Current (0 -30 days)	3 693 701	1 889 718
31 - 60 days	791 575	271 208
61 - 90 days	551 777	210 691
91 - 120 days	4 588 170	2 358 016
Less: Allowance for impairment	-	-
	<b>9 625 223</b>	<b>4 729 633</b>
<b>Total</b>		
Current (0 -30 days)	24 583 164	27 657 824
31 - 60 days	9 583 951	8 406 402
61 - 90 days	9 072 132	7 360 960
91 - 120 days	331 512 289	269 899 217
	374 751 536	313 324 403
Less: Allowance for impairment	(287 000 300)	(226 134 991)
	<b>87 751 236</b>	<b>87 189 412</b>
<b>Long term debtors</b>		
> 365 days	7 028 943	7 854 766
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(226 134 991)	(205 168 671)
Contributions to allowance	(61 911 906)	(23 904 626)
Reversal of allowance of impairment	988 231	-
Write offs against the provision	58 367	2 938 306
	<b>(287 000 299)</b>	<b>(226 134 991)</b>

### Long term debtors

Long term debtors included in the above receivables from exchange transactions, is a number of consumers with whom arrangements have been made to pay the debt over a period longer than one year.

No receivables from exchange transaction have been pledged as collateral for liabilities of the municipality.

### 5. Inventories

Consumable stores	11 799 582	10 887 911
Water	289 206	237 805
	<b>12 088 788</b>	<b>11 125 716</b>

None of the inventories held by the municipality were measured at fair value less cost to sell.

Consumable Inventory held by the municipality increased by R911,671 in the current year (2015: R5,897,637).

Water Inventory held by the municipality increased by R51,402 in the current year (2015: R6,112).

During the year inventory that were issued through the Statement of Financial Performance amounted to R10,231,891.07.

During the year Council approved the inventory adjustments of R1,714,657 that went through the Statement of Financial Performance.

No Inventories have been pledged as collateral for liabilities of the municipality.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>6. Receivables from non-exchange transactions</b>		
Fines	3 254 426	3 368 406
Assessment Rates	13 209 359	13 491 615
Sundry receivables	2 472 990	2 456 989
	<b>18 936 775</b>	<b>19 317 010</b>
<b>Assessment rates</b>		
Gross balance	28 752 735	26 491 443
Less: Allowance for impairment	(15 543 376)	(12 999 828)
	<b>13 209 359</b>	<b>13 491 615</b>
<b>Total</b>		
Current (0-30 days)	2 555 883	2 378 158
31 - 60 days	980 854	958 089
61 - 90 days	697 284	704 042
91 - 120 days	24 518 714	22 451 154
Less: Impairment	(15 543 376)	(12 999 828)
	<b>13 209 359</b>	<b>13 491 615</b>
<b>Residential</b>		
Current (0-30 days)	1 606 048	1 509 826
31 - 60 days	794 263	736 891
61 - 90 days	596 020	584 710
91 - 120 days	22 488 848	20 583 489
Less: Impairment	(13 573 490)	(11 032 438)
	<b>11 911 689</b>	<b>12 382 478</b>
<b>Industrial / commercial</b>		
Current (0-30 days)	945 614	846 702
31 - 60 days	182 371	209 514
61 - 90 days	97 044	107 993
91 - 120 days	2 027 947	1 858 120
Less Impairment	(1 969 886)	(1 967 390)
	<b>1 283 090</b>	<b>1 054 939</b>
<b>National and provincial government</b>		
Current (0-30 days)	4 221	21 630
31 - 60 days	4 220	11 684
61 - 90 days	4 220	11 339
91 - 120 days	1 919	9 545
	14 580	54 198
	<b>14 580</b>	<b>54 198</b>
<b>Fines</b>		
Gross balance	6 911 294	5 444 541
Less: Allowance for impairment	(3 656 868)	(2 076 135)
	<b>3 254 426</b>	<b>3 368 406</b>

The fair value other receivables approximate their carrying values.

No receivable from non-exchange have been pledged as collateral for liabilities of the municipality.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>6. Receivables from non-exchange transactions (continued)</b>		
<b>Reconciliation of allowance for impairment - Assessment Rates</b>		
Balance at beginning of the year	(12 999 828)	(13 482 445)
Contributions to allowance	(3 881 860)	-
Reversal of allowance of impairment	-	482 617
Write offs against the provision	1 338 311	-
	<b>(15 543 377)</b>	<b>(12 999 828)</b>

## 7. Investments

### Designated at fair value

Senwesbel	108 780	109 687
The fair value is based on quoted price from active markets for identical assets and is therefore a level 1		
Senwes	124 131	122 949
The fair value is based on quoted price from active markets for identical assets and is therefore a level 1		
	<b>232 911</b>	<b>232 636</b>

### Non-current assets

Designated at fair value	232 911	232 636
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### Financial assets at fair value

#### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 8. Heritage assets

	2016		2015	
	Cost / Valuation	Accumulated impairment losses	Cost / Valuation	Accumulated impairment losses
Heritage assets	2 163 451	-	2 163 451	-

#### Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	2 163 451	2 163 451

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Historical buildings	2 163 451	2 163 451

#### Deemed costs

Aggregate of items valued using deemed cost	-	2 163 451
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Deemed cost was determined using the current replacement cost (CRC).

### 9. Investment property

	2016		2015	
	Cost / Valuation	Accumulated impairment	Cost / Valuation	Accumulated impairment
Investment property	158 154 797	-	154 157 178	-

#### Reconciliation of investment property - 2016

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	154 157 178	(1 200 000)	5 197 619	158 154 797

#### Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	151 123 693	3 033 485	154 157 178

#### Pledged as security

There are currently no restrictions on Investment Property as they have not being pledged as securities for liabilities.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation for the acquisition of Investment Property.

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.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 9. Investment property (continued)

#### Details of valuation

The effective date of the revaluations was 30 June 2016. The method used by valuator was to use the existing valuation roll as prepared by the municipal valuer. The value per the valuation roll was increased or decreased to be calculated the current market value from analysis of most recent property sales dating 2009 to current.

The assumptions made were to use the market related property information over the last 6 years to increase or decrease the property value to get to a fair value at the end of the financial year under review.

The fair value of the investment property was provided by Pieter Hendrik Venter, registered as a candidate valuer under subsection (2) of section 22 of (Act 47) of 2000 assisted Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of section 22 of (Act 47) of 2000 Property Valuers Profession Bill.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	2 164 585	1 850 269
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### 10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	60 263 468	-	60 263 468	60 263 468	-	60 263 468
Buildings	50 893 265	(16 238 344)	34 654 921	50 720 691	(15 216 207)	35 504 484
Plant and machinery	6 897 940	(3 277 493)	3 620 447	6 236 005	(3 249 619)	2 986 386
Furniture and fixtures	4 963 448	(2 631 771)	2 331 677	4 981 405	(2 596 288)	2 385 117
Motor vehicles	56 549 575	(29 134 715)	27 414 860	48 526 277	(25 085 703)	23 440 574
Office equipment	11 160 249	(6 778 930)	4 381 319	13 205 210	(7 641 042)	5 564 168
IT equipment	8 832 763	(4 347 587)	4 485 176	8 809 877	(3 869 801)	4 940 076
Infrastructure	3 882 595 192	1 969 659 209	1 912 935 983	3 825 493 492	1 874 642 535	1 950 850 957
Community	169 156 660	(81 935 772)	87 220 888	159 483 397	(76 512 052)	82 971 345
Capital work in progress	96 276 622	-	96 276 622	70 568 182	-	70 568 182
Finance leased assets	2 146 732	(802 662)	1 344 070	295 042	(109 128)	185 914
<b>Total</b>	<b>4 349 735 914</b>	<b>(2 114 806 483)</b>	<b>2 234 929 431</b>	<b>4 248 583 046</b>	<b>(2 008 922 375)</b>	<b>2 239 660 671</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand

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

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

	Opening balance	Additions	Disposals	WIP transfers to Infrastructure	Depreciation	Impairment loss	Total
Land	60 263 468	-	-	-	-	-	60 263 468
Buildings	35 504 484	-	-	172 574	(1 022 137)	-	34 654 921
Plant and machinery	2 986 386	1 545 323	(89 524)	-	(821 738)	-	3 620 447
Furniture and fixtures	2 385 117	358 153	(67 710)	-	(343 883)	-	2 331 677
Motor vehicles	23 440 574	8 048 523	(2 523)	-	(4 071 714)	-	27 414 860
Office equipment	5 564 168	63 421	(179 256)	-	(1 067 014)	-	4 381 319
IT equipment	4 940 076	685 842	(66 296)	-	(1 074 446)	-	4 485 176
Infrastructure	1 950 850 957	1 402 056	(481 034)	56 854 385	(94 358 197)	(1 332 184)	1 912 935 983
Community	82 971 345	-	-	9 673 263	(5 423 720)	-	87 220 888
Capital work in progress	70 568 182	92 408 662	-	(66 700 222)	-	-	96 276 622
Finance leased assets	185 914	1 892 073	(586)	-	(733 331)	-	1 344 070
	<b>2 239 660 671</b>	<b>106 404 053</b>	<b>(886 929)</b>	<b>-</b>	<b>(108 916 180)</b>	<b>(1 332 184)</b>	<b>2 234 929 431</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	WIP transfers to Infrastructure	Depreciation	Impairment loss	Total
Land	60 263 468	-	-	-	-	-	60 263 468
Buildings	36 518 897	-	-	-	(1 014 413)	-	35 504 484
Plant and machinery	2 952 258	583 124	(5 623)	-	(543 373)	-	2 986 386
Furniture and fixtures	2 451 399	225 545	-	-	(291 827)	-	2 385 117
Motor vehicles	25 404 711	1 190 585	(4 264)	-	(3 150 458)	-	23 440 574
Office equipment	6 464 007	147 469	(800)	-	(1 046 508)	-	5 564 168
IT equipment	3 712 182	1 998 937	(14 132)	-	(756 911)	-	4 940 076
Infrastructure	1 960 652 287	399 431	-	87 313 177	(91 596 051)	(5 917 887)	1 950 850 957
Community	88 051 668	37 442	-	-	(5 117 765)	-	82 971 345
Capital work in progress	82 357 989	75 523 370	-	(87 313 177)	-	-	70 568 182
Finance leased assets	35 353	259 413	-	-	(108 852)	-	185 914
	<b>2 268 864 219</b>	<b>80 365 316</b>	<b>(24 819)</b>	<b>-</b>	<b>(103 626 158)</b>	<b>(5 917 887)</b>	<b>2 239 660 671</b>

#### Pledged as security

There are currently no restrictions on property, plant and equipment as they have not being pledged as securities for liabilities.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 10. Property, plant and equipment (continued)

#### Other information

**The municipality currently has the following capital commitments with regards to capital expenditure on infrastructure assets**

Approved and contracted for	56 503 789	87 699 601
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**The following amounts have been included in Other Income which relates to damaged, lost or given up property, plant and equipment.**

Proceeds received from Insurers	-	1 549 423
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**The following amounts relates to leased assets held by the entity included in property, plant and equipment**

Office Equipment	1 325 563	175 172
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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.

Capital work in progress refers to infrastructure projects and community asset projects which are still in the process of being completed.



# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 11. Intangible assets

		2016			2015	
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 229 441	(1 987 660)	3 241 781	4 271 118	(3 168 122)	1 102 996

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 102 996	2 513 504	(141 992)	(232 727)	3 241 781

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	1 289 058	-	(186 062)	1 102 996

#### Other information

There were no intangible assets that were assessed as having an indefinite useful life.

There are no intangible assets whose title is restricted or pledged as security for municipality's liabilities.

There are no contractual commitments for the acquisition of intangible assets.

### 12. Employee benefit obligations

#### Defined benefit plan

#### Post retirement medical aid plan

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme
- Bonitas Medical Scheme;
- Hosmed Medical Scheme
- Samwumed Medical Scheme; and
- Key Health Medical Scheme

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 12. Employee benefit obligations (continued)

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(42 561 000)	(38 911 000)
Current service costs	(467 000)	(478 000)
Interest costs	(3 514 000)	(3 250 000)
Actuarial gains / (loss)	2 640 000	(3 008 000)
Benefit payments	3 106 000	3 086 000
	<b>(40 796 000)</b>	<b>(42 561 000)</b>

The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:

In-service members (employees)	7	22
Continuation members (e.g: Widows, orphans, pensioners)	70	67
	<b>77</b>	<b>89</b>

#### Net expense recognised in the statement of financial performance

Current service cost	(467 000)	(478 000)
Interest cost	(3 514 000)	(3 250 000)
Expected return on plan assets	-	-
Actuarial (gains) losses	2 640 000	(3 008 000)
Change in asset ceiling	-	-
Cash movement	-	-
Benefit payments	3 106 000	3 086 000
Employer contributions	-	-
	<b>1 765 000</b>	<b>(3 650 000)</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate used	9,18 %	8,52 %
Health care cost inflation	8,31 %	7,76 %
Net discount rate	0,80 %	0,71 %

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

In line with GRAP 25 and current market practice, government bond yields are used as the South African corporate bond market is not considered to be sufficiently developed. Furthermore, it is One Pangaea Financial's view that South Africa does not have a deep and liquid market in corporate bonds, and therefore government bonds are used when setting our best-estimate discount rate assumption.

The currency and term of the government bonds shall be consistent with the currency and estimated term of the post employment benefit obligations.

The estimated discount rate was set equal to the yield on the BEASSA zero-coupon yield curve with a term of 9.91 years, the expected duration of the liability based on the current membership data, as at 30 June 2016.

The expected benefit payments over the next annual reporting period is reflected in the table below.

Balance at 30 June 2016	(40 796 000)
Projected expenditure excluding actuarial (gains) / losses	(3 773 000)
Expected benefit payments	2 947 000
<b>Expected as at 30 June 2017</b>	<b>(41 622 000)</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 12. Employee benefit obligations (continued)

#### Retirement Benefit Information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below.

##### Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund
- Maokeng Provident Fund; and
- SAMWU National Provident Fund.

##### Defined benefit plans

The following are defined benefit plans:

- Government Employees Pension Fund;
- SALA Pension Fund; and
- Free State Municipal Pension Fund.

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in GRAP 25, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009:R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million).

The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

### 13. Consumer deposits

Kroonstad	12 720 145	12 146 690
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Consumer deposits are raised when a service account is opened and is refunded to the consumer after the account is closed.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	711 548	152 632
- in second to fifth year inclusive	703 958	42 067
	1 415 506	194 699
less: future finance charges	(90 301)	(19 527)
<b>Present value of minimum lease payments</b>	<b>1 325 205</b>	<b>175 172</b>
 <b>Present value of minimum lease payments due</b>		
- within one year	646 563	140 272
- in second to fifth year inclusive	678 642	34 900
	<b>1 325 205</b>	<b>175 172</b>
 Non-current liabilities	678 642	34 900
Current liabilities	646 563	140 272
	<b>1 325 205</b>	<b>175 172</b>

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

<b>Finance lease obligation - Equipment minimum lease payments due</b>		
- within one year	711 548	152 632
- in second to fifth year inclusive	703 958	42 067
Subtotal	1 415 506	194 699
Less: Future finance charges	(90 301)	(19 527)
<b>Present value of minimum lease payments</b>	<b>1 325 205</b>	<b>175 172</b>

Interest rates for leased equipment are fixed at the contract date. Lease payments escalate between 10% - 15% per annum and no arrangements have been entered into for contingent rent.

### 15. Other financial liabilities

<b>At amortised cost</b>		
Annuity loans - Development Bank of South Africa	23 627 900	24 793 551
The loan is unsecured and payable quarterly at fixed rate of 9%. The redemption date of the loan is 31 July 2027.		
<b>Non-current liabilities</b>		
At amortised cost	22 408 953	23 651 077
<b>Current liabilities</b>		
At amortised cost	1 218 947	1 142 474

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>16. Payables from exchange transactions</b>		
Trade payables	132 601 693	79 426 710
Payments received in advance	7 616 481	5 239 497
Annual bonus accrual	5 620 710	4 107 433
Leave pay accrual	17 766 245	13 976 291
Deposits received	7 549	27 595
Retention creditors	3 869 038	6 775 105
	<b>167 481 716</b>	<b>109 552 631</b>
<b>17. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
LGSETA Grant	339 282	482 129
Integrated National Electrification Programme (INEP)	-	211 290
	<b>339 282</b>	<b>693 419</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	693 419	7 979 965
Additions during the year	264 725 506	236 605 843
Income recognition during the year	(265 079 643)	(240 348 389)
Repayment during the year	-	(3 544 000)
	<b>339 282</b>	<b>693 419</b>
Non-current liabilities	-	-
Current liabilities	339 282	693 419
	<b>339 282</b>	<b>693 419</b>

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

Unfulfilled conditions and other contingencies attaching to government assistance is recognised as a liability until such time that the conditions are met. Once the conditions are met it is recognised as revenue.

See note 22 for reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 18. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for the rehabilitation cost of landfill sites	11 441 203	568 256	-	-	210 842	12 220 301
Provision for the rehabilitation cost of quarries	3 869 205	228 462	-	-	71 940	4 169 607
Funeral assistance	125 001	-	(8 001)	(8 000)	-	109 000
Long service bonus	12 426 000	970 003	-	-	-	13 396 003
	<b>27 861 409</b>	<b>1 766 721</b>	<b>(8 001)</b>	<b>(8 000)</b>	<b>282 782</b>	<b>29 894 911</b>

#### Reconciliation of provisions - 2015

	Opening Balance	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for the rehabilitation cost of landfill sites	11 907 880	(654 352)	-	187 675	11 441 203
Provision for the rehabilitation cost of quarries	3 927 604	(121 257)	-	62 858	3 869 205
Funeral assistance	132 000	-	(6 999)	-	125 001
Long service bonus	13 955 000	(2 561 000)	-	1 032 000	12 426 000
	<b>29 922 484</b>	<b>(3 336 609)</b>	<b>(6 999)</b>	<b>1 282 533</b>	<b>27 861 409</b>

#### Rehabilitation of landfill sites and quarries

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus.

#### Funeral Death Benefit

The funeral death benefit scheme was initiated by the Municipality for its employees who were appointed prior to 1996. The scheme is only open to municipal employees, and payout's are only made to employees who die in the service of the Municipality.

#### Long service award (LSA)

The provision relates to the Long Service Award obligation for the municipal employees. The actuarial valuation was performed in line with the requirements of GRAP 25.

#### Summary of liability for landfill site costs

Kroonstad Landfill Site	6 478 976	6 010 844
Steynsrus Landfill Site	1 953 522	1 861 990
Viljoenskroon Landfill Site	3 787 803	3 568 369
Kroonstad gravel quarry	3 241 080	3 003 867
Steynsrus gravel quarry	928 527	865 338
Interest cost	282 782	250 533
	<b>16 672 690</b>	<b>15 560 941</b>

#### Amounts recognised in the statement of Financial Performance are as follows:

Current service cost	(735 000)	(856 000)
Interest cost	(948 000)	(1 032 000)
Actuarial gain / (losses)	(1 333 000)	867 000
Benefit payments	2 046 000	2 550 000
	<b>(970 000)</b>	<b>1 529 000</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 18. Provisions (continued)

#### Amounts recognised in the statement of Financial Position are as follows:

Defined benefit obligation	(12 426 000)	(13 955 000)
Plan assets	-	-
Movement in provision	(970 000)	1 529 000
<b>Net obligation recognised in the Statement of Financial Position</b>	<b>(13 396 000)</b>	<b>(12 426 000)</b>

#### Key assumptions used:

Assumptions used at the reporting date:

Discount rates used	9.18%	8.20%
Salary inflation	7.81%	6.97%
Net discount rate	1.27%	1.15%

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

The discount rate used in the valuation is our best estimate assumption of a CPI inflation rate, consistent with the gross discount rate, is determined with reference to the difference between the yields on government conventional and index-linked bonds as at valuation date, adjusted by a liquidity risk premium of 0.35%. A 2% margin is added to these estimates to arrive at the best estimate assumption for a salary inflation.

### 19. VAT payable

VAT	24 896 532	16 386 077
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The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 20. Financial instruments disclosure

The accounting policies for financial instruments have been applied to the line items below:

#### 2016

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	87 751 236	-	87 751 236
Other receivables from non-exchange transactions	-	18 936 775	-	18 936 775
Long term debtors	-	7 028 943	-	7 028 943
Cash and cash equivalents	-	-	5 481 718	5 481 718
Short term deposit	-	-	6 348 590	6 348 590
Investments	232 911	-	-	232 911
	<b>232 911</b>	<b>113 716 954</b>	<b>11 830 308</b>	<b>125 780 173</b>

##### Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	12 720 145	-	12 720 145
Finance lease obligation	1 325 205	-	1 325 205
Provisions	29 894 911	-	29 894 911
Payables from exchange transactions	167 481 716	-	167 481 716
Unspent conditional grants and receipts	-	339 282	339 282
VAT payable	-	24 896 532	24 896 532
Long-term loans	23 627 900	-	23 627 900
	<b>235 049 877</b>	<b>25 235 814</b>	<b>260 285 691</b>

#### 2015

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Receivables from exchange transactions	-	87 189 412	-	87 189 412
Other receivables from non-exchange transactions	-	19 317 010	-	19 317 010
Long term debtors	-	7 854 766	-	7 854 766
Cash and cash equivalents	-	-	15 404 366	15 404 366
Short term deposit	-	-	15 142 020	15 142 020
Investments	232 636	-	-	232 636
	<b>232 636</b>	<b>114 361 188</b>	<b>30 546 386</b>	<b>145 140 210</b>

##### Financial liabilities

	At amortised cost	At cost	Total
Consumer deposits	12 146 690	-	12 146 690
Finance lease obligation	175 172	-	175 172
Provisions	27 861 409	-	27 861 409
Payables from exchange transactions	109 552 631	-	109 552 631
Unspent conditional grants and receipts	-	693 419	693 419
VAT payable	-	16 386 077	16 386 077
Long-term loans	24 793 551	-	24 793 551
	<b>174 529 453</b>	<b>17 079 496</b>	<b>191 608 949</b>



# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 21. Revenue

Service charges	356 697 208	344 092 277
Donated assets	271 360	2 449 130
Rental of facilities and equipment	5 998 754	3 746 958
Fees earned	1 179 594	753 375
Discount received	90 025	161 947
Other income	9 988 553	9 719 841
Interest received	17 724 177	12 281 949
Dividends received	11 831	11 421
Property rates	48 467 154	46 124 567
Government grants and subsidies	265 079 643	240 348 389
Fines	2 634 920	4 545 114
	<b>708 143 219</b>	<b>664 234 968</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	356 697 208	344 092 277
Royalty income	271 360	2 449 130
Rental of facilities and equipment	5 998 754	3 746 958
Fees earned	1 179 594	753 375
Discount received	90 025	161 947
Other income	9 988 553	9 719 841
Interest received	17 724 177	12 281 949
Dividends received	11 831	11 421
	<b>391 961 502</b>	<b>373 216 898</b>

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

##### Taxation revenue

Property rates	48 467 154	46 124 567
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##### Transfer revenue

Government grants & subsidies	265 079 643	240 348 389
Fines	2 634 920	4 545 114
	<b>316 181 717</b>	<b>291 018 070</b>

### 22. Government grants and subsidies

Equitable share	161 083 000	167 294 000
Municipal System Improvement grant (MSIG)	930 000	944 089
LG SETA grant	428 780	709 814
Municipal Infrastructure grant (MIG)	38 899 000	38 123 000
Regional Bulk Infrastructure Grant (RBIG)	60 701 573	18 184 653
Financial Management grant (FMG)	1 675 000	1 600 281
Intergrated National Electrification grant (INEP)	211 290	12 297 552
Expanded Public Works Program grant (EPWP)	1 151 000	1 195 000
	<b>265 079 643</b>	<b>240 348 389</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 22. Government grants and subsidies (continued)

#### Equitable share

Balance unspent at beginning of year	-	-
Current-year receipts	161 083 000	167 294 000
Conditions met - transferred to revenue	(161 083 000)	(167 294 000)
<b>Unspent grant</b>	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	-
Current-year receipts	38 899 000	38 123 000
Conditions met - transferred to revenue	(38 899 000)	(38 123 000)
<b>Unspent grant</b>	-	-

The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.

#### LG SETA grant

Balance unspent at beginning of year	482 129	909 056
Current-year receipts	285 933	275 190
Conditions met - transferred to revenue	(428 780)	(702 117)
<b>Unspent grant</b>	<b>339 282</b>	<b>482 129</b>

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

The grant is used for training municipality staff to enhance their skills in their respective positions.

#### Extended Public Works Program grant

Current-year receipts	1 151 000	1 195 000
Conditions met - transferred to revenue	(1 151 000)	(1 195 000)
<b>Unspent grant</b>	-	-

This grant is used in respect of job creation projects and programmes.

#### Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	60 701 573	18 184 653
Conditions met - transferred to revenue	(60 701 573)	(18 184 653)
<b>Unspent grant</b>	-	-

#### Finance Management grant

Balance unspent at beginning of year	-	281
Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 600 281)
<b>Unspent grant</b>	-	-

This grant is to be used to train and appoint intern staff members in the finance department of the municipality.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 22. Government grants and subsidies (continued)

#### Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	10 089
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(930 000)	(944 089)
<b>Unspent grant</b>	-	-

The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of approved restructuring plans that addresses challenges in a sustainable manner.

#### Department of local government (DPLG)

Balance unspent at beginning of year	-	1 147 622
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Prior period error	-	(1 147 622)
<b>Unspent grant</b>	-	-

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

This grant is to be used to assist with the development of urban renewal.

#### Integrated national Electrification Program

Balance unspent at beginning of year	211 290	6 902 052
Current-year receipts	-	5 000 000
Conditions met - transferred to revenue	(211 290)	(8 297 552)
Grants withheld by National Treasury through equitable share	-	(3 393 210)
	-	<b>211 290</b>

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

#### Energy Efficiency and Demand Side Management Grant (EEDSM)

Balance unspent at beginning of year	-	150 790
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	-	(4 000 000)
Grants withheld by National Treasury through equitable share	-	(150 790)
	-	-

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 23. Property rates

#### Rates received

Residential	47 643 576	45 536 474
State	12 165 134	11 300 859
Less: Income forgone	(11 341 556)	(10 712 766)
	<b>48 467 154</b>	<b>46 124 567</b>

#### Valuations

Commercial	4 913 987 534	4 952 173 847
Multi-purpose	30 890 001	30 890 001
Municipal	284 071 603	287 143 842
Non-ratable	178 260 506	180 000 507
Residential	3 893 046 472	3 859 800 478
State	1 008 644 347	1 007 594 347
	<b>10 308 900 463</b>	<b>10 317 603 022</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R0.004 (2015: R0.004) is applied to property valuations to determine assessment rates. The first R50 000 of residential property is exempt from taxation. Rebates of 20% are granted to state property owners.

Rates are levied on a monthly basis. Interest at prime plus 1% per annum (2015: prime +1%) is levied on rates outstanding two months after due date. (Excluding national government property rates which is levied on an annual basis)

### 24. Service charges

Sale of electricity	246 687 827	229 329 991
Sale of water	73 146 623	81 562 097
Sewerage and sanitation charges	21 264 480	21 059 222
Refuse removal	16 628 288	13 925 467
Less: Income forgone	(1 030 010)	(1 784 500)
	<b>356 697 208</b>	<b>344 092 277</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Donated assets</b>		
Steynsrus Bulk Water - DWA Funding	-	2 446 631
National Treasury	119 158	-
Engen	150 000	-
Cash Crusaders	702	-
Goldfields Development	1 500	-
Tiger Security	-	2 499
	<b>271 360</b>	<b>2 449 130</b>
<b>2015/2016</b>		
IT equipment to the value of R119,158.00 was donated by National Treasury.		
A Tanker with a value of R150,000.00 was donated by Engen.		
A hammer drill with a value of R702.00 was donated by Cash Crusaders.		
A desk with a value of R1,500.00 was donated by Goldfields Development.		
<b>2014/2015</b>		
The Regional Bulk Infrastructure Grant project in Steynsrus funded by the Department of Water Affairs was initially implemented by the municipality and for the 2013/14 and 2014/15 the department took over the project. The expenditure disclosed relates to the actual expenditure of R2,446,631 by DWA on the project for the respective financial year.		
A fridge with a value of R2,499.00 was donated by Tiger Security.		
<b>26. Rental income</b>		
<b>Facilities and equipment</b>		
Rental of facilities	5 998 754	3 746 958
<b>27. Fees earned</b>		
Administrative and management fees	1 179 594	753 375
<b>28. Interest and dividends received</b>		
<b>Dividend revenue</b>		
Unlisted shares	11 831	11 421
<b>Interest revenue</b>		
Bank	2 271 188	2 501 135
South African Revenue Service (SARS)	-	1 524 505
Receivables from exchange transactions	15 452 989	8 256 309
	<b>17 724 177</b>	<b>12 281 949</b>
	<b>17 736 008</b>	<b>12 293 370</b>

All amounts above included in Investment revenue arises from exchange transactions.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>29. Other income</b>		
Advertisements	-	400
Advertising signs	75 906	75 284
Building plans and inspection fees	88 161	130 474
Burial income	868 503	927 279
Clearance certificates	206 617	156 341
Commission premiums	251 124	226 137
Connection fees	2 928 905	1 770 845
Erven sales	1 783 101	454 165
Escort fees	4 258	4 860
Fire brigade fees	409 347	104 239
Hostel fees	41 255	41 255
Insurance claims	294 789	1 546 924
Provision for rehabilitation adjustment	-	775 609
Administration income	321 200	192 814
Funeral assistance	8 000	4 318
Parking	163 664	-
Railway siding industrial	581 294	465 592
Rescue and assistance fees	570 129	487 404
Special services	2 241	15 513
Sundry income	802 296	1 135 550
Telephone costs recovered	189 398	248 026
Unclaimed deposits	346 964	950 700
Water valuation adjustments	51 401	6 112
	<b>9 988 553</b>	<b>9 719 841</b>
<b>30. Discount received</b>		
<b>Discount received consists of:</b>		
Suppliers	90 025	161 947
<b>31. Fines</b>		
<b>Fines consists of:</b>		
Traffic fines	2 465 780	4 263 300
Library and lost books	1 892	2 089
Tampered meters	167 248	279 725
	<b>2 634 920</b>	<b>4 545 114</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>32. Employee related costs</b>		
Basic	123 314 581	101 074 867
Bonus	9 800 506	7 828 776
Medical aid - company contributions	14 297 738	12 302 432
UIF	1 253 894	1 033 286
SDL	1 704 852	1 415 182
Industrial council levy	79 416	63 199
Leave pay provision charge	7 146 698	6 434 603
Group Life Insurance General	1 670 203	1 693 292
Defined contribution plans	21 050 800	17 908 474
Overtime payments	16 387 813	15 131 166
Car allowance	9 242 773	7 865 042
Housing benefits and allowances	1 022 846	826 636
Other allowances	857 908	715 586
Telephone allowance	405 140	361 388
Standby allowance	1 525 242	1 429 869
	<b>209 760 410</b>	<b>176 083 798</b>

The salaries, allowances and benefits of staff disclosed are within the upper limits of the SALGA bargaining council determinations.

### Remuneration of Municipal Manager

Annual Remuneration	960 393	848 407
Contributions to UIF, Medical and Pension Funds	47 730	44 839
Allowances	679 692	552 517
Travel and subsistence	32 736	20 225
Skills development levy	15 633	13 392
	<b>1 736 184</b>	<b>1 479 380</b>

### Remuneration of Chief Financial Officer

Annual Remuneration	754 188	712 662
Contributions to UIF, Medical and Pension Funds	153 791	144 262
Allowances	388 420	354 143
Travel and subsistence	53 864	34 283
Skills development levy	10 515	9 816
	<b>1 360 778</b>	<b>1 255 166</b>

### Executive Director: Technical Services

Annual Remuneration	-	-
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There is no permanent employed Director: Technical Services and the following officials acted as the Director.

#### 2015

Mr MH Geringer received an acting allowance for a period of 1 July 2014 to 30 June 2015 to the amount of R363 806.

#### 2016

Mr MH Geringer received an acting allowance for a period of 1 Aug 2015 to 31 Dec 2015 to the amount of R172 121.

Mrs CP Botha received an acting allowance for a period of 01 March 2016 to 30 June 2016 to the amount of R201 837.

### Amount Paid

Acting allowance	373 958	363 806
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# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 32. Employee related costs (continued)

#### Executive Director: Corporate Services

Annual Remuneration	745 828	712 662
Allowances	385 856	344 273
Contributions to UIF, Medical and Pension Funds	156 315	144 931
Travel and subsistence	37 749	14 332
Skills development levy	10 436	9 725
	<b>1 336 184</b>	<b>1 225 923</b>

#### Executive Director: Community Services

Annual Remuneration	754 188	712 662
Allowances	513 078	463 700
Contributions to UIF, Medical and Pension Funds	33 839	29 919
Travel and subsistence	37 118	4 510
Skills development levy	12 808	11 804
Cashed leave days	18 861	-
	<b>1 369 892</b>	<b>1 222 595</b>

### 33. Remuneration of councillors

Executive Major	484 901	456 137
Members of Mayoral Committee	4 273 965	3 939 535
Speaker	384 909	357 663
Councillors	10 301 764	9 709 820
Councillors' pension contribution	2 379 182	2 293 500
	<b>17 824 721</b>	<b>16 756 655</b>

#### In-kind benefits

The Executive Mayor, Speaker and Member of Mayoral Committee are employed on a full-time basis. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties.

The Executive Mayor has one full-time bodyguard and a driver.

The Speaker has the use of a Council owned vehicle for official duties.

#### Executive Mayor - Cllr J Mareka (Appointed 03 June 2014)

Basic Salary	498 288	471 515
Car Allowance	196 770	186 507
Social Contributions	123 789	102 859
Cellphone Allowance	20 868	20 868
	<b>839 715</b>	<b>781 749</b>



# Moghaka Local Municipality

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>33. Remuneration of councillors (continued)</b>		
<b>Speaker - Cllr ACWD Nakedi</b>		
Basic Salary	395 613	374 206
Car Allowance	157 412	149 206
Social Contributions	205 175	94 203
Cellphone Allowance	20 868	20 868
	<b>779 068</b>	<b>638 483</b>
 Members of Mayoral Committee (MMC)		
<b>MMC - COMMUNITY SERVICES: Cllr S Mokoena</b>		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	99 658	68 602
Cellphone Allowance	24 468	24 468
	<b>641 650</b>	<b>582 832</b>
 <b>MMC - TECHNICAL SERVICES: Cllr MP Thipane</b>		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	105 752	91 542
Cellphone Allowance	24 468	24 468
	<b>647 744</b>	<b>605 772</b>
 <b>MMC - IDP AND PLANNING: Cllr DA Tau</b>		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	119 658	94 756
Cellphone Allowance	24 468	24 468
	<b>661 650</b>	<b>608 986</b>
 <b>MMC - PUBLIC SAFETY: Cllr ER Moletsane</b>		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	151 202	98 055
Cellphone Allowance	24 468	24 468
	<b>693 194</b>	<b>612 285</b>
 <b>MMC - PERSONNEL AND ADMINISTRATION: Cllr TM Mkhwanazi</b>		
Basic Salary	369 950	334 388
Car Allowance	147 574	142 740
Social Contributions	93 708	80 180
Cellphone Allowance	24 468	24 468
	<b>635 700</b>	<b>581 776</b>
 <b>MMC - RURAL DEVELOPMENT AND LAND REFORM: Cllr Dire / Cllr MLM Machobane, Cllr MLM Machobane passed away in Dec 2015 and this vacancy was filled by Cllr Dire.</b>		
Basic Salary	333 418	349 880
Car Allowance	133 090	139 882
Social Contributions	79 235	74 787
Cellphone Allowance	22 429	24 468
	<b>568 172</b>	<b>589 017</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>33. Remuneration of councillors (continued)</b>		
<b>MMC - HUMAN SETTLEMENT: Cllr SB Tladi / Cllr ME Mokotla , Cllr Mokotla passed away in March 2015 and this vacancy was filled by Cllr Tladi.</b>		
Basic Salary	369 950	246 918
Car Allowance	147 574	92 942
Social Contributions	136 492	57 858
Cellphone Allowance	24 468	17 233
	<b>678 484</b>	<b>414 951</b>
<b>MMC - SPORT, ARTS, CULTURE &amp; RECREATION: Cllr ZS Magadlela</b>		
Basic Salary	369 950	351 668
Car Allowance	147 574	139 882
Social Contributions	98 431	66 038
Cellphone Allowance	24 468	24 468
	<b>640 423</b>	<b>582 056</b>
<b>MMC - COUNCIL WHIP: Cllr MA Koloi</b>		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	181 748	153 808
Cellphone Allowance	24 468	24 468
	<b>723 740</b>	<b>668 038</b>
<b>MMC - LOCAL ECONOMIC DEVELOPMENT &amp; INVESTMENT: Cllr TL Makau</b>		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	80 331	77 766
Cellphone Allowance	24 468	24 468
	<b>622 323</b>	<b>591 996</b>
<b>MMC - FINANCE, AUDIT AND RISK MANAGEMENT: Cllr D Colbert</b>		
Basic Salary	369 950	349 880
Car Allowance	147 574	139 882
Social Contributions	95 972	85 175
Cellphone Allowance	24 468	24 468
	<b>637 964</b>	<b>599 405</b>

# Moghaka Local Municipality

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## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>33. Remuneration of councillors (continued)</b>		
<b>PART TIME COUNCILLORS</b>		
Cllrs' A Masuret, AH Viljoen, JM		
Hattingh, MA Monoto, MJ Mofokeng, MD Mbono, FM Taje, DM		
Shahim, GV Wille, NW Mkhotheni, EM Notsi, MM		
Green, LD Kgang, MJ Sethabela, B Rooskrans, NM		
Selikoe, ME Letsitsa, DA Moeketsi, LM		
Seleke, MI Thajane, WL Makoele, CM Dalton, MJ Lithupa, DN Nzunga, J		
Geldenhuis, SV Khiba, TJ Leokaoke, DM Malinga, PJ Phooko, VPM Twapa, M		
Vermeulen, TM Ntsala, Chakane MS, Mokodutlo NP, Mofokeng RD, Van		
Schalkwyk L.		
Basic Salary	4 835 888	5 190 396
Car allowance	3 768 479	2 311 016
Social Contribution	1 702 664	1 704 593
Allowance	2 553 132	1 071 362
	<b>12 860 163</b>	<b>10 277 367</b>
<b>MPAC CHAIRPERSON: Cllr NP Mokodutlo</b>		
Basic Salary	344 284	374 385
Car allowance	137 734	130 555
Social Contribution	98 817	33 560
Cellphone Allowance	24 468	24 468
	<b>605 303</b>	<b>562 968</b>
<b>34. Debt impairment</b>		
Debt impairment	64 805 535	23 422 009
Fines - impairment	1 877 963	2 546 331
	<b>66 683 498</b>	<b>25 968 340</b>
<b>35. Depreciation and amortisation</b>		
Property, plant and equipment	108 916 180	103 626 158
Intangible assets	232 728	186 062
	<b>109 148 908</b>	<b>103 812 220</b>
<b>36. Impairment loss on assets</b>		
New 100Kva 3 Phase Transformer	-	43 261
Marabastad Electrification project - DoE Funding	-	5 874 625
Buildings	1 332 184	-
	<b>1 332 184</b>	<b>5 917 886</b>

### 2015/2016

During the year, four municipal buildings were impaired. One of the four buildings was destroyed by a fire at the Kroonstad landfill site while the other three were impaired due to poor condition.

### 2014/2015

A new 100kva3 Phase Transformer was installed. Removed due to lightning damage and could not be repaired. The transformer was impaired at a carrying value of R43 261.

Marabastad Electrification project funded by the Department of Energy was impaired due to theft of all the asset components of the project. The theft was reported to the SAPS case number 302 - 08 - 2014. The assets for the electrification were impaired at a carrying value of R5 874 625.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>37. Finance costs</b>		
Interest on landfill sites and quarries	282 782	250 533
Interest on late payment of creditors	1 586 766	312 549
Interest paid - SARS	1 272	5 099
Interest on annuity loans	2 229 430	2 293 347
Interest on employee benefits	4 462 000	4 282 000
	<b>8 562 250</b>	<b>7 143 528</b>
<b>38. Contracted services</b>		
Specialist services	25 328 381	17 178 842
Other contractors	2 102 619	1 828 586
	<b>27 431 000</b>	<b>19 007 428</b>
<b>39. Repairs and maintenance</b>		
<b>Repairs and maintenance consists of:</b>		
Buildings	2 371 774	2 303 454
Furniture and Office equipment	514 029	928 167
Plant and Machinery	1 979 787	1 990 134
Network maintenance	34 217 890	19 022 116
Street and storm water drainage	7 519 201	3 823 510
Tools	193 243	164 667
Vehicles	12 093 754	7 771 360
	<b>58 889 678</b>	<b>36 003 408</b>
<b>40. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Grant Expenditure - LG SETA	380 720	760 359
FMG Grant Expenditure	1 607 106	1 480 431
MSIG Grant Expenditure	669 516	707 661
EPWP Grant	689 377	-
	<b>3 346 719</b>	<b>2 948 451</b>
<b>41. Bulk purchases</b>		
Electricity	208 317 063	182 639 344
Water	3 636 022	3 526 474
	<b>211 953 085</b>	<b>186 165 818</b>
<b>42. Gains / (loss) on disposal of assets</b>		
Property, plant and equipment	(886 939)	(24 823)
Investment property	(1 200 000)	-
Intangible assets	(141 992)	-
	<b>(2 228 931)</b>	<b>(24 823)</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>42. Gains / (loss) on disposal of assets (continued)</b>		
Investment property	(1 200 000)	-
IT Equipment	(66 298)	(14 132)
Office Equipment	(179 258)	(800)
Plant and Machinery	(89 526)	(5 627)
Vehicles	(2 525)	(4 264)
Furniture and fixtures	(67 712)	-
Infrastructure	(481 034)	-
Finance leased assets	(586)	-
Intangible assets	(141 992)	-
	<b>(2 228 931)</b>	<b>(24 823)</b>
<b>43. General expenses</b>		
Advertising	286 366	567 260
Assets expensed	5 227	-
Auditors remuneration	8 125 496	6 773 798
Bank charges	2 101 335	2 223 119
Chemicals	4 342 392	4 475 153
Cleaning	392 324	335 425
Commission paid	4 232 436	4 027 028
Committee expenses	1 679 381	2 083 324
Travel and subsistence	1 994 579	1 894 875
Consulting and professional fees	8 906 575	6 050 860
Consumables	255 662	160 115
Entertainment	422 094	901 243
Penalties - SARS	23 959	30 538
Fuel and oil	5 493 384	6 268 102
Funeral expenses	307 711	163 530
Lease rentals on operating lease	9 881 276	6 335 121
Performance management	171 780	-
Insurance	3 060 409	3 730 673
Licences - other	1 325 636	1 576 586
Licences - vehicles	354 222	395 109
Magazines, books and periodicals	8 906	-
Medical expenses	335 122	6 215
Other expenses	1 195 557	525 782
Departmental charges	16 570 267	18 087 986
Postage and courier	1 529 118	1 455 725
Pre-paid meters	1 708 566	555 083
Printing and stationery	2 141 181	2 251 478
Provision for rehabilitation adjustment	796 718	-
Protective clothing	1 633 498	1 074 530
Special programs	1 063 384	492 975
Subscriptions and membership fees	2 334 245	1 128 386
Telephone and fax	2 332 778	2 090 762
Traffic signs	139 010	208 465
Training	142 942	118 821
Valuation roll	158 002	158 377
Workmen's compensation	1 588 604	236 691
	<b>87 040 142</b>	<b>76 383 135</b>
<b>44. Auditors' remuneration</b>		
Fees	8 125 496	6 773 798

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>45. Fair value adjustments</b>		
Investment property (Fair value model)	5 197 620	3 033 484
Investment in shares	276	11 745
	<b>5 197 896</b>	<b>3 045 229</b>
<b>46. Cash generated from operations</b>		
Surplus / (deficit)	(83 901 995)	12 720 336
<b>Adjustments for:</b>		
Depreciation and amortisation	109 148 908	103 812 220
Loss on disposal of property, plant and equipment	2 228 931	24 823
Retirement benefits - actuarial gains	(5 243 759)	(1 655 629)
Fair value adjustments	(5 197 896)	(3 045 229)
Inventory write up	(1 714 657)	-
Impairment loss	1 332 184	5 917 886
Debt impairment	66 683 498	25 968 340
Movements in retirement benefit assets and liabilities	3 478 759	5 305 629
Movements in provisions	2 033 502	(2 061 074)
Prior period adjustments	-	(684 170)
<b>Changes in working capital:</b>		
Inventories	(963 072)	(6 576 449)
(increase) / decrease in receivables from exchange transactions	(65 177 389)	(56 549 234)
Other receivables from non-exchange transactions	(861 875)	(6 594 092)
Payables from exchange transactions	59 643 755	702 047
VAT	8 510 455	16 763 514
Unspent conditional grants and receipts	(354 147)	(7 286 546)
Consumer deposits	573 455	2 931 747
	<b>90 218 657</b>	<b>89 694 119</b>
<b>47. Contingencies</b>		
<b>Contingent liabilities - pending claims</b>		
The municipality is being sued for some of the following pending claims against the council. All the claims are being contested based on legal advice.		
The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.		
<b>Contingent liabilities</b>		
Claims by individuals due to damage of property in various incidents	12 353 757	2 793 901
Claims from suppliers - contractual disputes	6 461 462	4 144 461
Leave accrual	7 595 988	5 148 824
	<b>26 411 207</b>	<b>12 087 186</b>
<b>Contingent assets</b>		
The contingent asset is as a result of employees who exceeded their leave days as at 30 June 2016. This is as a result of the variance in the leave cycles of the respective employees.		
<b>Contingent assets</b>		
Leave accrual	-	3 758

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 48. Related parties

The municipality did not enter into any related party transactions during the year under review, which were not at arm's length.

#### Key management information

Class	Number
Executive Mayor	1
Councillors	49
Municipal Manager	1
Section 57 managers	3

### 49. Change in estimate

#### Unspent conditional grants

A portion of the government grant was repaid, as conditions relating to its use had not been met as required. The cumulative adjustment to the unspent conditional grant (deferred income amortised) has been recognised in the current year.

The repayment of these grants resulted in adjustments as follows:

#### Department of energy grant (DOE)

Before repayment	-	3 987 898
After repayment	-	(443 898)
	-	<b>3 544 000</b>

### 50. Prior period errors

A number of prior period errors were corrected during the year ending 30 June 2016. The details of the retrospective prior errors adjusted are reflected below.

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 50. Prior period errors (continued)

#### Summary

**Finance cost, Bulk purchases** - The interest on late payments to Eskom were incorrectly included under bulk purchases. The corrections was made accordingly and the finance cost increased with R2,594. The bulk purchases and VAT decrease by R2,239 and R354 respectively.

**Rental of facilities, Payables** - Cheque 136959 for an amount of R605 to repay the rent deposit to the new salvation church was cancelled. The corrections was made and the rental of facilities and equipment increased and the payables decreased with R605.

**General expenditure, Payables** - Cheque 136907 for an amount of R1,442 for traffic signs from the interior shop were cancelled. The corrections was made and the general expenditure and the payables decreased with R1,442.

**PPE, General expenditure** - A payment of R1,689,944 for the refurbishment of Kroonstad water project was incorrectly expensed. The correction was done accordingly resulting in the increase of WIP and the decrease of general expenses amounting to R1,689,944.

**Receivables from non-exchange transactions, Debt impairment** - The fines was recalculated as per GRAP 23 and it was identified that the debt impairment was overstated with R35,647. The correction was done accordingly resulting in the increase of Receivables from non-exchange transactions and the decrease of debt impairment amounting to R35,647.

**VAT payable, Accumulated surplus** - A comprehensive review of the input tax deductions and output tax declarations reflected a total savings of R2,383,046 on output VAT that was incorrectly declared on the indigent subsidies. The correction was done accordingly resulting in the increase of accumulated surplus and the decrease of VAT payable amounting to R2,383,046.

**Finance Lease, General expenditure** - A recalculation was done and it was identified that the finance leases were understated with R32,073. The correction was done accordingly resulting in the increase finance lease short term R667 and long term R31,406 and the increase of general expenditure amounting to R32,073.

**Inventories, Accumulated Surplus** - A vacant site with a value of R672,700 were incorrectly classified as inventory. A correction was done accordingly resulting in the decrease in inventories and decrease in accumulated surplus amounting to R672,700.

**Payables from exchange transactions, General expenditure, Repairs and maintenance** - Duplicated accruals to the value of R2,435,138 were identified. A correction was done accordingly resulting in the decrease of payables to the amount of R2,435,138, a decrease of R273,936 in repairs and maintenance and a decrease of R2,161,202 in general expenditure.

**Payables from exchange transactions, General expenditure** - An invoice to the amount of R5,700 was not part of the accruals. A correction was done accordingly resulting in the increase of payables and the increase of general expenditure amounting R5,700.

**Unspent conditional grants, Accumulated surplus** - Expenditure relating to the urban development grant for the 2009/2010 financial year was not recognised as revenue, as these expenses were recorded in various vote numbers. A correction was done accordingly resulting in the decrease of unspent conditional grants of R1,147,622 and the increase in accumulated surplus amounting to R1,147,622.

**VAT payable, Accumulated surplus** - This correction relates to the 2013/2014 VAT, which was erroneously duplicated. The duplication was corrected resulting in the increase of accumulated surplus and the increase in VAT payable amounting to R386 716.

**PPE, Payables from exchange transactions** - Retention to the amount of R494,225 was not recorded in the prior year. A correction was done resulting in the increase in PPE and the increase in Payables from exchange transactions amounting to R494,225.

**Intangible assets, Accumulated surplus, Depreciation and amortisation** - The useful lives of intangible assets were adjusted. A correction was done resulting in the increase in depreciation and amortisation to the amount of R41,608, increase in intangible assets to the amount of R313,023 and increase of accumulated surplus R354,631.



# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 50. Prior period errors (continued)

**Investment Property, Fair value ,Accumulated surplus** - The amount as per prior year financial statements did not agree with the investment property register and a retrospective correction was performed, decreasing the investment property with R7,610,393, the opening surplus amounting to R6,938,477 and the fair value adjustments amounting to R671,916.

**Property, plant and equipment, Accumulated surplus** - The amount as per prior year financial statements did not agree with the property, plant and equipment register and a retrospective correction was performed, decreasing the property, plant and equipment against the opening surplus amounting to (R8,929,194).

**Payables from exchange transactions, Accumulated surplus** - The amount as per prior year financial statements did not agree with the retentions a retrospective correction was performed, increasing the payables from exchange transactions against the opening surplus amounting to (R5,020).

**Property, plant and equipment, Accumulated surplus** - The useful lives of the moveable assets were reassessed. A retrospective correction was performed, increasing the property, plant and equipment with R44,340,541, decreasing the depreciation and amortisation with (R1,587,663) against the opening surplus amounting to (R42,752,878).

**Property, plant and equipment, Accumulated surplus** - Work in progress corrections were made resulting in the decrease of property, plant and equipment amounting to (R12,425,271), increase in depreciation and amortisation R630,688 against the opening surplus amounting to R11,794,583.

**Receivables from non-exchange transactions, Accumulated surplus** - Salary expenditure relating to the 2012 & 2013 financial year were written off against the receivables from non-exchange transactions amounting to (R473,246), payables from exchange transactions amounting to (R1,151,010) and against the opening surplus amounting to R1,624,256.

**Property, plant and equipment, Accumulated surplus** - The amount as per prior year financial statements did not agree with the finance leased asset registers. A retrospective correction was performed, decreasing the property, plant and equipment with (R11,730), the opening surplus amounting to R180 and increased the depreciation and amortisation amounting to R11,550.

**Receivables from non-exchange transactions, Accumulated surplus** - A receivable was created for fruitless and wasteful expenditure to be recovered against opening surplus amounting to R1,452,287 as per Council resolution.

**PPE, Accumulated Surplus, Depreciation and amortisation** - The methodology used to calculate the remaining useful life of the moveable assets was corrected as well as the CRC of 47 assets. This correction resulted in an increase in the accumulated surplus to the amount of R19,222,020, a decrease in the property plant and equipment to the amount of (R21,973,552) and an increase in the depreciation and amortisation amounting to R2,751,532.

**Investment Property, Accumulated Surplus** - Properties physically transferred to residents were not disposed of in the investment register. A correction was done that resulted in an increase in the accumulated surplus to the amount of R30,224,000 and an decrease in investment property amounting to (R30,224,00).

**Receivables from non-exchange transactions, Debt impairment** - The fines impairment was recalculated and it was identified that the debt impairment was understated. The correction was done accordingly resulting in the decrease of Receivables from non-exchange transactions and the increase of debt impairment amounting to R1,243,201.

**PPE, Accumulated Surplus, Depreciation and amortisation** - Assets that were not moved from the staging list to the final asset register. This correction resulted in an decrease in the accumulated surplus to the amount of R2,874,201, a increase in the property plant and equipment to the amount of R2,753,942 and an increase in the depreciation and amortisation amounting to R120,591.

The correction of the error(s) results in adjustments as follows:

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>50. Prior period errors (continued)</b>		
<b>Statement of financial position</b>		
Inventories	-	(672 700)
Receivables from non-exchange transactions	-	(241 622)
Investment property	-	(37 834 393)
PPE	-	5 939 907
Intangible assets	-	313 023
Finance lease obligation (Short term)	-	(667)
Payables from exchange transactions	-	782 266
Unspent conditional grants and receipts	-	1 147 622
VAT payable	-	2 769 408
Finance lease obligation (Long term)	-	(31 406)
Accumulated Surplus	-	28 078 736
<b>Statement of Financial Performance</b>		
Rental of facilities and equipment	-	(605)
Debt impairment	-	1 207 554
Depreciation and amortisation	-	1 946 253
Finance cost	-	2 594
Bulk purchases	-	(2 239)
Repairs and maintenance	-	(273 936)
General expenditure	-	(3 801 707)
Fair value adjustments	-	671 916

### 51. Comparative figures

Certain comparative figures have been reclassified.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 51. Comparative figures (continued)

**Other income, Employee cost** - Income from funeral assistance to the amount of (R4,318) were incorrectly mapped against employee cost. A correction was done and this resulted in an decrease in employee cost and a increase in other income.

**Other income, General expenditure** - Income from provision of rehabilitaion for landfill sites and quarries were incorrectly classified as general expenditure. A correction was done and that resulted in an increase in other income (R775,609) and a increase in general expenditure to the amount of R775,609.

**Other income, Repairs & Maintenance, General expenditure** - Department charges to the amount of R18,087,732 and revenue from charge out to the amount of ( R192,814) incorrectly classified as general repairs and maintenance. A correction was done and that resulted in an increase in other income to the amount of (R192,814), a increase in general expenditure to the amount of R18,087,732 and a decrease in repairs and maintenance to the amount of R17,894,920.

**Other income, Service charges** - Income foregone to the amount of R47,388 was incorrectly classified under other income. A correction was done that resulted in an increase in other income to the amount of (R47,388) and a decrease in service charges to the amount of R47,388.

**Receivables from non-exchange transactions, Payables from exchange transactions** - Payables were incorrectly classified to receivables from non-exchange transactions. A correction was done that resulted in an increase payables from exchange transactions and receivables from non-exchange transactions to the amount of R291.

**Other income, Donated assets** - A asset to the amount of R2,499 was incorrectly classified under other income. A correction was done that resulted in an decrease in other income to the amount of R2,499 and a increase in donated assets to the amount of (2,499).

**Receivables from non-exchange transactions, Receivables from exchange transactions, Long term debtors** - Long term debtors were incorrectly classified to receivables from non-exchange transactions and receivables from exchange transactions. A correction was done that resulted in an increase in long term debtors R7,854,766, decrease in receivables from non-exchange transaction R635,562 and a decrease receivables from exchange transactions to the amount of R7,218,911.

The effects of the reclassification are as follows:

#### Statement of financial position

Receivables from non-exchange transactions	-	(635 562)
Payables from exchange transactions	-	(293)
Long term debtors	-	7 854 766
Receivables from exchange transactions	-	(7 218 911)
	-	-

#### Statement of Financial Performance

Service charges	-	34 956
Donated assets	-	(2 499)
Other income	-	(1 005 198)
Employee related costs	-	4 318
Repairs an maintenance	-	(17 894 920)
General expenditure	-	18 863 341

# Moqhaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 52. Risk management

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 16, 17, 18, 19, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The municipality's total net borrowings consist of the following:

Total Borrowings	Notes	2016	2015
Finance lease obligation	14	1 325 205	175 172
Long-term loans	15	23 627 900	24 793 551
Payables from exchange transactions	16	167 481 716	109 552 631
	-	192 434 821	134 521 354
Less: Cash and cash equivalents	3	(11 845 788)	(30 560 306)
<b>Net debt</b>	-	<b>180 589 033</b>	<b>103 961 048</b>

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 52. Risk management (continued)

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	646 563	678 642	-	1 325 205
Trade and other payables from exchange transactions	167 481 716	-	-	167 481 716
Consumer deposit	12 720 145	-	-	12 720 145
	<b>180 848 424</b>	<b>678 642</b>	<b>-</b>	<b>181 527 066</b>
At 30 June 2015	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Finance lease obligations	140 272	34 900	-	175 172
Other financial liabilities	1 142 474	23 651 077	-	24 793 551
Trade and other payables from exchange transactions	109 552 631	-	-	109 552 631
Consumer deposit	12 146 690	-	-	12 146 690
	<b>122 982 067</b>	<b>23 685 977</b>	<b>-</b>	<b>146 668 044</b>

The municipality is currently negotiating revised repayment terms with regards to financial liabilities.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2016 and 2015, the municipality's borrowings at variable rate were denominated in the Rand.

At 30 June 2016, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, deficit for the year would have been R - lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R - lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale.

At year end, financial instruments exposed to interest rate risk were as follows:

- ABSA primary bank account;
- ABSA fixed deposits;
- ABSA notice deposit;
- Finance lease obligations; and
- Various annuity loans;

The following financial instruments at year-end carried a variable interest rate;

- ABSA primary bank account;
- Finance lease obligations;

The following financial instruments at year-end carried a fixed interest rate;

- ABSA fixed deposits;
- ABSA notice deposit;
- Various annuity loans;

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 52. Risk management (continued)

The municipality's consumer receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the municipality such as electricity, water, sanitation, refuse and rates levied. Consumer receivables constitute approximately 86% of the municipality's total exposure to maximum credit risk. The municipality's exposure and credit ratings of its customers are continuously monitored.

The municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No trade or other receivables have been pledged as security. Certain trade and other receivables that were past due have been defaulted on by counterparties, the municipality does implement the debt and credit control policy in order to recover the outstanding debt. Where debt is irrecoverable it has been written-off accordingly. No conditions or terms of the trade and other receivables have been re-negotiated with counterparties.

#### Cash and Cash Equivalents

Moghaka local municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

#### Investments

It is the municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the municipality does not expect any counterparty to fail to meet its obligation.

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

#### Credit risk

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

Financial instrument	2016	2015
ABSA Bank	5 481 718	15 404 366
ABSA BANK Short-term deposit	6 348 590	15 142 020
Receivables from exchange transactions	94 256 264	94 408 325
Other receivables from non-exchange transactions	19 460 690	19 952 863

#### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position as financial assets at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

### 53. Going concern

We draw attention to the fact that at 30 June 2016 we incurred a net loss of R83,901,995, however the municipality had accumulated surplus of R 2 235 292 210 and the municipality's total assets exceed its liabilities by R 2 235 292 210.

We also draw attention to the fact that at 30 June 2016 the municipality owed Eskom R63,080,478 of this amount R33,123,945 is long overdue.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The audited 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.

Despite the uncertainties which cast doubt on the municipality's ability to continue as a going concern, the municipality will continue to have the power to levy rates in the following financial period. The municipality is also likely to receive continued government funding, as has been disclosed in the Division of Revenue Act of 2016, as there are no current indications that government funding will be withheld from the municipality for any reason.

**Moghaka Local Municipality**

Audited Annual Financial Statements for the year ended 30 June 2016

**Notes to the Audited Annual Financial Statements**

Figures in Rand	2016	2015
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**54. Events after the reporting date**

There were no subsequent events after the reporting date that had an impact on the financial results as disclosed for the year ended 30 June 2016.

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 55. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government - SALGA

Opening balance	34 147	(1 794 393)
Current year subscription / fee	1 995 646	2 137 330
Amount received / (paid) - current year	(2 216 810)	(308 790)
	<b>(187 017)</b>	<b>34 147</b>

#### Material losses through criminal conduct

There were no material losses incurred due to criminal conduct identified during the year by the municipality.

#### Audit fees

Opening balance	21 783	40 120
Current year fee	4 556 146	7 688 757
Interest charged	9 071	80 337
Amount paid - current year	(3 959 312)	(7 747 311)
Amount paid - previous years	(21 783)	(40 120)
	<b>605 905</b>	<b>21 783</b>

#### PAYE and UIF

Opening balance	-	1 528 214
Current payroll deductions	22 934 133	19 543 300
Amount paid - current year	(21 006 423)	(21 071 514)
	<b>1 927 710</b>	<b>-</b>

#### Pension and Medical Aid Deductions

Opening balance	-	10 532 260
Current payroll deductions and council contribution	52 997 632	43 391 784
Amount paid - current year	(48 287 404)	(53 924 044)
	<b>4 710 228</b>	<b>-</b>

#### Skills Development Levy

Opening balance	-	110 739
Current payroll deductions and council contribution	1 704 841	1 415 182
Amount paid - current year	(1 560 325)	(1 525 921)
	<b>144 516</b>	<b>-</b>

#### Reticulation losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Estimated line losses	12 098 627	10 783 039
Losses due to tampering or theft	43 739 409	28 355 141
	<b>55 838 036</b>	<b>39 138 180</b>

Estimated water losses suffered by the municipality for the year under review is are follows:

Estimated water losses	15 137 855	16 488 431
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Councillors' arrear consumer accounts



# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 55. Additional disclosure in terms of Municipal Finance Management Act (continued)

The following councillors had arrear accounts outstanding for more than 90 days at:

	Outstanding more than 90 days R	Outstanding more than 90 days R
Dire MP	1 109	1 403
Tau DA	960	792
Monoto MA	-	879
Twapa VPM	39 711	48 275
Makau TL	134	1 295
Mareka J	377	-
Green MM	444	377
Kgang LD	-	2 890
Magadlela ZS	1 318	2 733
Leokaoke TJ	1 391	-
Ranthama MA	7 373	-
Mokodutlo W	895	-
Phooko PJ	72 604	58 864
	<b>126 316</b>	<b>117 508</b>

### 56. Irregular expenditure

Opening balance	367 796 283	332 122 457
Add: Irregular Expenditure - current year	2 955 763	35 673 826
Add: Audit Adjustments	26 757 930	-
Less: Amounts written off by Council	-	-
	<b>397 509 976</b>	<b>367 796 283</b>

### Analysis of expenditure awaiting write off per age classification

Current year	29 713 693	35 673 826
Prior years	367 796 283	332 122 457
	<b>397 509 976</b>	<b>367 796 283</b>

### 57. Fruitless and wasteful expenditure

Opening balance	11 447 967	33 605 344
Add: Fruitless and wasteful expenditure - current year	1 626 865	401 350
Add: Audit adjustments	33 086	-
Less: Amounts to be recovered (not written off)	-	(1 452 287)
Less: Amounts written off by Council	(401 350)	(21 106 440)
	<b>12 706 568</b>	<b>11 447 967</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>57. Fruitless and wasteful expenditure (continued)</b>		
Interest on loan amounts as a result of exceeding of payment terms - DBSA	10 980	50 851
Interest on outstanding payments towards SALA pension fund	-	4 907
Interest and penalties SARS	25 231	35 637
Interest on arrear payments to creditors	1 590 654	309 955
Overpayment of employee benefits	33 086	-
Fruitless and wasteful for previous years	11 447 967	33 605 344
Less amounts to be recovered (not written off)	-	(1 452 287)
Fruitless and wasteful written off by Council	(401 350)	(21 106 440)
	<b>12 706 568</b>	<b>11 447 967</b>
The tourism extravaganza expenditure is still under investigation.		
<b>Interest on loan amounts as a result of exceeding payment terms</b>		
Opening balance	50 851	181 801
Fruitless and wasteful current year	10 980	50 851
Written off by council	(50 851)	(181 801)
	<b>10 980</b>	<b>50 851</b>
<b>Interest on outstanding payments to pension fund</b>		
Opening balance	4 907	4 577
Fruitless and wasteful current year	-	4 907
Fruitless and wasteful written off by council	(4 907)	(4 577)
	-	<b>4 907</b>
<b>Interest on arrears payments to creditors</b>		
Opening balance	309 955	865 894
Fruitless and wasteful current year	1 590 654	309 955
Written off by council	(309 955)	(865 894)
	<b>1 590 654</b>	<b>309 955</b>
<b>Overpayment of professional fees</b>		
Opening balance	-	1 452 287
Fruitless and wasteful current year	-	-
Less amount to be recovered (not written off)	-	(1 452 287)
	-	-
<b>Legal fees paid for contractual breach</b>		
Opening balance	-	324 533
Fruitless and wasteful current year	-	-
Written off by council	-	(324 533)
	-	-
<b>Payments for services not provided</b>		
Opening balance	-	399 000
Fruitless and wasteful current year	-	-
Written off by council	-	(399 000)
	-	-

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>57. Fruitless and wasteful expenditure (continued)</b>		
<b>Interest and penalties on late payments / SARS</b>		
Opening balance	35 637	369 499
Fruitless and wasteful current year	25 231	35 637
Written off by Council	(35 637)	(369 499)
	<b>25 231</b>	<b>35 637</b>
<b>Overpayment of employee benefits</b>		
Audit adjustments	33 086	-
<b>58. Unauthorised expenditure</b>		
Opening balance	142 927 870	389 815 893
Unauthorised expenditure - current year	146 012 111	133 829 889
Audit Adjustments	44 563 049	-
Correction of cumulative balance	-	162 838 477
Written off by Council	(132 925 414)	(543 556 389)
	<b>200 577 616</b>	<b>142 927 870</b>

The above unauthorised expenditure relates to Council votes that were overspent.

### 59. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

During the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reason for these deviations were documented and reported to the accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

Description	Number of Deviations	Deviation 2016
Emergency	22	3 015 223
Sole Supplier	61	3 957 350
Urgent	124	21 483 451
	<b>207</b>	<b>28 456 024</b>
Description	Number of Deviations	Deviation 2015
Emergency	48	6 702 459
Sole Supplier	86	2 267 634
Impractical	1	20 000
Urgent	257	11 615 004
Poor Planning	2	500 100
	<b>394</b>	<b>21 105 197</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
<b>60. Commitments</b>		
<b>Capital commitments</b>		
<b>Approved and contracted for:</b>		
• Infrastructure	56 503 789	87 699 601
<b>Approved and not contracted for:</b>		
• Infrastructure	42 584 387	37 540 920
<b>Total capital commitments</b>		
Approved and contracted for	56 503 789	87 699 601
Approved and not contracted for	42 584 387	37 540 920
	<b>99 088 176</b>	<b>125 240 521</b>
<b>Other commitments</b>		
<b>Approved and contracted for:</b>		
• General expenditure	9 570 091	16 890 917
<b>Total operational commitments</b>		
Approved and contracted for	9 570 091	16 890 917
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	99 088 176	125 240 521
Authorised operational expenditure	9 570 091	16 890 917
	<b>108 658 267</b>	<b>142 131 438</b>
Infrastructure commitments approved and contracted for will be funded by grants from government. Other operational commitments approved and contracted for will be financed from the municipality's own funding.		
<b>61. Actuarial Gains/(Losses) on Employees benefits</b>		
Actuarial Gains / (Losses)	5 243 759	1 655 629
<b>The above balance is made up as follows;</b>		
Long Service Awards - Actuarial gains/(losses)	(35 421)	867 000
Post retirement medical benefit - Actuarial gains/(losses)	5 279 000	788 629
	<b>5 243 579</b>	<b>1 655 629</b>

# Moghaka Local Municipality

Audited Annual Financial Statements for the year ended 30 June 2016

## Notes to the Audited Annual Financial Statements

Figures in Rand	2016	2015
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### 62. Non-Compliance with the MFMA

During the current financial year the following non-compliance issues were identified:

#### **Supply chain management regulations 12(1)(c) & (d) 17(1)(a) - (c)**

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

#### **Municipal Finance Management Act section 116(2)(b), (c)**

The performance of all contractors were not monitored on a monthly basis.

#### **Municipal Finance Management Act section 65 (e)**

Creditors were not paid in 30 days as required by the Act.

#### **Municipal Finance Management Act section 52(d), section 129**

The monthly budget statements were submitted, but not in accordance with the prescribed timeframes.

The budget implementation and state of financial affairs submission was not in accordance with the prescribed timeframe.

### 63. Budget differences

#### **Material differences between budget and actual amounts**

Refer to page 11 in the annual financial statements for an analysis of budget versus the actual amounts.

#### **Changes from the approved budget to the final budget**

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages 12 in the annual financial statements.

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages 12 in the annual financial statements

**MOQHAKA LOCAL MUNICIPALITY**  
**APPENDIX A (Unaudited)**  
**SCHEDULE OF EXTERNAL LOANS**  
**FOR THE YEAR ENDED 30 JUNE 2016**

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016								
	Loan Number	Redeemable	Balance at 30 June 2015	Received / Accumulated during theyear	Redeemed written off during theyear	Balance at 30 June 2016	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
<b>EXTERNAL LOANS</b>								
Development Bank of SA @ 9.00%	61007042	31-Jul-27	R 24,793,551	R 2,160,640	R (3,326,291)	R 23,627,900	R 256,583,273	R -
<b>TOTAL EXTERNAL LOANS</b>			<b>24,793,551</b>	<b>2,160,640</b>	<b>(3,326,291)</b>	<b>23,627,900</b>	<b>256,583,273</b>	<b>-</b>

MOQHAKA LOCAL MUNICIPALITY  
APPENDIX B (Unaudited)  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED 30 JUNE 2016

	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening balance	Additions	Disposals	Revaluations	Transfers	Closing balance	Opening balance	Depreciation	Impairment	Disposals	Closing balance	
<b>Total property plant and equipment</b>												
Land	60,263,467.87	-	-			60,263,467.87	-	-	-	-	-	60,263,468
Buildings	50,720,691	172,574	-	-	-	50,893,264.54	(15,216,207)	(1,022,137)	-	-	(16,238,344)	34,654,920
Plant and machinery	6,236,005	1,545,323	(883,389)	-	-	6,897,938.85	(3,249,619)	(821,738)	-	793,865	(3,277,492)	3,620,447
Furniture and fixtures	4,981,405	358,155	(376,110)	-	-	4,963,449.87	(2,596,288)	(343,883)	-	308,398	(2,631,773)	2,331,677
Motor vehicles	48,526,277	8,048,523	(25,225)	-	-	56,549,575.00	(25,085,703)	(4,071,714)	-	22,702	(29,134,715)	27,414,860
Office equipment	13,205,210	63,420	(2,108,383)	-	-	11,160,247.28	(7,641,042)	(1,067,014)	-	1,929,128	(6,778,928)	4,381,319
IT equipment	8,809,877	685,843	(662,956)	-	-	8,832,763.78	(3,869,801)	(1,074,446)	-	596,659	(4,347,588)	4,485,176
Finance leased assets	295,042	1,892,073	(40,382)	-	-	2,146,732.53	(109,128)	(733,331)	-	39,796	(802,663)	1,344,070
Infrastructure	3,825,493,492	1,402,056	(1,154,740)	-	56,854,385	3,882,595,193.00	(1,874,642,535)	(94,358,197)	(1,332,184)	673,704	(1,969,659,212)	1,912,935,981
Community assets	159,483,397	-	-	-	9,673,263	169,156,660.44	(76,512,052)	(5,423,720)	-	-	(81,935,772)	87,220,888
Capital work in progress	70,568,182	92,408,661	-	-	(66,700,222)	96,276,621.01	-	-	-	-	-	96,276,621
						-					-	-
<b>Heritage assets</b>	2,163,451	-	-	-	-	2,163,451.00	-	-	-	-	-	2,163,451
						-					-	-
<b>Intangible assets</b>						-					-	-
Computer software	4,271,118	2,513,505	(1,555,181)	-	-	5,229,441.81	(3,168,122)	(232,728)	-	1,413,189	(1,987,661)	3,241,781
						-					-	-
<b>Investment properties</b>						-					-	-
Investment properties	154,157,178	-	(1,200,000)	5,197,619.00	-	158,154,797.00	-	-	-	-	-	158,154,797
						-					-	-
<b>TOTAL</b>	<b>4,412,743,433</b>	<b>109,090,132</b>	<b>(8,006,367)</b>	<b>5,197,619</b>	<b>(172,574)</b>	<b>4,515,283,604</b>	<b>(2,012,090,497)</b>	<b>(109,148,908)</b>	<b>(1,332,184)</b>	<b>5,777,441</b>	<b>(2,116,794,148)</b>	<b>2,398,489,456</b>

MOQHAKA LOCAL MUNICIPALITY

APPENDIX C (Unaudited)

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2016

	COST							Accumulated Depreciation					Carrying Value
	Opening balance	Additions	Transfer In	Revaluation	Additions Under Construction	Disposals	Closing balance	Opening balance	Depreciation	Transfer In	Impairment	Closing balance	
Community Assets	<b>159,483,397</b>	9,673,263	-	-	-	-	<b>169,156,661</b>	76,512,052	5,423,720	-	-	<b>81,935,772</b>	<b>87,220,889</b>
Roads	1,293,226,834	16,792,972	-	-	-	-	<b>1,310,019,806</b>	641,138,868	29,761,238	-	-	<b>670,900,106</b>	<b>639,119,700</b>
Sewer	442,348,989	34,518,851	-	-	-	-	<b>476,867,840</b>	190,318,689	9,857,526	-	-	<b>200,176,214</b>	<b>276,691,625</b>
Storm Water	218,609,358	-	-	-	-	-	<b>218,609,358</b>	118,178,222	4,383,707	-	-	<b>122,561,928</b>	<b>96,047,430</b>
Water	593,921,318	753,472	-	-	-	-	<b>594,674,790</b>	272,217,343	13,784,005	-	-	<b>286,001,348</b>	<b>308,673,441</b>
Electricity	1,178,354,792	6,191,155	-	-	-	1,154,740	<b>1,183,391,207</b>	608,964,187	34,541,938	673,704	-	<b>644,179,829</b>	<b>539,211,378</b>
Other (Supply / Reticulation)	99,032,192	-	-	-	-	-	<b>99,032,192</b>	43,811,440	2,028,343	-	-	<b>45,839,783</b>	<b>53,192,409</b>
							-						
<b>TOTAL</b>	<b>3,984,976,879</b>	<b>67,929,713</b>			-	<b>1,154,740</b>	<b>4,051,751,853</b>	<b>1,951,140,800</b>	<b>99,780,476</b>		-	<b>2,051,594,981</b>	<b>2,000,156,872</b>



**MOQHAKA LOCAL MUNICIPALITY**

**APPENDIX D (Unaudited)**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30 JUNE 2016**

<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>		<b>Actual Income</b>	<b>Actual Expenditure</b>	<b>Surplus / (Deficit)</b>
<b>2015</b>	<b>2016</b>			<b>2015</b>	<b>2016</b>	
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
224 097 728	194 373 565	29 724 163	Executive & Council	243,081,815	240 082 110	2 999 705
65 313 492	28 072 512	37 240 980	Municipal Manager	-	8 109 882	(8 109 882)
3 898 237	34 171 616	(30 273 379)	Corporate Services	5,094,512	35 055 328	(29 960 816)
26 351 249	100 242 015	(73 890 766)	Financial Services	75,244,512	29 541 431	45 703 081
348 973 690	299 054 352	49 919 338	Technical Services	382 185 688	373 478 092	8 707 595
			Community Services	35,586,488	138 828 166	(103 241 679)
<b>668 634 396</b>	<b>655 914 060</b>	<b>12 720 336</b>	<b>Total</b>	<b>741 193 015</b>	<b>825 095 010</b>	<b>(83 901 995)</b>

**MOQHAKA LOCAL MUNICIPALITY**
**APPENDIX E (1) (Audited)**
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)**
**FOR THE YEAR ENDED 30 JUNE 2016**

	Current Year 2016 Actual	Current Year 2016 Budget	Current Year 2016 Variance	Current Year 2016 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
<b>REVENUE</b>					
Property rates	48 467 154	62,147,000	(13,679,846)	-22.01%	The property rates revenue has declined as a result of the discounts/rebates (Income Foregone) offered by the municipality.
Service charges	356,697,208	441 176 000	(84,478,792)	-19.15%	The service charges (Water) declined as a result severe water drought that the municipality experience towards on the forth Quarter of its financial year.
Donated assets	271,360	-	271,360	0.00%	
Rental of facilities and equipment	5 998 754	8,452,000	(2,453,246)	-29.03%	The budget rental on facilities declined due to the current facilities conditions which have deteriorated.
Fines	2 634 920	967,000	1,667,920	172.48%	The significant increase in the Fines revenue is mainly attributable to the
Government grants and subsidies	265,079,643	164 291 000	100,788,643	61.35%	The increase in the grants during the 2015/16 financial year is mainly as a result fo the RBIG funding from Department of Water and Sanitation (DWS).
Fees Earned	1 179 594	-	1 179 594	0.00%	
Discount Received	90 025	-	90 025	0.00%	
Other Income	9 988 553	12,063,000	(2 074 447)	-17.20%	
Interest received	17 724 177	15,951,000	1 773 177	11.12%	The additional interest was as a result of municipality's cash flow management processes that were given much priority during the financial year.
Dividends received	11 831	-	11 831	0.00%	
<b>Total Revenue</b>	<b>708 143 219</b>	<b>705 047 000</b>	<b>3 096 219</b>	<b>0.44%</b>	
<b>EXPENDITURE</b>					
Employee related costs	(209 760 410)	(198,576,000)	(11 184 410)	5.63%	
Remuneration of Councillors	(17 824 721)	(16,596,000)	(1 228 721)	7.40%	
Depreciation & Amortisation	(109 148 908)	(21,190,000)	(87 958 908)	415.10%	The infrastructure assets (immovable assets) depreciation is included after the valuation of the infrastructure assets was completed in 2012.
Impairment loss on assets	(1 332 184)	-	(1 332 184)	0.00%	
Finance costs	(8 562 250)	(2,522,000)	(6 040 250)	239.50%	The finance cost increased significantly due to the increase in the employee benefits valuations.
Debt impairment	(66 683 498)	(5,564,000)	(61 119 498)	1098.48%	The significant variance on the debt impairment is as a result of the increased provision in doubtful debts, as a result of the significant amount of long outstanding debtors.
Repairs and maintenance	(58 889 678)	(56,093,000)	(2 796 678)	4.99%	
Bulk Purchases	(211 953 085)	(214,107,000)	2 153 915	-1.01%	
Contracted services	(27 431 000)	(29,221,000)	1 790 000	-6.13%	
Grants and subsidies paid	(3 346 719)	-	2 948 541	0.00%	
Loss on disposal of assets	(2 228 931)	-	(2 228 931)	0.00%	
General expenses	(87 040 142)	(123,254,000)	36 213 858	-29.38%	The Cash flow constraint led to non spending on the low priority budget items.
<b>Total Expenditure</b>	<b>(804 201 526)</b>	<b>(667 123 000)</b>	<b>(130 783 266)</b>	<b>19.6%</b>	
<b>Other revenue and cost</b>					
Fair value adjustments	5 197 896	-	5 197 896	0.00%	
Inventory write-ups / (write-downs)	1 714 657	-	1 714 657	0.00%	
Actuarial Gains/(Losses) on retirement benefit obligation	5 243 759	-	5 243 759	0.00%	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(83 901 995)</b>	<b>37 924 000</b>	<b>(115 530 735)</b>	<b>-304.64%</b>	

MOQHAKA LOCAL MUNICIPALITY

APPENDIX F1 (Unaudited)

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2016

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld				Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
		September	December	March	June	September	December	March	June	September	December	March	June			
Equitable Share	National Treasury	R 67,118,000	R 53,694,000	R 40,271,000	R -	R 40,270,750	R 40,270,750	R 40,270,750	R 40,270,750	R -	R -	R -	R -	-	Y	-
FMG	National Treasury	R 1,675,000	R -	R -	R -	R 270,868	R 482,670	R 547,649	R 433,416	R -	R -	R -	R -	-	Y	-
MSIG	National Treasury	R 930,000	R -	R -	R -	R 267,150	R 430,625	R 204,379	R 183,040	R -	R -	R -	R -	-	Y	-
MIG	National Treasury	R 22,765,000	R 8,786,000	R 7,348,000	R -	R 12,695,004	R 4,892,572	R 8,539,044	R 12,772,381	R -	R -	R -	R -	-	Y	-
RBIG	National Treasury	R 23,812,394	R 5,258,054	R 25,640,372	R 5,990,754	R 15,319,579	R 23,375,964	R 13,885,753	R 8,441,227	R -	R -	R -	R -	-	Y	-
EPWP	National Treasury	R 460,000	R -	R 691,000	R -	R -	R 70,410	R 686,994	R 403,862	R -	R -	R -	R -	-	Y	-
INEG	National Treasury	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	R -	-	Y	-
LG Seta	SETA	R 120,654	R -	R 84,343	R 80,936	R 105,336	R -	R -	R 323,444	R -	R -	R -	R -	-	Y	-