



dr.jsmlm

Dr JS Moroka Local Municipality

ANNUAL REPORT

2017-2018

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CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

The 2017/18 Annual report of Dr JS Moroka Local Municipality is presented as per Section 46 of Local Government Municipal Systems Act No. 32 of 2000 and Section 121 and 127 (2) of Local Government: Municipal Finance Management Act No. 56 of 2003 as well as National Treasury Regulations.

Our vision aims to project the ideal situation that the municipality would like to be in the foreseeable future. Municipal vision: - **"An effective, efficient public institution delivering quality sustainable services to better the lives of the people"**.

1.1. THE FOLLOWING ARE SOME OF THE KEY SERVICE DELIVERY ACHIEVEMENTS:

- Supply, Delivery and Installation of Vehicle Testing Equipment at Libangeni Traffic and Registering Authority.
- Supply and Delivery of Waste Skip Containers for Transfer Stations
- Women's awards held;
- Children's reading contest;
- Mayor's Cup;
- Youth Summit;
- Establishment of 3 NYDA Offices (Mdutjane; Mbibane & Mathanjana);
- Moral regeneration prayer in collaboration with SABC Ikwewezi;
- Construction of a surfaced road using internal staff in-conjunction with Public Works at Libangeni as a capacity building exercise;
- Resealing of Bus and taxi route at Dihekeng- 2km of surfaced road resealed;
- Stormwater control at Mabusabesala- 0.5 km of stormwater channel constructed;
- Stormwater control at Ga-Morwe – 0.6 km of stormwater channel constructed;

- Stormwater control at Siyabuswa C – 1km of stormwater channel constructed;

1.2. KEY DEVELOPMENT POLICIES:

The Municipality's progress would be measured through satisfying its key developmental objectives. The key policy development objectives would be used as a basis for service delivery in the municipality:

- Implementation of the revenue enhancement strategy
- Shorten turnaround time for responses to complaints forwarded to the municipality, through the Presidential Hotline and the Public Protector
- Provision of bulk water services
- Phasing in of water borne sewerage to all other wards
- Ensure community access to secure tenure
- Improve the local economy through revised LED strategy
- Introduce the Dr JS Moroka Local Municipality Economic Development Agency
- Broaden Executive Mayor's Bursary Scheme to include scarcely skilled disciplines e.g. water services
- Employee's Assistance Program
- Implement the Record Management System
- Intensify community participation and accountability by councillors through monthly community meeting
- Facilitate and empower Co-operatives by establishment of brick making in Mdujjana, Mbibane and Mathanjana targeting Youth .
- Sustained improvement of the audit opinion regarding financial statements
- Facilitate and regularly update the Indigent Register so as to be accurate
- Adherence to the Performance Management System
- Continue to participate in HIV/AIDS, TB and Cancer-programmes
- Partner with other educational stakeholders to improve the education level in the municipality and grade 12 pass rate

- Continue hosting the Mayoral Cup but also include other sporting codes into the Mayoral Cup
- Implementation 15% of MIG that will be used for sporting facility upgrades.

1.3. METHODS USED / IMPLEMENTED TO IMPROVE PUBLIC PARTICIPATION AND ACCOUNTABILITY.

Public Participation is the barometer whereby performance of the municipality is gauged in relation to good governance and the enhancement of democracy. The following activities would ensure good governance:

- Continued and regular meetings with traditional leadership;
- Conduct preparation meetings before all municipal events, especially before Integrated Development Plan-and Budget Izimbizo;
- Announcements of meetings and events through loud hailing;
- Notices in print media and Billboards;
- Regular updating of the municipal website relating to public participation
- Engaging in different forums such as the Local Economic Development -and Youth Forum
- Our communication in general to be improved so as to communicate our achievements adequately

1.4. CHALLENGES

There were a number of community protests that emanated from perceived inadequate service delivery in Ward 7 and Ward 26. The unhappiness that led to demonstrations were about irregular supply of water and inaccessible roads which are not adequately maintained. Other challenges include:

- In Siyabuswa the residents marched to the offices of the municipality and their main issue was lack of title deeds and also about the new property rates.

- Slow progress in building the Mkhombo mall
- Old Municipal fleet that need to be replaced
- Appointment of the Municipal Manager
- Construction of speed humps at Maphotla
- Municipality liquidity ratio
- Incomplete projects with exhausted budget
- Overcommitted budget
- Grade 3 status of the municipality with 31 wards and a population of 249 000

The water supply was improved and the roads maintenance programme was implemented. It was also explained to the community that the municipality has been engaging the province and the district municipality with regards to tittle deeds.

1.5. CORRECTIVE ACTIONS TAKEN TO ENSURE THAT STRATEGIC OBJECTIVES AS STIPULATED IN THE IDP ARE ACHIEVED.

- Channel the greater part of the capital budget to bulk water projects
- Implement and extend the bulk sewer system to areas without sewer connections
- Improve and sustain the flow of water in the reticulation system
- Fill key managerial positions
- Increase the staff compliment in the Project Management Unit

1.6. THE FOLLOWING POLITICAL INTERVENTIONS WERE INITIATED TO IMPROVE THE AUDIT OPINION

- Ensure accountability for all expenses incurred
- Minimal deviation from policies
- The Audit Steering Committee, attended by the Executive Mayor, MMC(Member of Mayoral Committee) for Finance and the MMC for Technical Services should deal with issues raised by the Auditor General and other audit related matters
- Implemented the approved audit action plan.
- Ensured there is compliance with the all legislative requirements
- Established the Audit Steering Committee to deal with issues raised by the Auditor General
- Held meetings with management and established the support from Provincial Treasury and provincial COGTA.

1.7. STRATEGIC ALIGNMENT TO PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY.

Strategic alignment was initiated as follows:

“Building Local Economies to create more employment, decent work and sustainable livelihoods”;

- In implementing the manifesto we have granted 08 students bursaries to learn in the field of Engineering as a scarce skill;
- The municipality has been able to establish the LED forum to assist with facilitation of local economic development;
- The Municipality is in the process of reviewing the LED strategy to assist local economic development

“Improve and make services accessible to the public”;

- Our service delivery backlogs are huge on sanitation (51%), we have resolved to deliver VIP toilets through co-operatives;
- We still need to improve on how we deliver water to the communities especially in the 14 villages in Mathanjana Magisterial Area

“Building a more united, non-racial, integrated and safer communities”;

- We need to review the SDF as it was seen not to be credible;
- We need to finalize the town planning for Moripe Gardens

“Promoting more active community participation in local government”;

- As a Municipality we have achieved the public participation targets and time-frames, however we are still lacking with regard to internal and external communication. Improvement in that department is required;
- We have established the IDP Forum but we still need to establish the business forum

“Ensuring more effective, accountable and clean Local Government that works together with National and Provincial Government”

- We are still lacking on the turnaround time for problems raised by the community even though the municipality communicate with the community regarding the water disruptions as they occur.

1.8. FUTURE ACTIONS

The following actions must be put in place to ensure that in future, the municipality perform and meet all its obligations and service delivery challenges:

- Develop and adopt departmental procedure manuals.
- Ensure full implementation of the Revenue Enhancement Strategy.
- Ring fencing of water services revenue.

- Focus on local economic development so as to grow the economy and create jobs within the municipality.
- Fast-track skills development programme with other stakeholders.
- Invent innovative, alternative service delivery methods to eradicate service delivery backlogs.
- Finalize the Record Management System.

1.9. AGREEMENTS / PARTNERSHIPS

The municipality did not enter into any agreements or Public – Private Partnership with external stakeholders during the 2017/2018 financial year.

1.10. STATEMENT OF CORRECTIVE ACTIONS WHEREBY SERVICE DELIVERY CAN BE IMPROVED:

PROJECT	CHALLENGES	REMEDIAL ACTIONS/ MEASURES TAKEN TO ACHIEVE THE TARGET
Traffic Contravention Management System	Delay in approving the operations by the Director for Public Prosecutions	Constant Communication with the Director for Public Prosecutions.
Supply, delivery and Installations of Vehicle Testing Equipment	Delay in approving the operations by the MEC for Community Safety, Security and Liaison	Political intervention to speed-up the approval
Gamorwe to V3 Reservoir Bulk System	Late delivery of MCC(Motor Control Centre)	Acceleration of works
Upgrading of Digwale Bulk line from 25mm	Slow progress on site	Penalties granted to the contractor

AC pipes to 400mm Upvc pipes		for not finishing the work on time
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1.11. CONCLUSION

The achievement of the goals as set out in the 2017/18 Municipal Integrated Development Plan will need the efforts of all. We are committed to the improvement of the physical, socio-economic and institutional environment of our municipality with the cardinal aim of service delivery in all our wards.

EXECUTIVE MAYOR
COUNCILLOR MADILENG W.T

1.12. MUNICIPAL MANAGER'S OVERVIEW

Section 121(3) of the Municipal Finance Management Act 2003, read together with section 46 of the Municipal Systems Act 2000, prescribes the minimum contents of an Annual Report of a municipality. I have also considered the importance of credibility, reliability, usefulness and relevance of the annual financial statements and performance information as contained herein.

This Annual Report therefore provides an authoritative record of the activities of Dr. JS Moroka Local Municipality which we embarked on during the period of 2017/2018 financial year. The report presents us with an opportunity to reflect on our achievements since the last reporting period, and also to provide a detailed account of our performance as a municipality against our strategic plans and resources that were at our disposal for the period of 2017/2018.

The Integrated Development Plan (IDP), Budgets, Service Delivery and Budget Implementation Plans (SDBIP's), Performance Plans and Agreements of section 56 managers, still remains the key service delivery planning tools which we have to utilize in an effort to deliver sustainable services to our communities. In order to achieve the vision of "*An effective, efficient public institution delivering quality, sustainable services to better the lives of people*" the municipality endeavors to align our planning with policy priorities adopted by the National and Provincial Governments, as well as ensuring that there is alignment of programs between ourselves, the District, Provincial and National Government. The alignment with five (5) National Key Performance Areas was adhered and incorporated during the planning period.

In the previous reporting period, we identified a number of initiatives for implementation in this reporting period. Key to these initiatives is the programs related to sustainable water provision, creating a conducive environment for economic activities to uplift the economy of the Dr. JS Moroka Local Municipality and infrastructure investment.

1.13. LOCAL GOVERNMENT: OUTCOME

A responsive, accountable, effective and efficient local government system:

- Output 1: Implement a differentiated approach to municipal financing, planning and support;
- Output 2: Improving access to basic services;
- Output 3: Implementation of the Community Work Programme;
- Output 4: Actions supportive of the human settlement outcome;
- Output 5: Deepen democracy through a refined Ward Committee model;
- Output 6: Administrative and financial capability;
- Output 7: Single Window of Coordination.

1.14. LOCAL GOVERNMENT: KEY PERFORMANCE AREAS

- Basic service delivery and infrastructure development
- Municipal institutional development and transformation
- Local Economic Development (LED)
- Municipal financial viability and management
- Good governance and public participation
- Spatial rationale

1.15. FUNCTIONS AND POWERS OF THE MUNICIPALITY IN RELATION TO SECTION 155/156 OF THE CONSTITUTION AND CHAPTER 3 OF THE MSA

Dr J.S. Moroka Local Municipality has a policy on Delegation of Powers in terms of Section 59 of the Municipal Systems Act, 32 of 2000. These Delegations of Powers have been reviewed and adopted by the council and also powers and functions conferred in terms of the Constitution and exercise them subject to Chapter 5 of the Municipal Structures Act. The powers and functions of local government are reflected in the list below include the allocation of powers and functions authorized/adjusted by the MEC following the recommendations of the Municipal Demarcations Board.

POWERS AND FUNCTIONS OF LOCAL GOVERNMENT

- Air pollution.
- Building regulations.
- Potable, bulk, water reticulation.
- Municipal roads & storm water management system.
- Trading regulation.
- Billboards and the display of advertisements in public places.

- Cleansing.
- Municipal airport.
- Municipal public transport.
- Markets.
- Municipal abattoirs.
- Refuse removal, dumping and solid waste.
- All municipal recreational facilities.
- Noise pollution.
- Street trading and street lighting.
- Traffic and parking.

1.16. AUTHORIZED /ADJUSTED IN TERMS OF SECTION 84 OF THE MSA.

- Municipal roads which form an integral part of road transport system.
- Municipal public works relating to any of the above functions.
- Solid waste disposal sites.
- The establishments conduct and control of cemeteries and crematoria.
- Water Service Authority (in terms of water services).

1.17. POWERS AND FUNCTIONS ALLOCATED TO NKANGALA DISTRICT MUNICIPALITY

- Municipal planning.
- Disaster management and firefighting.

1.18. ENTITIES RELATED TO THE MUNICIPALITY AND THE SHARING OF POWER WITH THESE ENTITY/IES:

Dr JS Moroka Local Municipality does not have an entity.

1.19. SECTOR DEPARTMENTS AND THE SHARING OF FUNCTIONS BETWEEN THE MUNICIPALITY AND SECTOR DEPARTMENTS:

The working relationship with other Provincial Sector Departments has been adequate. The following are some of the support provided to the municipality over the years:

- CoGTA PMS training; MPAC Workshop; Induction and Training of Ward Committees
- Provincial Treasury: mSCOA and GRAP updates; Annual Audit Support.

- SALGA : Councilors' Development Programme; New GRAP standards; Strike Management; Management Induction Course.

1.20. A SHORT STATEMENT ON THE CURRENT FINANCIAL HEALTH OF THE MUNICIPALITY

The financial viability of the municipality is currently anchoring on National Grants which constitute 80% of our total revenue budget. Own revenue generation only contribute 20% of the budget. This ratio does not reflect well on the financial viability of the municipality due to over reliance on grants. Also taking into consideration that when the national fiscal is pressed, the equitable share that is given to municipalities does not increase by even the CPI %. For 2017/2018 financial year our equitable share has increased only by R600 thousand instead of 5.6% CPI which would have rendered the municipality with R18 million.

There are three main problems that causes low revenue collection for Dr J.S Moroka Local Municipality, which are as follows:

- Small revenue base for billing.
- Unwillingness by consumers to pay for services.
- Lack of water meters.

The table below indicate the Own Revenue performance for the municipality for the previous financial years:

Description	2017/2018	2016/2017
Sale of services	84 674 578	49 529 458
Other revenue	12 021 385	19 936 912
Total Collection	96 695 963	69 466 370

Current Revenue Challenges:

- Slow payment by Departments and Municipalities (Thembisile Hani Local Municipality and Sekhukhune District Municipality).
- Unwillingness to pay for services by households.
- Inaccurate data on the financial system due to lack of title deeds .
- Small revenue base which needs to be increased.
- Non-functioning water meters.
- Flat rate billing.

Remedial actions to be implemented in 2018/2019 financial year:

- Installation of prepaid water meters as a strategy to increase revenue collection and conserve water.
- Increase of revenue base through selling of stands and making municipal land available to developers.
- Implementation of PPP contracts that can generate more cash inflow to the municipality and also that can create jobs for locals.
- Review and enforcement of by-laws.
- Review and Implementation of Revenue Enhancement Strategy.

In conclusion, the municipality needs to generate more than R100 million for 2018/2019 to ensure that the municipality is financial viable. This can be achieved by installation of prepaid water meters, realisation of 60% collection on consumer accounts and robust implementation of credit control and debt collection policy and implementation of revenue enhancement strategy.

Dr J.S Moroka Local Municipality is a developing and growing municipality striving for service delivery excellence. Therefore many challenges are faced with regards to

financial planning and are ever changing due to the dynamic setting of local government. The priority from the financial perspective is the viability and sustainability of the municipality. The financial plan and related strategies are in place to address a number of key areas in order to achieve this goal.

When it comes to revenue collection the status of the municipality is not as expected since the collection rate is at 12%, beyond that the municipality is grant reliant, the main driving force is the non-payment of municipal services by various categories of consumers coupled by the unmetered water supply to the majority of consumers within the municipal area of jurisdiction.

The unemployment rate is standing at above 50% which is still a contributory factor to the current financial status of the municipality.

It should be noted that the municipality will be engaging in a debt collection process by ensuring that all service consumers who have an ability to pay for municipal services but not willing to do so will face legal processes from the municipality.

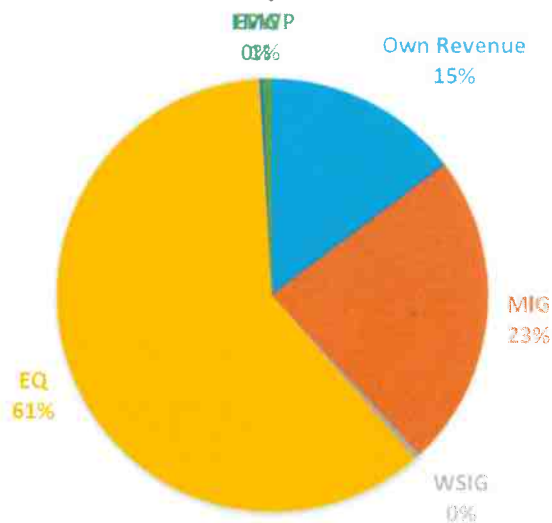
REVENUE AND EXPENDITURE SUMMARY

DESCRIPTION	2016/17	2017/18
REVENUE	597 397 704.00	677 838 971.00
OPERATING EXPENDITURE	(556 583 791.00)	(560 821 456.00)
SURPLUS	40 813 913.00	117 017 515.00

REVENUE FROM GRANTS AND SUBSIDIES

GRANT SOURCE	2016/17	2017/18
Municipal Infrastructure Grant	119 102 000.00	132 371 000.00
Water Services Infrastructure Grant		1 685 483.00
Finance Management Grant	1 625 000.00	1 700 000.00
Expended Public Works Programme	4 257 000.00	3 246 000.00
Equitable Share	302 719 000.00	328 528 000.00
Integrated National Electrification Programme	-	-
TOTAL	427 703 000.00	467 530 483.00

The following graph gives a breakdown of the main revenue categories for 2017/18 financial year



OPERATING EXPENDITURE BY TYPE

DESCRIPTION	2016/17	2017/18
Employee related costs	165 426 349.00	(184 332 057.00)
Councillors Remuneration	21 204 997.00	(22 209 829.00)
Depreciation	54 392 676.00	(53 567 745.00)
Debt Impairment	40 071 334.00	(46 405 007.00)
Contracted Services	156 395 320.00	(151 710 191.00)
General Expenditure	116 380 411.00	(95 047 178.00)
	553 871 087.00	(553 272007.00)

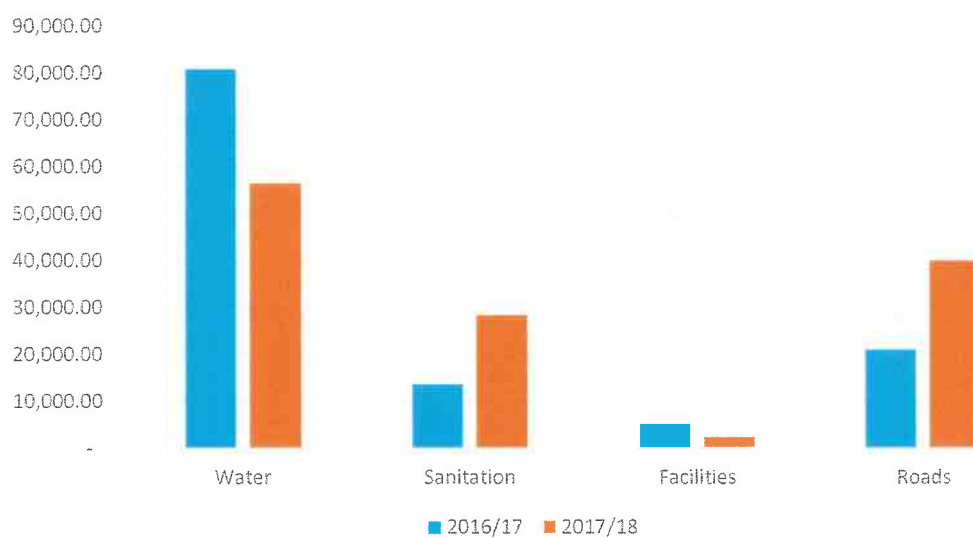
Chart Title



CAPITAL EXPENDITURE BY VOTE

CAPITAL EXPENDITURE BY TYPE	2016/17	2017/18
WATER	80 909 670.00	56 385 246.00
Sanitation	13 601 575.00	28 320 294.00
Facilities	5 170 000.00	2 321 798.00
Roads	20 991 952.00	39 867 166.00
LED	2 928 803.00	
	123 602 000.00	126 894 504.00

Chart Title



Capital expenditure for 2017/18 was fully funded by Conditional Grants, MIG and WSIG. MIG was fully spent by end of financial year, and WSIG was at 70% as at the end of financial year end, the main reasons for low spending was mainly due to late approvals of business plans by DWA.

1.21. RISK MANAGEMENT

Risk Management forms part of management core responsibilities and is an integral part of the internal processes of the Municipality. It is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on Municipal service delivery capacity.

The following were the top 5 risks in the 2017/2018 financial year and measures to mitigate the risks:

RISK	MEASURES TO MITIGATE THE RISK
Probability of improper practice with regard to incidences of theft, fraud and corruption	To roll-out workshops on Municipal policies and procedure manuals. Ensure accountability by Senior Management on application of Municipal policies. Assign the responsibility of Fraud and Corruption to the Risk Management Committee To fast-track the approval of the Whistle Blowing policy and the establishment of the anti-fraud and corruption hotline Achieved- Policy developed and the presidential hot line is utilised to report fraud and corruption regarding the municipality
Inability to improve organizational cohesion and development	Centralization of records management system Develop and implement the Business Continuity Plan and Disaster Recovery Plan

	<p>Continue to implement the compliance check list</p> <p>Develop and implement Human Resource Strategy</p>
Inability to generate cash inflow	<p>Continue to implement the revenue enhancement strategy</p> <p>Implementation of revenue turnaround strategy</p> <p>Review and gazetting of financial by-laws</p> <p>Continue to Conduct data cleansing.</p> <p>Development credible asset register.</p> <p>Monitoring of the cash flow and the budget on daily basis.</p> <p>Enforce implementation of demand management process.</p>
Inadequate mechanisms to attract investors i.e. manufacturing industries	<p>Resuscitate and promote economic development in the small towns (Black industrialist)</p> <p>Continue to conduct local economic development forum</p> <p>Review and implement the LED Strategy.</p> <p>Development of the tourism strategy.</p> <p>Enforcement of the Business trading control by-law.</p> <p>Continue to enforce compliance on land use management by-laws</p> <p>Development of the investment strategy</p>

Non alignment between the SDF and the IDP	<p>Alignment of the infrastructure planning with the SDF.</p> <p>Land matters to continue to be standing agenda item during the Mayor's Forum.</p> <p>Acquire land for human settlement and business development.</p>
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1.22. SERVICE DELIVERY IMPROVEMENTS

The IDP is aligned to the Budget and implemented through the Service Delivery and Budget Implementation Plan (SDBIP). By end of 2017/2018 the achievement of implementing projects on the SDBIP was 78%. Out of 101 targets that were set, 79 were achieved and a total of 22 was not achieved. An action plan and remedial actions are initiated and continuously monitored to improve on the targets not achieved and the overall efficiency and effectiveness of municipal activities. Some of the administrative policies made during the year include initiating restrictions on the attendances of conferences and other events outside the municipality and the minimisation of the use of meeting accommodation other than our municipality's own venues.

The Weltevreden Water Treatment Works also supplies Sekhukhune District Municipality and Thembisile Hani Local Municipality and this put water supply constraints on the system. In addition, the demand within the Municipality has also increased massively and this can be associated with the increasing population within the water supply areas. The Municipality is currently in the process of developing operation and maintenance plans for the Weltevreden Water Treatment Works. These will assist to proactively maintain municipal water infrastructure thus ensure its sustainability. The Municipality endeavours to render basic water level of services to all households within its jurisdiction. Basic level of service is defined as having access to water supplies within 200m walking distance from any household.

The municipality has taken an interest in green energy, thus it has entertained few ideas of alternative source of energy. The Municipality has seen the efforts by the world at large, though summits like COP17 that was held in our own country in Durban. This will assist it costs reduction for the municipality in the long run and also reduce the greenhouse gas emission. The biggest hindrance in this regards has been theft and vandalism of the existing infrastructure like transformers.

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MR MONKOE M.F
ACTING MUNICIPAL MANAGER

1.23. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

MUNICIPAL BACKGROUND

The Dr J.S Moroka Local Municipality is located in the north-western corner of the Nkangala District and Mpumalanga Province. It is 1416, 49 km² in extent, representing 8.45% of the District land mass. The Municipality is approximately 1,416 square kilometres in extent and is bounded by the following entities;

- City of Johannesburg and Tshwane Metropolitan Council on the South and West;
- Thembisile-Hani LM on the South;
- Modimolle, Mookgopong and Bela- Bela LMs on the North; and
- Ephraim Mogale and Elias Motsoaledi LMs on the North East.
- Steve Tshwete and Emalahleni LM's on the East.

Functionally, the Municipality forms part of a larger economic sub-region of the City of Tshwane and City of Johannesburg Metropolitan Municipalities. The Thembisile-Hani and Dr J.S Moroka Local Municipalities represent the highest concentrations of informal dwellings, and are characterised by high poverty levels in the Nkangala District context.

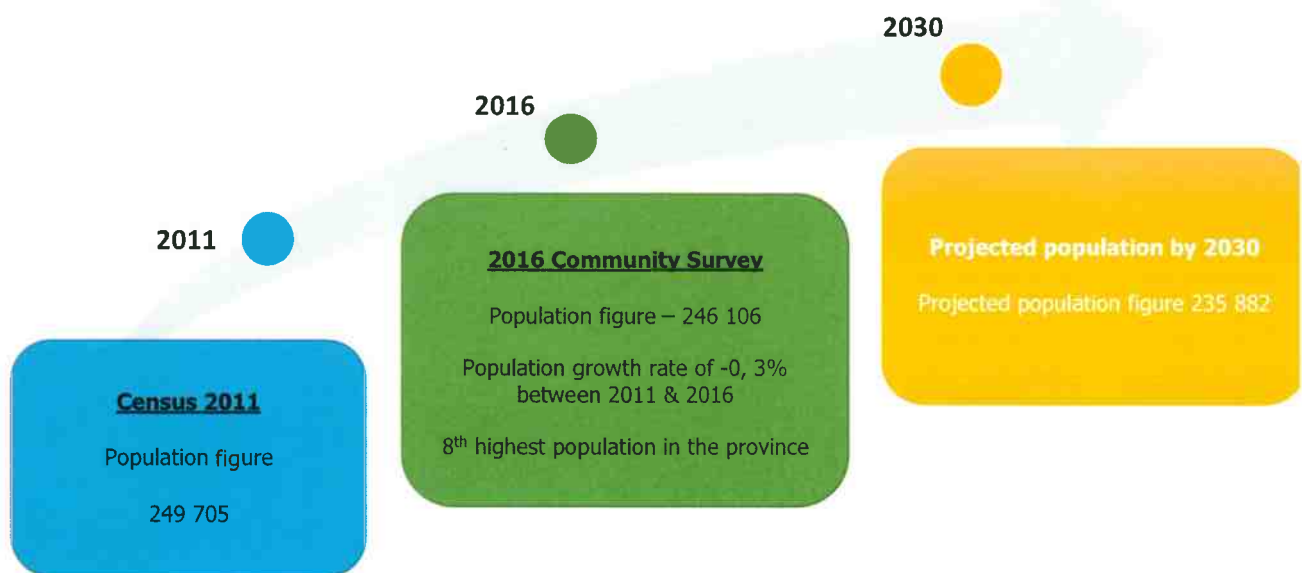
The DRJSMLM was established in 2000 as a result of an amalgamation of the former Mdutjana TLC, Mathanjana TLC and Mbibane TLC is category B municipality as determined in terms Municipal Structures Act 1998 and is a municipality with a Collective Executive System and with 62 Councilors. The municipality has 61 villages, 31 wards with total population of 246 016 and 64 027 household. The Municipality is predominantly rural with no much economic activities which result to high unemployment rate at 46.6% and high poverty levels. The Tshwane and Johannesburg Metropolitan areas are the most important employment centers and large numbers of people commute daily to these areas. The Community of Dr J.S. Moroka Municipality and Thembisile Municipality compete in Gauteng Province for employment opportunities. The municipality is one of the six municipalities forming the Nkangala

District Municipality and is situated in the western part of Mpumalanga Province border. It borders Gauteng Province to the south-west and Limpopo Province to the north.

OPPORTUNITIES IN THE MUNICIPAL AREA

The Dr J.S Moroka Local Municipality is located close to Gauteng and within easy reach of Emalahleni, Groblersdal, Bela Bela and Marble hall. This serve as an opportunity for investors to invest in the municipal area especially at 35000m2 fully services Siyabuswa Industrial Park .Other opportunities are: Agriculture, Tourism, Manufacturing, Retail and construction.

Population Data and Projections:



Source: Community Survey 2016

DRJSMLM GROWTH RATE (SOURCE CENSUS 2016 STATISTICS)

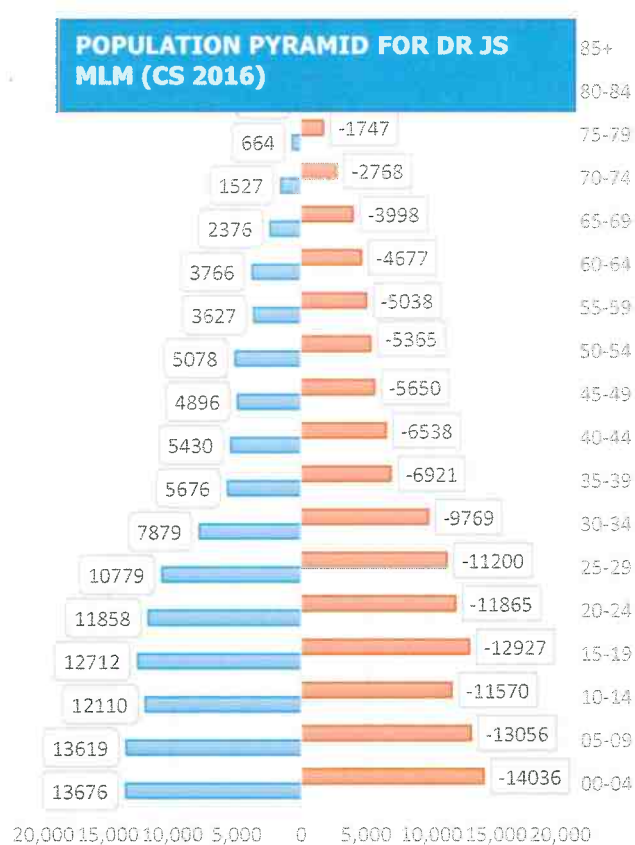
The figure above indicates Dr J.S Moroka Municipality average population change from year to year. The population average growth had experience decrease and increases rate. For instance, between 1996 to 2001, the rate was -1.2% and between year 2001 to 2007 it is estimated that average growth was 0.3%, that shows slightly increase, and

from 2007 to 2016 the municipality experience the average decreases of -0.5% in population growth.

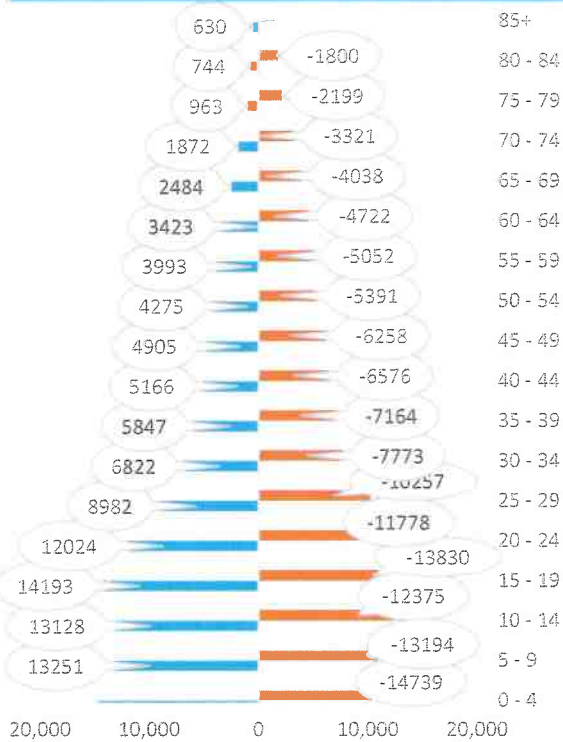
DRJSMLM proportional distribution of population groups (Source Census 2016)

Figure shows how the population structure has changed between 2011 and 2016 for Dr JS Moroka Local Municipality. The structure shows that Dr JS Moroka Local Municipality has a youth population bulge which is similar to that of Mpumalanga province and that of the country. The figure indicates that a major proportion of the municipal population are people of working age.

Population Pyramid, DRJSMLM 2011 & 2016



POPULATION PYRAMID FOR DR MLM CENSUS 2011



Source: community survey 2016

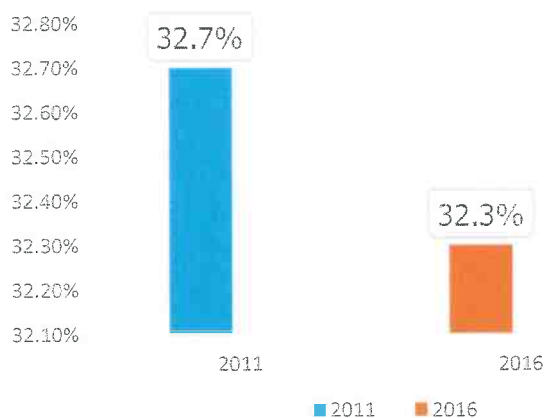
It should be noted from the figure above, the youth age population is a bulge, and on both pyramids this shows a population group decline between the ages of 20-24 as well as age group 30-34 when comparing 2011 and 2016. On average the margins on both youth population 20-24 and 30-34 on both male and females are slightly differed. These age groups are transition to adulthood which consist mainly of child bearing people and newly established families.

Dr JS Moroka Local Municipality population indicates a decline from age group 30-34 years until age group +80 years when comparing 2011 to 2016. There are less people in 2016 than 2011 in these age groups. These ages are the essential economically active population for the municipality. Thus, population decline of this age group does not assist in the economic prospects of the municipality and the province.

Population Dependency

Population dependency refers to the percentage of a population that depends on others for their well-being and survival. It is expressed by means of a dependency ratio. In the case of the dependency ratios of children/youth or of older people, these ratios are calculated based on the number of children (0-14 years old) and older persons (65 years or over) who depend on the working-age population (15-64 years old).¹ They also indicate the implications for social and economic development of changes in a population's age structure, and point to broad trends in social support needs.

Youth Dependency Ratio, 2011 – 2016



Source: MPG

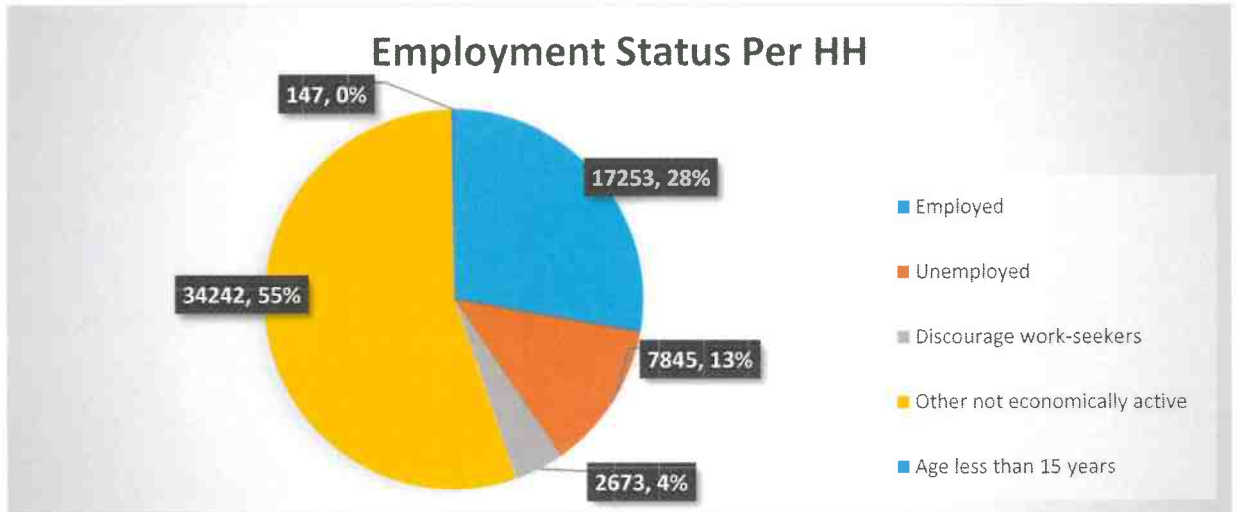
Basic Education Data

Local Municipal Area	Grade 12 Pass Rate			Trend 2016-2017	Admission to B degree 2016
	2011	2016	2017		
Dr JS Moroka Mun	57.5%	73.5%	67.1%		18.9%
Emakhazeni Mun	74.8%	84.5%	81.6%		32.0%
Emalahleni Mun	75.8%	88.0%	80.9%		22.9%
Steve Tshwete Mun	74.4%	81.0%	77.9%		28.9%
Thembisile Hani Mun	67.2%	77.3%	67.5		14. %
Victor Khanye Mun	70.3%	82.1%	82.5%		27.1%

Source: MPG

According to the 2016 CS of Stats SA, the population in Dr JS Moroka aged 20+ and completed grade 12, increased from 44 354 in 2011 to 52 480 (increase of 8 126) in 2016 – an increase of 18.3% in the relevant period. Dr J.S Moroka's grade 12 pass rate deteriorated from 73.5% in 2016 to 67.1% in 2017, ranked 2nd lowest among municipal areas of the Province. The area achieved an admission rate to university/degree studies of 18.9%, a decline from 20.4% in 2016. The challenge is to accommodate the educated young people in the area inadequate economic opportunities. The municipality require provision of adequate educational, recreational infrastructure and skills development activities to meet the needs of the community.

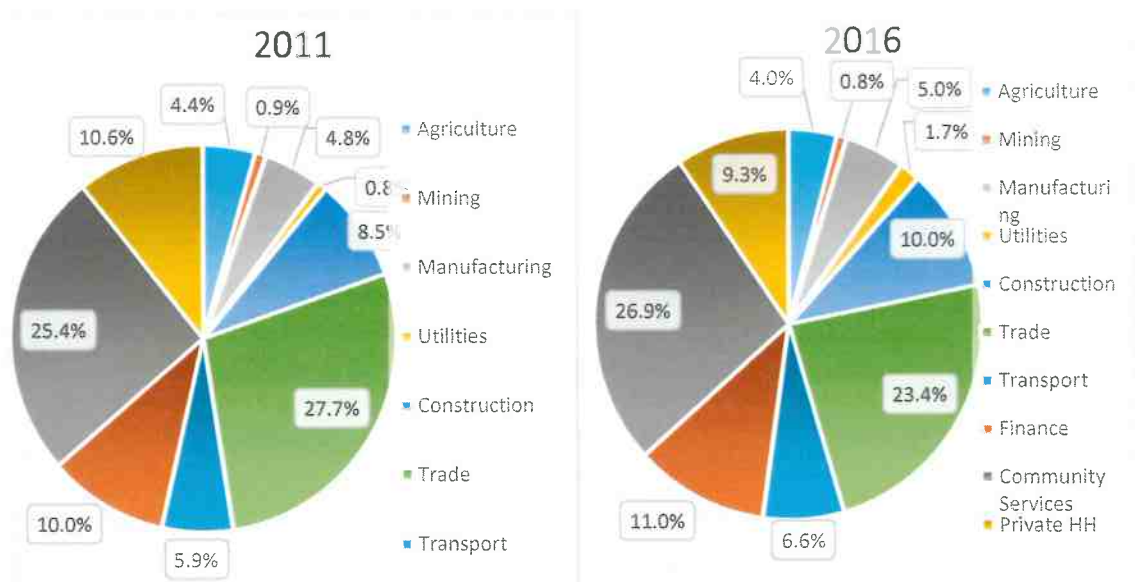
Total Employment and Growth, 2011-2016



Source: Census Community Survey 2016

The figure above indicates different segments that indicates the number of people employed against the unemployed, discourage workers seekers, economically not active and age less than 15 years not eligible to work in terms of South African laws and regulations.

Employment by Sectors, 2016



Source: PMG

Figures above shows the number of employment by sector in Dr J.S Moroka Local Municipality in 2011 and 2016. During the review period, there was a decline in employment levels in five sectors, except in manufacturing, Utilities, Construction, Transport, Finance and Community Services. Nevertheless, the figure confirms that Community Services sectors are the largest employers in Dr J.S Moroka Local Municipality followed by Finance and Construction sectors.

Unemployment Rates, 2011-2016

Local Municipal Area	Un-employment Rate Census 2011	Un-employment Rate 2016 HIS Global Insight Figures	Trend
Dr JS Moroka Mun	46.6%	47.7%	
Emakhazeni Mun	25.9%	22.8%	
Emalahleni Mun	27.3%	26.6%	
Steve Tshwete Mun	19.7%	17.3%	
Thembisile Hani Mun	37.0%	38.5%	

Source: MPG

The unemployment rate of Dr J.S Moroka increased slightly from 46.6% in 2011 to 47.7% in 2016.

Dr J.S Moroka's unemployment rate was the second highest among all the municipal areas of Mpumalanga. Unemployment rate for females 44.8% and that of males 44.9%. Youth unemployment rate according to the Census figures 61.4% - challenge with especially very high youth unemployment rate of females. The largest employing industries in Dr J.S Moroka are trade (including industries such as tourism), community/government services, finance and construction. High labour intensity in industries such as agriculture and construction. Within the Nkangala District Municipality, Dr J.S Moroka Municipality and Thembisile Hani Local Municipality both

experience high level of unemployment, especially among young people. Communities in both municipalities traverse between Gauteng and Mpumalanga provinces in search of employment opportunities.

1.24. A SHORT STATEMENT ON THE CURRENT FINANCIAL HEALTH OF THE MUNICIPALITY

The financial viability of the municipality is currently anchoring on National Grants which constitute 80% of our total revenue budget. Own revenue generation only contribute 20% of the budget. This ratio does not reflect well on the financial viability of the municipality due to over reliance on grants. Also taking into consideration that when the national fiscal is pressed, the equitable share that is given to municipalities does not increase by even the CPI %. For 2017/2018 financial year our equitable share has increased only by R600 thousand instead of 5.6% CPI which would have rendered the municipality with R18 million.

There are three main problems that causes low revenue collection for Dr J.S Moroka Local Municipality, which are as follows:

- Small revenue base for billing.
- Unwillingness by consumers to pay for services.
- Lack of water meters.

The table below indicate the Own Revenue performance for the municipality for the previous financial years:

Description	2017/2018	2016/2017
Sale of services	65 660 964	49 529 458
Other revenue	14 183 040	19 936 912
Total Collection	79 844 004	69 466 370

Current Revenue Challenges:

- Slow payment by Departments and Local Municipalities (Thembisile Hani Local Municipality and Sekhukhune District Municipality).
- Unwillingness to pay for services by households.
- Inaccurate data on the financial system due to lack of title deeds .
- Small revenue base which needs to be increased.
- Non-functioning water meters.
- Flat rate billing.

Remedial actions to be implemented in 2018/2019 financial year:

- Installation of prepaid water meters as a strategy to increase revenue collection and conserve water.
- Increase of revenue base through selling of stands and making municipal land available to developers.
- Implementation of PPP contracts that can generate more cash inflow to the municipality and also that can create jobs for locals.
- Review and enforcement of by-laws.
- Review and Implementation of Revenue Enhancement Strategy.

In conclusion the municipality needs to generate more than R100 million for 2017/2018 to ensure that the municipality is financial viable. This can be achieved by installation of prepaid water meters, realisation of 60% collection on consumer accounts and robust implementation of credit control and debt collection policy and implementation of revenue enhancement strategy.

Dr J.S Moroka Local Municipality is a developing and growing municipality striving for service delivery excellence. Therefore many challenges are faced with regards to

financial planning and are ever changing due to the dynamic setting of local government. The priority from the financial perspective is the viability and sustainability of the municipality. The financial plan and related strategies are in place to address a number of key areas in order to achieve this goal.

When it comes to revenue collection the status of the municipality is not as expected since the collection rate is at 12%, beyond that the municipality is grant reliant, the main driving force is the non-payment of municipal services by various categories of consumers coupled by the unmetered water supply to the majority of consumers within the municipal area of jurisdiction.

The unemployment rate is standing at above 50% which is still a contributory factor to the current financial status of the municipality.

It should be noted that the municipality will be engaging in a debt collection process by ensuring that all service consumers who have an ability to pay for municipal services but not willing to do so will face legal processes from the municipality.

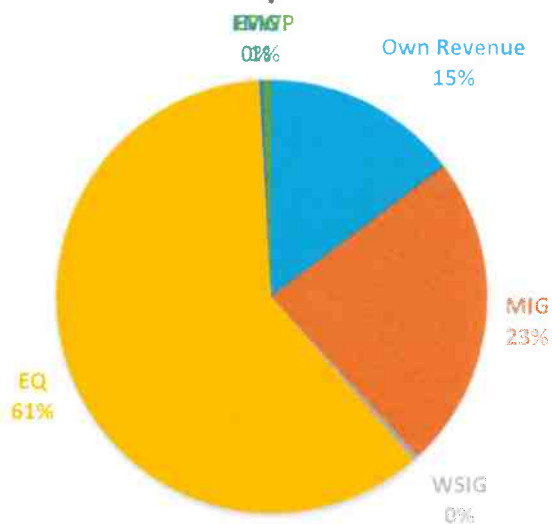
REVENUE AND EXPENDITURE SUMMARY

DESCRIPTION	2016/17	2017/18
REVENUE	597 397 704.00	668 079 778.00
OPERATING EXPENDITURE	556 583 791.00	575 298 952.00
SURPLUS	40 813 913.00	92 780 826.00

REVENUE FROM GRANTS AND SUBSIDIES

GRANT SOURCE	2016/17	2017/18
Municipal Infrastructure Grant	119 102 000.00	127 371 000.00
Water Services Infrastructure Grant		2 500 000.00
Finance Management Grant	1 625 000.00	1 700 000.00
Expended Public Works Programme	4 257 000.00	3 246 000.00
Equitable Share	302 719 000.00	328 528 000.00
Intergrated National Electrification Programm	-	-
TOTAL	427 703 000.00	463 345 000.00

The following graph gives a breakdown of the main revenue categories for 2017/18 financial year:



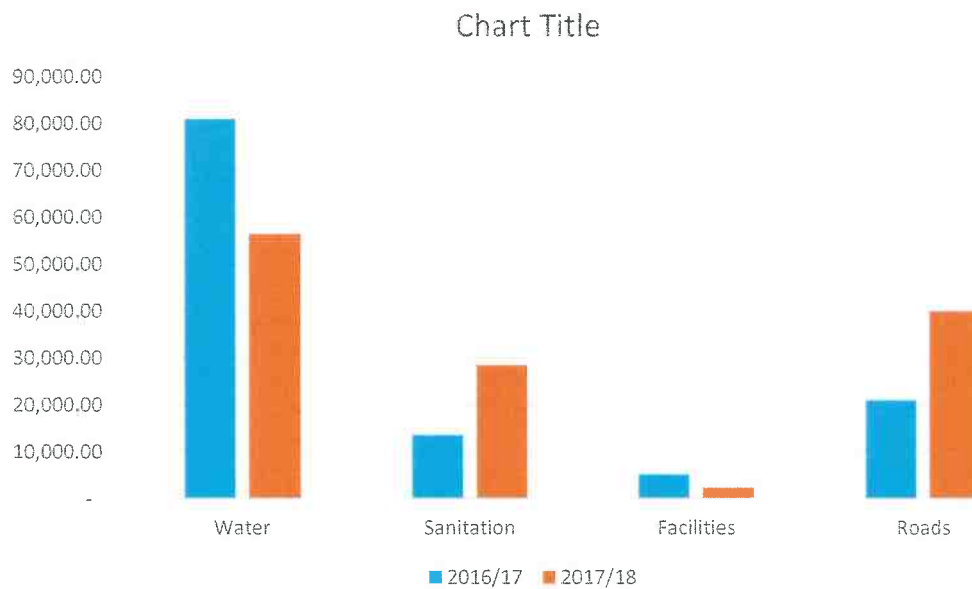
OPERATING EXPENDITURE BY TYPE

DESCRIPTION	2016/17	2017/18
Employee related costs	165 426 349.00	190 297 347.00
Councillors Remuneration	21 204 997.00	22 174 487.00
Depreciation	54 392 676.00	47 367 804.00
Debt Impairment	40 071 334.00	62 498 857.00
Contracted Services	156 395 320.00	132 046 633.00
General Expenditure	116 380 411.00	116 944 289.00
	553 871 087.00	571 329 417.00



CAPITAL EXPENDITURE BY VOTE

CAPITAL EXPENDITURE BY TYPE	2016/17	2017/18
WATER	80 909 670.00	56 385 246.00
Sanitation	13 601 575.00	28 320 294.00
Facilities	5 170 000.00	2 321 798.00
Roads	20 991 952.00	39 867 166.00
LED	2 928 803.00	
	123 602 000.00	126 894 504.00



Capital expenditure for 2017/18 was fully funded by Conditional Grants, MIG and WSIG. MIG was fully spent by end of financial year, and WSIG was at 70% as at the end of financial year end, the main reasons for low spending was mainly due to late approvals of business plans by DWA.

1.25. ORGANISATIONAL DEVELOPMENT OVERVIEW

The Administration and Corporate Services Department have a wide variety of tasks that are related to the human resources support function of the municipality. These include municipal department and divisions to develop policies, by-laws, organizational structure, capacity building, recruitment, selection and appointment, legal and sound labour relations. The department ensures that, at all times, through execution of its functions adheres to the municipal vision and mission.

For the period reported, the Chief Financial Officer and Municipal Manager was appointed which brought a total number of five senior management positions being filled, i.e. Executive Manager Administration and Corporate Services, Executive Manager Technical Services, Executive Manager Community Development Services, Chief Financial Officer and Municipal Manager. However the position of Municipal Manager remains vacant due to the passing of Mr Mahlangu M.J who held the position until February 2018. At financial year end, the position was still vacant and Mr Monkoe M.F appointed as Acting Municipal Manager.

The Municipality encountered few litigations ranging from service providers, even though the task seemed demanding most of them were finalized. Municipal By-laws and policies were developed and reviewed through consultative meetings with relevant stakeholders.

The department helped in capacitating municipal personnel, councillors and unemployed community members through training interventions, learnerships and internship programmes. External bursaries addressing scarce skills shortages were awarded to deserving learners and their study progress were monitored through the submission of academic results. Employment equity was reviewed and submitted to the Department of Labour.

The department provides for the development and management of organisation wide records management programme, which is designed to ensure that record keeping and establishment of a centralized, effective and efficient registry services within the municipality meet the organization's objectives and ensure compliance to National Archives Act 43 of 1996

The department provides secretariat functions to Council and its Committees. All the Council committee meetings were arranged and agenda issued on time to the relevant stakeholders.

AUDITOR GENERAL OPINION

- Audit opinion for 2017/2018: Adverse Audit Opinion
- Audit opinion for 2016/2017: Qualified Audit Opinion
- Audit opinion for 2015/2016: Qualified Audit Opinion
- Audit opinion for 2014/2015 : Qualified Audit Opinion

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 4 th quarter Report for previous financial year	
4	Submit Draft Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit Annual Reports to MM	
6	Audit/Performance committee considers 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 assesses Annual Report including consolidated Annual Financial Statements and Performance data	September – November
12	Municipalities receive and start to address the Auditor General's comments	November - January

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	
17	Oversight report is made public	December –
18	Oversight report is submitted to relevant provincial departments	March

CHAPTER 2 – GOVERNANCE

2.1. COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The purpose of an Annual Report is to promote accountability to communities for decisions taken by the Council and matters relating to administrative structures, throughout a financial year.

Nine major characteristics should be applied within the political and administrative structures of a municipality / municipal entity to ensure good governance:

- *Participation:* Participation could be either direct or through legitimate intermediate institution or representatives.
- *Rule of law:* Good governance requires legal frameworks that are enforced impartially.
- *Transparency:* Transparency means that stakeholders are provided with information on why decisions were made that directly affect them.
- *Responsiveness:* Good governance requires that institutions and processes try to serve all stakeholders with a responsible timeframe.
- *Consensus oriented:* Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved.
- *Equity and inclusiveness:* Society's wellbeing depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.
- *Effectiveness and efficiency:* Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal.
- *Accountability:* Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law.

- *Sustainability*: Sustainability is the capacity to endure, how systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.2. POLITICAL GOVERNANCE

The system of governance in the municipality is an Executive Mayoral System. The Executive Mayor is the political head with a complement of 5 Members of the Mayoral Committee who are heading different Departments.

The Executive Mayor is supported by a team of 5 councillors who are full time councillors. The Members of the mayoral committee heads the Section 80 Committees which are composed of the departmental heads of those particular departments.

The speaker is the chairperson of the Municipal Council therefore acts as a custodian of the rules of Council. Other committees of council were established in terms of Section 79 of the Municipal Structures Act to execute an oversight role over the Executive on behalf of Council.

The Municipal Public Accounts Committee performs an oversight over the Annual Report, the financial reports and comments on such report before it is adopted by council.




PICTURE NOT
AVAILABLE

CLLR W.T MADILENG
CURRENT EXECUTIVE MAYOR



CLLR R.S MATHABE
SPEAKER



CLLR M.S NTLAILANE
COUNCIL WHIP

MAYORAL COMMITTEE



CLLR J.M SEKWALA
MMC: ADMIN & CORPORATE SERVICES



CLLR M.G MTSHWENI
MMC: PUBLIC SAFETY & TRANSPORT



CLLR J. SEGALAGALA
MMC FOR WATER & INFRASTRUCTURE



CLLR D.M MDLULI
MMC: SOCIAL DEVELOPMENT



CLLR L.B SIBANYONI
MMC: FINANCE, LED & PLANNING

CHAIPERSONS OF SECTION 79 COMMITTEES



PICTURE NOT
AVAILABLE



CLLR S. MAJA
CHAIRPERSON:
FINANCE & LED



CLLR M.W. MASHISHI
CHAIRPERSON: SOCIAL
DEVELOPMENT
SERVICES



CLLR M.E. SEKANKA
CHAIRPERSON:
MUNICIPAL PUBLIC
ACCOUNT

CLLR A.N. KOMAPE
CHAIRPERSON: PUBLIC
SAFETY & TRANSPORT



CLLR S.P. APHANE
CHAIRPERSON: WATER
& INFRASTRUCTURE



CLLR S.L. NKADIMENG
CHAIRPERSON:
ADMIN, CORPORATE
SERVICES & HR



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AVAILABLE



CLLR T. LEKALAKALA
CHAIRPERSON: LOCAL
GEOGRAPHIC NAME
CHANGE

CLLR J.S. NKGODI
CHAIRPERSON: RULES
& ETHICS COMMITTEE

2.3. POLITICAL GOVERNANCE STRUCTURE

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers, Councillors are also actively involved in community work and the various social programmes in the municipal area.

Below is a table that categorized both the ward and proportional councillors within their specific political parties.

NAME OF COUNCILLOR	POLITICAL PARTY	WARD REPRESENTING OR PROPORTIONAL
William Thulare Madileng	ANC	Proportional
Rhoda Sazi Mathabe	ANC	Proportional
Mpho Sipho Ntlailane	ANC	Proportional
Jerry Segalagala	ANC	Ward 24
Mhletshwa George Mtsweni	ANC	Ward 6
Joyce Mmoni Sekwala	ANC	Proportional
Dithole Maria Mdluli	ANC	Proportional
Lulama Briffie Sibanyoni	ANC	Proportional
Sinah Raisibe Maja	ANC	Proportional
Mantwa Rosina Nkoana	ANC	Proportional
Dipuo Pearlygate Mahlangu	ANC	Proportional

Themba Lucky Madonsela	ANC	Proportional
Mokgadi Welheminah Mashishi	ANC	Proportional
Maggy Dimakatso Banda	ANC	Proportional
Sherlly Lehuduo Nkadimeng	ANC	Proportional
Jeremiah Sipho Mahlangu	AIC	Proportional
Thandeka Rose Majombosi	APC	Proportional
Vincent David Mokoala	DA	Proportional
Mmapula Merriam Moselane	DA	Proportional
Koos Mahlangu	DA	Proportional
Maureen Motshetshe Ngoatle	DA	Proportional
Rabotlhale Jackson Malatjie	EFF	Proportional
Dorcus Kgabiso Mashigoana	EFF	Proportional
Nelly Zanele Masombuka	EFF	Proportional
Molefe Martin Ngoako	EFF	Proportional
Duduzile Nomthamdazo Mtsweni	EFF	Proportional
Khuwa Betty Ntuli	EFF	Proportional
King Diphope Makola	EFF	Proportional
Lebogang Welheminah Baloyi	EFF	Proportional
Harry Nkhulu Selala	EFF	Proportional
Botshatse Mildred Magakela	EFF	Proportional

Motswaledi Martin Rankapole	FSD	Proportional
Richard Nkoto Maoka	PAC	Proportional
Sylvia Magope Phaahla	ANC	Ward 01
Nobuhle Griselda Mthiwethafa	ANC	Ward 02
May Mbowakulu Shabangu	ANC	Ward 03
Puleng George Ratsoma	ANC	Ward 04
Absalom Zaba Ndlovu	ANC	Ward 05
Mhletshwa George Mtsweni	ANC	Ward 06
Phumzile Phindile Mnguni	ANC	Ward 07
Aaron Masango	ANC	Ward 08
Josia Modisane Mputhi	ANC	Ward 09
Winny Ella Mthimunye	ANC	Ward 10
Johannes Charles Skhosana	ANC	Ward 11
Julia Thabi Mkoneni	ANC	Ward 12
Menziwa Louis Masilela	ANC	Ward 13
Cathrine Babulaleni Skosana	ANC	Ward 14
Stephen Papani Aphane	ANC	Ward 15
Abel Makhakhisa Namane	ANC	Ward 16
Andrew Neba Komape	ANC	Ward 17
Benjamin Nare Mojela	ANC	Ward 18

Molala Sipho Mkhondo	ANC	Ward 19
Johannes Smaka Matji	ANC	Ward 20
Constance Mmapula Makgaloa	ANC	Ward 21
Johannes Mpho Leballo	ANC	Ward 22
John Swanyane Nkgodi	ANC	Ward 23
Jerry Segalagala	ANC	Ward 24
Lizzy Kentinah Lebelo	ANC	Ward 25
Anthon Tshepo Moimana	ANC	Ward 26
Madidimalo Elias Sekanka	ANC	Ward 27
Thabo Moses Nyatlo	ANC	Ward 28
Thabo Ignatius Lekalakala	ANC	Ward 29
Thaloki Ben Legong	ANC	Ward 30
Sekgorutha Jonas Ratladi	Independent	Ward 31

2.4. COUNCIL COMPOSITION

The table below reflects the composition of Dr JS Moroka Local Municipality by political party and seats. The majority party in council is the African National Congress.

Party	Total Seats	Ward Seats	PR Seats
ANC	43	30	13
DA	4	0	4

Independent	1	1	0
AIC	1	0	1
APC	1	0	1
EFF	10	0	10
F4SD	1	0	1
PAC	1	0	1

2.5. ADMINISTRATIVE GOVERNANCE

The role of the Municipal Manager is as prescribed in Section 55 of the Local Government: Municipal System Act, 2000 (Act no. 32 of 2000) read with section 60, 61 and 62 of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) which provides *inter alia* that as head of administration the Municipal Manager of a municipality is, subject to the policy directions of the municipal Council, responsible and accountable for –

- The management of the municipality's administration in accordance with this Act and other legislations applicable to the municipality;
- The implementation of the municipality's integrated development plan, and the monitoring of progress within implementation of the plan; and
- Managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure
 - That the resources of the municipality are used effectively and economically.
 - That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;
 - That the municipality has and maintains effective, efficient and transparent systems;
- Financial and risk management and internal control; and

- Internal audit operating in accordance with any prescribed norms and standards.
- The following Senior Managers constitute the Administration Leadership:



MR MONKOE M.F
ACTING MUNICIPAL MANAGER



MS RAMPEDI M.R
EXECUTIVE MANAGER: ADMINISTRATION & CORPORATE SERVICES



MR LETSOALO T
CURRENT CFO



MR BABEDI L.E
EXECUTIVE MANAGER: TECHNICAL SERVICES



PICTURE NOT
AVAILABLE

MR NANGAMBI F.R
**ACTING EXECUTIVE MANAGER:
COMMUNITY DEVELOPMENT SERVICES**

2.6. INTERGOVERNMENTAL RELATIONS

The relationship with other municipalities all over the district is coordinated through the District Municipality. The interaction with other municipalities is achieved through the District Forums. Such participation enriches the capacity of the municipality as we share and network on ideas that are instrumental towards the development of our municipality.

The municipality also participated in the following:

- Municipal Manager's Forum;
- Mayor's Forum;
- EXCO Lekgotla;
- Premier Co-ordinated Forum; and
- Technical Premier Co-ordinated Forum

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION 17/18

2.7. PUBLIC MEETINGS

Nature and Purpose of the meeting	Date of events	Number of participating Municipal Councillors	Number of participating Municipal Administrators	Number of community members attending	Dates and manner of feedback given to community
IDP IMBIZO	18/09/2017	40	22	494	Feedback are given through ward committee meeting and community meetings
	25/09/2017	36	24	272	
	26/09/2017	27	13	416	
	29/09/2017	50	16	689	
	17/10/2017	41	19	455	

	19/10/2017	23	15	442	Through ward committee and community consultation meetings
IDP OPEN DAY	24/04/2018	48	21	247	
	25/04/2018	32	19	572	
	26/04/2018	27	15	494	
					Through ward committee and community consultation meetings

The purpose of these meetings is not only to help and involve the communities in decision-making processes of the municipality but also obtaining feedback on service delivery and challenges they face day-to-day. These public meetings bridge the gap between the municipal council and its communities.

2.8. IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria	Yes/No
Does the municipality have impact, outcome, input, output indicator?	YES
Does the IPD 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?	N/A
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 frame	YES

COMPONENT D: CORPORATE GOVERNANCE

2.9. RISK MANAGEMENT

Risk Management forms part of management core responsibilities and is an integral part of the internal processes of the Municipality. It is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on Municipal service delivery capacity.

The following were the top 8 risks in the 2017/2018 financial year and measures to mitigate the risks:

RISK	MEASURES TO MITIGATE THE RISK
Probability of improper practice with regard to incidences of theft, fraud and corruption	<p>To roll-out workshops on Municipal policies and procedure manuals.</p> <p>Ensure accountability by Senior Management on application of Municipal policies.</p> <p>Assign the responsibility of Fraud and Corruption to the Risk Management Committee</p> <p>To fast-track the approval of the Whistle Blowing policy and the establishment of the anti-fraud and corruption hotline Achieved- Policy developed and the presidential hot line is</p>

	utilised to report fraud and corruption regarding the municipality
Inability to improve organizational cohesion and development	<p>Centralization of records management system</p> <p>Develop and implement the Business Continuity Plan and Disaster Recovery Plan</p> <p>Continue to implement the compliance check list</p> <p>Develop and implement Human Resource Strategy</p>
Inability to generate cash inflow	<p>Continue to implement the revenue enhancement strategy</p> <p>Implementation of revenue turnaround strategy</p> <p>Review and gazetting of financial by-laws</p> <p>Continue to Conduct data cleansing.</p> <p>Development credible asset register.</p> <p>Monitoring of the cash flow and the budget on daily basis.</p> <p>Enforce implementation of demand management process.</p>
Inadequate mechanisms to attract investors i.e. manufacturing industries	<p>Resuscitate and promote economic development in the small towns (Black industrialist)</p> <p>Continue to conduct local economic development forum</p> <p>Review and implement the LED Strategy.</p> <p>Development of the tourism strategy.</p>

	<p>Enforcement of the Business trading control by-law.</p> <p>Continue to enforce compliance on land use management by-laws</p> <p>Development of the investment strategy</p>
Non alignment between the SDF and the IDP	<p>Alignment of the infrastructure planning with the SDF.</p> <p>Land matters to continue to be standing agenda item during the Mayor's Forum.</p> <p>Acquire land for human settlement and business development.</p>
Ineffective Governance and Public Participation	<p>Implementation of performance management systems.</p> <p>Link the communication from both internal and external.</p> <p>Fully implement the recommendations from oversight structures.</p> <p>Fully Implement Risk Enabling documents.</p> <p>Enforce the feedback mechanism by the municipality to the ward committee</p>
Ineffective social and economic development services	<p>Conduct awareness campaign to educate the communities</p> <p>Replacement of aging fleet</p> <p>Appointment of staff and procurement of waste collection vehicles</p> <p>Implementation of revenue strategy</p> <p>Development of the Maintenance policy</p>

	<p>Ensure involvement of the community through the Municipal Programs</p> <p>Appointment of Disaster Management staff</p>
Inadequate provision of sustainable basic services	<p>Continue to implement the Revenue Enhancement Strategy</p> <p>Enforce adherence to the procurement plans</p> <p>Development of service provider performance rating tool and project risk register and ensure continuous monitoring.</p> <p>Solicit funding from DWS for the development of Infrastructure Master plans</p> <p>Refurbishment and rehabilitation of aging infrastructure</p>

2.10. ANTI-CORRUPTION AND FRAUD

A draft anti-corruption strategy was developed however it was approved by the Mayoral Committee. The committee recommended that the strategy should also include the anti-fraud component. The following key risk areas have been identified in accordance with the institutional risk register, i.e. Finance, SCM, Fleet Management and Technical Services. Councillors are excluded from the procurement processes as prescribed by schedule 1 of the MSA of 2000.

2.11. SUPPLY CHAIN MANAGEMENT

Currently, the Supply Chain Management Unit (SCM) comprises of six staff members, and the positions includes Demand, Acquisition, Logistic, Disposal, Risk, Performance, Senior Procurement, intern and Assistant Manager. The main objectives of the SCM unit are to ensure effective and efficient procurement of goods and services, to support the strategic objectives of the municipality through procuring at the right place, right time, right quantity, right quality and at a right price; to ensure that goods and services

are procured in line with section 217 of the constitution and the all applicable legislation; to assist the municipality in achieving a clean audit opinion, through ensuring compliance with the SCM policy and all applicable pieces of legislation when procuring goods and services.

During the SWOT analysis of the Supply Chain Management Unit the following were realized:

Strengths:

- 1 Communicating and managing the sitting of Bid Committees
- 2 Attending to procurement requests received
- 3 Ability to procure goods and services in line with the SCM policy
- 4 Ability to enforce compliance to legislative requirements in procuring goods and services
- 5 Dedication of SCM role players towards service delivery

Weaknesses:

- Poor record keeping
- Poor control of tender documents sales
- Poor procurement planning i.e. unavailability of procurement plans

Opportunities:

- Capacity building through training of all SCM role players
- Filling all vacant posts within the SCM unit
- Review of the SCM policy to increase efficiency
- Preparation of council approved procurement plans
- Conducting workshops for local business people on tendering processes and encourage participation and advancing LED objectives of council.

2.12. WEBSITES

For the period under review the municipality had a functional website, managed by an external consultant. The website was fully functional and was updated frequently with information as reflected by the table below. Information listed on the website depends upon departments submitting data for publication on the website. The Communication and ICT unit are responsible for this function.

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 (2016/2017)	Yes
The Annual Report 2017/2018 published/to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act 2015/2016 and resulting scorecards	Yes
All service delivery agreements 2017/2018	No
All long-term borrowing contracts 2017/2018	No
All supply chain management contracts above a prescribed value (give value) for Year 2017/2018	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 2017/2018	No
Public-private partnership agreements referred to in section 120 made in Year 2017/2018	No
All quarterly reports tabled in the council in terms of section 52 (d) during Year 2017/2018	Yes

2.13. PUBLIC SATISFACTION ON MUNICIPAL SERVICES

No public satisfaction survey was done in 2017/2018.

2.14. MUNICIPAL COMMITTEES

COMMITTEES (OTHER THAN MAYORAL COMMITTEE) AND PURPOSES OF COMMITTEES	
MUNICIPAL COMMITTEES	PURPOSE OF COMMITTEE
Risk Management Committee	To ensure that risks identified and their controls are managed effectively
Audit Committee	Advisory role to Council in terms of Section 166 of MFMA
Specification committee	To ensure that the specification is drafted in an unbiased manner
Evaluation Committee	To ensure that SCM policy and regulation together with procurement processes are adhered to
Adjudication Committee	To ensure that SCM policy and regulation together with procurement processes are adhered to
Budget Steering committee	Alignment of budget with MTREF
Local Labour Forum	To ensure good relationship between employer/employee and consult on all matters of mutual interest
Administration, Corporate Services & Human Resource	Oversight role
Water & Infrastructure	Oversight role
Social Development Services	Oversight role
Public Safety and Transport	Oversight role
Finance, Town Planning and LED	Oversight role

Municipal Public Accounts Committee	Oversight role
Local Geographic Names Committee	Oversight role
Rules & Ethics Committee	Oversight role
IDP Rep Forum	Identify and consult with all relevant stakeholders in drafting of the IDP plan
ICT Steering committee	ICT Governance compliance

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE

COMPONENT A: BASIC SERVICES

3.1. WATER AND SANITATION

Dr JS Moroka local municipality was designated as a Water Services Authority (WSA) with effect from July 2003 with the constitutional responsibility of ensuring efficient and effective water and Sanitation services to consumers in its area of jurisdiction. The water infrastructure within its jurisdiction was originally installed during the Erstwhile and was transferred to Dr JSM LM by the Department of Water Affairs and Forestry as per an agreement signed in December 2004. In accordance with its obligation as a WSA the Municipality entered into agreements with its Neighbouring Municipalities (Sekhukhune District Municipality and Thembisile Local Municipality). As from 2003 the Department of Water Affairs provided grants to the municipality for refurbishment purposes.

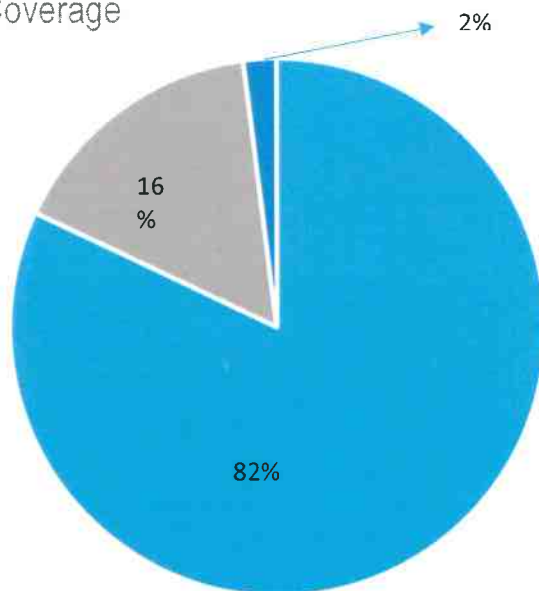
3.1.1. Present Water Demand

A total theoretical demand of 64.76 Ml/d has been assigned to the system. This includes an 5 Ml/d allocation to the Thembisile Hani Local Municipality and an 8.5 Ml/d allocation to the Sekhukhune District Municipality. It also includes a 0.3 Ml/d allocation to be drawn off the WTP to Kameelrivier reservoir pump line to fill tankers which supplies communities outside of the bulk system boundaries. This volume has been determined by taking the difference of flow measurements between the WTP to Kameelrivier PS and the inlet to the Kameelrivier reservoir. 20% non-revenue-water (NRW) has been assumed throughout. . The existing Bulk water infrastructure only provides supply to approximately 82% of the municipal population, with 16% of household being dependent on the boreholes, these are primarily found in the western region and form part of the Mathanjana Magisterial District, Most boreholes in Mathanjana are connected to reticulation directly in different villages because yield is inadequate. Seabe, Greenside, Phake and Masobe boreholes pump directly to reservoirs/ steel tank before water is reticulated to villages. Some of the borehole

supply is intermittent and problematic due to the depletion of water sources. Due to the scarcity of both infrastructure and reliable water source in Mathanjana magisterial District areas, the underground water source is the only mode to augment of shortages of potable water in the Area.

Bulk Supply	Boreholes	other
82%	16%	2%

Water Service Coverage



3.1.2. Operational Responsibilities/Output

The municipal core responsibility is to provide basic services in the form water, sanitation, waste removal, roads maintenance etc. However this depends largely on the institutional capacity. currently the actual and potential levels of institutional capacity and support for operation and maintenance are weak. This is evident in our O&M the lack thereof results in:

- Infrastructure deterioration
- Huge water losses
- Unnecessary down-time in our plant and machinery
- Lack of training and understanding of water services provisioning as a whole and ability to identify key factors that attribute to sustainable water services delivery.

The completion and implementation of asset register will help this department to develop a maintenance plan to meet the operation and maintenance requirements and to optimize the day to day provision of water service.

3.2. SANITATION

Sanitation services within the Municipality is provided with various types of facilities, i.e. pit latrines, VIP, CWB and conventional sewer system. Siyabuswa and Toitskraal are provided with water borne system flush toilets. Some areas are experiencing high water table are then provided with VIP(ventilated improved toilets) The current lack of consistent supply and unreliable availability of water limits the chances of having water borne system. The large part of the municipality which is highly dependent on ground water source is provided with of Ventilated Improved Pit toilets.

3.2.1. Siyabuswa Sewage Treatment Plant

The Municipality water waste water is discharged into the nearly Elands River water resource without a general authorization or license to discharge water as specified in the general authorization stand as specified in the authorization no 339 (f)march 2004 which contravenes section 21 of the National Water Act. The treatment plant design capacity is 10ML/d and currently we are treating 6.4 ML/d. The plant is un- activated sludge process.

It has been reconfigured to an anoxic and aerobic zone system for regulation 2834 compliance and regulation 17 of Water and Sanitation Department. The sewerage system is collecting domestic waste water and industrial waste. Operational challenges are blockages causing spillages due to old infrastructure, theft of manhole covers and

unauthorized disposal of solids and objects into manholes. Underground and surface water is channelled into sewerage system that increases the inflow capacity.

The plant receives waste water which is drained from septic tanks of households. There is a lack of disposal site for septic sludge. Based on the current situation of developing areas such as Extension D2 and Moripe gardens which will be difficult to determine whether we will handle the situation.

The refurbishment of the plant was done to improve the performance and operation of the plant. Since then the parameters have improved significantly and complies with the required standard. The treated sewage is discharged to Elands River which is expected not to be contaminated.

3.2.2. Libangeni Waste Stabilization Ponds.

The Libangeni ponds are only serving the police station. It has a capacity of 0,07ML/d. The residents are provided with VIP and CWB toilets. The plant is not yet electrified, and therefore the incoming and the out coming cannot be measured. The installation of meters of meters need to be considered. The security fence is continuously vandalised and palisade will be the solution. No personnel is on site instead process controllers from Siyabuswa do a visual inspection once a week. The Municipality will develop the operation and maintenance plans.

3.2.3. Current Backlogs: 2017/18

Municipality	Services	Total No of HH	No of HH with access	%	No of HH without access	%
2011 Statistics						
Dr JS Moroka(Based on 2011 census)	Water	62 162	40 455	65%	21 707	35%
Dr JS Moroka (Based on 2011 census)	Sanitation	62 162	9 908	16%	52 254	84%
2014 Municipal Baseline (New Additional Households that emanated after 2011 statistics and from General House Hold Survey)						
Current statistic(3%population increase)	Water	64 377	49 770	77.3%	14 607	22.6%
Current statistics(3% population increase)	Sanitation	64 377	33 795	52%	30 582	48%
Additional Households were determined by the Municipality using a random sampling method of 3% population increase. The additional households are 2 215.						

3.2.4. Challenges And Remedial Action For Technical Services- Water & Sanitation

CHALLENGES	REMEDIAL ACTIONS
Leakages	Deployment of water on leaks students and provision of materials and fittings
Blocking of Water Meters	Involvement of water urgets ,war on leaks and maintance team of the municipality
Water quality	Cleaning of reservoirs,replament of old network system from asbestos to PVC
Drying of Boreholes	Geo-hydrological studies must be done and identify new spot for drilling of new boreholes, increase the depth of current's existing boreholes
Supplying of water through storage Tanks	Increase the source, water network capacity and reticulate.
Blocking of sewer lines	Upgrading of sewer network lines and perfecting the gradient/slope of the network.
Collection of sewer waste by honey suckers	Sewer Reticulation and introduction of water borne system

3.3. ROADS

Roads Infrastructure is the main transportation system and all roads are classified and owned by different spheres of government. Provincial roads are maintained under Mpumalanga Public Works, Roads and Transport (PWRT), District Roads are under the Nkangala District Municipality and Municipal roads (Local bus and taxi routes) are maintained by Dr JS Moroka Local Municipality. A number of provincial and district roads are found within the jurisdiction of Dr J.S Moroka Local Municipality; with the Moloto Road (Route R573) and Kwa-Mhlanga - Mkhombo Dam Road (Route R568) crossing within our Municipal boundaries.

The municipality considers the ITP (Integrated Transport Plan) which was prepared in terms of the provisions of the National Land Transport Act (NLTA) Act5 of 2009, for a period of five years 2014/15 to 2018/2019. The ITP serves to provide overall guidance on transport service delivery in the municipality through identifying gaps in the transport systems and formulating systematic interventions to address the gaps. The ITP will also provide the transport-related inputs into the municipality's Integrated Development Plan (IDP) which is the primary planning and budgeting tool to realize the municipality's vision.

There is currently no road network asset management system in the municipality, which is essential for guiding the municipality on the prioritization of road network development and maintenance. The road network asset management system would also help to ensure efficient use of resources, especially in the case of the Dr JS Moroka municipality where resource limitations are one of the primary concerns. In the absence of a road network asset management system, therefore, the municipality does not have a systematic method to help to develop and maintain its road network.

The Municipality has a total length of approximately 2720Km of internal gravel roads. 125 km is bus and taxi roads which belong to the municipality and 85km belongs to the Department of Public Works Roads & Transport (DPWRT). Approximately 500Km is

maintained annually (Includes Gravelling and Blading). The municipality is however unable to maintain all of its gravel roads due to insufficient resources.

102.4 km of the total 210 km of bus and taxi road is paved which leaves 51.2% backlog. The Municipality has thus far been able to increase number of paved bus and taxi routes from 36% to 48.8% since 2011 which is 12.8% backlog reduction to-date. Total surfaced road inclusive of bus routes and other internal roads stands at 189.1 Km. Contributing factors in terms of backlog include inter alia projects implemented till 2017/18 financial year.

3.3.1. Status With Regard To Maintenance:

The Municipality has a network of roads which mostly is gravel roads. These roads are used by buses and taxis to ferry commuters to and from work, shopping stores and other their desired destinations. Gravel roads are to a low pavement standard and as such their design life is shorter than that of a surfaced road.

Even though the Division uses SANRAL guidelines, SANS code of standards and other related governing legislatures to construct these roads, but due to a high number of unskilled operators we are unable to reach optimum allowance standards.

Even though surfaced roads are frequently maintained through potholes patching programmes there still a high backlog of uncompleted surface roads as well as proper storm water channels to assist in control of run-off water on the ground and on our roads, furthermore the Division extends its responsibility to assist with maintenance of provincial and district roads.

3.3.2. Status of the integrated Transport plan:

The Municipality has not yet implemented the integrated transport plan and as such the municipality relies on the District Municipality for such matter.

3.3.3. Status Of Roads With Regard To Public Transport, Major Economic Belts Etc:

The municipality works jointly with PWRT to maintain all the above mentioned roads, this assists in that roads remain in a suitable driving condition at all times.

To date the Municipality has upgraded 1851, 35km of gravel roads (both local and provincial) using internal human and non-human resources of the Municipality as a capacity building exercise – this is in conjunction with the Mpumalanga Department of Public Works, Roads and Transport.

3.3.4. Status Of Arterial Or Internal Roads:

With three of the magisterial units to maintain, there are different types of roads found within the villages. Mathanjana unit is mostly sandy as such minimal number of gravel roads are found in this unit while Mdutjana and Mbibane have most of the gravel roads in the municipality. Most of the paved roads are also found in Mdutjana followed by Mbibane unit.

Our roads need frequent maintenance as there are inadequate storm water control drainages thus they are eroded timely. Although they are mostly in good conditions but they are prone to be badly damaged during rainy seasons. There is a vast need of upgrading some of the gravel roads to asphalt pavement as a solution for poor materials found within the area of concern which make poor road wearing course.

3.4. STORMWATER DRAINAGE

3.4.1. Areas Without The Roads & Stormwater Service:

All wards within the municipality have services though some have very limited services in terms of storm water channels and paved roads. The maintenance team responsible for this activity, periodically conducts investigations to better address challenges resulting from lack of storm water infrastructure.

A network of stone pitched, concrete and earth channels are mostly situated in Mbibane and Mdutjana unit area since the areas are sloppy while Mathanjana unit area is mostly flat; soil types within each magisterial unit take precedence.

Earth drains are constructed as a temporary means to convey storm water away from human inhabitants. This is done until a permanent solution is sourced.

3.4.2. Availability Of Storm Water Management Plan Or System:

The Municipality has roads and storm water master plan in place which is revised on an annual basis.

3.5. ELECTRICITY

Dr JS Moroka Municipality solely depends on the Department of Energy for funding electricity projects and Eskom for implementation thereafter. The Municipality further depends solely on Eskom in terms of electricity matters including electricity provision in its entire Municipal area of jurisdiction. The Millennium Development Goals target for electricity is 2016. The Municipality does not have any significant electricity backlogs due to the fact that all Villages in the Municipality are fully electrically reticulated and energized with the exception of the newly and recently created Village extensions.

It can therefore be noted that in terms of the basic provision for electricity, Dr JS Moroka has made significant achievements in such a way that it can be considered that millennium development goals targets will either be achieved by 2017 or have already been achieved depending on the analysing of the situation by an individual. The only challenge the Municipality faces from time to time relates to the informal allocation of land by Traditional Authority resulting in the land occupant's thereafter immediately expecting or demanding electricity from the Municipality. Where electricity reticulation projects are implemented, challenges are that the implementation process is not expeditiously done and sometimes leads to Community members crying foul in terms of the Municipality's commitment to meeting their needs.

Electrical technology is a subject which is closely related to the technologies as we are looking towards 2018 to make better life to the households living in our areas of jurisdiction to benefit from electricity. Dr JS Moroka Municipality has approximately 64 377 (As per national verification) total number of households with 63 868 total number of households receiving Electricity from Eskom program. This leaves the balance being those needing posts connections as well as those needing minor reticulation. Furthermore, 567 households were electrified in 2017/18 financial year in result to unauthorized extension.

3.5.1. Bulk Supply

The electrification network is available for all villages except for the new village extensions that are mostly perpetuated by the unauthorized site allocations.

3.5.2. Demarcation of New Extension

The demarcation of new extensions is currently the challenge that the Municipality faced with. Most Tribal Authorities within the Municipality are still allocating stands (households) without any prior consultation with the Municipality so that advance plans can be initiated on electricity matters that will immediately affect households. It is however important to make known to household owners settling on private lands that they are expected to incur the full cost for electricity supply and connections to their households. Proclamation of the landowner is another challenge as the Municipality through Eskom is unable to electrify those areas whose ownership remains unresolved such as Phake.

3.5.3. Community Lighting

Community lighting is a serious challenge as most of our areas do not have street lighting and are living in darkness. This promotes high rate of crime to our community such as housebreaking, robbery, high jacking etc. The municipality has thus far electrified 265 high-mast lights.

With	Without
64 377	480

Priorities:

- To ensure that Eskom as the bulk provider meets the municipality's present and future needs in terms of the capacity
- To ensure provision by Eskom reliable and affordable electricity access to all residents of Dr. J.S. Moroka Municipality in accordance with National Energy Regulation South Africa (NERSA).
- To ensure that Eskom electrification plans: Development plans are informed by the Municipality's IDP and also approved by the Municipality.
- To provide community lighting to the Community.
- Ensure electricity backlog is corresponding to what is on the ground level.
- To have a routine maintenance of all Municipal Infrastructure in accordance with the municipality's programme
- To ensure that all the Large Power Users (LPU's) and Small Power Users (SPU's) are functioning correctly.
- To have recorded Municipal Electricity data.
- To identify all electricity infrastructure.

Activities:

- To provide power backup systems to all key municipal facilities.
- To ensure all electrical projects are to be fully discussed with electrical division prior implementation of projects.
- To ensure that Eskom strengthens the capacity on areas of concern.
- To ensure that DoE allocate budget for electrification of households Extensions.
- To have funds available to procure and install alternative energy sources (solar system)

3.6. HOUSING

The Dr J.S Moroka Local municipality has established two townships through Nkangala District Municipality in Libangeni and Moripe Gardens. Residential development is a very important component of any TOD. Government has an opportunity to impact directly in this regard by way of government subsidized housing and it can set the trend in terms of densities, housing typologies and tenure alternatives around a railway station (TOD). The more people are located around such a node the more sustainable the node should be. The Mpumalanga Department of Housing, in conjunction with the local municipalities will have a significant contribution to make to the Moloto Development Corridor in this regard by creating Green fields projects on the out skirts of these stations.

3.7. PLANNING AND DEVELOPMENT

Town planning is about land, development, planning and management. Land development is managed and controlled through the Land Use Management Scheme which is a document manual we use either to approve or disapprove land development applications. These are applications we receive as a municipality from the land owners, developers, co-operatives, non-profit organizations and any other interested parties. Land development applications include applications for consent, rezoning, township establishment, subdivision and consolidation of stands, and many more. All regulations relating to land use rights are governed by the land use management schemes, spatial development framework and by-laws of the municipality.

The planning function for Dr J.S Moroka Local Municipality was entrusted to Nkangala District Municipality as published in the Mpumalanga Provincial Gazette Volume 10 No. 959 date 26 May 2003. This basically means that all town planning functions of the municipality still had to be performed through Nkangala District Municipality. This process was gazetted due to the fact that the Municipality did not have capacity at the time and it can be reviewed provided that the Municipality's Town Planning section is fully capacitated with relevant and required resources.

Since all issues of rezoning, consolidations and final approvals of the Spatial Development Framework and the schemes, have to be approved at district level. The process of submitting all applications for land use rights to the district delays service delivery or response time of the municipality. It is important to note that Dr JS Moroka has thirteen (13) formalized townships which have a lot of unused public open spaces to this date and as result feasibility studies are required on those public open spaces for the purpose of developing schools, churches, recreational areas, businesses and many more. The thirteen (13) proclaimed townships in the municipality are referred to as R293 areas.

The critical issue of concern is that Town Planning Section is not consulted in most of the developments that are taking place within the municipality. This implies that Town Planning department is not taken as a first point of call when developments takes place within the municipality. However, the implementation of the new Act (SPLUMA) in municipalities will address most of the town planning related issues and challenges.

Priorities:

Our primary goal is to ensure that the following priorities are been realized:

- Implementation of the Finalised SPLUMA By-law and regulation as approved by the legislature (Parliament).
- Establishment of the Tribunals within the District to consider land development applications.
- Establishment of Sustainable Human Settlements by following proper procedures in most areas of the municipality.

Activities:

Our activities include the following:

- Township establishment of areas like Moripe Gardens, Toitskraal, Kameelrivier D, Libangeni, Wolwekraal, Portion 48 of Valschfontein 33-JS and Mmamethlake.
- Reviewable of Scheme Maps
- Formulation of Land Use Management Scheme in terms of SPLUMA.
- Development of Precinct Plans for areas earmarked for spatial development.

3.8. WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

Waste Management is a core function of local government and a basic service delivered by Dr J.S Moroka Local Municipality. It is also a generator of revenue for the municipality and therefore Dr JS Local Municipality must put mechanisms in place to deliver this service on a sustainable manner using the most cost-effective way. The percentage of dwellings accessing the service is 31561 Households 13.6% of the total number of household 62 162. The basic provision of refuse removal to indigent household is to ensure that at least poor people have access to basic refuse removal services from municipality.

According to Section 11.4 of the Waste Act (59 of 2008) requires local municipalities to develop Integrated Waste Management Plans. The Draft IWMP of Dr J.S Local Municipality was submitted to council for adoption on the second quarter of the current financial year, and it will 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 at licensed landfill site. 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 & Re-cycle;
 - Treatment of waste; and
 - Disposal at landfill.

This can only be achieved if effective awareness campaigns can be identified amongst the community and business to establish a culture of recycling at source and participate enthusiastically in waste minimization efforts. The rate of participation and an intervention is to improve the rate of the waste collection by ensuring that each household is supplied with a pack of recycling bags every three months. This program may start in July 2015 and we foresee a significant participation rate. The municipality is going to embark on a comprehensive Hlwekisha on Waste education programme at schools which will focus on educating learners regarding the handling of certain types of waste and appropriate disposal thereof. The proposed programme at certain primary schools will also assist in enhancing the re-cycling programme. One of the challenges to implement this awareness and education campaign for recycling is adequate human resources to champion this programme.

The municipality has insufficient capacity to collect refuse regularly on a weekly basis. This service is currently rendered to Siyabuswa and Libangeni residential areas. The current EPWP employees are targeting the illegal dumping sites, parks and open spaces. The status of waste disposal in terms of landfill sites, with regard to licensing, compliance with license condition and transportation mechanism. One landfill site at Libangeni is authorized and waiting to be licensed by the Department of Environmental Affairs. The service providers for infrastructure development have been appointed.

Infrastructure implementation plans has been submitted and the construction commenced in January 2015.

Dr J.S Moroka local municipalities face a number of challenges with respect to delivering, an effective and sustainable waste service to all households, including insufficient budget, skilled capacity, lack of appropriate equipments and poor access to areas to be serviced. These challenges are exacerbated by growing semi-urban populations who need access to municipal services and migration from rural to semi urban area within our municipality. The rapidly growing economy within the municipality is also expected to see increasing volumes of waste being collected from household, industrial area, businesses and institutions. Presently twenty five (25) wards are without solid waste removal whiles seven (7) have access to refuse removal this is due to lack of resources. Areas with solid waste removal are Wards 3,4,5,6,16 and 17 and the frequency of removal and the reliability of the service is once a week and skip containers are used for businesses and government institution.

3.9. FREE BASIC SERVICES AND INDIGENT SUPPORT

Section 97 of the Municipal Systems Act, Act 32 of 2000 among others stipulates that a credit control and debt collection policy must provide for (c) provision for indigent debtors that is consistent with its rates and tariff policies.

In view of the above, Council has approved an indigent policy to provide for the following Consumer Services:

- Water
- Electricity
- Refuse removal
- Sewer where applicable

Indigent Programme summary

In terms of clause 7.5 of Free Basic and Indigent Support policy indigent registration are considered throughout the year and if an application is favourably considered, a subsidy will be granted during that municipal financial year and be subjected for verification annually. For 2017/2018 financial year the municipality has 4 394 registered indigent which receive 100% subsidies on rates and service charges levied by the municipalities. The below table depicts number of household per area that are currently beneficiaries of the policy:

AREA	TOTAL
ALLEMANSDRIFT B	40
ALLEMANSDRIFT C	309
ALLEMANSDRIFT D	96
DIGWALE	349
DIGWALE RDP	89
DR JS MOROKA	550
GAMARIA	42
GA-PHAAHLA	282
KAMEELRIVIER-D	5
LEEUFONTEIN C	3
LEFISWANE	89
LODING	93
MABUSABESALA	122
MADLAYEDWA	56
MADUBADUBA	39
MAKOMETSANE	41
MAPHOTLA	208
METSIMADIBA	96
MMAKOLA	72

AREA	TOTAL
MOLAPOAMOGALE	94
MORHONONONG	8
RAMANTSHO	9
RAMOKGELETSANE	99
SEHOKO	24
SEMOTLHASE	7
SIYABUSWA A	537
SIYABUSWA B	6
SIYABUSWA C	178
SIYABUSWA D	7
SIYABUSWA E	111
THABANA	19
TROYA	165
VAALBANK A	344
VAALBANK B	153
Waterfall-B	52
GRAND TOTAL	4 394

3.10. TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

DR J.S Moroka Municipality is an agent of the province in the administration of driver's licenses, vehicle licenses and a Vehicle Testing station as part of Libangeni Registering Authority. However the Vehicle Testing Station is not yet operational and community members are send to other municipality for other services like testing of motor vehicles.

Previously the municipality had a backlog in the booking of driver's license and learner's licenses, applicants would have to wait up to a months before securing an appointment. People had to queue a night before at the entrance of the Licensing Offices to secure an appointment. To alleviate this problem an internal control measures has been taken by introducing appointment list to control or reduce long queue, licensing staff were trained as examiners of learner's licenses and two examiners of drivers licenses were appointed. This means that the applicants can secure booking for driver's and learner's license within (seven) 7 days.

This led to applicant from neighbouring municipalities flocking in large number to Libangeni DLTC for the improved system of getting an appointment within 7 days and the office is experiencing a problem of servicing applicant with limited resources which led to services move slowly. Mathanjana Registering Authority performs only registration and licensing of motor vehicles and these lead to the community of Moretele to suffer because not all services are rendered by the Registering Authority. Its grading need to be reviewed so as far as to cover renewal of driver's licenses' applications, testing of learners licenses and processing of professional driving permit.

Priorities:

To provide effective and efficient Licensing Services and to ensure that all driver's using the road are competent.

Activity:

To provide responsive, accountable, effective and sustainable public services.

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

LOCAL ECONOMIC DEVELOPMENT

Local Economic Development is the process of building strong, responsive, inclusive and adaptive economies. The strategy is driven by local assets and realities, a diverse industry base and commitment to equality of opportunities and sustainable practices have emerged as those that will ensure a strong foundation for long-term stability and growth. Even within this parameters what constitutes success in local economic development and the strategies to accomplish it will look different from place to place. Despite this differences, leadership is consistently identified as critical factor in effective economic development.

Co-operatives have been regarded as sector to expand economic activity and address the needs of the unemployed. Hundreds of co-operatives have been set up in the area, many under the jobs for growth programme, other linked to either the department of agriculture or department of social services and finally some have been set up by producers, workers and business people themselves. Majority of these co-operatives still lack business management skills, understanding on co-operatives values, ethics and principles.

TOURISM DEVELOPMENT

With the completion of Dr J.S Moroka Local Municipality Tourism Centre and the SMME centre by Nkangala District Municipality and subsequent commitment and support by

Open Africa Tourism Route developers, to re-develop Kamoka Tourism Route, the development of Mkhombo & Mdala Nature Reserves, the facilitation on Tourism ambassadors, tourism monitors and tourism buddies, this demonstrates the commitment that the municipality has in-terms of tourism development.

Priorities:

- Development and marketing of tourism product that the municipality got to offer;
- Training and capacity building co-operatives ;
- Strengthening development of co-operatives as primary sector to develop and sustain local economy;
- Review of the Local Economic Development Strategy;
- To encourage and promote the use of Co-operatives as vehicle to poverty eradication and job creation;
- To make Local Economic Development everyone's business;
- Work on re-launching and strengthening the Local Economic Development Forum.

Activities:

- Establishment of incubator programme for the development and training of co-operatives;
- Improve communication between the municipality and sector department at various levels of government;
- Work closely with government parastatals such as SEDA, MEGA, MTPA, IDC, MRTT, NYDA and last but not least NDA;
- Continue marketing DR J.S Moroka Local Municipality as favorable place for doing business (investments);
- Position Co-operatives at the centre.

COMPONENT D: COMMUNITY & SOCIAL SERVICES

3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

Out of the 61 villages that are within the Municipality, there are only five (5) Public Libraries, one being a container stationed at Masobye. The other four (4) libraries are at Maphotla, Siyabuswa, Libangeni and Marapyane. Mdutjana and Mathanjana has 2 Libraries each Leaving Mbibane with one (1) Library. The Municipality has signed the protocol agreement with the Department of Culture, Sports and Recreation with regards to Library Service within the Municipality. The Libraries are currently staffed by both provincial and municipal staff. Currently the monthly statistics of library users is at around 16000 for all the five Libraries combined.

As a section the Library has so far conducted outreach programs in three magisterial districts of our Municipality targeting primary and high schools. The response received from the principals regarding the impact that our programs have are remarkable. To extend public participation to include the illiterate, semi-literate, emerging authors within our Municipality a vigorous marketing in a form of our Annual Event Book Indaba.

Partnership with the Institutions like the American Embassy, UNISA and University of Pretoria were entered to for the exchange of program. A mobile library is also available to the Municipality upon request to service areas that are far from libraries.

Priorities:

- Ensure that we encourage a culture of reading to create a nation of readers;
- To provide books for children in their home language;
- Forge and strengthen community partnership and outreach;
- Ensure that there is an effective co-ordination and consultation on matters regarding community libraries and information services between us and provincial department.

Activities:

- Staff to participate in LIASA, other professional library conference, seminars and workshops, and serve on committees, provincially and nationally;
- Increase outreach programmes to all 55 villages by acquiring a mobile library that will visit all areas that are far from the existing libraries;
- Introduce and develop systems which support resource sharing, including interlibrary loan among our libraries;
- To promote and ensure access by people with disabilities and other categories of persons disadvantaged by unfair discrimination;
- Celebrate National Library calendar Mandela Month, readerthon and literacy day.

3.13 CEMETORIES AND CREMATORIUMS

The Municipality has 1 cluster cemetery and 102 village cemeteries throughout the municipal area. The Cluster cemetery and village cemeteries are maintained by EPWP contract employees. 78 Villages cemeteries are fenced and 24 village cemeteries still need to be fenced. The municipality is currently not rendering crematoria services within its jurisdictional area.(impossible)

The Municipality experiences quite a sizeable number of grave digging requests on weekly basis. This exerts pressure on the 2 municipal officials that have to ensure that the whole Dr J.S Moroka is serviced. Often officials in this section are required to perform beyond the call of duty as communities only want their graves to be dug on Fridays and Weekends. Currently, it is only the Head Office that is responsible for the coordination of grave excavation with the assistance of three operators. The cemeteries section is also responsible for burial, exhumation, pauper and reburial of deceased people. Numbering of individual graves especially at Mogononong cluster cemetery is in progress. There is unauthorized access of people who bury their beloved ones without permit.

This has an effect on proper recording of individual graves vandalism at Siyabuswa cluster cemetery due to no security personnel. Most village cemeteries are without water. It must also be noted that there are a quite a number of village based cemeteries which are not on the Municipal records especially family graves and traditional graves. Ideally, these village based cemeteries need to be properly fenced and closed on being full to address the current problems. With the concept of the cluster cemeteries being in place, provision needs to be made in demarcating the cemeteries to make provision for a crematorium as currently it is not catered.

Priorities:

- To encourage communities to utilize the cluster cemeteries to minimize the travelling between villages;
- To have security personnel at cluster cemeteries;
- Establishment of 2 more cluster cemeteries in Mathanjana and Mbibane Unit offices;
- Closing up of individual village cemeteries when they are full.

Activities:

- Establish additional cluster cemeteries in our area of jurisdiction.
- Ensure numbering of graves where there are cluster cemeteries.
- Development of community awareness programme on usage and registration of graves contained in the by-laws
- Ensure proper control and management of graves.
- Establishment of a crematorium within cluster cemeteries.

3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

Transversal section focuses on issues such as mobilizing advocacy, Children's Education, Women, People with Disability, Elderly, HIV/Aids, and Moral Regeneration. The municipality has managed to implement programmes as planned, however there are still some challenges internally and externally which need to be addressed, mostly on none functionality of forums.

Children:

In terms of the African Union a child is defined as "every human being under the age of 18 years". Children between the ages of 2 to 6 years of age are expected to be in Early Childhood Development Centers (ECDs). Children between the ages of 7 to 18 years are expected to be in school; with the inclusion of all those children from the age of 15 to 18 years attending FET colleges. The municipality assists children on Services such as water, safe parks and provides school uniforms where possible, including sanitary towels for destitute learners. There are still challenges in the provision of water and sanitation some schools within the municipality. These are matters which can be addressed by the municipality and Department of Education.

Women

The total percentage of women estimated at 52.9% and men at 47.1% (according to STATS SA 2011) Therefore the planning for the municipality and other departments need to focus on women development. Awareness around **ABET** Centers is still minimum and not known to women, and its timing for attending classes is still a critical on the factor that is in the afternoon, where women need to cook and assist children as they come back from school. The other problem is a safety as they will be leaving classes to home at night. Economic Development for women, is still a challenge as most of women within the Municipality are unemployment and having a challenge on entrepreneurs skills; as their business mostly involves catering, tailor making,

decoration, hawkers for vegetable and fruits at shopping complexes, and the most challenge is that they are working in solo.

The gender equity is still a challenge within the municipality where men dominate more than their women counterparts were in out of 587 employees (top management 2 males and 1 female 33.33% Management 3 males and 2 females 40%, assistant's managers 22 males and 6 females 21%. Councilors 38 males councilors and 24 female councilors, 39% and on management at 45% professionally qualifications, 12 males and 6 females, skilled 53 males 61 females, semi-skilled 88 males and 63 females, unskilled 326 males and 126 females).

The Municipality is in 39 % and it has decrease with 1% from the previous council. The launching of women caucus on the 4th December 2013 and 16 Days of Activism for No Violence against Women and Children Campaign in 2007, it's only done in two months main while the violence is taking place throughout the year (365 days). There is a need to step up efforts and institutionalize the campaign by developing 365 days plan of Action for "No Violence against Women and children in Dr JS Moroka Local Municipality and spread the work in our community.

Elderly Persons:

Most of elderly persons need care that will be carefully followed by the caregivers; it might be members of the family or volunteer persons, because at this stage elderly persons are very fragile and need to be treated with high care. The Municipality has no place of safety for elderly persons, that is registered with the social development Department, and this brings a challenge as there are elderly persons that they don't have family members and others being abuse by their children and warrant a need to be removed from the families and put at the palace of safety. The need for campaigns around issue of elderly persons by the municipality as they are still members of the community.

Person with Disability:

The Municipal Systems Act 32 of 2000 mandates municipalities to deliver basic services to local communities within their jurisdiction to ensure acceptable and reasonable quality of life which, if not provided would endanger public health, safety and the environment. Demand for inclusive approach is growing steadily; posing a challenge to local government to act in order to achieve government priorities such as MDG's and vision 2014.

There are persons with disabilities that are residing within the municipality and it includes children, women, elders and men. Person with disability (PWD), they are mostly changed ones when service delivery is delayed. Our municipality is still struggling with the placement of person with disabilities as there is a need of 2% (12 persons) that need to be employed by the municipality. There are (04) four schools that are catering for children with disabilities under Mbibane managerial district and Mathanjana managerial district.

Person's with disability still face a challenge particularly with the social grant; some person's with disability receive temporary grant and this is a problem since often times the notion is not explained well and thus leaving the grant recipient with a lack of information concerning their grant agreement or clauses. Other factors which are a challenge include assessments done by Doctors to assess eligibility of receiving a disability grant. The other challenge is brailing of Municipal document as it disadvantage blind person with the information as they are unable to read printed documents.

HIV/ Aids and TB, STI:

HIV / AIDS is currently seen as a major public health problem and accounting for the highest number of deaths in the country. Statistics already indicates that one out of five people are HIV positive. Apart from addressing preventative and curative approaches it is important to address social conditions aggravating the vulnerability of communities to HIV /AIDS, such as poverty especially among rural women. Linkages between community care and support services and health facilities should be developed to ensure holistic approach. The municipality has launch the Local Aids Council (LAC) that will assist on the planning and implementing of programs and projects related to HIV /Aids and TB and STI epidemic. Members of LAC are from Home Based Care's, Traditional Healers, Sector Departments (Department of Health, Department of Agriculture, Department of Justice, Department of Social and SASSA) only department that are participating at LAC. The challenge is the attendance by Traditional Leaders and Sector Departments it's very poor and this it hinder the contribution on how to deal with the issues related to this epidemic.

Priorities:

- To continue to have a sound relationship with Sector departments and strengthen the transversal forum;
- Support and caring for person with HIV and Aids and non-communicable diseases;
- Mobilize, advocate for women, children, elderly and person with disability;
- Promotion of sign language and Braille documentation;
- Reinforce and accelerate commitment to the realization of gender equality and women's empowerment within municipality;
- Strengthen working relations between female councilors and female officials.

Activities:

- HIV/Aids, cancer and TB awareness campaigns quarterly;
- Disability awareness campaign;

- IDP rep forums for sector forums;
- Commemoration Mandela day (distribution of school uniform and sanitary towels);
- Community Economic builder wards for women;
- Reading contest for children (age 9 to 12);
- Workshops on development (for women councilor and female officials);
- Launching of Moral Regeneration Movement.

COMPONENT E: ENVIRONMENTAL PROTECTION

3.15 POLLUTION CONTROL

Not applicable for Dr JS Moroka Local Municipality

COMPONENT F: HEALTH

3.17 CLINICS

Not applicable for Dr JS Moroka Local Municipality. Provincial Government's function.

3.18 AMBULANCE SERVICES

Not applicable for Dr JS Moroka Local Municipality. District Municipality's function.

3.19 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

Not applicable for Dr JS Moroka Local Municipality.

COMPONENT G: SECURITY AND SAFETY

3.20 POLICE

Not applicable for Dr JS Moroka Local Municipality. Provincial Government's function.

3.21. – 3.22. FIRE AND OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

Disaster Management has now become an important concept in the contemporary South Africa. So this requires adequate attention and support by all sectors of society including government as demanded by the Disaster Management Act 57 of 2002. Nkangala District Municipality is providing Disaster Management services on a large scale within Dr JS Moroka Local Municipality. Dr JS Moroka Local Municipality provides immediate Disaster relief, coordinates, support and other initiatives throughout the local municipal area. The unit is housed in the municipal head offices in Siyabuswa and currently occupied by one official dealing on matters of disaster management and fire services. The Municipality gets assistance from fire and rescue services in Nkangala District Municipality operating from Thembisile Hani Municipal area. This is a challenge due to the distance between Thembisile Hani and Dr JS Moroka Municipality due to the vastness of the municipal area.

In most cases, fires that brake out in municipal residential areas could not be contained on time and properties are lost due to the turnaround time. The Nkangala District Municipality has intervned by constructing a fire station to service the Dr JS Moroka Local Municipality. A Fire Protection Association for the municipality has been launched to assist farmers and neighboring communities when disaster strikes, especially veld fires.

Priorities:

- Formulate a comprehensive disaster management plan to co-ordinate with all roll players;
- To establish an effective, safe, prompt and responsive team that will assist in the prevention, mitigation and proper management during disaster and fire.

Activities:

- Review the Disaster management plan;
- Rolling out stake holders and community awareness programs;
- Purchasing of a proper equipment;
- Training of ward committees on disaster functions.

COMPONENT H: SPORT AND RECREATION

3.23 SPORT AND RECREATION

The municipality has fifteen community halls, five stadiums. Four stadiums are under upgrading which include rehabilitation of the soccer fields, volley ball and net ball courts to comply with sporting code/ laws of the game. The municipality has made some strides to address water shortage and theft through installation of water tanks and provision of security officers to completed facilities. Although there are security officers in completed facilities, vandalism is occurring during community events. Some facilities have been constructed without the inclusion of a guard house and proper paved parking bays.

Credit should be given to the Nkangala District Municipality for a continual support by constructing an additional community hall in the Mbibane jurisdictional area. The municipality has no in-house maintenance team to deal with day to day maintenance which lead to a high cost of minor repairs.

Priorities:

- To improve compliance to OHS and Batho Pele Principles;
- To ensure that vandalism is reduced in sports, recreational and social facilities;
- Ensure that more sporting codes are accommodated in Sports and Recreational Facilities;
- To ensure that the office challenge is temporarily addressed;
- To ensure that guard houses are provided in all facilities;
- To ensure that security is provided in all completed Municipal Facilities;
- To improve parking space;
- To provide additional sporting codes in sports and recreational facilities;
- To ensure that community halls are provided;
- To ensure that additional personnel is provided in Facilities division.

Activities:

- Provision of sign/direction boards, fire extinguishers and ramps for people with disabilities in unit Municipal Offices;
- Construction of parameter walls in facilities;
- Construction of guard houses;
- Provision of additional mobile offices;
- Provision of security personnel all completed Municipal Facilities;
- Construction and upgrading with inclusion of other sporting codes to some facilities;
- Rehabilitation of soccer fields in stadiums;
- Construction of parking bays;
- Construction of additional community halls;
- Appointment of relevant disciplines in Facilities Division.

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.24 EXECUTIVE AND COUNCIL

Section 53 of the Municipal Systems Act (Act 32 of 2000) stipulates inter alia that the respective roles and areas of responsibility of each political structure and political office bearer of the Municipality and of the municipal manager must be defined.

Municipal Council:

- Governs by making and administering laws, raising taxes and taking decisions that affect people's rights;
- Is a tax authority that may raise property taxes and service levies;
- Is the primary decision maker and takes all the decisions of the Municipality except those that are delegated to political structures, political office bearers, individual councilors or officials;
- Can delegate responsibilities and duties for the purposes of fast and effective decision making;
- Must strive towards the constitutional objects of local government;
- Must consult the community with respect to local government matters; and
- Is the only decision maker on non-delegated matters such as the approval of the IDP and budget.

Executive Mayor:

- Is the executive and political leader of the Municipality and is in this capacity supported by the mayoral committee;
- Is the social and ceremonial head of the Municipality;
- Must identify the needs of the Municipality and must evaluate progress against key performance indicators;
- Is the defender of the public's right to be heard;

- Has many responsibilities with respect to the annual budget, the budget process, budget control and various other financial matters; and
- Performs the duties and exercise the responsibilities that were delegated to him by the council.

Mayoral Committee:

- Its members are elected by the Executive Mayor from the ranks of councillors, with the exception of the Deputy Executive Mayor who is elected by the council and is an ex officio member of the mayoral committee;
- Its functional responsibility area is linked to that of the Executive Mayor to the extent that he must operate together with the members of the mayoral committee;
- Its primary task is to assist the Executive Mayor in the execution of his/her powers - it is in fact an “extension of the office of Executive Mayor”; and
- The committee has no powers of its own – decision making remains that of the Executive Mayor.

3.25 FINANCIAL SERVICES

Dr JS Moroka Local Municipality is a developing and growing municipality striving for service delivery excellence. Therefore many challenges are faced with regards to financial planning and are ever changing due to the dynamic setting of local government. The priority from the financial perspective is the viability and sustainability of the municipality. The financial plan and related strategies are in place to address a number of key areas in order to achieve this goal. These strategies are detailed below:

Revenue Enhancement Strategy:

Revenue enhancement and maintaining of existing revenue sources are essential for sustainable service delivery. Municipal budgets must be appropriately funded to ensure a financial going concern which is capable of providing and extending service delivery.

- The following actions are considered;
- To seek alternative sources of own revenue to increase funding for capital projects;
- Expand revenue base through implementation of new valuation roll;
- The ability of the community to pay for services;
- Identification and pursuance of government grants;
- Tightening credit control measures and increase debt collection targets;
- Improve customer relations and promote a culture of payment;
- Realistic revenue estimates. Going back to basics to ensure MTREF are appropriately funded;
- Create an environment which enhances growth, development and service delivery.

Operational Financing Strategies:

Financial planning and effective management of municipal cash resources will ensure that the municipality meets their service delivery mandate.

The strategies are:

- Ensure integrity of billing systems and accuracy of accounts;
- Eliminating spending on non-priority items;
- Ensure 100% spending of government conditional grants to prevent withholding of equitable share;
- Standardize chart of accounts;

- Effective cash flow management to ensure continuously a sufficient and sustainable cash position;
- Enhance budgetary controls and financial reporting;
- Direct available financial resources towards meeting the projects as identified in the IDP;
- To improve supply chain management processes in line with regulations.

Capital Financing Strategies:

One of the greatest challenges facing municipalities is the decline in public trust in service delivery. Investment in municipal infrastructure is critical to sustaining growth, rehabilitating ageing infrastructure and eradicating service delivery backlogs.

The strategies are:

- Ensure capital programme is based on priorities, programmes and projects of the IDP;
- Improve creditworthiness;
- Ensure capital replacement reserve is cash backed;
- Expedite spending on capital budget especially projects that are funded from conditional grants;
- Maximizing of infrastructural development through the utilization of all available resources.

Financial Management Policies:

The purpose of financial policies is to provide a sound environment to manage the financial affairs of the municipality.

The following are key budget relating policies:

- Budget policy;
- Tariff policy;
- Credit Control and debt Collection Policy;
- Property Rates Policy;
- Cash Management and Investment Policy;
- Assets Management Policy;
- Debt Impairment and Write off Policy;
- Supply chain Policy.

Revenue and Medium Term Expenditure Framework Forecast:

The medium term expenditure and revenue framework (MTREF) is based on the priorities, programmes and projects of the IDP and implemented according to the service delivery and budget implementation plan (SDBIP) to ensure delivery on the IDP key performance indicators.

Budget Assumptions:

The selected key assumptions relating to this budget are as follows:

- Government grants for years 2016/2017 to 2017/2018 are as per the Division of Revenue Act;
- The CPI has been estimated at 5.8% per annum.
- Growth in the salary wage bill has been provided for in the budget at 5.8 %
- Provision has been made for tariffs increases relating to services as follows:
7.5% Household, 8,5% Government, 9.5% Business

3.26 HUMAN RESOURCE MANAGEMENT

It is upon the institution to attract suitable and competent candidates for all positions. In its operation, the municipality ensures the implementation of its recruitment and selection policy and other policies that governs the human resource management. Employees are informed of the policies and Collective Agreements that are applicable within the context of local government. This implies that the human resource division shall develop and review all policies within its powers and functions.

In addition, there's a need to fill the vacant positions that will be beneficial for service delivery purposes. It is the municipality's responsibility to identify vacant positions in the organizational structure which must be aligned to the objectives and goals found in the Integrated Development Plan of the municipality. One of the major tasks of the human resource division is to develop and review the job descriptions and evaluate jobs within the entire workforce. Every employee shall be able to operate and execute his/her tasks and duties competently.

One of the main area of concern in the workplace is to develop and reinforce the need for competitive compensation to attract and retain top talent. This strategy shall be drawn from the exit Interview comments and recommendations. This initiative shall reduce the level of resignations and increase job satisfaction among employees.

Priorities:

- The HRM unit is to prioritize the recruitment and selection of competent candidates;
- The reviewable and adoption of the Organizational Structure;
- Conduct Job evaluation;
- Development and reviewable of Job descriptions;
- Development of the employee retention strategy;

- Development, reviewable and monitoring of the Employment Equity Plan and submission of the report.

Activities:

- To develop the Human Resource Strategy;
- Placement of staff as per the organogram;
- To develop and adopt human resource policies.

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The Municipality utilizes its Information and Communication Technology Systems to communicate with other spheres of government and other stakeholders around the world through the usage of Microsoft Exchange Email System and the Website which is accessible on www.moroka.gov.za. Furthermore the Municipality also uses other Government Portals to ensure that it remains up to date with developments in Local, Provincial and National Governments. The Information and Communication Technology has also introduced the IT Helpdesk Services for service and incident management purposes and also the SharePoint portal used for intranet and electronic notice board.

The Municipal Satellite Offices have been connected via the Wireless Radio Networks to ensure that users have access to ICT Systems based at the Municipal Head Offices. More Wireless Radio Network devices are needed to improve the speed and also for redundancy purposes. The Municipality utilizes the Geographical Information System for Geographical location when searching for villages, vacant land / stands within its jurisdiction and for sales purposes. The VoIP telephone system has since been implemented at Municipal Head Offices which needs to be extended to other municipal satellite offices to minimize telephone bill to ensure that these satellite offices are accessible via extensions instead of direct telephone lines through the municipal local

area network which requires some improvements to accommodate data and voice traffic.

Priorities:

- To improve the existing LAN & WAN to ensure reliability, security and redundancy across the Municipal ICT Infrastructure;
- To improve and standardized the existing telecommunication system for all municipal satellite offices through rolling out of VoIP telephone system across;
- To investigate other means of alternative and reliable energy to ensure uninterrupted power supply to the Municipal ICT infrastructure across all Offices;
- To provide routine maintenance and support provision for the current & existing ICT Infrastructure to keep abreast with the ever changing technology this includes hardware, software and network;
- To improve the ICT usage within the Municipality for the purpose of successful interaction and reliable communication.

Activities:

- Installing high-performing and intelligent Network Switches to ensure that Municipal ICT Infrastructure is reliable, secured and that there's redundancy across;
- Extend the installation of the VoIP telephone system to other Municipal Satellite Offices in order to standardize tele-communication system and also to reduce the municipal telephone bill;
- Continuous Maintenance on the electrical standby generator and uninterrupted power supply (UPS) which will secure and reduce the effects due to fluctuations in the power cuts and interruptions across municipal satellite offices;
- Establishment of the Off-Site Data Recovery Site or Hot site for critical systems to ensure redundancy and business continuity;
- Continuous maintenance and support provision to the entire ICT Infrastructure to meet the current and future IT Technological trends growth and needs.

3.28. RECORDS MANAGEMENT AND ARCHIVAL UNIT

The unit falls under the auspices of National Archives and Records Services Act. The act requires all governmental bodies to establish and put in place systems for proper records management and records keeping systems. The unit provides for the development and management of organisation wide records management programme, which is designed to ensure that record keeping and establishment of a centralized, effective and efficient registry services within the municipality meet the organization's objectives and ensure compliance to National Archives Act 43 of 1996.

Priorities:

- Review of the subject file plan and submission to Provincial Archives for approval;
- Upgrading of the Electronic Document Management System;
- Update and Develop records procedure manuals or registers;
- Continuous conversion of manual records into electronic records.

Activities:

- Referencing of official documents received by Registry Office;
- Procurement and Installation of Electronic Document Management System;
- Maintain access control of official records;
- Scanning and Indexing of official correspondence and records.

3.29 PROPERTY; LEGAL, UNIT OFFICES; RISK MANAGEMENT AND PROCUREMENT SERVICES

PROPERTY:

Dr J.S Moroka local municipality is approximately 1 416, 4240 square kilometres in area composed of 61 villages and only two proclaimed townships namely Siyabuswa

and Libangeni. Most villages in the Municipality fall under the jurisdiction of traditional leadership which is a system inherited from the previous administration. In terms of land administration all pieces of land falling within the municipality is supposed to be owned and administered by the municipality, in Dr J.S Moroka most of the pieces of land still fall under the state as in the Department of Agriculture, Rural Development and Land Affairs (DARDLA), Department of Public Works, Province of Mpumalanga and those that are privately owned. Supposedly during the transition from the previous government to the new one, proper transfers of land were not accordingly done.

For proper land administration by the municipality, land transfers have to be effected accordingly. The vast amount of land in Dr J.S Moroka Municipality is registered with the National government, tribal or communal land and is administered by traditional authorities through gazetting done by the Mpumalanga government. It is critical that the municipality through Department of Agriculture, Rural Development and Land Affairs continue with the implementation of the Land Tenure Upgrading to enable individuals to have formal ownership. Land reform in terms of land claims affects land ownership, only 3 land claims that were successful within the jurisdiction of the Municipality till to date. The municipality is currently busy with the process of transferring farm portions registered with the State and Province to the Municipality. Portions of land that are purchased by the municipality bordering with other municipalities are often demarcated to be out of the municipality by the board, and this creates problems too.

The Municipality has purchased Farm Kameelrivier 160 JR portion 1 a portion of portion 7 in 2009, the farm is already registered under Dr J.S Moroka Municipality the farm, and in terms of the Spatial Development Frame work it is earmarked for residential, commercials, professional services and tourism prospects. The municipality has already adopted a precinct plan on one part of the portion which was developed by the Nkangala District Municipality on its behalf. The purchase of this farm was an attempt by the Municipality to reclaim some of the privately owned land that lies idle for

development purposes as well as to develop the Libangeni/ Siyabuswa economic node.

Priorities:

- Land ownership by individuals in the municipality is a priority for land development and property rates payment;
- Acquisition of land by the municipality is imperative for land development and for proper spatial planning;
- Unoccupied sites or stands and open spaces lying fallow in Siyabuswa and Libangeni are to be acquired back by council to discourage illegal dumping on them;
- Encroachment of the servitude and sites has to be attended to by land-use inspectors and the municipal legal services.

Activities:

- Land Tenure Upgrading has to be done to provide individuals with title deeds;
- Purchasing land by the municipality should be considered in areas where municipal development is required;
- Repossession of unoccupied stands and empty spaces lying fallow by the municipality should be done through the legal services;
- Surveying of land and issuing beacon certificates will be done to sort out encroachment.

LEGAL:

The municipality as established through the Municipal Systems Act, Act 32 of 2000, is a legal person or juristic person as defined by law. The municipality as a juristic person can be sued, may face litigations and can also apply for litigation against individuals or other juristic persons like individual institutions. As a juristic person and employer the Municipality is governed by the prescripts regulating the local Government to wit, Municipal Systems Act, Municipal Structures Act, Municipal Finance Management Act, Labour Relations Act, Basic Conditions of Employment and the Employment Equity Act which are legislations governing and providing the framework for compliance and proper interaction between the management and the employees.

The municipality as the employer has to act within the parameters of the law in its relations to its employees.

Priorities:

- Deal with the provision of legal services;
- Responsible for the development of compliance register for the Municipality;
- Review all Service Level Agreements and Contracts between the municipality and service Providers and also including other organizations;
- Review municipal By-Laws not to be in contrast with the Constitution;
- Ensure proper reporting on Contract Management for the Municipality.

Activities:

- Deal with attendance of legal cases;
- Review of compliance register for the Municipality;
- Review Service Level Agreements, Contracts, Leases and Memorandums of Understandings between individuals, organizations and the municipality;
- Review of By-Laws for Gazetting

- Monitor and evaluate the compliance to such SLA's in conjunction with heads of departments.

MATHANJANA & MBIBANE UNIT OFFICES

Mathanjana & Mbibane Unit Offices are satellite offices that administer and manage service delivery at regional level. The functions that are bestowed upon these Units involve almost all the entire operations of the municipality. Notable among others, the unit offices, at their regional level, provide services, among others, such as Human Resource Management, Water Provision, Finance, Roads and Storm Water Management and Sanitation. In essence, the unit offices administer service delivery on behalf of the other departments, their divisions and sections. It should be acknowledged that the unit offices are not independent entities but coordinate service delivery operations on behalf of other departments at the regional level. The following priorities, activities and challenges, denote the operation of Mbibane and Mathanjana unit offices.

Priorities:

- Coordinate the operation of Roads and Storm water maintenance at wards within the Mbibane and Mathanjana regions.
- Coordinate in the Human Resource Management
- Coordinate water provision to all wards through Water tankers and Pump operators.
- Assist in collection of municipal rates fees for water, cemetery, halls bookings and rentals
- Manage and maintain municipal facilities
- Liaise with service providers such as electricity supply.
- Coordinating community participation events, IDP, Budget and outreach programmes.

Activities:

- Ensure that adequate water supply is provided.
- Provide Human Resource Management.
- Ensure adequate rates collection fees are adhered to.
- Secure transport for personnel to various wards facilities.
- Ensure that Waste Collection programme is in place.
- Ensure that roads maintenance programme is followed.
- Liaise with various stakeholders on municipal management matters.
- Ensure that there's accessibility of municipal facilities by community members.
- Ensure that there's sharing of information with community members and sector department.

LABOUR RELATIONS

The municipality is the employer in terms of the labour laws, relevant Local Government legislation and Collective Agreements. The employer and employee relationship is governed and regulated in terms of the Labour Relations Act. Other Collective Agreements in addition to the Basic Conditions of Employment, are applicable to conditions of service. Workers' rights as entrenched in the Constitution and further effected by the Labour Relations Act are central to the peaceful and stable workplace in the municipality. Both the employer and the employee are required to act within the parameters of the law with its engagements against each other and in exercising the right in terms of any law.

All recognised unions are to be treated fairly, equally and irrespective of the number of employees it represents in the municipality. It remains the choice of every employee to join any recognised Union, and the municipality does not promote or encourage employees to join a particular trade union.

Priorities:

- To maintain discipline and labour peace in the Municipality, and a harmonious relationship between the employer and the employee;
- To facilitate meetings of a well constituted and functional Local Labour Forum in terms of the Main Collective Agreement;
- To ensure that the Policies are in compliance with the Labour Laws and Collective Agreements, in as far as the conditions of service are concerned;
- Ensure that the Local Labour Forum negotiates and concludes the Minimum Service Agreements.

Activities

- Co-ordinate all disciplinary processes and procedures for and behalf of the Municipality;
- Provide or co-ordinate a continuous skills training for managers, shop stewards and members of the Local Labour Forum on application and implementation of conditions of service and discipline;
- Serve as a resource office and provide a secretarial support for the Local Labour Forum. Facilitates and co-ordinates the meetings of the of the Local Labour Forum;
- Advise on compliance/non-compliance with the Collective Agreements.

RISK MANAGEMENT

The Risk Management Unit was established in December 2012 and that the establishment of this Unit was informed by section 62 (1) (c) (i) of the Municipal Finance Management Act No. 56 of 2003. The individual responsible for this Unit is at the level of a Risk Officer but acting as an Assistant Manager. Dr J.S Moroka Local Municipality

environment is conducive for effective and efficient functioning of Risk Management systems that may arise as a result of risks relating to both internal and external factors such as but not limited to reputational risks, financial risks, service delivery risks, third party performance risks, social environment risks, fraud and corruption risks and the knowledge and information management risks.

Objectives:

- To coordinate, monitor, maintain and improve the effective and efficient functioning of Risk Management systems;
- The culture of Risk Management in the entire Municipality will be inculcated in order to improve the Risk Management maturity level;
- To ensure that Risk Management supports the effective functioning of core business processes and allow more reliable decision making.

PROCUREMENT SERVICES

Supply chain management unit assists the municipality in acquiring goods and service in order to achieve its strategic objective, this include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost. However the latter is to be carried out in the manner that is fair, equitable, transparent, competitive and cost-effective, in compliance with the supply chain management policy.

The supply chain management unit has the following subsection:

- Demand Management;
- Acquisition and Logistics Management.

Priorities:

- Ensure full adherence and compliance to the municipal supply chain management policy.

Activities:

- Review the Supply Chain management policy annually;
- Update the Municipal Database.

COMPONENT J: MISCELLANEOUS

BUSINESS LICENCE ADMINISTRATION

Dr J.S Moroka Municipality has limited control ownership of land were mostly owned by the Provincial government (Former KwaNdebele) these lead to people allocating themselves on wetland site. The allocation of land by traditional Authority lead to people operating their businesses on residential site without proper consultation with the municipality on rezoning the residential site to business site.

Priorities:

- Implementation of the draft business policies and street-trading by-laws;
- Municipality need to encourage business outlets to form business forum;
- Develop land Use Management Scheme to minimize mushrooming on site;
- Increase the personnel in the business section to reduce backlog.

Activities:

- Manage the issuing of licence and Permit in accordance with applicable legislation;

- To ensure Municipality co-ordinate quarterly business meetings with business outlets into three Magisterial, Mathanjana, Mbibane and Mdtjana;
- Improve the standard of communication between the Municipality and other stakeholders e.g. South African Police Service and Department of Health;
- Conduct physical Inspection on the businesses that operate around our jurisdiction for compliance;
- Ensure sites are used for the purposed for which they were determined for and conditions and requirements for special scenarios of development in the municipality.

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

See attached as APR 2017/2018 FY

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

The objective of service delivery to the community is anchored on the skills that employees are possessing. The municipality is successfully providing bursaries to the needy community members through the Executive Mayor's Bursary Scheme. Note that some bursary holders who completed their training have been absorbed into the workforce of the municipality. Employees and councillors of the municipality are undergoing training as per the skills audit and unemployed community members.

Although the training and development initiatives are undertaken, there's a need to identify the skills gaps and backlogs in strategic divisions and departments. It is the municipality's responsibility to train its employees in order to reach its Integrated Development Plan's objectives and goals.

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

The municipality' primary focus is to ensure that departments are neither over- nor understaffed, and that employees with appropriate talents and skills are available to carry out tasks in the right jobs at the right time to support the municipality to achieve its strategic objectives.

As part of the Human Resource Management Plan, the municipality's human resource focuses on filling of critical vacancies, skills audit, and capacity building intervention for Councillors and officials, performance recognition and develop human equity plan.

Vacancy Rate: Year 2017/2018			
Designations	Total Posts	Approved Filled Posts	Vacant Posts
Municipal Manager	1	0	1
Section 56	4	4	0
All other posts	861	536	325
Total	866	540	326
Turn-over Rate			
Details	Total Appointments No.	Terminations (Resignations/Deaths) during the Financial Year No.	
2017/2018	26	23	

DEPARTMENT	FILLED POSTS	VACANT POSTS	TOTAL POSTS
Senior Management (MM & Sec 56)	4	1	5
Administration & Corporate Services	44	70	114
Office of the Municipal Manager	28	13	41
Community Development Services	161	95	256
Finance	83	42	125
Technical Services	220	105	325
Total	540	326	866

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

4.2 POLICIES

HR Policies and Plans			
Name of Policy	Completed %	Reviewed %	Date adopted by council/ comment
1. Budget Policy R328.05.2018ND	100	100	2018
2. Tariff Policy and Tariff Structure R328.05.2018ND	100	100	2018
3. Credit Control and Debt Collection Policy R328.05.2018ND	100	100	2018
4. Property Rates Policy R328.05.2018ND	100	100	2018
5. Free Basic Services and Indigent Support R328.05.2018ND	100	100	2018
6. Impairment of Debt and Write-off Policy R328.05.2018ND	100	100	2018
7. Cash Management and Invest Policy R328.05.2018ND	100	100	2018
8. Supply Chain Management Policy R328.05.2018ND	100	100	2018
9. Asset Management Policy R328.05.2018ND	100	100	2018
10. Loss Control Policy R328.05.2018ND	100	100	2018

4.3 INJURIES, SICKNESS AND SUSPENSIONS

In the 2017/2018 financial year, the municipality had no injuries on duty case.

LEAVE

The table below provides reflective figures of all the approved and recorded leave taken for 2017/2018 financial year:

Leave Type	Total leave days taken	No of Employees
Sick	1759	90
Maternity	240	04
Family Responsibility	420	19
Annual Leave	540	260
Study	64	16

4.4 PERFORMANCE REWARDS

The municipality did not pay any performance related rewards or bonuses in the 2017/2018 financial year.

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

4.5 SKILLS DEVELOPMENT AND TRAINING

The Workplace Skills Development Plan (WSP) is in place and co-signed by The Department of Labour as required by relevant legislation. Training is provided to staff in line with the plan and reported monthly and quarterly to the LGSETA

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.6.EMPLOYEE EXPENDITURE

Employee related costs

DESCRIPTIONS	2017/18	2016/17
Basic	128 620 917	110 398 721
Bonus	10 068 897	8 607 743
Medical aid - company contributions	10 899 753	8 829 462
UIF	1 020 056	937 392
SDL	1 659 241	1 297 307
Leave pay provision	2 602 541	2 414 893
Pension fund contribution	25 403 789	22 093 711
Travel, motor car, accommodation, subsistence and	6 525 194	4 379 723
Overtime payments	458 131	3 358 991
Acting allowances	1 364 910	-
Housing benefits and allowances	1 064 933	2 099 470
Cellphone allowance	1 030 961	931 091
Bargaining council	56 484	48 709
Group life contributions	25 996	29 136
Standby Allowance	4 280 529	-
	195 082 332	165 426 349

CHAPTER 5 – FINANCIAL PERFORMANCE

5.1 INTRODUCTION

The aim of this chapter is to provide an overview of the financial performance of the municipality through measuring of results. This section will focus on the reinforcement of the municipality's finance, as an objective that the financial performance of the institution against all financial management plans and expenditure items.

The municipality is one of the rural in the country and still depends solely on the government grants in order to render services to its communities.

The municipality is not simply central to the provision of basic services, but progressively more the drivers of infrastructure improvement.

The management of revenue is governed by policies that are directly aligned to revenue management and debt collection such as billing systems and indigent policies.

Highlights have been achieved in terms of reviewing indigent policies on regular intervals and the capacity to administer them. However, it should be noted that continued improvement is the key to achieving the desired result over a period of time.

In line with the Auditor General's report, there is also a concern that the increasing level of debtors may undermine the liquidity of the municipality. The municipality has developed the revenue enhancement strategy in order to curb the accumulation of debt and the enforcement of the Debt collection and credit control policy. The service providers were appointed to collect the outstanding debt due to the municipality.

This section will further provides the opportunity for planning, so as to ensure that future budgetary allocations are brought in line with IDP and functional area activities and outputs. Sound financial management practices are essential to

the long-term sustainability of municipalities. They underpin the process of democratic accountability. Weak or opaque financial management practices and reports result in misdirected and under-utilisation of resources.

The key objective of the Municipal Finance Management Act (2003) (MFMA) is to modernise municipal financial management. Effective municipal financial management has the following interrelated elements:

- Planning and Budgeting
- Asset and Liability Management
- Revenue and Expenditure Management
- Supply Chain Management
- Other Financial Management
- Accounting and Reporting, And
- Oversight & Operational Continuity

5.2 FINANCIAL PERFORMANCE STATUS

The matrix below highlights financial performance measures achieved in terms of their compliance dates within the Finance Section.

Objectives	Performance Measure/service delivery indicator	Performance	
		Target	Actual
<i>To develop a medium term financial framework</i>	<i>Three-year capital and operational budget approved by council</i>	<i>May 2017</i>	<i>May 2017</i>

<i>(budget)</i>	<i>Approval of the adjustment budget by council</i>	<i>Feb 2018</i>	<i>Feb 2018</i>
<i>To provide a framework for financial accountability</i>	<i>Approved Service Delivery and Budget Implementation Plan (SDBIP)</i>	<i>June 2017</i>	<i>June 2017</i>
	<i>Adoption of Tariff Structure</i>	<i>May 2017</i>	<i>May 2017</i>
<i>To manage and control revenue</i>	<i>Monthly billing</i>	<i>Monthly</i>	<i>Monthly</i>
	<i>Credit control policy enforcement</i>	<i>July 2017</i>	<i>Partial,</i>
<i>To manage the cash-flow of the council to ensure timely payment of creditors and servicing of long term liabilities.</i>	<i>Creditors paid within 30 days</i>	<i>Monthly</i>	<i>Partially due to Cash flow (low revenue collection by the municipality)</i>
<i>To prepare and submit Annual Financial Statement (AFS) to AG for 2017/18 FY</i>	<i>AFS submitted to AG</i>	<i>31 August 2018</i>	<i>31 August 2018</i>

<i>To monitor and control the budget & expenditure</i>	<i>Submission of monthly financial report to Provincial & National Treasury</i>	<i>Monthly</i>	<i>Monthly</i>
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5.3 STATEMENTS OF FINANCIAL PERFORMANCE

5.3.1 REVENUE

The major income streams of the Municipality can best be disclosed at the table below, giving a bird's eye view of total income and disclosing the dependency of the Municipality on grants and subsidies from the State, as income from grants represents 80% of total income of the Municipality. Own income generated from the sale of water, the raising of assessment rates and other income represent 20% of the total income of the Municipality. This percentage indicates an upward trend when compared to the previous year's percentage of 15%. The difference between Services charges Water, for Households v/s the actual collection, is a great concern for the municipality, while for Businesses and Government shows a drastic improvement in actual cash collected.

The generation of own income streams will become more and more important if the current increase in investment in infrastructure is to be continued, through reticulation and installations of water meters in areas where there is a source, and in return the municipality will generate revenue collection.

The graph below presents the summary of the income as compared with the previous year and budget.

Statement of Financial

	2017 / 18	2016 / 17
Revenue		
Revenue from exchange transactions	84 814 244	65 648 339
Service charges		
Rental of facilities and equipment	404 090	333 801
Interest on receivables (trading)	25 877 817	20 846 457
Licences and permits	4 269 688	3 314 362
Operational revenue	5 232 163	5 249 063
Interest received - investment	3 560 323	3 940 080
Fair value adjustments	-	75 000
Total revenue from exchange	124 158 325	99 407 102
Revenue from non-exchange transactions	39 063 321	33 009 695
Property rates		
Transfers and subsidies	505 160 720	462 773 437
Traffic fines	2 780 525	2 282 470
Total revenue from non-exchange	547 004 566	498 065 602
Total revenue	671 162 891	597 472 704

NOTES

- Property rates shows a drastic increase due to the increase in billing for Government properties;
- Services charges shows a drastic increases as well, mainly due to the increase in number of consumers billed;
- Interest on outstanding debtors is mainly due to non-payment of services by the consumers;
- Interest earned on external investment shows a decrease in the interest received, mainly due to the early withdrawals of the funds invested due to cash flow challenges.

Included in the amounts disclosed for Grants revenue includes all the grants received from National and Provincial Government, and part of the Equitable Share grants was withheld by the treasury.

Although it is good and fair to receive grants from Government, it can also have a negative impact, as the Municipality becomes more and more dependent on

Government to fund operational and capital expenditure due to the accumulation of the debt.

It is evident that the municipality still depends more on Government Grants in order to implement service delivery to the communities within its jurisdictions.

5.3.2 EXPENDITURE

TOTAL OPERATING EXPENDITURE

Statement of Financial

Expenditure	2017 / 18	2016 / 17
Employee related costs	(195,082,332)	(165,426,349)
Remuneration of councillors	(22,174,487)	(21,204,997)
Depreciation and amortisation	(55,447,617)	(54,645,903)
Impairment loss	(1,304,246)	-
Finance costs	(2,805,584)	(1,602,837)
Operating leases	(1,130,951)	(939,667)
Bad debts provision	(62,498,857)	(40,071,334)
Contracted services	(130,865,746)	(156,395,320)
Fair value adjustments	(259,121)	-
Actuarial gains recognised	(33,000)	(95,000)
Operational Cost	(115,762,408)	(116,380,411)
Total expenditure	(587,364,349)	(556,761,818)

- Employee Related Costs – shows a huge increase, mainly due to the implementation of salary increases and filling of vacant posts.
- Remuneration of councillors, is mainly due to the implementation of upper limits;
- Contracted services shows a huge amount, mainly due to the re-classifications as required by mSCOA

5.4 ANNUAL FINANCIAL STATEMENTS – 2017/2018

The Annual Financial Statements for the year ended June 2018 have been compiled and were submitted to the office of the Auditor General on 31 August 2018.

The Annual Financial Statements have been prepared in accordance with GRAP standards.

The notes to the Annual Financial Statements include additional information where available, as required by the Municipal Financial Management Act no.56 of 2003.

The notes to the Annual Financial Statements disclose the required information in terms of section 123 of the Municipal Finance Management Act. Refer Annexure, as part of the 2017/2018 attachments.

5.6 SOURCES OF FINANCE

For the municipality to continue improving the quality of services provided to its community it needs to generate the required revenue. In these tough economic times, strong revenue management is essential to the financial sustainability of every municipality. The reality is that the municipality is faced with development backlogs and poverty. The expenditure required to address these challenges will certainly always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenue.

5.7 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

The Municipality has grown immensely in terms of managing, storage, treating monitoring and delivering safe potable water as well as collection and treatment of

waste water to the citizens of Dr J.S Moroka Local Municipality. The scope of responsibility ranges from bulk water supply from Weltevreden water purification plant and boreholes to the drinking water for water supply.

The Municipality produces on average a circa 42ML/pd from the Weltevreden treatment works. Unacceptable losses of potable water are being experienced due to illegal, inferior quality by inexperienced plumbers doing unauthorized connections to households, gardens, car washes and lack of infrastructure in some areas.

A considerable percentage of the population in Dr J.S Moroka Local Municipality still regularly complaints about intermitted water supply. The problem occurs more severe during the hot summer months from late September until the first heavy rain of summer. Intermittent water supply is chiefly attributed by:

- Unequal distribution of water;
- None collection of revenue /Low rate of cost recovery;
- Illegal connection due to the none availability of infrastructure;
- Ageing infrastructure;
- Reactive operation & maintenance infrastructure;
- Lack of maintenance plans/ strategies;
- High volume of leakages;
- None availability of water meters.

There are major challenges facing the provision of water effective and efficient water services in the entire municipality these ranges from: The target of achieving 100% of coverage of water supply infrastructure to all that do not have access to water is based on the minimum walking distance of 200m basis on nearest tap and has been the basis on deciding the scope of backlog eradication. A minimum walking distance of 200m has been assumed as the criteria for making water supply accessible to all communities of Dr J.S Moroka Local Municipality. Wards or villages that are constantly having potable water interruptions and intermitted water supply due to over usage,

unauthorized connections and lack of infrastructure in certain areas are: Ward,02,07, 10,11,12,13,16,19,20.

The challenges from the abovementioned wards, is that there is no adequate infrastructure, capable of supplying all the people with enough potable water. As a results of this, the communities organized themselves and procured cheap materials and illegally connected water from the bulk mains in the area resulting in serious friction losses, water losses and none payment of services. The problem is evident in most of the abovementioned wards.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.8 CASH FLOW

The municipality closed the financial year, with a positive available balance of R 1 009 910, in comparison with R 2 506 658 available for 2016/17 FY. The importance of cash flow management within the municipality is that it serves to allow the organisation to predict their anticipated revenues and expenditures for a month, quarter or half yearly. Cash flow management assist in managing and evaluating the collected income and expenses incurred for a certain period.

5.9 BORROWINGS AND INVESTMENTS

5.9.1 BORROWINGS:

In the 2017/2018 finanacial year, the municipality did not have any borrowings.

5.9.2 INVESTMENTS:

As at the end of June 2018, the following investments were available:

BANK	AMOUNT
ABSA	R 828 500
ABSA	R 181 350
ABSA	R 0
STANDARD BANK	R 0
FNB Fixed deposit	R 0

5.10 PUBLIC PRIVATE PARTNERSHIPS

In the 2017/2018 financial year, the municipality did not have any Public Private Partnerships.

COMPONENT D: OTHER FINANCIAL MATTERS

5.11 SUPPLY CHAIN MANAGEMENT

The supply chain management policy established the supply chain management policy through section 7. Supply chain management unit is established to implement the Supply Chain Management Policy, in which all procurement of goods and services have been centralized to the unit. The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act. Listed below are all the apparent challenges in implementing of the supply chain management policy.

DEMAND MANAGEMENT:

In terms of section 10(1) of the supply chain management policy the accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the municipality support its operational

commitments and its strategic goals outlined in the Integrated Development Plan. The latter is supported by the implementation of procurement plans, thus the institution during the 2017/2018 financial year did not implement procurement plans, which has led to numerous deviations.

ACQUISITION MANAGEMENT:

Procurement of goods and services:

The municipality in the 2017/2018 financial year has through its operations centralised acquisition of goods and services for operational commitments (goods and services below R30,000), which is line with the legislation, which then meant that the supply chain management unit procured goods and services for the municipality after request by individual departments. The latter however resulted in departments not being in charge on their procurement, as managers were not approving final quotations for procurement received by supply chain management unit.

Goods to the value of R 30 000, but below R 200 000, are been advertised on the municipal website and notice board, with an allowance of 7 days between the advert date and closing date.

Goods to the value of R 200 000 and more, will follow the normal procurement processes, through the national newspaper, and compliance in terms of SCM regulations regarding the number of days to be advertised, if the value is more than R 10 000 000, or if is a long term project / long term in nature.

Bid committees not seating on time due to the unavailability of bid committee members and unplanned bid committee meeting.

LOGISTICS MANAGEMENT

When goods and service have been procured, the municipality does not have a system to track the delivery of those goods and service, thus some service providers take as much time as they need to deliver the procured item. The latter is also caused by the fact that the user department rely solely on the supply chain management unit which is extremely understaffed to follow up on all orders issued, the other factor is that a bidder performance monitoring system is not in place.

Strategies:

The supply chain management policy in a process of being amended in terms of sub-delegations, therefore managers are now enabled to approve transactions to the value of R 30,000.00, thus after the quotations have been received the relevant manager will be given the opportunity to scrutinize and approve the procurement, the latter will assist in cost effective of procured goods and services.

The municipality will adopts its SDBIP along with procurement plans in order to ensure that requisition for procurement are made in advance.

Once a procurement plan for capital projects is signed and approved by the accounting officer, a schedule of bid committee meeting will be drafted and monitored by the supply chain management unit, this will result in each bid committee member having the schedule so that delays can be avoided

The municipality will in adopt its service delivery and budget implementation plan, together with procurement plans. This will lead to the organization procuring goods and services at the right quality, right quantity, right place, and right time and at a right price.

5.13 GRAP COMPLIANCE

The 2017/2018 Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

5.14 FINANCIAL POLICIES

<i>Policy</i>	<i>Approved by council</i>	<i>Implemented</i>	<i>Promulgated in By- Law</i>
<i>Tariff policy</i>	√	√	√
<i>Credit control & Debt Collection policy</i>	√	√	√
<i>Indigent policy</i>	√	√	√
<i>SCM policy</i>	√	√	√
<i>Property rate policy</i>	√	√	√
<i>Cash Management and Investment policy</i>	√	√	√
<i>Asset management policy</i>	√	√	√
<i>Financial management policy</i>	√	√	√
<i>Budget & Virement Policy</i>	√	√	√
<i>Debt Impairment and Write-off policy</i>	√	√	√
<i>Loss Control Policy</i>	√	√	√

5.15 DEBTORS ASSESSMENT

The graph below depicts the comparative incremental pattern of outstanding consumer debtors between the two financial years of 2016/2017 and 2017/2018. The increase in

the receivable balance is attributed to the less on outstanding accounts as required by the MFMA. The total outstanding debt as at 30 June 2018 amounted to R 334 875 837 as compared to R 279 161 808 for 2016/17.

The Interest due on outstanding debt for 2017/18 was charged during the financial year.



5.16 CREDITORS ASSESSMENT

As at the end of financial year, an amount of R 131 734 022 was still due to the creditors, in comparison with the prior year of R 102 867 332. Trade payables have increased from R 39 129 524 in 2017 to R 45 266 616. The graph below will clearly show the comparisons in two financial years.



CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

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.

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS 2017/2018

The municipality's 2016/2017 Audit Opinion was QUALIFIED, and 2017/18 ADVERSE Audit Opinion was given.

ANNUAL AUDIT COMMITTEE REPORT

30 JUNE 2018

1. PURPOSE

The purpose of this report is to present the annual Audit Committee report of Dr. JS Moroka Local Municipality for the year ending 30 June 2018. This report will form part of the 2017/18 Annual Report of the municipality.

2. BACKGROUND

Dr JS Moroka Local Municipality had a fully functional audit committee until the 06 August 2016 for the year under review that established in terms of section 166 of the Municipal Finance Management Act (MFMA), (Act No.56 of 2003).

The term of office for the previous audit committee expired with the term of Council in 03 August 2016. A new audit committee with three members were appointed by Council in August 2016, two members were retained from the previous committee and one new member recruited to bring the number to 3 members.

3. STATUTORY REQUIREMENTS

Section 166 of the MFMA requires that each municipality must have an Audit Committee. The Audit Committee is an independent advisory body that advises council, political office bearers, accounting officer, and staff of the municipality on the following:

- Internal financial control and internal audits;
 - Risk management;
 - Accounting policies;
 - The adequacy, reliability, and accuracy of financial reporting and information;
 - Performance Management and Evaluation
 - Effective governance;
-
- Compliance with the MFMA, the Annual Division of Revenue Act (DoRA) and any other applicable legislation;
 - Any other issues referred to by the municipality;
 - Review annual financial statements so as to provide authoritative and credible view of the financial position, on overall compliance with MFMA, DORA and other applicable legislations.
 - Respond to Council on any matter raised by the Auditor-General (AGSA); and
 - Carry out such investigations into financial affairs of the municipality as may be prescribed from time to time.

4. COMPOSITION OF THE COMMITTEE

The Audit Committee had three (3) appointed members who served on the Committee for the 2017/18 financial year.

5. ATTENDANCE OF MEETINGS

The Audit Committee had four (4) ordinary meetings and two (2) Special Audit Committee meetings and 01 Joint Sitting of the Audit Committee and AGSA Committee meetings to deal with urgent matters relating to the external Audit process.

The following is attendance of Audit Committee meetings by the members:

Dr. JS Moroka Municipality Audit Committee:

Name of Member	Ordinary Meetings	Special Meetings	Audit Committee Steering	Meeting with AGSA	Total
Mr. SP Simelane (Chairperson)	4	8	3	2	17

Mr. M Mmapheto (Member)	4	5	4	2	15
Mr. Tendani Nevhatalu (Member)	2	2	4	2	10

The following individuals and stakeholders, although not members of the Audit Committee, have standing invitation to Audit Committee meetings:

- (i) The Accounting Officer
- (ii) The Chief Financial Officer
- (iii) The Section 56 Managers/Departmental Heads
- (iv) The Auditor-General of South Africa
- (v) Mpumalanga Provincial Treasury
- (vi) Internal Audit (also tasked with Secretariat function)

6. INTERNAL AUDIT

Section 165 of MFMA requires the municipality to have an Internal Audit Unit and prepare a risk based internal audit plan and an internal audit program for each financial year. Dr JS Moroka Local Municipality did have an effective Internal Audit Unit for the year under review, but the Internal Audit lacked the capacity to complete the annual audit plan.

During the reporting period, the Committee:

- Reviewed and Approved the Internal Audit Charter, Audit Methodology,
- Reviewed the 1 year Operational Internal Audit Plan for 2017/18
- The 3 year rolling Internal Audit Plan from 2016/17 to 2018/19
- Reviewed and recommended Audit Committee Charter for approval.
- Reviewed the external quality review commissioned by Provincial Treasury.

The reports were noted by the Audit Committee but due to the correlating in terms of the section 165 of the Municipal Finance Management Act not being met, the reports were noted but not approved by the committee that was not fully constituted.

Furthermore, on those audits which were conducted with the support of the Internal Audit, the following matters were high-lighted as challenges during the year under review:

- Slow response by management in availing information to Internal Audit Unit and addressing Internal Audit findings. This hampers the effectiveness of the Internal Audit Unit and the Audit Committee (AC).
- The availability of the Senior Managers to the audit committee to provide inputs.

The Audit Committee is of the view that Internal Audit is functional however there are capacity constraints and requires the support of management to ensure optimum audit coverage. Due to the delay in approving the annual audit coverage plan; Internal Audit Plan was not fully implemented due to identified capacity constraints.

To ensure that the internal audit findings receive urgent attention at the highest level, the Audit Committee has requested internal audit reports to be a standing item on the agenda of Top Management Meetings. The Audit Committee recommended that the Municipal Manager addresses the delay in the submission of information.

7. INTERNAL CONTROLS

The Audit Committee monitored the internal audit assessment of the design, implementation and effectiveness of the municipality's system of internal controls, including internal financial controls during the financial year ended 30 June 2018.

Based on the results of the assessment, as well as information and explanations given by management and discussions with the external auditors on the results of their audit, the Committee is of the opinion that the Council's system of internal and financial controls is partially effective.

The Audit Committee:

- Monitored the identification and correction of weaknesses and breakdowns of systems and internal controls;
- Monitored the adequacy and reliability of management information and the efficiency of management information systems;
- Reviewed quarterly, interim and final financial results and statements and reporting for proper and complete disclosure of timely, reliable and consistent information;
- Evaluated on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with GRAP overall accounting standards, as well as any related changes discussed.
- Reviewed reports supplied by management about the effectiveness and efficiency of the credit-monitoring process, exposures and related impairments and adequacy of impairment provisions to discharge its obligations satisfactorily;
- Reviewed and monitored all key financial performance indicators to ensure that they are appropriate and that decision-making capabilities are maintained at high levels; and
- Reported on the effectiveness of the Municipal internal reporting controls.

8. REPORTED FRAUDULANT ACTIVITIES

The matter of hacking of the primary municipal bank account on the 08th and the 09th September 2014 has been investigated by forensic auditors and the report was not served in the Audit Committee by Management.

The overpayment to the service provider that occurred in November 2015.

The committee noted the both cases that still remains sub-judice, both the outcome of the criminal investigations carried by the SAPS (HAWKS). The outcomes of the investigations would be communicated by Management once the matters are finalized in the by the Judicial systems (Courts).

9. RISK MANAGEMENT

The Municipality has appointed the External Chairperson of Risk Management Committee during the course of the year and the Audit Committee wishes him well in bringing discipline in Risk Management. Risk Management is a standing item on all Audit Committee meetings for the year under review.

The following can be summarized as challenges facing the Unit.

- Slow progress in implementing risk mitigating strategies.
- Capacity constraints in Risk Management Unit.
- Non implementation of Fraud Prevention Plan.

The Audit Committee recommended the following:

- The municipality should increase capacity in the Risk Management Unit, the unit operated without a manager for the entire financial year.
- The municipality to incorporate risk management into the performance agreements of senior managers.
- Risk Management be standing item on Top Management and departmental meetings.
- The municipality should priorities the implementation of Fraud Prevention Plan.

10. PERFORMANCE MANAGEMENT

The delay in submitting the quality Performance Management System quarterly reports for Internal Audit purposes is a concern and this affect the effectiveness of Internal Audit and Audit Committee, the municipality as a whole as the municipality is not complying, the matter was reported in the previous financial year.

11. YEAR-END REPORTING

The Audit Committee received and reviewed the Annual Performance Information Report together with the Financial Statements before submission to the Auditor-General. Quarterly performance reports were also submitted to the Audit Committee by management during the year.

12. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit Committee met with management on the 27th August 2018 and 30th August 2018 to review the draft Annual Financial Statements.

The Audit Committee has reviewed but not limited to the following:

- Review of the Annual Financial Statements read with the notes of the Annual Financial Statements.
- Assessing the fair presentation and disclosure, consistent application of accounting policies and compliance with National Treasury guidelines, MFMA and Generally Recognised Accounting Principles (GRAP).
- Provided comments, recommendations and corrections to management prior to the submission of Annual Financial Statements to the Auditor General.

- Review any significant adjustments resulting from external audit queries and accepted unadjusted audit differences.
- Review of the Annual Performance Report for the year under review.

The Audit Committee would concur and accept the conclusions of the Auditor-General on the 2017/18 Annual Financial Statements.

13. OFFICE OF THE CHIEF FINANCIAL OFFICER

The audit committee noted some challenges with regard to the introduction of the MSCOA, limitation of scope, inadequate financial reporting and inadequate management of the audit process in the year under review. The veracity of these challenges has resulted in Municipality receiving an adverse audit opinion.

Furthermore, the capacity of the CFO's office is a very serious concern to the Audit Committee. The positions of the Deputy Chief Financial Officer and the Assistant Manager Revenue were not filled within a reasonable time in the financial year under review which are very significant operationally in the municipality. This is evident in number of qualifications received from the Office of the Auditor General.

14. CONCLUSION

The Audit Committee acknowledges the co-operation and assistance by the Accounting Officer and management of Dr J.S Moroka Local Municipality in strengthening corporate governance and working towards clean audit goal. The Audit Committee Chairperson remains confident of these matters receiving due consideration and intervention. We are committed to fully execute our oversight function and in strengthening Corporate Governance.

Mr. SP Simelane (Chairperson)

On behalf of the Audit Committee

6.1 AUDITOR GENERAL REPORTS: 2017/2018

- ❖ 2017/2018 Auditor General Opinion: ADVERSE

Annexure A
Auditor General's Report
& Audit Action Plan

Report of the auditor-general to the Mpumalanga Provincial Legislature and the council on the Dr JS Moroka Local Municipality

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the Dr JS Moroka Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for adverse opinion

Property, plant and equipment

3. The municipality did not transfer all the completed infrastructure assets from assets under construction to property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. This resulted in property, plant and equipment being understated by R11 293 913. In addition, I was unable to obtain sufficient appropriate audit evidence for the write-off of assets. I could not confirm the write-off of assets by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the infrastructure assets of R1 239 238 116 disclosed in note 11 to the financial statements.
4. In addition, I was unable to obtain sufficient appropriate audit evidence for the valuation of land, as the municipality did not have an adequate system in place to account for the valuation of land. I could not confirm the land by alternative means. Furthermore, land reflected in the name of the municipality in the valuation roll could not be traced to the asset register, due to the asset register not containing unique identifiers to enable verification. Consequently, I was unable to determine whether any adjustments were necessary relating to the land amounting to R334 819 504 disclosed in note 11 to the financial statements.

Revenue and receivables

5. The municipality did not reliably measure revenue in accordance with GRAP 9, *Revenue from exchange transactions* and GRAP 23, *Revenue from non-exchange transactions*. The municipality did not charge service charges and property rates in terms of its policy. As a result, service charges and property rates were overstated by R23 273 990 (2016-17: R54 495 419) and R20 695 094 (2016-17: R42 864 840), respectively. Consequently, consumer debtors was overstated. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.
6. During 2017, the municipality did not reliably measure revenue in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality did not charge interest on receivables (trading) in terms of its policy. As a result, interest on receivables (trading) was overstated by R20 837 502. Consequently, consumer debtors was also overstated. Additionally, there was a resultant impact on the accumulated surplus for the period.

Expenditure

7. The municipality did not fairly present the cash flow statement in accordance with the requirements of GRAP 1, *Presentation of financial statements*, as the municipality paid for expenses on expired contracts and incorrectly accounted for invoices that related to the prior year in the current year. Consequently, operational cost and contracted services were overstated by R20 619 745 and R5 909 621, respectively. This had an impact on the surplus for the period and on the accumulated surplus.

Cash flow statement

8. As the municipality did not prepare a cash flow statement in accordance with GRAP 2, *Cash flow statement*, the cash flow statement was misstated by R8 081 298. I was unable to obtain sufficient appropriate audit evidence to determine the further extent of the misstatement relating to the cash flow statement, due to the items contributing to the basis for the adverse audit opinion.

Irregular expenditure

9. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure, as internal controls had not been established to recognise and investigate irregular expenditure identified in the previous year, as required by section 125(2)(d)(i) of the MFMA. I could not confirm whether all irregular expenditure had been recorded and investigated by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the irregular expenditure of R551 797 514 disclosed in note 49 to the financial statements.

Commitments

10. The municipality did not have adequate systems in place to appropriately account for commitments, as required by GRAP 1, *Presentation of financial statements*, resulting in the commitments balance being overstated by R21 758 466. Consequently, I was unable to determine whether any further adjustments were necessary to commitments stated at R36 520 874 in note 40 to the financial statements.

Context for the opinion

11. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
12. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
13. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Emphasis of matters

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

Restatement of corresponding figures

15. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Impairments – trade debtors

16. As disclosed in note 8 to the financial statements, the receivables balance was significantly impaired. The total impairment of consumer debtors amounted to R264 706 167 (2016-17: R221 761 128), which represented 72% (2016-17: 79%) of the total consumer debtors. The contribution to the provision for debt impairment was R46 405 007 (2016-17: R62 170 784).

Unauthorised expenditure

17. As disclosed in note 47 to the financial statements, the municipality incurred unauthorised expenditure of R14 888 081. In addition, unauthorised expenditure of R74 875 779 incurred in previous years was not investigated.

Fruitless and wasteful expenditure

18. As disclosed in note 48 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R431 324. In addition, fruitless and wasteful expenditure of R3 890 783 incurred in previous years was not investigated.

Irregular expenditure

19. As disclosed in note 49 to the financial statements, the municipality incurred irregular expenditure of R277 804 021, as it did not follow a proper tender process. In addition, irregular expenditure of R273 993 493 incurred in previous years was not investigated.

Material losses – water

20. As disclosed in note 50 to the financial statements, material water losses of R11 683 723 (2016-17: R13 833 087) was incurred, which represented 16,5% (2016-17: 25,4%) of the total water pumped.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

23. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
24. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

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

Objective	Pages in the annual performance report
KPA 5 – basic services delivery - infrastructure development	xx – xx

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

KPA 5 – basic services delivery - infrastructure development

32. I was unable to obtain sufficient appropriate audit evidence regarding the selected objective, as the annual performance report was presented without accurate and complete underlying records. I was therefore unable to audit the usefulness and reliability of the reported performance information. This was due to limitations placed on the scope of my work. I was unable to audit the reported performance information relating to this objective by alternative means.

Other matters

33. I draw attention to the matters below.

Achievement of planned targets

34. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 32 of this report.

Adjustment of material misstatements

35. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 5 – basic services delivery - infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements, performance report and annual report

38. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were subsequently provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving an adverse audit opinion.

Expenditure management

39. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
40. Reasonable steps were not taken to ensure that the municipality implemented and maintained an effective system of expenditure control, including procedures for the approval, authorisation and payment of funds, as required by section 65(2)(a) of the MFMA.
41. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred, as indicated in the basis for adverse paragraph. The majority of the disclosed irregular expenditure was caused by the bid adjudication committee that was not composed in accordance with supply chain management (SCM) regulation 29(2). Irregular expenditure amounting to R6 321 821 was incurred on the upgrading and extension of the reticulation network in the Bloedfontein village cluster A: Allemansdrift C section and the upgrading of roads and storm water in the Mbibane village cluster.
42. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R431 324, as disclosed in note 48 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred on long-outstanding debts.
43. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R14 888 081, as disclosed in note 47 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of the budgeted amount.

Revenue management

44. An adequate management, accounting and information system was not in place to account for revenue and debtors, as required by section 64(2)(e) of the MFMA.
45. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

46. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Asset management

47. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
48. Funds were invested in a bank account that was not registered in terms of the Banks Act of South Africa, 1990 (Act No. 94 of 1990) in contravention of municipal investment regulation 6.

Human resource management

49. Appropriate systems and procedures to monitor, measure and evaluate the performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000).

Consequence management

50. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
51. The authorisation of unauthorised expenditure amounting to R7 761 793 was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.
52. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
53. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Procurement and contract management

54. Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.
55. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
56. Some deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
57. Some competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the prior year.

58. The performance of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
59. Awards were made to providers who were in the service of other state institutions or whose directors were in the service of other state institutions, in contravention of section 112(j) of the MFMA and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
60. Persons in the service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e).

Other information

61. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the executive mayor's report and the audit committee's report. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.
62. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
63. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
64. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

66. Management did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.
67. Management did not establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
68. Management did not develop and monitor the implementation of action plans to address internal control deficiencies.
69. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.
70. Management did not implement controls over daily and monthly processing and reconciling transactions.
71. Management did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.
72. Management did not review and monitor compliance with applicable legislation.
73. Management did not ensure that there was an adequately resourced and functioning internal audit unit that identified internal control deficiencies and recommended corrective action effectively.

Auditor-General

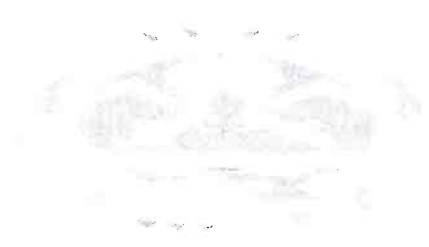
Mbombela

30 November 2018



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



राष्ट्रीय लेखापरीक्षण आयोग
National Audit Office of India

Audit Action Plan

NO.	PAGE No. on MR	CATEGORY/ KEY AREA	FOCUS AREA (FINDING)	AUDITORS CONCLUSIONS	ROOT CAUSE OF NON-COMPLIANCE / INTERNAL CONTROL DEFICIENCIES	ACTION PLANS TO BE TAKEN (Management Response)	ACTIVITIES TO BE UNDERTAKEN TO OPERATIONALISE THE ACTION PLANS	DUE DATE	Contact Details	RESPONSIBLE PERSON
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PROPERTY, PLANT & EQUIPMENT

1	56	Property plant and equipment: Valuation of land	During the audit of property plant and equipment, we could not determine the extent of how the land valued at R334 819 504 has been determined by the municipality since take on date. The coordinates as per land register do not indicate the size in terms of square meters (sqm) and how the value for each land was determined. Since the asset recognition on 01 July 2012, there has been no assessment to determine the size and how the value were determined.	Management response noted and agrees with the finding. Therefore the finding will remain and reported in the management report and audit report. Management responses noted. However, there is no supporting documents that prove evidence that the land that is on valuation roll does not belong to the municipality and a similar finding was raised in the prior year and remained unresolved. Therefore, the finding will remain and included in the management report.	There was no reconciliation between the valuation roll, deeds offices and municipal land register.	The municipality will expand on the 2018/19 land audit which would reconcile the valuation roll and land register. The reconciliation will take into account the square meters, with the start and end co-ordinates	A detailed report will be prepared which clearly indicates Land belonging to the Municipality, Provincial Government respectively. The municipality will write to ASB on the best practice on how to disclose as servitude are intangible assets. The reconciliation will take into account the square meters, with the start and end co-ordinates	Reports to to be submitted to on the monthly basis not later than the 25th for verification of the work done.	mawelaw@moroka.gov.za	Name: Mawela W. Assistant Manager Land development and Human Settlement
2	58	Property plant and equipment: Completeness of register thus property plant and equipment at year end is understated.	Vacant land that in terms of valuation roll is owned by the municipality, such land has not been accounted in municipality fixed asset register thus property plant and equipment at year end is understated.	We acknowledge management response, provided and agree with the disclosure note attached, however management did not submit journals and supporting evidence to support these prior period adjustments. Therefore, the finding will remain and reported in the management report.	Land audit done in correctly by the Land development and Human Settlement	A detailed report will be prepared which clearly indicates Land belonging to the Municipality, Provincial Government respectively. The municipality will write to ASB on the best practice on how to disclose as servitude are intangible assets. The reconciliation will take into account the square meters, with the start and end co-ordinates	Reports to to be submitted to on the monthly basis not later than the 25th for verification of the work done.	mawelaw@moroka.gov.za	Mawela W. Position: Assistant Manager Land development and Human Settlement	
3a	60	Property Plant & prior year restatement of infrastructure assets Equipment Prior and the reason for the write off is that they fixed asset register and the annual financial statement were not agreeing.	it was noted that infrastructure assets valued at R23 962 652,01 which were previously (2015/16) transferred incorrectly to buildings instead of infrastructure assets were written off as part of prior year restatement of infrastructure assets and the reason for the write off is that they fixed asset register and the annual financial statement were not agreeing.	There was investigation on the physical existence of the assets. There assets could not be located on the ground, which resulted in assets being written off as AG indicated that the investigations were not conclusive.	Management agrees in principle with the finding, however the AFS (Note) and the FAR as they are, are correct. The way the correction was done may be of concern, however there is no impact on the communicated disclosed numbers. No assets were written-off, the exercise carried to ensure that GL agrees to FAR, as the accounting in previous years was not done correctly. Thus we see no need for adjustment.	Perform the journals and supporting evidence to support these prior period adjustments. The municipality will appoint the independent investigator to perform the additional investigations on the physical existence of the said assets.	Monthly	Brenda Lesele: Assets Manager		
3b	60	Property Plant & prior year restatement of infrastructure assets Equipment Prior and the reason for the write off is that they fixed asset register and the annual financial statement were not agreeing.	it was noted that prior year corresponding balances for moveable assets has been restated in the annual financial statement and there is no disclosure in the prior period error note as well as supporting evidence to support the following restated amounts	Management response noted and agree with the finding the proposed adjustment journal was submitted. However, the proposed journal is not correct as it takes all the amount to expenditure though it is a small portion that should go to expenditure. The portion that should be classified as PPE it further needs to be depreciated from 2015. Therefore the proposed adjustment is rejected and the finding will remain and included in the management report.	Management agrees with the finding, on further inspection of actual payment vouchers as when as scope of work and progress reports it was noted that payments related to repair and maintenance rather than capital projects. The vouchers have been reclassified to repairs and maintenance	A journal would be processed.	Monthly	leseleleh@moroka.gov.za	Brenda Lesele: Assets Manager	
4	63	Property Plant & work in progress Equipment: Rehabilitation of Syabuswa Wastewater treatment. Asset value per WIP is R11 293 913,25 with the Date asset completed (completion certificate) 15/03/2015 Overstatement of work in progress	During the audit of work in progress, it was noted the below completed project is still classified as work in progress. Rehabilitation of Syabuswa Wastewater treatment. Asset value per WIP is R11 293 913,25 with the Date asset completed (completion certificate) 15/03/2015	The municipality did not transfer the completed projects out of WIP.	A journal would be processed.	Monthly	leseleleh@moroka.gov.za	Brenda Lesele: Assets Manager		

5	65	Variance between FAR and adjusted financials	During the audit of property plant and equipment, it has been noted that current year depreciation (FAR) do not agree with depreciation disclosed in the statement of financial performance.	Management reponse noted and the proposed adjustment. We further evaluated the proposed adjustment and confirmed that it addressed the finding, therefore the finding is resolved.	Finding was resolved	Management agrees with the finding. We have reviewed the Fixed Asset Register and noted some formal issues which have now been resolved. Below is an extract of the updated Appendix B for the movable assets:	Finding was resolved	leseleb@moroka.gov.za	Monthly	Brenda Lesele; Assets Manager
6	68	Understatement of work in progress	During the audit it was noted that Fresh produce project year to date expenditure recognised in WIP schedule is understated with expenditure incurred since inception of the project in 2008. Expenditure not accounted for in work in progress schedule R3 926 951 50	We acknowledged management response provided and the proposed adjustment to address the finding. Through the evaluation of the submitted journal we noted that not all the communicated misstatements above were addressed in the proposed journal. The payments below are still not accounted for in the work in progress register.	Finding was resolved	Certificate number 1 was found in the general ledger, the amount above in the finding is incorrect on inspection of payment certificate and general ledger the amount should R121,506 60, this amount will be included in the register. Certificate number 5 was found on the general ledger and will be included in the register. Finance recognises amounts which are paid and are on the ledger.	We going to do a detailed reconciliation of the project(Fresh Produce)	leseleb@moroka.gov.za	Monthly	Brenda Lesele; Assets Manager
7	72	Presentation and disclosure	Disclosure note on property plant and equipment did not include reasons for projects that are taking significant longer period of time to complete. - Construction of Fresh produce Market	We acknowledge management response and proposed amendments to disclosure note however, not all the reasons causing the delays are captured on the note. Fresh produce project commenced in 19 August 2008 not 2009 as indicated in the note and other factors of poor performance from service providers which also caused some delays in the project are not included in the. Therefore, we propose that the management to relook again on the on the facts of the delays and the date of the project.	There was an oversight by management in disclosing the long outstanding project.	Management partially agrees to the finding, below is an extract to our response	The municipality shall disclose in the AFS the reasons for all long outstanding projects in line with GRAP17.	leseleb@moroka.gov.za	Monthly	Brenda Lesele; Assets Manager
8	75	1. Prior period errors: Assets properly addressed by management could not be traced on Assets fixed asset register in the prior year are still not recorded	Contrary to above, it has been noted that below prior year errors on property plant has not been properly addressed by management. Community assets that could not be traced on Assets fixed asset register in the prior year are still not recorded in the current year under review.	We acknowledge management response provide, however even though finding was resolved in the prior year, this asset when we traced them from current year fixed asset register, they are still not included. Management partially addressed prior year error. Finding still remain and will be evaluated for conclusion.	The municipality had over unbundled the assets.	Management partially agrees to the finding, below is an extract to our response	The municipality will perform physical verification on all community assets to reconcile the the FAR and GL.	leseleb@moroka.gov.za	Monthly	Brenda Lesele; Assets Manager

9	78		<p>Contrary to above, it has been noted that below property errors on property plant has not been properly addressed by management. Contrary to above, it has been noted that below prior year errors on property plant has not been properly addressed by management.</p> <p>Infrastructure asset that could not be verified for existence. Even though management conducted physical verification of the assets in the register in the current year and identified more assets that could not be found on the floor, management did not conduct investigation after physical verification to determine how the assets were initially capitalised and accounted for in fixed asset register at an inception before they write off of assets. Therefore, the write off of assets without proper assessment and investigation of the route cause is not justifiable.</p>	<p>We acknowledge management response provided. However, finding is about the action that the municipality took after the engineers confirmed that the assets do not exist and before the proposal to the council for write off. The auditors are of the view that the management should have conducted investigation after physical verification to determine how the assets were initially capitalised and accounted for in fixed asset register at an inception before they write off of assets.</p> <p>Therefore, the finding will remain and will be evaluated for conclusion.</p>	<p>Management disagrees with the finding, the issue of existence of assets has plague the municipality for years. We hired engineers to do physical verification on all assets and ascertain existence of assets, the engineers noted that there are some assets that were on the register but could not be found in any location within the municipality. A report from the auditors was also given to auditors which indicated reasons scope of their work as well as findings which were made. We also sought council resolution to write-off assets which were never found during the verification process.</p>	<p>Management disagrees with the finding, what is capitalized is payments that were paid that went through the bank and general ledger. Payments certificates exclude consultant fees which need to be capitalized as well.</p>	<p>Monthly</p>	<p>leseleb@moroka.gov.za</p>	<p>Brenda Lesele Assets Manager</p>
10	80	Overstatement of the infrastructure assets	<p>Contrary to above requirement, it has been noted that expenditure for completed projects per completion certificate do not agree with amount capitalized in fixed asset register. Dikgwale Bulk pipeline, Upgrading of roads and water in Siyabuswa C & Upgrading of Marapyanne bus and Tax route for R8 219 275.46</p>	<p>We acknowledge management response provided and the amounts on the payment certificates did not include the payments certificate and therefore we agree with finding is closed.</p>	<p>Management disagrees with the finding, what is capitalized is payments that were paid that went through the bank and general ledger. Payments certificates exclude consultant fees which need to be capitalized as well.</p>	<p>Finding was resolved</p>	<p>Monthly</p>	<p>leseleb@moroka.gov.za</p>	<p>Brenda Lesele Assets Manager</p>

REVENUE MANAGEMENT- RECEIVABLES

11.1	82	#VALUE!	<p>1. Market value as per valuation roll does not agree to market value as per the system</p>	<p>Oversight from management in reconciling the valuation roll and valuation report from the munsoft system</p>	<p>A debriefing post audit meeting will be held by management on issues that affected their audit component. Monthly reconciliation of the property rates billing will be done by senior official.</p>	<p>Perform the reconciliation between the valuation roll and valuation report from the system and process the variation on the munsoft</p>	<p>Monthly</p>	<p>masilelaa@moroka.gov.za</p>	<p>Acting Revenue Manager - Masilela A</p>
11.2	84	Errors identified on prior period corrections - Property Rates	<p>2. Rebates were not taken into account on the rates calculation</p>	<p>The stand still registered as residential on the valuation system and on the valuation roll has registered as businesses. The issue is rezoning</p>	<p>We disagree with the finding, the negative amount on the billing report for interest was as a result of the credit notes processed on the debtors account and the related interest was therefore also reversed. Auditors did not take into account the reversed interest amount when recalculating the interest, we advise that for negative amount they should take into account the fact that there were credit not issued which reduced debtors balance including the interest, this is evident due to the fact that on instances where there are no credit notes issued the interest amounts have been correctly calculated.</p>	<p>Perform the identification of all business that are still zoned as residential and take them to Town planning department to assist with rezoning.</p>	<p>Monthly</p>	<p>masilelaa@moroka.gov.za</p>	<p>Acting Revenue Manager - Masilela A</p>
11.3	88	Interest trading	<p>During testing of interest trading, the following misstatements were differences were identified:</p>	<p>Management response is noted however management could not provide the supporting calculation for the credit interest amount. The finding remains and will be evaluated for reporting.</p>	<p>All credit notes & debit notes before can be processed, proper reviewal of transactions on that account should be done and prepare the audit evidence for such transaction. Material amount corrected should be reported to council for adoption</p>	<p>Perform the reconciliation between the valuation roll and valuation report from the system and process the variation on the munsoft</p>	<p>Monthly</p>	<p>masilelaa@moroka.gov.za</p>	<p>Acting Revenue Manager - Masilela A</p>

12.6	101	<p>1.6 A rebate of R20 000 was used on the following accounts for calculation of property rates however the rebate of R20 000 is not included in the approved policy and in the tariff structure.</p> <p>1.7 During the audit of property rates, it was identified that credit notes were issued without supporting reason and approval:</p> <p>1.8 During the audit of property rates it was noted that the property category per levy report is not the same as the general valuation roll:</p>	<p>We acknowledge management response on 1.6 however the finding remains as the rebate is not included in the policy.</p> <p>We acknowledge management response on 1.7 and the finding will be removed as the journal to reverse credit notes was provided.</p> <p>We acknowledge management response on 1.8 however the finding will remain.</p> <p>A reasonability test has been performed on the tariff rate applied by the municipality, the rate of R162.72 is therefore the correct rate and the finding in this regard is resolved. However the problem identified is with the approved tariff structure of the municipality which has not been updated with the correct tariff rate, this will result in internal control deficiency and will be reported in management report.</p>	<p>Oversight from management of R20 000 it was omitted from tariff structure</p> <p>The R20 000 rebates were approved by the council a few years ago and during the current year the R20 000 rebate was erroneously excluded from the policy. This rebate is given to the farmers and Non-profit organization and this has been the practice for a very long time.</p> <p>The credit notes were reversed through the journal processed at year end please.</p> <p>1.8 the category has been amended on the system as the customer came through to the municipality that he is incorrectly classified in the general valuation and this was amended after confirming that the customer has a residential property</p>	<p>Review the tariff policy and tariff structure and ensure it covers all reductions and rebates</p> <p>A credit note should be reviewed by management and property supporting audit evidence should be filed</p>	<p>Monthly</p> <p>Monthly</p> <p>Monthly</p>	<p>masilelaa@moroka.gov.za</p> <p>masilelaa@moroka.gov.za</p> <p>masilelaa@moroka.gov.za</p>	<p>Acting Revenue Manager - Masilela A</p> <p>Acting Revenue Manager - Masilela A</p> <p>Acting Revenue Manager - Masilela A</p>	
12.7	101	<p>Basic sewerage misstatement</p>	<p>Basic sewerage is not charged in accordance with the tariff structure. The tariff structure states that commercial property should be charged at rate of R3 797.5 however the municipality charges amount of R162.75. The amount relating to commercial business, franchises, industrial, and state institutions, schools and tertiary institutions excluding basic charge does not clearly distinguish what the amount is for and how much is charged. The following was identified as inaccurate:</p>	<p>No reconciliation of valuation roll and valuation report on the munsoft system, meaning the market value on valuation roll and on the system is not the same</p> <p>There was no proper formulation of tariff structure, however the management noted the errors and the correction was done only on the system</p>	<p>We partially agree with the finding, the error is as a result of the Tariff structure not being reviewed to ensure that it is free from errors, but the correct tariff (R162.75) was used to bill the customers.</p>	<p>There should be alignment between the tariff structure and the system tariff. Any differences should be reported to council for approval</p>	<p>Monthly</p>	<p>masilelaa@moroka.gov.za</p>	<p>Acting Revenue Manager - Masilela A</p>
13	107	<p>Water Inaccurate</p>	<p>1. Management response is noted, the water service charge was discontinued and a flat rate was used for basic water charge for billings on all months however the flat rate of R150.00 on basic water charged only applies to billings from the month of November 2017 to June 2018 as the council resolution that approved the flat rate was made on 27 October 2017. The and the average estimate billing was used, however the policy was silence what that were charged flat rate from July to October and will be should be done on the similar cases</p> <p>2. As per the tariff policy the flat rate applies to residential customers identified was not working only, we could not be provided with and the average estimate billing was used, however the reason for variances on business billing is silence what the policy is silence what finding therefore still stands and will be evaluated for reporting.</p>	<p>The meters on the accounts identified was not working and the average estimate billing was used, however the policy was silence what should be done on the similar cases</p>	<p>1. We disagree with all findings highlighted with yellow for the following reasons: Charges on water services were discontinued and basic water charges were used hence the water service charges is not billed or the opening and closing meter reading is the same</p>	<p>The policy should be amended on what should be done on similar cases to cover the municipality in supporting the processed transactions</p>	<p>Monthly</p> <p>Monthly</p>	<p>masilelaa@moroka.gov.za</p> <p>masilelaa@moroka.gov.za</p>	<p>Acting Revenue Manager - Masilela A</p> <p>Acting Revenue Manager - Masilela A</p>
14.1	110	<p>Water Inaccurate</p>	<p>The following has resulted in inaccurate billing of water due to meter readings not captured accurately and in a timely manner. Furthermore, tariff structure consumption reading are charged a flat rate of R2 ,25 rather than applying the correct step rate in accordance with the tariff structure.</p>	<p>The meters on the accounts identified was not working and the average estimate billing was used, however the policy was silence what should be done on the similar cases</p>	<p>The policy should be amended on what should be done on similar cases to cover the municipality in supporting the processed transactions</p>	<p>Monthly</p>	<p>masilelaa@moroka.gov.za</p>	<p>Acting Revenue Manager - Masilela A</p>	
14.2	112	<p>Water Inaccurate</p>	<p>Incorrect rates are for service charges used that are not aligned in accordance with the tariff structure resulting in billing differences.</p>	<p>The meters on the accounts identified was not working and the average estimate billing was used, however the policy was silence what should be done on the similar cases</p>	<p>The policy should be amended on what should be done on similar cases to cover the municipality in supporting the processed transactions</p>	<p>Monthly</p>	<p>masilelaa@moroka.gov.za</p>	<p>Acting Revenue Manager - Masilela A</p>	

15	No Billing	The following accounts were not billed for water:	management response is noted, water service charge was discontinued and a flat rate was used for basic water charge for billings on all months however the flat rate of R150,00 on basic water charged only applies to billings from the month of November 2017 to June 2018 as the council resolution that approved the flat rated was made on 27 October 2017. The finding still stands.	The meters on the accounts identified was not working and the average estimate billing was not used or applied, however the policy is on the similar cases	1. We disagree with all findings highlighted with yellow for the following reasons: Charges on water services were discontinued and basic water charges were used hence the water service charges is not billed or the opening and closing meter reading is the same. Monthly reconciliation on interest income will be performed and any unusual inputs and events investigated.	Monthly	masilelaa@moroka.gov.za	Acting Revenue Manager - Masilela A
16	Interest Receivables (tradin g) is inaccurate	The following other inputs included in the debtors account is not supported:	Management response is noted, the finding still stands and will be evaluated for reporting.	The finding is not valid	The finding is not valid	Monthly	masilelaa@moroka.gov.za	Acting Revenue Manager - Masilela A

COMMITMENTS

17.1	Overstatement of capital commitments	During the audit of commitments, it was noted that the closing balance per commitment register does not agree to the amount disclosed in note 40 of the annual financial statements:	Subsequent to management adjustment of annual financial statements, following variance has still been noted regarding completeness of commitments disclosure. It has further been noted that below contract has expired but still included in capital commitment at year end. Commitment is overstated with expired contract. It has further been noted that below contract has expired but still included in capital commitment at year end. Commitment is overstated with expired contract.	The municipality did not account for all the projects in the financial year. The absence of a procedure at manual in dealing and handling of projects that are on going. The municipality did not perform reconciliations on a monthly basis for the projects.	Management agrees with the finding. The errors occurred due to human error, as the expenditure from the general ledger was inaccurately transferred to the commitment register.	Monthly	leseleb@moroka.gov.za	Brenda Lesele: Assets Manager & Phasha Tebogo: Manager PMU
17.2	Overstatement of capital commitments	Capital commitments includes capital projects that were completed and transferred to infrastructure asset during the year:	It has further been noted that below contract has expired but still included in capital commitment at year end. Commitment is overstated with expired contract.		A procedure manual would be developed that would deal this the monthly reconciliations of projects.	Monthly	leseleb@moroka.gov.za	Brenda Lesele: Assets Manager & Phasha Tebogo: Manager PMU
17.3	Overstatement of capital commitments	Expenditure as per capital commitments register do not agree to expenditure as per work in progress (WIP):	There is no audit conclusion on this finding		A procedure manual would be developed that would deal this the monthly reconciliations of projects.	Monthly	leseleb@moroka.gov.za	Brenda Lesele: Assets Manager & Phasha Tebogo: Manager PMU
18.1		Overstatement of capital commitments	There is no audit conclusion on this finding			Monthly	leseleb@moroka.gov.za	
18.2	Accrual expenditures were not considered for capital commitment and work in progress	Understatement on work in progress	There is no audit conclusion on this finding	Reconciliations were not performed on a monthly basis.	There was an oversight when WIP was being performed, as journals for accruals added at period end were not communicated and thus missed. We have subsequently included in the WIP register and also passed a journal to WIP for the accruals.	Monthly	leseleb@moroka.gov.za	Brenda Lesele: Assets Manager & Phasha Tebogo: Manager PMU
19	Completeness of capital commitments	Project which was still in progress at year end was not included on commitment register: Upgrading & extension of reticulation networks in the Mathanjana Village Cluster (Phake) R6 256 266.27	There is no audit conclusion on this finding	The municipality understated the listing in the capital commitments.	The municipality will reconcile all workings to account for accruals emanating from expenditure.	Monthly	leseleb@moroka.gov.za	Brenda Lesele: Assets Manager & Phasha Tebogo: Manager PMU
20.1	Completeness of capital commitments	Current year capital commitment does not include the following commitment:	Management did not accurately include add Vukani Site maintenance on commitments as the variance is still identified:		Assets and PMU units will on a monthly basis reconcile the capital commitments and working in progress.	Monthly	leseleb@moroka.gov.za	Brenda Lesele: Assets Manager & Phasha Tebogo: Manager PMU

20.2	131	Completeness of capital commitments	Following capital commitment contract value does not include value added tax (VAT);	Revised capital commitments balance and current year expenditure does not include value added tax as follows which result in overstatement. VAT for Yuliani site maintenance contract value still not be properly accounted for in commitments.	Reconciliations were not performed on a monthly basis.	A monthly review process will be undertaken involving all project managers to ensure that all projects are accounted for.	Monthly	leseleb@moroka.gov.za	Brenda Lesele: Assets Manager & Phasha Tebogo: Manager PMU
20.3	131	Completeness of capital commitments	It has further been noted that commitment of register include expenditure that is not supported and linked to any commitment contract.	Furthermore, revised capital commitments includes commitments relating to operational commitments and their balance is understated.	The municipality did not reconcile the commitments and repairs & maintenance.	Management does not agree with the finding that expenditure could not be accounted as per the above finding. The expenditure was for contracts listed in the updated commitment register after a thorough investigation and consolidation process was completed.	Monthly	leseleb@moroka.gov.za	Brenda Lesele: Assets Manager & Phasha Tebogo: Manager PMU

PAYABLES

21.1	134		1.1 The amount recorded on the General Ledger as per the invoice/statement include the opening balance which would have been accounted for in the previous month;	We acknowledge management comment based on the Eskom aging we noted that there were credit balances which overstated the expenditure, although management disagree with the finding they have submitted the proposed journal which we are not accepting as the amounts used do not agree to the Eskom aging.	WE DON'T HAVE A MODULE ON MUNSOFT SYSTEM TO CAPTURE THE INVOICES AS AND WHEN WE RECEIVE THE INVOICES FROM ESKOM, SECONDLY THE ACCOUNTS ARE MORE THAN 300 IN NUMBER FOR THE VARIOUS LOCATIONS, THERE WE GROUP THE INVOICES AND PAY THEM AT ONCE TO ESKOM AS AND WHEN THE CASH FLOW SITUATION ALLOWS.	Management disagrees with the finding the amount. Consider the discussions and submissions made to the AGSA regarding the Eskom Accounts	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager-Expenditure
21.2	134		The interest charged on overdue account is recorded on the electricity account, and not under the interest paid;	We acknowledge management comment however we do not accept the proposed journals as we identified errors on the amount for interest against the actual batch e.g T0- 019390 the interest on the batch is R10,267.72, however management identified R196.84.	In this year we have created a interest account to manage the interest payable	Management agrees to the finding. A journal to reclassify the interest is attached.	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager-Expenditure
21.3	134	Overstatement of electricity & VAT accounts	The VAT is calculated using the closing balance on the invoice/statement, and not the billing charges for that respective month. This overstates the VAT account as VAT was already taken into account the previous months based on the opening balance;	We acknowledge management comment however we disagree as the misstatement in 1.1 will have VAT implication.	The cash flow challenges leads us to pay late on our suppliers. There if there cash flow situation is resolved we are not going to pay any interest to suppliers.	Management disagrees with the finding the amount. Consider the discussions and submissions made to the AGSA regarding the Eskom Accounts	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager-Expenditure
21.4	134		The VAT is calculated on the interest charged.	We acknowledge management comment however if the interest is wrong in 1.2 then the VAT amount will also be incorrect so we do not accept the adjustment.	The Receivables section to collect more to be able to pay for our creditors within 30 days	Management agrees. The VAT implications are immaterial but will be adjusted.	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager-Expenditure

21.5	134	Overpayments on the electricity accounts (shown by a statement with a credit amount) are not taken into account when calculating the total electricity expenditure.	We acknowledge management comments however the immaterial misstatements will be evaluated further on overall with the rest of uncorrected misstatements on the audit.	The municipality does not have a fixed dates for the accounts to be delivered in the municipality, Eskom would from time to time send a list of stations to be switched off due to non payment, the accounts that are due would be individually paid and when the batch is paid that results in the to the account to have a credit	As per discussions with the AG. The overpayments on the Eskom accounts are immaterial	Have a centralized system where invoices are captured as and when they are received.	Monthly	serepob@moroka.gov.za	Boledi Mollapema Assistant Manager-Expenditure
22.1	140		The following invoices were checked again and the amount on the invoice does not agree with the General Ledger: T0019650 – Auditor General: R914 622,06 EF013537 – Kievits Kroon Country Estate: R226 530,70 As these amounts have not been adjusted, we are therefore rejecting the proposed journal for all the other misstatements identified.	The finding was resolved	The amount per the invoice/statement is R911,871.08	The finding was resolved	Monthly	serepob@moroka.gov.za	Boledi Mollapema Assistant Manager-Expenditure
22.2	140	Incorrect amounts During the audit of expenditure for the 2017/18 financial year, it was noted that the following amounts recorded in the General Ledger does not agree to the invoice amount:	For invoices from Centurion Lake Hotel (EF013838 & EF013784), we agree that the supplier is registered VAT vendor. The finding will be removed.	The finding was resolved	The supplier is a VAT vendor No 4720311030 Supplier did not split the VAT on the invoice.	The finding was resolved	Monthly	serepob@moroka.gov.za	Boledi Mollapema Assistant Manager-Expenditure
22.3	140		Lindo Travel & Management (EF013327), the amount of R8 600 is included in the General Ledger and a supporting payment voucher was provided. The finding remain	The finding was resolved	There is non amount of R86,000 on the General Ledger	The finding was resolved	Monthly	serepob@moroka.gov.za	Boledi Mollapema Assistant Manager-Expenditure
22.4	140		The following differences have been resolved after carefully inspecting the invoices:	The finding was resolved	The finding was resolved	The finding was resolved	Monthly	serepob@moroka.gov.za	Boledi Mollapema Assistant Manager-Expenditure
22.5	140		FCTG (EF01386.1) for R.10 606,09	The finding was resolved	Amount exclude VAT on invoice is R10,606.09	The finding was resolved	Monthly	serepob@moroka.gov.za	Boledi Mollapema Assistant Manager-Expenditure
23	143	Amounts not paid within 30 days During the audit of expenditure, it was noted that the following payments were not paid within 30 days from date of receipt of invoice, or statement:	We acknowledge management response; the will be evaluated for reporting.	The Municipality has cash flow challenges due to non payment by our customers, which leads to suppliers not being paid within 30 days of invoice.	Management agrees to the finding. The Municipality endeavors to pay its suppliers within 30days of invoice. However due to cash flow constraints experienced by the Municipality it sometimes becomes impossible to pay suppliers within 30days. Management will improve on its own revenue collections	Acquire the module from Munsoft to be able to capture invoices as and they are received.	Monthly	serepob@moroka.gov.za	Boledi Mollapema Assistant Manager-Expenditure

24	145	While inspecting the contract relating to Merchant West, it was noted that the contract inception date was 24 May 2014 and the end date was 24 May 2017. The contract was valid for 36 months, with monthly payments of R63 296,02. By the beginning of the current financial year, the contract had already expired, however the supplier was still paid in the current financial year for five months amounting to R379 776.12. The transactions in the General Ledger are not supported by a valid contract. This will result in irregular expenditure of R379 776.12.	We acknowledge management response. We agree with the proposed adjustments for 1. VAT amount of Volkswagen South Africa (T0019963) and 2. Sojokwe (EF013649) A journal reversing the amount R829 816,00 was given for Makgala Thiba (EF013809) however, the remaining amount to be reversed is R119 800,00 and not R126 000. Therefore, we are rejecting the journal.	The contract has expired and the bank, client has been informed that the contract has expired, however the service provider is paid through the debit order system, the payments has to be manually reversed on a monthly basis.	Management agrees to the finding. The Municipality has since contacted the bank and requested the debit order amounts to be reversed and has also requested the bank to cancel the debit order with Merchant West. The matter has been handed over to legal to handle the issue.	Client has been informed that the contract has expired, however the service provider is paid through the debit order system, the payments has to be manually reversed on a monthly basis.	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager - Expenditure
24	145	The following amounts were incorrectly classified as operating expenditure in the General Ledger through the expenditure was for capital assets:	We acknowledge management response. We agree with the proposed adjustments for 1. VAT amount of Volkswagen South Africa (T0019963) and 2. Sojokwe (EF013649) A journal reversing the amount R829 816,00 was given for Makgala Thiba (EF013809) however, the remaining amount to be reversed is R119 800,00 and not R126 000. Therefore, we are rejecting the journal.	The error occurred during the capturing of the transactions	Management agrees to the finding and a proposed journal for the adjustment is DR VAT Control Acc R116 481,68 & CR Motor Vehicles R116 481,68	The transactions would be reviewed after the capturing of the transactions	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager - Expenditure
25	147	Amounts incorrectly included in the expenditure	For Kgathola Projects (EF013676), we agree with management that this is maintenance, and not an actual asset. Therefore, it is correctly classified under maintenance. The finding is resolved.	The error occurred during the capturing of the transactions	Management disagreed to the audit finding. Management disagreed to the audit finding. The expense is correctly classified as repairs and maintenance. The expenditure did not enhance the existing infrastructure as the old pipes diseminates hot the steam while additional drilling is done	The transactions would be reviewed after the capturing of the transactions	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager - Expenditure
25	147	During the audit of expenditure for the current financial year, misclassifications between contracted services and operational cost were noted. Contracted Services is expenditure incurred from suppliers the municipality has contracted with. Operational costs relate to expenditure incurred for the day to day operations of the municipality (non-contracted services).	We acknowledge management response; the will be evaluated for reporting.	The invoices are captured as and when they are about to be paid.	An extensive exercise will be done in the current financial year to ensure that expenses are classified appropriately	Acquire the module from Munsoft to be able to capture invoices as and they are received.	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager - Expenditure
26	151	Misclassifications under expenditure	Transactions were classified under Operational Cost however relate to expenditure incurred from suppliers the municipality has contracted with:	The invoices are captured as and when they are about to be paid.	Management agrees to the finding. An extensive exercise will be done in the current financial year to ensure that expenses are classified appropriately.	Acquire the module from Munsoft to be able to capture invoices as and they are received.	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager - Expenditure
26	151	Transactions were classified under Contracted Services however relate to expenditure incurred for the day to day operations of the municipality (non-contracted services):	For SALGA (R1 785 094,02) the invoice was dated in the prior financial period, and no evidence that indicate that the invoice was received in the current year.	The invoices are captured as and when they are about to be paid.	Management agrees to the finding. An extensive exercise will be done in the current financial year to ensure that expenses are classified appropriately.	Acquire the module from Munsoft to be able to capture invoices as and they are received.	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager - Expenditure
27	155		We acknowledge management response; for FZ PROJECTS we can	The invoices are captured as and when they are about to be paid.	Management agrees to the finding for SALGA and FZ Projects. In contract the amount for WASSA is included in the	Acquire the module from Munsoft to be able to capture invoices as and they are received.	Monthly	serepob@moroka.gov.za	Boledi Mollapema: Assistant Manager - Expenditure

27	155	Amounts recorded in the incorrect accounting period	For WSSA (R1 419 304,91) and FZ PROJECTS (R1 046 790,12), the completion forms for the service rendered by the supplier shows that the services were received by 15 May 2017 and 30 June 2017 respectively.	confirm that this was corrected before we selected the sample for SALGA and FZ Projects we are still waiting for management adjustments.	The invoices are captured as and when they are about to be paid.	Management does not agree with the auditor, due to unforeseen financial circumstance the municipality could not pay Messrs Motagane Chem Works hence the service provider could not deliver as they also ran into unfavourable financial position. Therefore, the municipality engaged Messrs Metsi Chem to assist and offer the service on credit. The later led to an immediate response to an emergency created by the unfavourable financial position of the municipality, thus this deviation meets aspects of regulation 36.	Acquire the module from Munsoft to be able to capture invoices as and they are received.	Monthly	serepob@norokaga.gov.za	Boledi Mollapema Assistant Manager - Expenditure
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CONTRACTS MANAGEMENT & PROCUREMENT

28.1	157	Procurement of water treatment works chemicals through deviation process	Processes followed by management to appoint service provider through deviation on the basis of emergency since the supplier whom the municipality is contracted with did not supply water treatment chemicals due to non-payment, is not justifiable and do not qualify to be an emergency base on the following reasons:	Management response provided is acknowledged, however the response of unforeseen financial circumstance cannot be accepted as a reason for deviation as it is not justifiable, the municipality had budget approved at the beginning of the year to cater for basic services and on the memo submitted for approval of the deviation it was indicated that there are funds available for chemicals vote.	Cash flow issue in the municipality.	Management does not agree with the auditor, management had a contract with Messrs Lindo Travel who quoted the municipality for this procurement over R900k which was not affordable to the municipality hence the deviation brought a saving of over R650k to the municipality by procuring direct from the guesthouse, this was not as a result of poor planning but as a result of failed negotiation between the municipality and the appointed service provider, hence it became reasonably impractical or impossible to follow the official procurement processes to follow appointment processes.	Appoint a panel of service provider to ensure that we can get quotations from the panel.	Monthly	mabuzat@norokaga.gov.za	TT Mabuza Assistant Manager SCM
28.2	158	Accommodation for strategic lekgotta	During the audit of SCM through deviation it was noted that municipality procured accommodation from Kevies Kroon country estate amounting to R258 245 for municipal delegates to attend strategic lekgotta on the basis of being impractical to follow the official procurement process. As a result of the above, procurement requirements of section 36 to be classified as deviation. The amount of R258 245 paid to Kevies Kroon country estate will result in irregular expenditure	We acknowledge management response provided. However, the quotation for the existing service provider was not provided that shows the quotation of the amount above R900k, and for the session that was attended by the council it was planned well in advance by the municipality and therefore the municipality had enough time to go through procurement processes for accommodation. The reasons provided for the deviation does not meet the deviation requirements as per section 36 of SCM regulations. Therefore, finding remain and will be included in the management report.	The deviation memo did not capture the actual reason why it was impractical to follow the SCM processes and coupled with the issue of cash flow issue in the municipality.	Management does not agree with the auditor, management had a contract with Messrs Lindo Travel who quoted the municipality for this procurement over R900k which was not affordable to the municipality hence the deviation brought a saving of over R650k to the municipality by procuring direct from the guesthouse, this was not as a result of poor planning but as a result of failed negotiation between the municipality and the appointed service provider, hence it became reasonably impractical or impossible to follow the official procurement processes to follow appointment processes.	The departments would seek advice from the SCM, CFO before the MM would approve the Regulation 36 appointment.	Monthly	mabuzat@norokaga.gov.za	TT Mabuza Assistant Manager SCM

28.3	159	<p>During the audit of procurement through section 36, it was further noted that the municipality procured accommodation from Boschdal guesthouse amounting to R321 840 for response municipal employees to attend SAMSRA 2017 games on the basis of being impractical to follow the official procurement process. The management municipality was informed to participate in SAMSRA games on the 04th of March 2017 by SAMSRA Association which were to take place on the 24th of September 2017. Travel arrangements would have been properly planned rather than for the municipality to wait until 21st of August 2017 to secure accommodation through deviation process.</p> <p>We acknowledge management however we disagree with management provided response and management response is not addressing the finding raised. Finding is based on improper planning by the municipality to plan for the event well in advance. Municipality had enough time to follow the proper procurement processes. Finding remain and will be reported.</p>	<p>Management does not agree with the auditor, management had a contract with Messrs Lindo Travel who quoted the municipality for this procurement amount of R 932 880.00 which was not affordable to the municipality hence the deviation brought a saving amount of R 611 040.00 to the municipality by procuring direct from the guesthouse, this was not as a result of poor planning but as a result of failed negotiation between the municipality and the appointed service provider, hence it became reasonably impractical or impossible to follow the official procurement processes to follow amount of R321 840 paid to Boschdal guesthouse resulted in a saving of R 611 040.00 that would have been paid had we used Lindo Travel the contracted service provider.</p>	<p>Compile a demand management plan and improve our cash flow management.</p>	<p>Monthlu</p>	<p>mabuzaf@morkela.gov.za</p>	<p>TT Mabuza : Assistant Manager SCM</p>
28.4	159	<p>Municipality was informed by department of water affairs as per letter dated 30/08/2016 about decline of water levels in Mkhombo dam and therefore, appointing service providers on bases of emergency to drill boreholes in 2017 is not justifiable since the municipality has been aware of water crises and the municipality should have identified boreholes to be drilled well in advance to address water shortage not to wait until community delivery protest.</p> <p>During the audit of procurement through section 36, it was noted that the municipality appointed two service providers, Kgathola project for management for R650 000 and Kujungu and construction projects R650 000, for drilling of six boreholes on the basis of emergency instead of following normal procurement process. Management was advised as per council resolution dated 20th of March 2018 to fill Municipal managers vacant position and the management was aware that such position in terms of government gazette notice no 37245 will require psychometric assessment for potential candidate and proper procurement process to appoint service provider should have been followed. Therefore, the deviation is not justifiable as it reflects improper recruitment planning process resulting into irregular expenditure of R34 750 paid to Gijima technology.</p>	<p>Management does not agree with the auditor, the municipality was informed of the decreasing dam levels at the Mkhombo Dam by the department of water affairs, there Dam has not been filling since 2015 and 2016 as there was no proper rain from the, the Dam level went below 7% and the Department has issued a directive that we cannot extract more than 20% of the raw water.</p>	<p>Appoint a panel of service provider to ensure that we can get quotations from the panel.</p>	<p>Monthlu</p>	<p>mabuzaf@morkela.gov.za</p>	<p>TT Mabuza : Assistant Manager SCM</p>
28.5	160	<p>We acknowledge management response provided and measures to be put in place by management will be assessed in the next audit cycle.</p> <p>The cost was above the R30,000 threshold and Gijima was the lowest in the four companies that responded.</p>	<p>Management agrees with the Auditor General on this finding, and will follow SCM processes in the future.</p>	<p>The accredited service providers would be appointed through the normal SCM processes.</p>	<p>Monthlu</p>	<p>mabuzaf@morkela.gov.za</p>	<p>TT Mabuza : Assistant Manager SCM</p>

28.6	160	Accommodation for municipal delegates attending Essential services committee at CCMA	Management was informed by CCMA as dated 16 April 2018 to attend essential service dispute that was planned for the 08-9 th of May 2018 and the seven days advertisement of quotations requirement as per Dr. Jis Moroka municipality would have been complied with other than to deviate as per deviation requested dated 19/04/2018 and normal procurement process would have been followed. Therefore, deviation is as a result of inadequate processes and procedures design and implemented by management relating to procurement thus irregular of R58 800 paid to Garden court.	We acknowledge management response provided and measures to capture the actual reason why it was impractical to follow the SCM processes.	The deviation memo did not follow the SCM processes.	Management agrees with the auditor, however the later occurred because the unfavourable financial position that the municipality is facing, as a result of the financial difficulties the service provider Lindo Travel was refusing to supply the municipality with the travel services. The Municipality then went on the deviation process to acquire the accommodation at Garden Court.	The departments would seek advise from the SCM, CFO before the MM would approve the Regulation 36 appointment.	Monthlu	mabuzat@moroka.gov.za	TT Mabuza Assistant Manager SCM
29.1	164	Appointment of two service providers to render same services	Kgathola project management and Kujengu construction & projects were both appointed to render same services, which were to drill six boreholes in Dr JS Moroka villages due to shortage of water at a cost of R650 0029.	<ul style="list-style-type: none"> Quotations were sourced from two different services providers at different times to render same services of drilling boreholes and management should have evaluated capability and capacity of the service provider. Management response is not addressing the change of quotations by Kujengu Construction or will be able to provide the services other than to appoint two service providers 	Demand management was not properly done coupled with the cash flow challenges in the municipality	Management does not agree with the auditor, the procurement was not deliberately split to avoid compliance, as this was one quote in which 2 service providers were appointed to share the work in order to ensure a faster delivery lead time. The service providers were working in different locations, the works would have been too much for one service provider to handle and the time it would take would have been more spent on site	Compile a demand management plan and improve our cash flow management.	Monthlu	mabuzat@moroka.gov.za	TT Mabuza Assistant Manager SCM
29.2	164		2. Kujengu construction & projects initially submitted a quotation of R1 379 400.00 as dated 29 November 2017 and re-submitted revised quotation on the 17 th of January 2018 after the work has been completed which is not in line with normal procurement process. Each service provider as per memorandum dated 24 November 2017.	Management response is not addressing the change of quotations by Kujengu Construction				Monthlu	mabuzat@moroka.gov.za	TT Mabuza Assistant Manager SCM
30	166	Deviations not disclosed in annual financial statements	Reasons for deviations from normal procurement process for current year was not included in the note to the financial statements as required by section 36 (2) of supply chain management regulations	We acknowledged management response provided however note disclosed as per annual financial statements does not include reasons per deviated reported it only provide a summary which is not as per requirement of section 36 of Municipal supply chain management regulations. Finding remain and will be reported	The municipality summarised the deviations instead of putting the detailed report in the Financial Statements	Management does not agree with the AG. Notes 50 – 51 of the AFS clearly indicates the deviations that were incurred by the municipality, and they have been clearly classified accordingly.	The municipality will put the detailed report in the Financial Statements	Monthlu	mabuzat@moroka.gov.za	TT Mabuza Assistant Manager SCM

31	168	<p>Functionality was not included as part of the evaluation to determine capability and capacity of the service provider for the following contracts:</p> <p>During the audit of procurement, it was noted that the municipality did not keep the register with the complete information as the register was submitted for audit did not have the date and time that the bids were submitted. Furthermore, there is no evidence that the register was made available for public inspection and the bid results were not published on the website.</p>	<p>Management response provided is noted. However, the regulation state that for any contract that exceeds R200 000 or longer in nature the bidders must be evaluated in terms of the ability to execute the contract. This does not only refer to the technical ability to but it also covers the evaluation of the capacity and capability of the service provider to provide the service. Therefore, the finding will remain and will be included in the management report.</p>	<p>The standard tender document was not used did not comply with SCM regulations.</p>	<p>Management does not agree with the findings of the auditors because supply and delivery does not require any technical abilities, hence the test applied on this bid will include functionality as any bidder with a registered company will be able delivery such goods.</p>	<p>The standard tender document would be used.</p>	<p>Monthlu</p>	<p>TT Mabuza Assistant Manager SCM tmabuzat@monrovia.gov.za</p>
32	170	<p>Bids register does not provide for information detailing the dates with the complete information as the register was submitted for audit did not have the date and time that the bids were submitted. Furthermore, there is no evidence that the register was made available for public inspection and the bid results were not published on the website.</p>	<p>Management response noted and the supporting documents were submitted. However, the registers that were submitted are for the opening of the bids documents and the finding is referring to the register that shows the date and time that the bids documents were submitted by the service providers. Therefore, the finding remains and it will be included in the management report.</p>	<p>Non compliance to section 75 of the MFMA, interdepartmental communication and late submission of information for uploading to the website.</p>	<p>Management does not agree with the findings of the auditors, subsequently audit evidence has been presented to the auditor, with the exception of bid no USM- O&M-CCS/2015.</p>	<p>There are cameras next to the tender boxes to capture the submission of the tenders. Develop a procedure manual on how the documents would flow from the departments to the Communication Unit.</p>	<p>Monthlu</p>	<p>TT Mabuza Assistant Manager SCM tmabuzat@monrovia.gov.za</p>
33	173	<p>Preferential Points calculated incorrectly when evaluating tenders</p> <p>it was identified that no B-BBEE certificate was supplied by the winning Bidder – Bisky Engineers and Associates. However, the services provider was scored 20 points on B-BBEE certificate though the certificate was not submitted for tender.</p>	<p>Management response noted, however no audit evidence was subsequently provided to support the disagreement by the management. Though it was not a requirement for the bidders to submit their annual financial statement to confirm the income, the bidder has submitted the annual financial statement which showed the income above R10 000 000 and bidder claimed to be an EME and provided a sworn affidavit confirming that the income for the bidder is below R10 000 000. Therefore, based on the financial statements that were submitted with the bid documents the points awarded to the supplier for preferential procurement should therefore be 0 and not 20 as awarded by the Municipality. The finding will remain and included in management report.</p>	<p>Management disagreed with the finding and management has noted the comment.</p>	<p>Management does not agree with the findings of the auditors, subsequently audit evidence has been presented to the auditor</p>	<p>Management disagreed with the finding and management has noted the comment.</p>	<p>Monthlu</p>	<p>TT Mabuza Assistant Manager SCM tmabuzat@monrovia.gov.za</p>

PERFORMANCE MANAGEMENT

34	175	Difference between planned strategic objective adjusted and reported strategic objective per the Annual Performance Report (APR) - Revised	Strategic indicators for the following objectives for KPA 05 - Basic Service Delivery and Infrastructure as per adjusted SDBIP are not consistent with the strategic objective that we reported in the APR:	Management response is acknowledged, the objectives on the APR and the adjusted SDBIP are consistent. The inconsistency is on the indicators of the said objectives, and APR	Lack of internal controls - Proper review prior approval of both planning documents and APR	ine performance management and internal audit unit will not only subject the APR to a high level review, but also ensure that the municipal planning documents i.e both the SDBIP and Adjusted SDBIP is audited and reviewed thoroughly before tabling for approval. This will be done prior to the table of both the Final SDBIP and Adjusted	Subject both the Planning Documents and APR to review by Internal Audit prior approval	Monthly	Baloyi Lazarus:- Assistant Manager:- PMS baloyil@monroka.gov.za
35	177	Target achievement reported in incorrect period	Certificate of practical completion for the following project was signed as completed by the employer, contractor and engineer on the 2018/06/29 whereas the actual completion date was 2018/07/09 which is after the 2017/18 financial year end.	Management response is acknowledged, management is referring to the planned completion date of the project as per the contract between the supplier and municipality. The completion certificate is compiled at the completion of the project and thus provide the actual information at that point in time. Management reported on the project that was therefore completed in the 2018/19 financial year, the target is therefore misstated and will be evaluated for reporting.	Management reported on the 2018/19 project that was completed in the 2018/19 financial year, yet the project was reported as if complete in 2017/18	The scheduled completion date is the contractual completion of the project, but the contractual date does not stop the contractor from completing the project earlier than specified by the contract. The completion is actually dictated by the performance of the service provider, which is in this case the contractor has completed the project earlier than specified date. Management take note of the finding raised by AG that the APR as submitted to AG does have the comparison between planned and actual performance information but does not feature the comparison of the current and prior year performance. Management presented that the comparison is catered for in the Baseline column on the APR, however this was seen as insufficient by AG. Management will then implement review controls to ensure that performance report is prepared in terms of the required legislations and subject to review of Internal Audit prior to the performance management and internal audit unit will not only subject the APR to a high level review, but also ensure that the municipal planning documents i.e both the SDBIP and Adjusted SDBIP is audited and reviewed thoroughly before tabling for approval. This will be done prior to the table of both the Final SDBIP and Adjusted	We going to do a detailed reconciliation of the project	Monthly	Mr. Tebogoo Phasa:- PMU Manager phashat@monroka.gov.za
36	179	Presentation and disclosure of the APR is not comparable as it does not have a comparison between planned and actual or current and prior year performance.	During the audit it was noted that the APR is not comparable as it does not have a comparison between planned and actual or current and prior year performance.	Management response is noted, the finding will be reported in the management report	The municipality has used the base line as the prior year report.	Feature the comparison of both the planned and actual performance information as well as the comparison of the current and prior year performance		Monthly	Baloyi Lazarus:- Assistant Manager:- PMS baloyil@monroka.gov.za
36	179	Reported targets are not consistent with planned targets	Through inspection of the APR it was identified that the following reported targets are not consistent with planned targets:	Management response is acknowledged, the findings will be evaluated for reporting for usefulness criteria.	Lack of internal controls - Proper review prior approval of both planning documents and APR	Subject both the Planning Documents and APR to review by Internal Audit prior approval		Monthly	Baloyi Lazarus:- Assistant Manager:- PMS baloyil@monroka.gov.za
37	181	Reported targets are not consistent with planned targets	Through inspection of the APR it was identified that the following reported targets are not consistent with planned targets:	Management response is acknowledged, the findings will be evaluated for reporting for usefulness criteria.	Lack of internal controls - Proper review prior approval of both planning documents and APR	Subject both the Planning Documents and APR to review by Internal Audit prior approval		Monthly	Baloyi Lazarus:- Assistant Manager:- PMS baloyil@monroka.gov.za

38	183	Reported achievement (target) are consistent with the planned targets	During the audit of performance information, it was noted that the following reported (target) are not consistent with the achievements (target) are not verifiable: the reported target and therefore not verifiable:	Management response noted. For target number 79 and 99 the planned target per the APR and the reported actual achievement per the APR are still not consistent. The proposed adjustment. Furthermore, the supporting schedules for the achieved targets were not provided.	Lack of internal controls - Proper review prior approval of both planning documents and APR.	the performance management and Internal audit unit will ensure that both the APR and the municipal planning documents (ie both the SDBIP and Adjusted SDBIP are subject to a high level review, thoroughly before tabling for approval. This will be done prior to the table of both the Final SDBIP and Adjusted SDBIP as well as the APR.	Subject both the Planning Documents and APR to review by Internal Audit prior approval and monitor on a quarterly basis the completion of schedules/registers (Internally).	Monthly	Babayi Lazarus:- Assistant Manager: PMS bbabayi@mzoboka.gov.za
39	194	1. performance indicators are not measurable	During the audit of performance information under KPA 5: Basic Service Delivery and Infrastructure Development, it was identified that the following reported indicators and targets are not measurable because of the following reasons:	Management response noted. The findings that remains will be evaluated in reporting.	Non responsive (Technical Indicator Description) TID.	Management partially agrees as more than 50% of the indicators that were said to not specific, after engagement with AG we have reached consensus that they are specific. We then also made a request for adjustment. This will enable us to amend the reported achievement to the requirement of AG as proposed below.	Review the TID during the Adjustment period to ensure performance indicators are measurable.		

MUNICIPAL BANK ACCOUNT

40	198	Invalid Bank account	The municipality opened a bank account with VBS bank which is not registered in terms of the banks Act.	Management response is not provided us with proof that the bank account has been closed.	The municipality did not comply with MFMA section 7(3)(b)	From now moving forward, the municipality will open the bank account with the registered in terms of the bank act, and as required by the MFMA. A letter was written to the VBS on the 28th February 2018, to close the account, and withdrew all the funds invested with the VBS Bank	The municipality will not use the services of a Mutual Bank going forward so ensure that there is no non compliance to the MFMA	Monthly	Boledi Mollapema Expenditure Manager bsmolobu@mzoboka.gov.za
40	198			Non-compliance to MFMA section 7(3) will be reported in the management report.	The municipality was offered more than the market related interest by the Municipality	All the funds invested were received on the 2nd March 2018. Interest generated amount to R178 911 was also received. A report was tabled through the council to inform them about VBS investments	The municipality will not use the services of a Mutual Bank going forward so ensure that there is no non compliance to the MFMA section 7(3)(b), and management will inform council that the VBS Bank Account has been closed before the municipality could receive the closure letter from the bank.	Monthly	Boledi Mollapema Expenditure Manager bsmolobu@mzoboka.gov.za

SUPPLY CHAIN MANAGEMENT

41.1	201		perform a gap analysis identifying the current and future states of the task/project to be completed, describing the gap and bridging the gap.	Managements response provided above has been noted. However, management should note that the finding was not about the terms of reference being missing or submitted but it was about the critical information that should have been included in the terms of reference submitted as required by MFMA circular No.82. On the response provided under recommendations it indicates that management agrees with the findings and documented the		The municipality will comply with Circular 82 when appointing the consultants, and the issue of transfer skills will be clearly indicated in the document. Management will develop a policy relating to the procurement and monitoring and evaluation of consultants and the policy will include the identification of the		Monthly	Tshepo Mabuza:- Assistant Manager mabuzat@mzoboka.gov.za
41.2	201	Appointment of consultants without required terms of reference	Draw up the terms of reference indicating the objectives, nature, scope and goals of the training programme, including the details of the trainers and trainees and skills to be transferred.					Monthly	Tshepo Mabuza:- Assistant Manager mabuzat@mzoboka.gov.za
41.3	201		ensure that contracts for consultants include retention and penalty clauses for poor performance					Monthly	Tshepo Mabuza:- Assistant Manager mabuzat@mzoboka.gov.za

41.4	201	<p>implementing action plans to address weaknesses on the use and management of consultants which were reported in the prior year.</p>	<p>actions to be implemented. Therefore, the finding remains valid and it will be included in the management report.</p>	<p>Non compliance to circular 82.</p>	<p>need for consultants' services, transferring of skills and training, monitoring and action plan to address weaknesses</p>	<p>Monthly</p>	<p>mabuzat@marokha.gov.za 0.v.z.a</p>	<p>Tshepo Mabuzat- Assistant Manager</p>
42	204	<p>No delegation of authority in place.</p>	<p>Management response has been noted and agrees with the finding. Therefore, finding will remain and be reported on the management report as management will only be able to prepared delegation of duties in the following financial period. Auditors will follow up on the progress of addressing the short comings identified above in the next audit cycle</p>	<p>The delegation of authority has not been developed.</p>	<p>Management agrees with the finding and will strive to improve on this aspect. Delegations of duties will be prepared and presented through to council for approvals.</p>	<p>Monthly</p>	<p>letsosalo@marokha.gov.za 2.3</p>	<p>Letsoalo Thomas- CFO</p>
43	206	<p>The municipality did not follow procurement processes for the procurement below and it did not meet the requirements stipulated for deviation. The following deviation from procurement process is not in terms of the regulation 36(1)(a): Amount of R10 486.05 paid will result in irregular expenditure</p>	<p>Managements response has been noted and the supporting document was submitted. However, through evaluating the supporting document we noted that the recommendation letter is the same as the letter attached on the payment batch that was initially submitted stating that the service provider was recommended by the department but it does not state on what basis was it recommended. Therefore, the supporting documents submitted will not be accepted as the response to the finding as it does not meet any of the requirements to be classified as a deviation from the normal SCM processes. The finding will remain valid and will be included in the management report.</p>	<p>The regulation 36 appointments were signed off by the CFO without consultation with the SCM office who would ensure that there is compliance in all respects.</p>	<p>Management disagrees with the findings. The service providers are recommended by the department. The recommendation letter from the department is hereby attached.</p>	<p>Monthly</p>	<p>mabuzat@marokha.gov.za 0.v.z.a</p>	<p>Tshepo Mabuzat- Assistant Manager</p>

Deficiencies and non-compliance in the Supply Chain Management Policy

44.1	209	SCM Deficiencies and non-compliance in the Supply Chain Management Policy	SCM policy of the municipality does not address infrastructure, procurement and delivery management	Management response noted and the supporting document was subsequently submitted. However, through inspection of the SCM policy it does not reference to any annexure A and the council resolution specifies the approval of only the SCM policy. Through perusal of the submitted annexure we noted that section 3.5.1 (b) refers to other municipality than DR JS Moroka Municipality "any matter arising from a contract awarded within the Dr Pixley Ka Isaka Seme Local Municipality's infrastructure delivery management system". Furthermore annexure is still in draft format, therefore the submitted supporting document will not be accepted and the finding remains and will be included in management report.	Finance submitted a report on policy on infrastructure to Council and the policy was not approved by council.	Management does not agree with the finding. Standard for Infrastructure Procurement and Delivery Management is the Annexure that forms part of the SCM Policy. The policy is hereby attached.	The municipality will re-submit the policy on infrastructure for approval by Council.	Monthly	mabuzat@moroka.lg.gov.za	Tshepo Mabuza- Assistant Manager
44.2	209	SCM Deficiencies and non-compliance in the Supply Chain Management Policy	SCM policy of the municipality does not stipulate the conditions for the procurement of goods by means of petty cash, which includes conditions such as, excluding any types of expenditure from petty cash purchases; requiring monthly petty cash reconciliation reports from each manager to the CFO.	Management response noted and the council resolutions received for the approval of the SCM policy. We further noted that the municipality does not keep petty cash and it is also not included in the cash management. Therefore, the finding is resolved.	Management notes the finding however the municipality does not have petty cash payments.	Management does not agree with the finding on the basis that council resolved through the adoption of the SCM policy that no petty cash purchases will be allowed, this is further substantiated by the fact that no budget vote has been allocated for petty cash, thus this cannot be deemed to be an internal control deficiency by the auditor.	Management notes the finding however the municipality does not have petty cash payments.	Monthly	mabuzat@moroka.lg.gov.za	Tshepo Mabuza- Assistant Manager
44.3	209	SCM Deficiencies and non-compliance in the Supply Chain Management Policy	There is no evidence that the SCM policy was reviewed for the 2017/18 financial year	Management does not agree with the audit finding as the SCM policy was reviewed with no changes recommended and adopted by council along all with the budget related policies under council resolution: R138.05-2017. Council resolution is hereby attached.	Management notes the finding however the municipality did not change the policy.	Management does not agree with the audit finding as the SCM policy was reviewed with no changes recommended and adopted by council with the budget along all with the budget related policies under council resolution: R138.05-2017. Council resolution is hereby attached.	Management notes the finding however the municipality does not have petty cash payments.	Monthly	mabuzat@moroka.lg.gov.za	Tshepo Mabuza- Assistant Manager
44.4	209	Deficiencies and non-compliance in the Supply Chain Management Policy	There is no evidence that the SCM policy was approved by the Council	Management response noted and the council resolutions received for the approval of the SCM policy. Therefore, the finding is resolved.	Management notes the finding however the municipality did not change the policy.	Management notes the finding however the municipality does not have petty cash payments.	Management notes the finding however the municipality does not have petty cash payments.	Monthly	mabuzat@moroka.lg.gov.za	Tshepo Mabuza- Assistant Manager

INTERNAL CONTROL DEFICIENCY

45.1	212	Internal control deficiencies identified.	Employees below senior management are not evaluated in order to establish whether they are knowledgeable and experience is still relevant and adequate to carry out the entity's objectives.	Management response is noted, the findings remains and will be reported as internal control deficiency.	Finding 01, 02,04 and 05: Management response is noted, the findings remains and will be reported as internal control deficiency.	The previous audit action plan only cover the audit report issue only and to the entire management report as issued by Auditor General.	There municipality has started acquired and software tool that would assist the municipality in the evaluation of the individual Executive Manager, Assistant Managers and in the current financial year of 2018/19 the process would be rolled over to the two officials downwards from the Assistant Managers. This would be done so that we can ensure that there is consistency in the reporting and management of performance with the municipality.	The current audit action plan will cover the entire management audit report issued by Auditor General.	Monthly	lmorares@murokwa.gov.za	Sibusiso Morare - Chief Auditor Internal
45.2	212	Internal control deficiencies identified.	The action plan does not address all the issues raised in the prior year and issues raised by internal audit.	Finding 01, 02,04 and 05: Management response is noted, the findings remains and will be reported as internal control deficiency.	The previous audit action plan only cover the audit report issue only and to the entire management report as issued by Auditor General.	The audit action plan that was created by Management did not cover that entire audit report with the management report. The action plan only focused on the 3 Audit Report issues and the entire Management Report issues were not covered.	The audit plan would be inclusive of all the issues raised in the management report.	Monthly	lmorares@murokwa.gov.za	Sibusiso Morare - Chief Auditor Internal	
45.3	212	Internal control deficiencies identified.	Internal auditors did not review the action plan to ensure that internal audit findings and external audit findings are all addressed, as a result it will be difficult for them to track the progress of the municipality in terms of improvement or regression on the control environment.	Finding 03: Management response is noted, the finding remains as internal audit did not adequately review the action plane to ensure that all external audit findings are addressed.	The previous audit action plan only cover the audit report issue only and to the entire management report as issued by Auditor General.	Internal Audit did review the Audit Action Plan for the year 2017/18 and the report was presented to Audit Committee and Audit Committee report the matter to Council under council resolution 315:05:2018ND refer to the Council Resolution to that effect	The audit plan would be inclusive of all the issues raised in the management report.	Monthly	lmorares@murokwa.gov.za	Sibusiso Morare - Chief Auditor Internal	
45.4	212	Internal control deficiencies identified.	Munsoft financial system and Billing system have not been reviewed as it has weakness on billing of consumers.	Finding 01, 02,04 and 05: Management response is noted, the findings remains and will be reported as internal control deficiency.	Management response is noted, the findings remains and will be reported as internal control deficiency.	Management agrees with the municipality had challenges with Munisoft due to mSCOA implementations.	Going forward in 2018/19 the audit projects were reduced to 14 in order for the team to be able to complete the projects on time. Three projects were outsourced to Nkangala District Municipality for the 2018/19.	Monthly	lmorares@murokwa.gov.za	Sibusiso Morare - Chief Auditor Internal	
45.5	211	Internal control deficiencies identified.	Internal audit did not complete all the planned scope as per the internal audit year plan	Finding 01, 02,04 and 05: Management response is noted, the findings remains and will be reported as internal control deficiency.	There is four warm bodies in the section to cover 25 audit projects, therefore the human capital is small to cover all the planned audits for the year.	Internal audit has revised the annual plan from 25 projects to 15 projects so that we can be able to complete the audit with the planned timeframes. Only the high risk audits were undertaken, Going forward in 2018/19 the audit projects were reduced to 14 in order for the team to be able to complete the projects on time. Three projects were outsourced to Nkangala District Municipality for the 2018/19. Due to the municipality finances, Council cannot afford to hire more staff in the Internal Audit to cover the audit universe of the municipality.	Three projects were outsourced to Nkangala District Municipality for the 2018/19 in the bid to assist with the planned projects for the year.	Monthly	lmorares@murokwa.gov.za	Sibusiso Morare - Chief Auditor Internal	

45.7	212	Internal control deficiencies identified.	Council has not reviewed the policies of the municipality on an annual basis when the IDP, Budget & SDBIP	Finding 01, 02,04 and 05: Management response is noted, the findings remains and will be reported as internal control deficiency.	The policies are normally approved in the last council of the year in June, in this case the policies were deferred back for correction.	Management will ensure that all council polices are reviewed before the beginning of each new financial year	Management will ensure that all the council policies are to be reviewed before the start of the new financial year.	Monthly	Sibusiso Morare - Chief Auditor morare@morokoa.gov.za
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CONSEQUENCE MANAGEMENT

46	236	Consequence management Internal control deficiencies	The municipality has not adopted a system or policy regarding investigations of allegations of misconduct and disciplinary procedures	Finding remains and will be evaluated for reporting.	The establishment of the Board of financial misconduct disciplinary board was noted delegated to any official to ensure that it is established.	The consequence management processes did not start in the 2017/18 financial year.	Council would establish the financial misconduct disciplinary board.	Monthly	Danny Aplhane daplhane@morokoa.gov.za
47	218	Consequence management Fraud Hotline	The Municipality does not have an internal communication line, where all the complaints are sent to be addressed. There is no fraud/ethics hotline or similar mechanism that has been established to report allegations	Finding remains and will be evaluated for reporting.	There were delays from the Telkom in installing this fixed line that would not be part of the municipal main line.	The Fraud Hotline would be established in the 2018/19 financial year to ensure that the community or any member of the public can be in a position to report known or suspected fraudulent activity within the Municipality.	The IT department as well as the Risk Management unit would be tasked to ensure that the Telkom line is installed and the fraud line is operational.	Monthly	Mr. Mishack Maloka - Manager Risk. malokam@mumokaa.gov.za

INTERNAL CONTROL DEFICIENCIES - REVENUE

48.1	219	Revenue - Internal Control deficiencies	Inspected the indigent application form Dr. JS Moroka local municipality, township Go Phahla, stand number 0527 and confirmed that the applicant did not provide the bank statement to confirm income and no attachment of proof of pensioner of the father (ie ID or Sassa card or pension letter).	Finding remains and will be evaluated for reporting.	Oversight from management on the processing of indigents application forms	Management agrees with the finding, however the indigent applications are approved by the ward councillor after physical verifications with the ward committees members	A compliance checklist would be developed by the Receivables section to ensure that all the requirements are met when making the application	Monthly	masilelaa@morokoa.gov.za Masilela
48.2	219	Revenue - Internal Control deficiencies	Through inspection of the statement for Nkangala TVET college, it was identified that no meter reading was obtained for the Nkangala FET College. The number of units recorded was 1 unit per kilo liter for the month of April.	Finding remains and will be evaluated for reporting.	During the month of April the meter was malfunctioning, and the readings were not taken for that particular month.	Management disagrees with the finding. During the month of April the meter was malfunctioning, and the readings were not taken for that particular month. The meter readings report for April is hereby attached:	The municipality will deploy the meters readers to our big clients on the monthly basis to ensure that the metres could be read consistently.	Monthly	masilelaa@morokoa.gov.za Masilela
48.3	219	Revenue - Internal Control deficiencies	The municipality does not perform debtors' reconciliation between the debtors' ledger and the debtors list	Finding remains and will be evaluated for reporting.	Oversight from management, the change in the leadership of the revenue caused this disjuncture from the approved system of operation.	Management agrees with the finding. The debtors reconciliations report will be prepared on monthly basis and sign off by the senior official in the revenue section.	The debtors reconciliations report will be prepared on monthly basis and sign off by the senior official in the revenue section.	Monthly	masilelaa@morokoa.gov.za Masilela

INTERNAL CONTROL DEFICIENCIES - TRADE PAYABLES

49.1		Income received in advance does not agree to the amount on the schedule provided by the client.	Differences were noted between the annual financial statement and the schedule for income received in advance:	Management response is noted however, we were not provided with the supporting document to substantiate where the income received comes from and to which account it is supposed to be set-off against.	Management agrees to the finding. The difference identified relates the opening balance which was not reversed. A journal will be processed to reverse the opening balance. The proposed journal for the correction of error is:	Management agrees with the finding. A revised creditors listing with the correct classification was attached to the CoF		Monthly	Boledi Motalapema - Creditors Manager serapob@morokoa.gov.za
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49.2	Bonus Accrued	Differences were identified between the auditor's re-calculation and the client schedule bonus accrual:	Management's response is noted, we have gone back and corrected our own re-calculation for the bonus accrual and noted that the client is correct in this case therefore this finding is resolved and closed.	The finding is resolved and closed.	Management does not agree to the finding. There was an error in the calculation by the auditor. Incorrect year end date is being used in the formulae resulting in differences. The differences are as follows	The finding is resolved and closed.	sersepob@moroka.gov.za	Boledi Mollapema - Creditors Manager	
49.3	Double counting on Trade Payables and ENatis listings.	During the audit of trade and payables it was identified that an amount of R1.347 245.27 for the Department of Community, Safety, Security and Liaison was double counted under both Trade Payables and ENatis Listings.	The amount for Department of Community Safety, Security and Liaison that the amount is still included in the revised Creditors Listing sent to the Auditors. This is an indication that the listing is still misstated, the finding remains and will be evaluated for reporting.	oversight from management on the processing which incorrect classification of the account.	Management agrees with the finding. The amount of R 1.347 245.27 relates to Enatis and should therefore not be on the creditors listing. A revised creditors listing has been aached to this comaf for the AGSA.	A revised creditors listing with the correct classification was attached to the CoF	sersepob@moroka.gov.za	Boledi Mollapema - Creditors Manager	
50.1	226	Consumer deposits amount on the AFS does not agree to the amount on the schedule provided by the client.	The list of consumer deposit that agrees to the amount on the AFS was submitted. Finding resolved.	The finding is resolved and closed.	Management disagrees with the finding. The list that was provided to the AG was for current year movement. The full list of the consumer deposits is attached to this email.	The finding is resolved and closed.	sersepob@moroka.gov.za	Boledi Mollapema - Creditors Manager	
50.2	226	Differences were identified between the auditor's re-calculation and the client schedule for overtime	The annual salary for 12 months was submitted, finding is therefore resolved.	The finding is resolved and closed.	Management disagrees with the finding. The annual salary used in the auditor's recalculation is for 10months ending April 2018.	The finding is resolved and closed.	sersepob@moroka.gov.za	Boledi Mollapema - Creditors Manager	
50.3	227	Difference noted on the 3rd Party Payables testing	MEPF was subsequently submitted, finding is therefore resolved. However a limitation of scope finding for VIPSalaries line item from the table for R1:44 557.08 still remains. Management did not provide any supporting documents supporting the figure presented in the AFS. Third party accruals is currently misstated at R1:44 557.08.	The finding is resolved and closed.	The correct source document for the MEPF has been provided and is attached to this email.	The finding is resolved and closed.	sersepob@moroka.gov.za	Boledi Mollapema - Creditors Manager	
INTERNAL FINANCIAL CONTROL DEFICIENCIES - AUDIT COMMITTEE									
51	230	The following was not performed by the audit committee	The audit committee did not advise council on matters relating to internal financial control. Inspected the internal audit plan and confirmed that a review of the internal finance control was included in the revised audit plan for 2017/2018	There is limited number of employees in the internal audit section to cover the entire audit universe.	All the reports that are looked/reviewed by Audit committee and Internal Audit are advise in nature to Management and Council. Those advises border on how do we constantly improve the control environment in the municipality. The reports that are looked at by the committee would be financial and non-financial in nature which would address the control environment holistically.	Going forward we are going to send a separate report to Council and Management specifically on internal controls and highlight the ways to	morares@moroka.gov.za	Stibuso Morare - Chief Internal Auditor	

51.1	230	The following was not performed by the audit committee	financial year, however no report was produced to report on the controls	report by Audit committee on internal control to Council and. The finding will remain and be evaluated for reporting.	<p>The audit plan was revised in the tear under review to include audits that were not initially planned but were necessary that are included as they affected the balance sheet of the municipality</p> <p>There is no delegation of authority in the municipality that prompted the finance staff could pay any amount on the financial system.</p> <p>The bank recons were not properly done that led to the amounts not being detected after the said payment was made.</p>	<p>It is in this view that we are saying that the audit committee would never have a separate report on controls when all the report that the committee looks at would be advising the Council and Management on how to constantly improve the internal controls so that the control environment could be more improved.</p> <p>The overpayment of the service provider matter has come to the attention of the audit committee in 2016 and the committee through the review of the Litigation cases and also the review of the Annual Financial Statements.</p> <p>The committee have made several recommendations to management regarding the overpayment which Refer to the minutes of the Audit Committee that convened on the 05 April 2018 where on the Geomap issue was deliberated on.</p>	<p>Improve them and make a follow up on them.</p>	Monthly	morares@moroka.gq	Sibusiso Morare - Chief Internal Auditor
51.2	230	Overpayment to a Supplier - Geomap	It was noted in the minutes of the meeting of audit committee that due to the overpayment of supplier by excess of R 9 million and a review of finance controls should be done. However subsequent to this meeting no actual review of internal finance control was done as there was no no internal audit report submitted to audit committee.	<p>Overpayment to Geomap: Management response is noted, however the issue there is an indication of weakness in internal control system at finance which required regular review which was not done in the current year.</p>	<p>The overpayment of the service provider matter has come to the attention of the audit committee in 2016 and the committee through the review of the Litigation cases and also the review of the Annual Financial Statements.</p> <p>The committee have made several recommendations to management regarding the overpayment which Refer to the minutes of the Audit Committee that convened on the 05 April 2018 where on the Geomap issue was deliberated on.</p>	<p>The audit committee will make follow ups on the matter and report to council from time to time on the observations.</p>	Monthly	morares@moroka.gq	Sibusiso Morare - Chief Internal Auditor	

LIMITATION OF SCOPE - AUTHORISATION OF VBS INVESTMENT ACCOUNT

52	234	Authorisation of VBS investment account	During 17/18 financial year audit information requested from management has not been fully submitted for audit purposes. The following information could not be provided on time for audit:	<p>Management does not agree with the finding. The public sector account is different from the normal banking account. After we receive quotations from all the banks, the allocations were made and approved by the municipal manager, thereafter the transfers were done after we received account numbers from the banks for transferring purposes. Attached are the documents for your perusal</p> <p>The municipality was offered interest rates that were above the commercial rates at the time the investments were made to the said bank.</p> <p>The contractor has submitted a payment claim, the municipality could not honour the claim due to the cash flow constraints.</p>	<p>Management does not agree with the finding. The public sector account is different from the normal banking account. After we receive quotations from all the banks, the allocations were made and approved by the municipal manager, thereafter the transfers were done after we received account numbers from the banks for transferring purposes. Attached are the documents for your perusal</p> <p>The municipality was offered interest rates that were above the commercial rates at the time the investments were made to the said bank.</p> <p>The contractor has submitted a payment claim, the municipality could not honour the claim due to the cash flow constraints.</p>	<p>In the future the municipality will open the bank account with the registered bank in terms of the bank act, and a separate report would be sent to Council that would cover the investments made to commercial banks.</p>	Monthly	serapob@moroka.gq	Boledi Motlapema - Creditors Manager
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INADEQUATE PROJECT MANAGEMENT - FRESH PRODUCE MARKET

53.1	236	Inadequate project management - Fresh Produce market	<ul style="list-style-type: none"> The duration of the contract of the 3rd contractor, Yulani Site Maintenance, has lapsed. During the site visit conducted on 17 October 2018 it was noted that the project is estimated at 70% completion as per the auditor's o An application for extension of time assessment. There has been no submission of the application for extension of time, o Notice from the contractor indicating intent to apply for extension of time and o Intension to impose penalties by the municipality. 	<p>The contractor has submitted a payment claim, the municipality could not honour the claim due to the cash flow constraints.</p> <p>Auditors conclusions note provided due to limitation of scope</p>	<p>The contractor has submitted a payment claim, the municipality could not honour the claim due to the cash flow constraints.</p> <p>Auditors conclusions note provided due to limitation of scope</p>	<p>After the confirmation of the number of days the contractor will submit the application to the municipality the extension of time.</p>	Monthly	serapob@moroka.gq	Boledi Motlapema - Creditors Manager
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53.2	236	Inadequate project management - Reatlegile Project CC	The payments made to Reatlegile Project CC constitute 91.4% of the contract amount. The auditors could not determine the difference between the extent of payments made (i.e. 91.4%) and the actual completion (i.e. 70%), as the Bill of Quantities (BOQ) was not submitted for audit and the payment certificates submitted did not have supporting documentation.	Auditors conclusions note provided due to limitation of scope	At that time in 2008, the municipal records were decentralized which resulted in poor keeping/filing of Technical records as the records were not centralized.	Sometimes this is caused by the fact that some items in the BOQ weight more than other due to their criticality/importance. And the pricing is done by the contractor so u might find that other items are priced higher than others. Tender documents were submitted	The records are centralized to Records Management, to ensure that the documents could be saved electronically and manually.	Monthly	phasha.tebogo@munoroka.gv.zz	Phasha Tebogo - PMU
53.3	236	Inadequate project management - Reatlegile Project CC	Furthermore the contract value of the 3 rd contractor equals 55% of the amount spent on the 1 st and 2 nd contractor. It could not be determined what the contract amount constitutes of, as the BOQ was not submitted for audit purposes	Auditors conclusions note provided due to limitation of scope	At that time in 2008, the municipal records were decentralized which resulted in poor keeping/filing of Technical records as the records were not centralized.	Management does not agree with the finding because the scope of work is not entirely the same, so we cannot compare the cost of the contracts. Some of the items done in contract two might not be done in contract three. Tender documents were submitted.	The records are centralized to Records Management, to ensure that the documents could be saved electronically and manually.	Monthly	phasha.tebogo@munoroka.gv.zz	Phasha Tebogo - PMU
54.1	243	Quality of the Projects	The storm water layout is inadequate. The site plan indicated that the two storm water catch pits will drain through a pipeline to a soak away. The soak away will be blocked within a very short period of time due to the sand and silt that is always present in the storm water. Furthermore, the pipe diameter and grade, as well as the size of the soak away are not indicated on the plan submitted for audit	Auditors conclusions note provided due to limitation of scope	The municipality did not review the designs before they were implemented. The site was vacant for a prolonged time as caused by work stoppages. When the new contractors was appointed, new brickwork was laid hence the colour differences.	The consultant has been instructed to look into the matter so that the design can be revised. This was caused by stoppage in implementation of the project, but the contractor have been instructed to use SANS approved paving bricks so that quality can be maintained.	We are going to review the designs before the implementation of the said designs. We are going to ensure that the contracts are implemented within the approved contract period.	Monthly	phasha.tebogo@munoroka.gv.zz	Phasha Tebogo - PMU
54.2	243	Quality of the Projects	The quality of work was inadequate with the breaks in the brickwork	Auditors conclusions note provided due to limitation of scope	At that time in 2008, the municipal records were decentralized which resulted in poor keeping/filing of Technical records as the records were not centralized.	The consultant could not find the design report initially during submission, but has since found the design report that will be forwarded with the response.	The records are centralized to Records Management, to ensure that the documents could be saved electronically and manually.	Monthly	phasha.tebogo@munoroka.gv.zz	Phasha Tebogo - PMU
54.3	243	Quality of the Projects	The adequacy of the sewer layout and disposal thereof could not be determined as it was not submitted for audit.	Auditors conclusions note provided due to limitation of scope	The municipality did not review the designs before they were implemented.	This is a design flaw.	We are going to review the designs before the implementation of the said designs.	Monthly	phasha.tebogo@munoroka.gv.zz	Phasha Tebogo - PMU
54.4	243	Quality of the Projects	The electrical reticulation has been done as surface mounted. This was done by means of PVC conduits. This is not good practice as steel conduits should have been used.	Auditors conclusions note provided due to limitation of scope	The phase 3 was completed in 2012, phase 3 was dealing with panels.	PMU will monitor all the projects on regular basis through monthly progress meetings with the service providers.	We are going to review the designs before the implementation of the said designs.	Monthly	phasha.tebogo@munoroka.gv.zz	Phasha Tebogo - PMU
55.1	247	Renovations of the Syabuswa Waste Water Treatment Works (SWWTW)	It was deducted from the available information that the project had 3 phases but the scope of work for each, or any, phase could not be established. The following information was not submitted for audit for SWWTW and therefore limited our scope:	Auditors conclusions note provided due to limitation of scope				Monthly	phasha.tebogo@munoroka.gv.zz	Phasha Tebogo - PMU

55.2	247	Renovations of the Syabuswa Waste Water Treatment Works (SWWTW)	During the site visit, the SWWTW was in operation. However we could not establish the quality of the plant as the previous year's laboratory report on the quality of the effluent that is released onto the Elands river was not submitted for audit.	Auditors conclusions note provided due to limitation of scope	At time in 2008, the municipal records were decentralized which resulted in poor keeping/filing of Technical records as the records were not centralized.	PMU will monitor all the projects on regular basis through monthly progress meetings with the service providers.	The records are centralized to Records Management, to ensure that the documents could be saved electronically and manually.	Monthly	Phasha Tebogo - PMU phashata@moroka.g 0V.ZA
55.3	247	Fresh Produce Market	The following information was not submitted for a limitation of scope.	Auditors conclusions note provided due to limitation of scope	As at 2012/13, the municipal records were decentralized which resulted in poor keeping/filing of Technical records as the records were not centralized.	PMU will monitor all the projects on regular basis through monthly progress meetings with the service providers.		Monthly	Phasha Tebogo - PMU phashata@moroka.g 0V.ZA

DIFFERENCES NOTED IN THE LEAVE ACCRUAL SCHEDULE

56.1	252	Differences noted in the Leave Accrual schedule	We noted that the Leave recorded days as per the schedule provided by the client is different to what the Auditor's confirmed when inspecting the leave files for the below employees selected, resulting in incorrect leave calculation:	Auditor disagrees; management did not provide sufficient response to the finding. What about the difference in the days accrued for? What is management's response to that? The misstatement is as a result of both the days and the rate. Auditor agrees with management regarding the rate used (3 months)	The leave system remain largely a manual system and there are delays in capturing the leave forms in the system to ensure that the leave records are consistently accurate.	Management does not agree to the finding. The leave rate is calculated by VIP system based on a three (3) month average which is allowed by the Basic Condition of Employment Act. e have attached the manual of how the system does the calculations.	The municipality will procure the electronic Employee Self Service System so that the leave form would be electronic so that we can move away from the manual system	Monthly	Takane Thobenjane - HR Manager serepob@moroka.g 0V.ZA
56.2	252		Furthermore we noted that the leave rate of the employees in the table below differs to the leave rate recalculated by the auditors.	However a misstatement still remains due to the difference in accrual days.	The leave system remain largely a manual system and there are delays in capturing the leave forms in the system to ensure that the leave records are consistently accurate.		The municipality will procure the electronic Employee Self Service System so that the leave form would be electronic so that we can move away from the manual system	Monthly	Takane Thobenjane - HR Manager serepob@moroka.g 0V.ZA
56.3	252		Understatement of the Leave accrual at year-end reporting.	Misstatement remains unresolved and will be further evaluated for reporting.	The leave system remain largely a manual system and there are delays in capturing the leave forms in the system to ensure that the leave records are consistently accurate.		HR would recruit extra two officials that would assist with the capturing of the leave forms in the leave system on a constant basis.	Monthly	Takane Thobenjane - HR Manager serepob@moroka.g 0V.ZA

LIMITATION OF SCOPE

57	258	<p>During 17/18 financial year audit, information requested from management has not been fully submitted for audit purposes. The following information could not be provided on time for audit:</p> <p>Reports pertaining to any known or investigated fraud in the municipality for 2017/18.</p> <p>Delegated list of authorities document for approvals</p> <p>Management responses are noted, the documents for request of information no 04 to 18 were submitted, request 19 was partially submitted, the following documents are still outstanding: 1. SLA Agreements and 2. Appointment letters</p> <p>Signed declaration of independence of one audit committee member</p> <p>Work in progress – Construction of rehabilitation of Siyabuswa waste water treatment works as at 30 June 2018</p> <p>Inventory Payment vouchers: Other financial assets – Council resolution obtained for the withdrawal from the Stanlib Collective Investments: Unit trusts (Acc No 1005687)</p> <p>For the sample of 10 projects from the capital commitments register:</p> <p>Operational commitment register as at 30 June 2018</p>	<p>The municipality at the time had not taken the reports to Council for Council to pronounce itself on thereports, the reports largely remained not approved due to the dispute on the manner the service provider was appointed.</p> <p>The delegation of authority was not physically recorded, the operations of the municipality are not recorded in a form of a policy or delegationof authority.</p> <p>the declaration of interest form was submitted to the Auditor General however it was submitted late after the stipulated timeframe.</p> <p>The municipal records were decentralized which resulted in poor keeping/filing of Technical records as the records were not centralized. As the projects dates back in 2012</p> <p>Decentralized poor record keeping</p> <p>Decentralized poor record keeping</p> <p>Decentralized poor record keeping</p> <p>The were errors in completing the operational</p>	<p>The municipality will submit the reports to council and have Council pronounce its self on the improper appointment of the service provider who performed the reports</p> <p>The delegation of authority would be recorded and submitted to Council by Finance section to ensure that the operations of the municipality are recorded and council approved them.</p> <p>The declaration of interest would be submitted to the all the members in the beginning of the financial year for completion by each member.</p> <p>The municipal records would be centralized to records for easy access of information.</p>	<p>Chief Financial Officerza letsalet@moroka.gov.za</p>	<p>Monthly</p>
CONSEQUENCE MANAGEMENT - ESTABLISHMENT OF FINANCIAL MISCONDUCT DISCIPLINARY BOARD						
58	261	<p>Consequence Management - Establishment of Financial Misconduct Disciplinary Board</p> <p>The municipality has not established the disciplinary board for financial misconduct.</p>	<p>The Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings would be established by taking the report to Council to ensure that the committee would get the necessary resources and capacity to ensure that the committee can be able to deliver on its mandate.</p> <p>The municipality had not established the disciplinary board for financial misconduct.</p> <p>Management response is acknowledged, the finding remains and will be reported as non-compliance in the management report.</p>	<p>The management will advise the Council to establish the Financial Misconduct Disciplinary Board.</p>	<p>Monthly</p>	<p>Sibusiso Morare - Chief Internal Auditor morares@moroka.gov.za</p>
REVENUE FROM EXCHANGE TRANSACTION - PROPERTY RECONCILIATION						

59	264	Revenue from exchange - Property Reconciliations	During the audit, it was noted that the assessment for property rates reconciliations for the following months were not reviewed:	Management response is acknowledged; the December reconciliation was subsequently submitted. The finding is therefore resolved.	The finding is therefore resolved.	The management do not agree with the finding, the signed December Reconciliation is hereby attached and available for inspection	The finding is therefore resolved.	Monthly	masilelaa@moroka.gov.za	April Masilela
PERFORMANCE MANAGEMENT - REPORTING										
60.1	265	Performance Management	Matters relating to performance evaluation		The IT committee has been dysfunctional for the majority of the year.			Monthly	baloyili@moroka.gov.za	Lazarus Baloyi - Performance Management
60.2	265	Performance Management	Assist in reviewing the functioning and effectiveness of information technology security and control.		The municipality did not adequately review the SDBIP			Monthly	morares@moroka.gov.za	Sibusiso Morare - Chief Internal Auditor
60.3	265	Performance Management	Advise the accounting officer with regards to the setting of key performance indicators (KPIs) and targets.		Audit committee did not review the municipality's performance management system as the report was not submitted to internal audit for audit purposes.			Monthly	baloyili@moroka.gov.za	Lazarus Baloyi - Performance Management
60.4	265	Performance Management	Advise and make recommendations to the accounting officer and the management staff on matters relating to performance management	Management response is acknowledged; the findings issues related to performance management will be reported as an internal control deficiency in the management report. Management has not provided a response on the review of the effectiveness of information technology security and control.		There were shortcomings in the manner the Performance Management System used to report that caused this disjuncture in the reporting of the performance with Council. The reports were sent to Section 80, Mayor's Committee and Council without giving Internal Audit a chance audit reports prior being sent to Section 80, Mayor's Committee and Council. Audit Committee would be receiving the reports from newly established committee on performance then the audit committee would further interrogate the reports and a make compressive report.		Monthly	baloyili@moroka.gov.za	Lazarus Baloyi - Performance Management
60.5	265	Performance Management	The performance audit committee (or audit committee, if performing this function) a) did not review the municipality's performance management system. b) did not make recommendations in this regard to the council		The reports were not submitted to internal audit on time for audit purposes before submission to Council			Monthly	morares@moroka.gov.za	Sibusiso Morare - Chief Internal Auditor
60.6	265	Performance Management	The performance audit committee (or audit committee, if performing this function), did not review the quarterly reports submitted by the internal auditors on their audits of performance measurement		The reports were not submitted to internal audit on time for audit purposes before submission to Council			Monthly	baloyili@moroka.gov.za	Lazarus Baloyi - Performance Management
60.7	265	Performance Management	The performance audit committee (or audit committee, if performing this function), submitted, once during a financial year, an audit report on the review of the performance management system to the council.		The reports were not submitted to internal audit on time for audit purposes before submission to Council			Monthly	baloyili@moroka.gov.za	Lazarus Baloyi - Performance Management

Mr Sibusiso Morare

Ms MR. Rampedi

ACTING CHIEF FINANCIAL OFFICER

DATE: _____

CHIEF INTERNAL AUDITOR

DATE: _____

ACTING MUNICIPAL MANAGER

DATE: _____

Annexure B
Annual Performance
Report



dr.jsmlm

Dr JS Moroka Local Municipality

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Ref: 3/4/2
31 August 2018

ANNUAL PERFORMANCE REPORT 2017/2018

This Dr JS Moroka Local Municipality 2017/2018 APR was produced from the Office of the Municipal Manager in terms of section 58 of MFMA. It reflects all performance related activities in accordance with the requirements of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) and MFMA for the period 1 July 2017 to 30 June 2018. Information contained in this publication was provided by the various departments. Every effort was made to ensure that facts are correct.

Acting Municipal Manager
Mr Monkoe M.F

All correspondence should be addressed to The Municipal Manager
"We develop as we grow"



dr.jsmlm

Dr JS Moroka Local Municipality

ANNUAL PERFORMANCE REPORT 2017/2018

This Dr JS Moroka Local Municipality 2017/2018 APR was produced from the Office of the Municipal Manager in terms of section 53 of MFMA. It reflects all performance related activities in accordance with the requirements of the Local Government: Municipal Systems Act, 2000(Act No. 32 of 2000) and MFMA for the period 1 July 2017 to 30 June 2018. Information contained in this publication was provided by the various departments. Every effort was made to ensure that facts are correct.

2017 / 2018 APR

1. INTRODUCTION

1.1. PURPOSE OF THE ANNUAL PERFORMANCE REPORT

This Annual Performance Report is meant to report the performance of Dr JS Moroka Local Municipality against the Service Delivery and Budget Implementation Plan (SDBIP) and annual financial plan for implementing services using the approved budget for 2017/2018. The report is based on the approved IDP and Budget. The purpose of this Annual performance report is to make possible for the relevant stakeholder groups to evaluate progress made by the municipality towards achieving its strategic objection. This report serves as a key element of report the IDP and budget implementation in terms of service delivery KPA and other related KPA. Directorates were required to submit the performance evidence to validate the reported information. This report will be audited by AGSA as part of monitoring the effectiveness of performance management system. Regardless of this it is anticipate that this report does justice to the situation on the ground and that it achieves what it purport to achieve. This report will also help to hold the municipality and its management accountable for the performance on the mentioned programmes and projects on the SDBIP.

The report has been developed in accordance to Municipal system Act (Act No. 32 of 2000) section46, the Municipal Finance Management Act and the guiding MFMA circular requires the following to be included in the SDBIP and the annual performance report will reflect the status thereof.

1.2. BACKGROUND

In terms of Municipal Systems Act (Act No. 32) of 2000, Section 46 "a municipality must prepare for each financial year a performance report reflecting- 1

- a) The performance of the municipality and of each external service provider during that financial year;

- b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- c) measures taken to improve performance. An Annual Performance Report must form part the municipality's annual report in terms of the Municipal Finance Management Act (Act No. 56) 2003, Section 121 (3) (b). It is from this legal framework that the Umzumbe Municipality's Annual Performance Report for 2015/2016 financial year is compiled. The Annual Performance Report is structured according to six (6) National Key Performance Areas being Municipal Transformation and Institutional Development, Basic Service Delivery, Local Economic Development, Municipal Financial Viability and Management, Good Governance and Public Participation.

2. MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

2.1. Objectives

The main focus in this key performance area is the institutional and organizational capacity of municipalities to perform their functions and fulfil their developmental role as stipulated in the Constitution and the White Paper on Local Government. Institutional and organizational reform in Local Government is the key to sustainable municipalities. Having been allocated separate powers and functions entrenched in the Constitution, municipalities had to organize themselves in preparation to fulfil these functions and powers. Organizational transformation in Local Government is further explicitly prescribed in Section 51 of the Municipal Systems Act which provides as follows:

"A municipality must, within its administrative and financial capacity, establish and organise its administration in a manner that would enable the municipality to:-

- be responsive to the needs of the local community;
- facilitate a culture of public service and accountability amongst its staff;
- be performance orientated and focused on the objects of Local Government set out in section 152 of the Constitution and its developmental duties as required by section 153 of the Constitution ensure that its political structures, political

office bearers and managers and other staff members align their roles and responsibilities with the priorities and objectives set out in the municipality's Integrated Development Plan;

- establish clear relationships, and facilitate co-operation, co-ordination and communication, between:
- its political structures, political office bearers and administration and the local community;
- organize its political structures, political office bearers and administration in a flexible way in order to respond to changing priorities and circumstances;
- perform its functions:
 - a) through operationally effective and appropriate administrative units and mechanisms, including departments and other functional or business units;
 - b) when necessary, on a decentralized basis;
 - c) assign clear responsibilities for the management and co-ordination of these administrative units and mechanisms;
 - d) hold the municipal manager accountable for the overall performance of the administration;
 - e) maximise efficiency of communication and decision - making within the administration;
 - f) delegate responsibility to the most effective level within the administration;
 - g) involve staff in management decisions as far as is practicable; and
 - h) provide an equitable, fair, open and non-discriminatory working environment"

This Key Performance Area (KPA) focuses on organizational capacity and includes indicators that show progress on how municipalities have organized themselves in terms of building capacity to deliver, compliance with equity targets as well as implementing both the organizational and individual performance management systems.

KPA	TOTAL KPIs	TOTAL ACHIEVED	TOTAL NOT ACHIEVED	% ACHIEVEMENT
KPA 1: Institutional Development and Municipal Transformation	18	15	03	83 %

Detailed Report Attached

3. LOCAL ECONOMIC DEVELOPMENT

3.1. Objectives

This is one of the most important KPA's that the National Government intended using to push back the frontiers of poverty and build a developmental state. It cannot be doubted that the unemployment rate is quite high and if all spheres of government do not collectively play a meaningful role in creating conducive environment to attract investors, more people will end up in the social grant lists, which puts a tremendous strain on government.

LED is one of those KPA's that most municipalities push to the back burner and do not allocate enough attention, planning and resources to it. It is even worse that most municipalities have not reached a level of appreciating the relevance of the principles of the National Development Plan, the importance of developing their Spatial Development Frameworks (SDF) and LED strategies and linking these with their IDPs and the Provincial Growth and Development Strategies. For the financial year under review, LED had 2 planned targets and all targets were achieved.



KPA	TOTAL KPIs	TOTAL ACHIEVED	TOTAL NOT ACHIEVED	% ACHIEVEMENT
KPA 3: Local Economic Development	02	02	0	100 %

Detailed Report Attached

4. MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

4.1. Objectives

Profound fiscal efficacy, discipline, prudence and monitoring all provide a sound basis for the delivery of all the key and fundamental municipal objectives. It is therefore imperative that municipalities not only purport to portray but embrace an intrinsic and frugal duty to maximize revenue potential while transparently managing public finances as set out in the Municipal Finance Management Act 2003, and the Municipal Property Rates Act 2004 following the proper International Accounting Standards as prescribed in policy and regulation. The guidelines set therein provide for effective accountability, evident financial sustainability and a financial viability conducive to infrastructure investment and service delivery. The financial performance of municipalities is based on the 2017/2018 financial statements. An attempt is made to ensure that the data tables in this report are for the status as at end June 2018. For the financial year under review, **Municipal Financial Viability and Management** had 20 planned targets and 17 of those targets were achieved.

KPA	TOTAL KPIs	TOTAL ACHIEVED	TOTAL NOT ACHIEVED	% ACHIEVEMENT
KPA 4: Municipal Financial Viability and Management	20	17	03	85 %

Detailed Report Attached

5. GOOD GOVERNANCE AND PUBLIC PARTICIPATION

5.1. Objectives

Good governance according to the democratic principles is achieved through effective public participation. Not only does public participation allow constituents to monitor the governance record of its elected officials, but it also encourages the public to take an active interest in the performance of their municipality and region. It is only through broad public participation that citizens will recognize that their interests are taken to heart—especially the needs of the most vulnerable members of society.

This allows all citizens to be heard in determining the political, social and economic priorities through the establishment of a broad societal consensus that includes civil society, government and the private sector. Active ward-based plans and consultative forums are central structures through which public participation and, ultimately, good governance can be achieved. This necessarily means that municipalities need to be enabled to perform their duties in order to ensure the implementation of good governance practices and public participation. Section 151 of Chapter 7 of the South African Constitution gives each municipality the right to govern the Local Government affairs of its community on its own initiative, subject to National and Provincial legislation. Additionally, the by-laws of municipal councils are legislative acts that are not reviewable in terms of administrative law.

However, community participation alone is not sufficient in ensuring that good governance practices are adopted. Institutional integrity is of equal importance and individual municipalities should ensure that its Finance Committee, Audit Committee, Council and sub-committees are fully functional. This should be done through the adoption of effective by-laws and policies that entrench the effective performance of all aspects of municipal governance. For the financial year (2017/2018) under review, **Good Governance and Public Participation** had 20 planned targets and 17 of those targets were achieved.

KPA	TOTAL KPIs	TOTAL ACHIEVED	TOTAL NOT ACHIEVED	% ACHIEVEMENT
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KPA 2: Good Governance and Public Participation	16	12	04	75 %
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Detailed Report Attached

6. BASIC SERVICE DELIVERY AND INFRASTRUCTURE

6.1. Objectives

This KPA entails the assessment of the ability of municipalities to deliver infrastructure and basic services, and also report on the role played by National and Provincial Departments in the different sectors in the execution of their functions. Local Government works in partnership with the communities to find sustainable ways to meet their needs and improve the quality of lives. As entrenched in the Constitution, the Sustainable Development Goals, government has geared itself to achieve targets for universal access to basic services. Municipalities are at the forefront of attempting to achieve high levels of service delivery. Service delivery has assumed

centre stage in South Africa, due to highly publicized events related to widespread protests within various communities. This has put even greater pressure on municipalities to deliver on their mandates and to ensure effective service delivery. The role of municipalities is crucial in dealing with many of the challenges that have led to such high levels of discontent.

A crucial aspect of this process is the provision of basic services such as water, electricity and sanitation for all communities. The historical backlogs in the provision of basic infrastructure for service delivery require that municipalities establish a delicate balance between delivering and improving current services, maintaining existing infrastructure and extending the infrastructure to eradicate the backlog in service delivery.

The focus areas that measure the performance of municipalities in this KPA are the following:

❖ **Access to basic services**

- a) Access to portable water to all households;
- b) Access to adequate sanitation;
- c) Universal access to electricity; and
- d) Access to adequate shelter.

❖ **Municipal Infrastructure Grant (MIG)**

- a) Free Basic Services (FBS)
- b) Indigent policy implementation;
- c) Free basic water;
- d) Free basic sanitation;
- e) Free basic sanitation; and
- f) Refuse removal

At Dr JS Moroka Local Municipality, this KPA is shared by two Directorates; Community Development Services and Technical Services. The following the performance of the two directorates in the year under review (2017-2018):

KPA	TOTAL KPIs	TOTAL ACHIEVED	TOTAL NOT ACHIEVED	% ACHIEVEMENT
KPA 5: Service Delivery: Community Development Service	18	17	1	94 %
KPA 5: Service Delivery and Infrastructure Development	24	16	8	67 %
KPA 6: Spatial Analysis and Rationale	03	0	03	0 %

Detailed Report Attached

7. OVERALL ANNUAL MUNICIPAL PERFORMANCE

The 2017/2018 Annual Performance Report is a monitoring tool that will assist the executive mayor, councilors, municipal manager, senior managers and the community in monitoring the execution of the budget, in assessing the performance of officials and ensuring the achievement of the strategic objectives. The Following is the 2017/2018 Annual Performance Summary per Key Performance Area for Dr JS Moroka Local Municipality:

KPA	TOTAL KPIs	TOTAL ACHIEVED	TOTAL NOT ACHIEVED	% ACHIEVEMENT
KPA 1: Institutional Development and Municipal Transformation	18	15	03	83 %
KPA 2: Good Governance and Public Participation	16	12	04	75 %
KPA 3: Local Economic Development	02	02	0	100 %
KPA 4: Municipal Financial Viability and Management	20	17	03	85 %
KPA: Service Delivery: Community Development Service	19	17	2	94 %
KPA 5: Service Delivery and Infrastructure Development	23	14	9	67 %
KPA 6: Spatial Analysis and Rationale	03	0	03	0 %
OVERAL PERFORMANCE	101	79	22	78 %

By 2017/2018 Financial Year end, the overall performance level achieved was 78%. Out of 101 targets set, 79 were achieved and a total of 22 was not achieved. This translate into 22% of targets not achieved for 2017/2018 Financial Year. **(Refer to the detailed attached report)**

8. CONCLUSION

The purpose of this Annual Performance Report is to make possible for the Dr JS Moroka Local Municipality's relevant stakeholder groups to evaluate progress made by the municipality towards achieving its strategic objection. This report serves as a key element of aligning IDP and budget in terms of service delivery KPA and other related KPA. Directorates were required to submit the performance evidence to validate the reported information. Regardless of this it is anticipate that this report does justice to the situation on the ground and that it achieves what it purport to achieve

**KPA: MUNICIPAL
TRANSFORMATION AND
INSTITUTIONAL DEVELOPMENT**

**DEPARTMENT: ADMIN AND
CORPORATE SERVICES**

KPA : MUNICIPAL TRANSFORMATION AND ORGANIZATIONAL DEVELOPMENT

OUTCOME : RESPONSIVE, ACCOUNTABLE, EFFECTIVE AND EFFICIENT LOCAL GOVERNMENT SYSTEM

NO	KEY FOCUS AREA	PROJECT	PREDETERMINED OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	2017-2018 ANNUAL TARGETS	ACHIEVED OR NOT ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE
1	HUMAN RESOURCE MANAGEMENT	Review of institutional policies	To provide guidance for the optimum operations of the municipality	Number of institutional policies reviewed	20 policies reviewed	15 institutional policies reviewed	Not Achieved	3 institutional policies reviewed	LLF not quorating for a sitting	Council the members of the LLF in the next FY	Council resolution, Policies
2	HUMAN RESOURCE MANAGEMENT	Recruitment and Selection	To fill critical posts	% critical posts filled	Organogram	100% critical posts filled	Achieved	100% critical posts filled (18 officials appointed)	The post for MM Is still vacant	Council to finalise and appoint the mm	Recruit & Selection Report
3	HUMAN RESOURCE MANAGEMENT	Review of the EE Plan	To ensure equity in the workplace	% EE Plan reviewed and submitted to Dept of Labour	Approved EE Plan	100% EE Plan reviewed and submitted to Dept of Labour	Achieved	EE Plan reviewed and submitted to Dept of Labour as per the stipulated timeframe	None	None	EE Plan, Council Resolution, Acknowledgement of receipt by Dept Of Labour
4	HUMAN RESOURCE DEVELOPMENT	Executive Mayor's Bursary scheme	Capacitating employees and councillors with necessary skills. Recruit, select and retain competitive employees.	Number of bursaries to be awarded	23 bursars	5 bursaries to be awarded	Achieved	Two Bursars Appointed	Students apply what the municipality did not advertise.	Bursary awareness to take place before July, prior institutions of higher Learning application closing dates commence	Advert, Award letters
5	HUMAN RESOURCE DEVELOPMENT	Develop WSP	To ensure compliance with SLA & SLLA	Number of Approved WSP	2015:2016 Approved WSP	1 Approved WSP	Achieved	1 Approved WSP	None	None	Training and Skills Analysis Report, Council Resolution and Acknowledgement of LGSETA.
6	HUMAN RESOURCE DEVELOPMENT	Training & development of employees, non-employees & Councillors	Capacitating employees and councillors with necessary skills. Recruit, select and retain competitive employees.	Number of employees, non-employees and Number of Councillors to be trained	250 non-employees, 500 non-employees and 64 Councillors to be trained	150 non-employees, 100 non-employees and 32 Councillors to be trained	Achieved	150 employees, 100 non-employees and 32 Councillors	None	None	Signed training report.
7	HUMAN RESOURCE DEVELOPMENT	OHS Medical surveillance	Compliance with OHS Act	OHS Medical surveillance conducted	2 Medical surveillance conducted	4 OHS Medical surveillance conducted	Not Achieved	Only 2 OHS Medical Surveillances conducted	budget constraints	Make sufficient budget provision next FY	Singed Medical Report
8	LEGAL SERVICES	Attendance of Cases	To handle & advise on all legal matters for and against the municipality	% of cases attended by June 2018	100% cases attended	100% of cases attended by June 2018	Achieved	All cases attended to and four matters concluded	None	None	Quarterly Report, Attorneys Report
9	LEGAL SERVICES	Review and Advice on SLA	To handle & advise on all legal matters for and against the municipality.	% of SLA Reviewed and advised on	Existing SLA's	100% of SLA Reviewed and advised on	Achieved	twenty SLA 's reviewed and advised on	None	None	Signed report on reviewed SLA's
NO	KEY FOCUS AREA	PROJECT	PREDETERMINED OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	2017-2018 ANNUAL TARGETS	ACHIEVED OR NOT ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE

10	LABOUR RELATIONS	Labour Relations cases attended	To handle & advise on all labour matters	% of labour relations cases attended by June 2018	100% cases attended	100% of labour relations cases attended by June 2018	Achieved	100% of labour relations cases attended by June 2018	None	None	Signed Labour Relations Report
11	LABOUR RELATIONS	Local Labour Forum	To ensure effective and efficient employer-employee relations	Number of Local Labour Forum meetings held	4 LLF	4 Local Labour Forum meetings	Achieved	4 Local Labour Forum meetings	None	None	Signed Notice, LLF minutes, Attendance Register
12	INFORMATION COMMUNICATION AND TECHNOLOGY	Maintenance and Support Provision on the Municipal LAN, WAN, RF Network Infrastructure	Improving communication within the institution	Sustainable and Operational Municipal ICT Infrastructure.	0,8	Sustainable, Reliable and Operational Municipal ICT Infrastructure.	Achieved	Maintained Operational Municipal ICT Infrastructure	None	None	Appointed IT Service Provider's Appointment Letter, IT Helpdesk Job Cards, IT Helpdesk Systems User Calls Reports and Monthly Network & Service Performance Reports
	NO	KEY FOCUS AREA	PREDETERMINED OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	2017-2018 ANNUAL	ACHIEVED OR NOT ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE
13	SECRETARIAT	Development of Schedule of meetings	Proper coordination of meetings and council support.	Number of approved Schedule of meetings	2016/2017 Approved Schedule of meetings	1 approved Schedule of meetings	ACHIEVED	Schedule adhered to accordingly	None	None	Approved schedule of meetings
14	SECRETARIAT	Management and Coordination of meetings	Proper coordination of meetings and council support.	Number of council sittings held, Number of Mayoral Committees held	2016/2017 Council sittings and MAYCO sittings	10 council sittings held, 11 Mayoral Committee	ACHIEVED	13 MAYCOs held, 14 Council sittings held	None	None	NOTICES and attendance register
	NO	KEY FOCUS AREA	PREDETERMINED OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	2017-2018 ANNUAL	ACHIEVED OR NOT ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE
15	RECORDS MANAGEMENT	Transfer of manual records to electronic	Managing and safe guarding the records of the municipality	Number of records scanned	Manual records	2000 records scanned	Achieved	2000 Records Scanned	None	None	Report of the total records captured scanned and captured invoice and Official Purchase Order
16	RECORDS MANAGEMENT	Installation of Records Management System Modules	Managing and safe guarding the records of the municipality	Number of modules Records Management System installed	2 modules Records Management System installed	2 Modules of Records Management System	Not Achieved	The project was initiated and approved but the service was not applied. The budget was reallocated to Finance Supply Project during amendment budget process.	The Furniture Supply Project was purchased and no funds was available to proceed with the project.	The project will be prioritised in the 2018/19 Budget Year	Purchase order, Screen Print of the ED RMS(modules).
17	UNIT OFFICES	MAN THANJANA OFFICE	Facilitate access to basic services to all communities.	Number of Service delivery reports compiled	0	4 Service delivery reports compiled	Achieved	4 Service delivery reports compiled	None	None	Signed Service delivery reports.
18		MBIZANE OFFICE		Number of Service delivery reports compiled	0	4 Service delivery reports compiled	Achieved	4 Service delivery reports compiled	None	None	Signed Service delivery reports.

KPA: GOOD GOVERNANCE AND
PUBLIC PARTICIPATION

LED

SPATIAL RATIONALE
OFFICE OF THE MUNICIPAL
MANAGER

KPA : LOCAL ECONOMIC DEVELOPMENT										
NO	KEY FOCUS AREA	PROJECT	PREDETERMINED OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	ANNUAL ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE
19	LOCAL ECONOMIC DEVELOPMENT (LED)	LED Meetings	Creation of sustainable jobs for local community	Co-ordination of meetings with stakeholders	4	16 Meetings held	More than 16 meetings held with LED Forum, LTO, Cooperative committee, business forum, CWP, DARDLA	None	None	Agenda, Minutes and attendance registers
20		LED Strategy Review	Creation of sustainable jobs for local community	LED strategy Reviewed	LED Strategy	LED strategy Reviewed	Strategy was adopted by council on the 29 June 2017 with resolution no R140 06 2017	None	None	Minutes with stakeholders, Attendance register, Appointment letter, LED Strategy document.
SPATIAL RATIONALE										
21	LAND ADMINISTRATION	Land Tenure Upgrading on Portion 48, 51 and 58 of Farm Valckxfontein 33-S and Portion 7 of the Farm Kameelvier 150JF	To provide Land Tenure Upgrading to provide title deeds to individuals	Number of Title Deeds Applications submitted to Deeds office	2000 Title deeds	3614 Title Deeds Applications to be submitted to Deeds office	No progress has been made to date due Budget constraints	No progress has been made to date due Budget constraints	Not Reported	Acknowledgement of receipt by deeds office of title deeds applications.
22	PLANNING	Township Establishment	To promote spatial development	Number of Township establishment's opened registers	2 Township established	Open register for 6 Township establishments	no progress made to date (0%)	budget constraints	appointed service providers the establishment of the Townships	Copies of the final reports for the feasibility studies
23	PLANNING	Billboard Advert of the Morije Precinct for Investors	To promote spatial development	Erected Billboards for Advertising at Morije Precinct	None	Erected Billboards for Advertising at Morije Precinct	no progress made to date (0%)	budget constraints	This function is moved to the relevant department or unit (communications)	Copy of the delivery receipt
KPA : GOOD GOVERNANCE AND PUBLIC PARTICIPATION										
24	COMMUNICATION	Advertising	Pre-Determined Objective (PDO) To coordinate and facilitate information dissemination through effective responsive communication, and	Number of ads, & live reads, interviews, notices & announcements	100% of legislated notices, live read of municipal activities, programmes and events.	100% of legislated notices, live read of municipal activities, programmes and events	All received information to be advertised was populated.	No challenges	None	Payment certificates, Audio clips, live reads and notices of the populated information
25	COMMUNICATION	Printing of publications	Pre-Determined Objective (PDO) To coordinate and facilitate information dissemination, through effective responsive communication, and	Number of newsletters, booklets, agendas, calendars and brochures produced by June 2016	Printed faces of new Council posters, business cards for new Councilors, 400 newsletters.	Newletters, brochures, business cards, calendars, diaries, license disk holders.	Some publications for quarter 3 could not be printed	Limited Budget. Publications were reprinted several times and exhausted the budget early in the year.	Not Reported	payment certificates- Samples of the printed documents
26	COMMUNICATION	Marketing	Pre-Determined Objective (PDO) To coordinate and facilitate information dissemination, through effective responsive communication, and	Number of notice boards erected.	Promotional Materials	5 notice boards erected.	Notice board not procured. Request send to Facilities to assist	As per MSCOA requirements can only be procured by Facility Unit, as they form part of building control and maintenance	Request notice boards through Facility Unit.	orders, invoices
27	COMMUNICATION	Language services translation and interpretation.	Pre-Determined Objective (PDO) To coordinate and facilitate information dissemination, through effective responsive communication, and	Number of translation and interpreting services rendered by June 2016	100 translated printed documents in Setswana and IsiBabelo and Braille languages	120 of translation and interpreting services rendered by June 2016	On the last quarter the Braille documents could not be procured.	Limited budget	Not to procure all in 1 quarter but exchange, IsiBabelo, Sepedi and SoTswana to Braille this quarter and other languages in the other quarter	translated publications in IsiBabelo, Sepedi and SoTswana and printed Braille document Samples
28	IDP	2018/2019 Draft IDP	To approve the draft IDP to comply with legislation	draft IDP approved by council	Approved draft 2017/18 IDP	Draft IDP 2018/19 approved by Council by March	Draft IDP 2018/19 approved by council by March 2018	sector department not attending IDP meetings	Mkangala District Cogta to take charge in inviting them	Draft IDP, Council Resolution
29	IDP	2018/2019 IDP	To approve the IDP to comply with legislation	2018/19 IDP approved by council	2017/18 approved IDP	2018/19 approved IDP by May 2018	2018/19 approved IDP by May 2018	sector department not attending IDP meetings	Mkangala District Cogta to take charge in inviting them	IDP, Council Resolution

NO	KEY FOCUS AREA	PROJECT	PREDETERMINED OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	2015/2016 Annual Report	1	2	Achieved	Annual Report tabled to council as prescribed and submitted to relevant bodies	None	None	REMEDIAL ACTIONS	EVIDENCE
30	PERFORMANCE MANAGEMENT	Annual Report	To enhance institutional performance culture and To maximise accountability and transparency amongst employees	Number of Annual Reports developed, approved & submitted to relevant stakeholders as per legislation	2015/2016 Annual Report	1	Achieved	Annual Report tabled to council as prescribed and submitted to relevant bodies	None	None	Acknowledgement of receipts, Council Resolution Annual Report, Oversight Report			
31	PERFORMANCE MANAGEMENT	Performance Reviews	To enhance institutional performance culture and To maximise accountability and transparency amongst employees	Number of performance review sessions to be held	2017/2018 Performance Reviews	2	Achieved	2016/2017 Annual and 2017/2018 Midyear Performance Reviews conducted	None	None	Performance Review Reports			
32	RISK MANAGEMENT	Risk Reports	To coordinate, monitor, maintain and improve the effective and efficient functioning of Risk Management systems	Number of reports produced per annum	16 Risk Reports	Sixteen (16) reports to be produced per annum	Achieved	16 Risk Reports submitted for 2017/18	None	None	16 Reports to Risk Management Committee and the accounting officer, Monitoring Report to management and stakeholders, Strategic and Operational Risk Register			
33	PUBLIC PARTICIPATION	Ward Committee Meetings	To organize, mobilize and empower community to participate in decision making that the municipality should take in terms of service delivery	Number of Ward Committee meetings held	275 meetings	275 Ward Committee meetings held	ACHIEVED	362	Late submission of reports, late payment of out of pocket expense, implementation of ward operational plans	Challenges	Chis and Ward Committee Secretaries were encouraged to submit on time, in doing so the problem of late payment of their out of			
34	PUBLIC PARTICIPATION	Community Meetings	To organize, mobilize and empower community to participate in decision making that the municipality should take in terms of service delivery	Number of Community Meetings held	279 meetings	279 Community Meetings held	NOT ACHIEVED	201	Late submission of reports, community meeting were not held by ward councillors	Challenges	Ward Cills were advised to submit their reports on time and also to hold their community meeting as per approved schedule			
35	PUBLIC PARTICIPATION	Ward Committee and Councillors induction	To address key areas of expertise, values including understanding of processes & policies of the municipality	Number of Ward Committee Members and Number of Councillors inducted	310 Ward Committee Members inducted	310 Ward Committee Members and 62 Councillors	ACHIEVED	None	None	None	Reports and attendance registers			
36	PUBLIC PARTICIPATION	Ward Committee Training	To ensure effective and efficient ward committee members and Secretaries	Number of Ward Committee Members and Number of Ward Committee Secretaries trained	310 Ward Committee Members and 31 Ward Committee Secretaries	310 Ward Committee Members and 31 Ward Committee Secretaries trained	Achieved	310 Ward committee members trained on meeting proceedings	None	None	Reports and attendance registers			
37	PUBLIC PARTICIPATION	IDP, IDP Open day, Budget and Community Outreach meetings	To establish ward-based planning	Number of community outreach meetings held	3 IDP OPEN DAYS	10 community outreach meetings held	Achieved	IDP open days were held accordingly	None	None	Reports and attendance registers			
38	PUBLIC PARTICIPATION	Ward Committee, CDW's and Home Based Carers Summit	To promote awareness about municipal services	Number of summits held	1	One (1) summit held	Not achieved	Budget constrain	Budget for ward committees' out of pocket was reduced, therefore Summit budget was used to pay ward committees'	Challenges	Matter was referred to the Budget Section in Finance	Reports and attendance registers		
39	PUBLIC PARTICIPATION	Customer Survey	To measure the level of customer service improvement	Number of Customer survey conducted	1 Customer survey	1 Customer survey conducted	Not achieved	None	None	None	Report on customer survey			

**KPA: FINANCIAL VIABILITY AND
MANAGEMENT**

DEPARTMENT: FINANCE

KPA - MUNICIPAL FINANCIAL MANAGEMENT AND VIABILITY

NO	KEY FOCUS AREA	PROJECT	OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	ANNUAL	ACHIEVED OR NOT ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE
40	BUDGET MANAGEMENT	mSCOA implementation	To ensure compliance with mSCOA regulations	Number of trainings conducted for transaction on mSCOA	2017/2018 Annual budget	4 Training conducted by financial system provider and Treasury	Achieved	Trainings were conducted by Treasury and financial system providers	late implementation of Payroll and asset Modules on the financial system	All modules integrated in the financial system	Attendance registers and Training pack
41	BUDGET MANAGEMENT	AFS preparation and Audit readiness	To ensure submission accurate AFS to AG. To facilitate the improvement of the audit outcome and opinion.	Number of AFS prepared and submitted to AG. Number of AFS and audit steering committees held	2015/16 AFS. 2015/16 Audit Action Plan	2 AFS prepared and submitted and 3 Audit steering committee meetings	Achieved	3 AFS were prepared and audit steering committee meetings held	None	None	Progress Report submitted and considered by audit committee. Implementation plan for all departments.
42	BUDGET MANAGEMENT	Improved Audit outcome and opinion.	To facilitate the improvement of the audit outcome and opinion.	Improved audit opinion for 2016-2017 financial year	Qualified audit opinion	6 updated Audit Action Plan submitted to Treasury. Improved audit opinion for 2016-2017.	Achieved	Audit Action plan updated and submitted to treasury. Qualified audit opinion maintained for 2016/17 FY	None	None	Auditor General Audit report and opinion received
43	BUDGET MANAGEMENT	Budget Management	To prepare credible and funded annual budget	Number of budget prepared	2016/2017 Annual budget	1 budget process plan submitted to Council by 31 August 2017. 3 approved budget	Achieved	Final budget approved by council	None	None	Council Resolutions. Quality certificates and proof of submission to Treasury
44	BUDGET MANAGEMENT	Budget and reporting regulations.	To ensure compliance with budget and reporting regulations.	Number of reports prepared	2016/2017 Budget	17 reports prepared and submitted	Achieved	12 Section 71 reports done, 4 quarterly reports done, and 1mid yr report done.	None	None	Proof of submissions to treasury. Council resolutions for Quarterly reports
45	REVENUE MANAGEMENT	Revenue collection	To ensure revenue due to the municipality is calculated on monthly basis	% of billed households customers collected	100%	12 Billing reports	Achieved	12 billing reports were done and signed off	None	None	12 signed Billing reports
46	REVENUE MANAGEMENT	Revenue collection	To ensure financial viability of the municipality	% of collection over billing and debtors recovery	40%	75% Government 60% Businesses 20% Households	Achieved Not achieved Not achieved	76% collected 24% 5%	late payment Inaccurate billing Inconsistent service delivery	fixing water meters improve service delivery	Section 71 Reports / Revenue collection report
47	REVENUE MANAGEMENT	Valuation roll	To ensure monthly maintenance of the valuation roll	12 Valuation Reconciliations and 1 Supplementary Valuation Roll	12 Reconciliations Advert for Public Comments	12 Reconciliations 1 Supplementary Valuation Roll	Achieved	12 monthly reconciliations and 1 supplementary valuation done	None	None	Valuation Roll reconciliation. Supplementary
48	REVENUE MANAGEMENT	Data Cleansing	To enhance consumer information on the financial system	Data cleansing reports as at 30 June 2017	Data cleansing plan	Collection of data Capturing of data Distributor of accurate statement	Achieved	data collected through ward committees and captured	None	None	Collection forms (reports) Reconciliation reports Statement issued.
49	REVENUE MANAGEMENT	Tariffs	To ensure that the tariffs are cost reflective and published timely.	Tariff structure	Non cost reflective tariffs.	Review of Tariff structure and policies.	Achieved	The tariffs were done and reviewed, and presented through to Council.	None	None	Reviewed and Approved Tariff structure.
50	REVENUE MANAGEMENT	Revenue enhancement Strategy	To coordinate the implementation of revenue enhancement strategy	Implementation of credit control and debt collector policies.	Approved and implementation of revenue enhancement strategy by 30 June 2018	Public Notices and Public Participation Gazetting and By laws.	Achieved	By laws approved and gazetted	None	None	Advertisement Public Notices and Public Participation. Gazetting of by laws. Implementation reports

51	ASSET MANAGEMENT	Asset Register	To manage control and maintain all assets of the municipality	updated asset register on all assets	2016/2017 GRAP Compliant Asset Register	Complete and accurate updated asset register on all assets	Achieved	12 monthly assets reconciliations signed off	None	None	Additions reports Disposal reports Physical Verification Reports Reconciliations between GL and Assets Register
52	ASSET MANAGEMENT	Asset Register	Reconciliation of assets	updated asset register on all assets	2016/2017 GRAP Compliant Asset Register	Monthly Assets Committee Meeting	Achieved	Asset register updated and complies with GRAP 17 Asset Management meetings held	None	None	Signed minutes of meeting
53	Inventory Management		To ensure that all inventory is recorded and account	Regular inventory count conducted and reconciliation performed		Four stock counts reports	Achieved	quarterly stock counts done	None	None	Signed inventory reconciliation
54	SUPPLY CHAIN MANAGEMENT	Compliance to PPPFA regulations	To ensure compliance to the New PPPFA regulations	Workshop management on the amended PPPFA regulations	Workshop	100% Compliance to PPPFA regulations	Achieved	Trainings were conducted by Treasury and District	None	None	attendance register of the workshop
55	SUPPLY CHAIN MANAGEMENT	Demand management and Procurement planning	To ensure compliance to supply chain management regulations	approved procurement plans	procurement plans	100% compliance to procurement plans	Achieved	Procurement plans implemented, all tenders were advertised	None	None	approved procurement plans and reports on the implementation of procurement plans
56	SUPPLY CHAIN MANAGEMENT	Compliance to SCM regulations	To fully comply with supply chain regulation and National Treasury guide on procurement processes	Number of Compliance In year reports submitted to Council	2017/2018 Compliance Reports	8 Compliance In year reports submitted to Council	Achieved	All the SCM reports were done and presented to Council	None	None	Council Resolutions, Deviation reports SCM quarterly reports
57	EXPENDITURE MANAGEMENT	Expenditure Management	To maintain a system of internal control in respect of creditors and payment	100% of payment vouchers of payment captured, filed and stored	95% of payment vouchers of payment made filed and stored	100% of payment vouchers of payment made captured, filed and stored	Achieved	all the payment vouchers were kept safe by expenditure unit	None	None	Scanned payment voucher and the cash book
58	EXPENDITURE MANAGEMENT	Expenditure Management	To maintain a system of internal control in respect of creditors and payment	Percentage of creditors paid within 30 days of invoice date	Invoices paid within 30 days	100% of creditors paid within 30 days of invoice date	Partially achieved	85% of invoices were paid in time	cash flow challenges	improve own revenue collection	Creditors records
59	EXPENDITURE MANAGEMENT	Expenditure Management	To maintain a system of internal control in respect of staff salaries, wages, allowances and benefits	100% of payment of salaries	salaries paid in line with applicable legislations	salaries paid in line with applicable legislations	Achieved	Salaries were paid on time, and 12 Section 66 reports were done	None	None	Sec 66 reports

KPA: BASIC SERVICE DELIVERY:

CDS

DEPARTMENT: COMMUNITY

DEVELOPMENT SERVICES

KPA - BASIC SERVICE DELIVERY - COMMUNITY DEVELOPMENT SERVICES											
NO	KEY FOCUS AREA	PROJECT	OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	ANNUAL TARGET	ACHIEVED OR NOT	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE
60	TRAFFIC	Schooler patrol events	To ensure public safety in all the roads within the municipal jurisdiction	Number of road safety awareness held by November 2017	1 road safety awareness held	1 Road safety awareness held by November 2017	ACHIEVED	1 Road safety awareness held by November 2017	NONE	NONE	Photos, invitations and attendance register
61	FACILITY MANAGEMENT	Provision of security to municipal facilities and officials	To ensure safety to all facilities and officials of the municipality	% of all municipal facilities and officials protected by June 2017	100% (43 municipal facilities) protected	100% of all municipal facilities and officials protected by June 2017	ACHIEVED	ACHIEVED	NONE	NONE	Monthly reports from Service provider inclusive of incidents on facilities and officials
62	FACILITY MANAGEMENT	Supply and delivery of cleaning materials	To have a safe, efficient and accessible facilities for all races	% of cleaning material procured (as and when required)	100%	100% of cleaning material procured (as and when required)	ACHIEVED	ACHIEVED	NONE	NONE	Delivery Notes
63	FACILITY MANAGEMENT	Maintenance on municipal facilities	To have a safe, efficient and accessible facilities for all races	% of Municipal facilities maintained (as and when required)	100%	100% of Municipal facilities maintained (as and when required)	ACHIEVED	ACHIEVED	NONE	NONE	Maintenance work orders
64	LIBRARIES	National Lottery week	To market the library to communities	Number of Schools encouraged to learn read, write and utilize library by June 2018	20	10 Schools encouraged to learn, read, write and utilize library by June 2018	ACHIEVED	10 Schools encouraged to learn, read, write and utilize library by June 2018	NONE	NONE	Photos, Invitations and attendance register
65	DISASTER MANAGEMENT	Disaster awareness programs	To educate communities on disaster issues	Number of Disaster awareness program to be held within DRJSMMLM by June 2018	One Disaster awareness program held	One Disaster awareness program to be held within DRJSMMLM by June 2018	ACHIEVED	One Disaster awareness program to be held within DRJSMMLM by June 2018	NONE	NONE	Photos, Invitations and attendance register
66	KEY FOCUS AREA ARTS, CULTURE & HERITAGE	Annual Heritage Celebration	Promoting Arts, culture and conserving our heritage	Number of heritage event to be held within DRJSMMLM by June 2018	One heritage event held	One heritage event within DRJSMMLM by June 2018	ACHIEVED	NO BUDGET FOR THE PROJECT ONLY SUPPORT	NONE	NONE	Photos, Invitations and attendance register
67	SPECIAL PROGRAMME	HIV/AIDS, cancer and TB awareness	Lobby, educate and support on the issues related to socio economic challenges for elderly, women, children & person with disability	Number of people targeted for the awareness	500	200 People attended by June 2016	ACHIEVED	200 People attended by June 2018	NONE	NONE	Photos, Invitations and attendance register
68		Disability Workshop	To educate forum members on disability issues	Number of People attending Disability workshop by June 2018	0	60 People attending Disability workshop by June 2018	ACHIEVED	60 People attending Disability workshop by June 2018	NONE	NONE	Photos, Invitations and attendance register
69		Women and Children Forum	To empower women on issues of gender based violence and children abuse	Number of people attending Women and Children Workshop	0	90 people attending Women and Children Workshop	ACHIEVED	90 people attending Women and Children Workshop	NONE	NONE	Photos Invitations and attendance register
70		Moral Regeneration indaba	To educate and promote a culture of ubuntu	Number of people attending Moral Regeneration indaba by June 2018	200	60 people to attend Moral Regeneration indaba	ACHIEVED	60 people to attend Moral Regeneration indaba	NONE	NONE	Photos Invitations and attendance register
71		Elderly Forum	To empower the Elderly Forum	Number of people attending Elderly Forum by June 2018	50	31 people attending Elderly Forum by June 2018	ACHIEVED	31 people attending Elderly Forum	NONE	NONE	Photos, Invitations and attendance register
72		Mandela Day	To elevate on supporting communities that are destitute with culture of Ubuntu	Number of children benefiting from Mandela Day initiatives by DRJSMMLM by August 2018	300	300	ACHIEVED	300	NONE	NONE	Photos and attendance register

73					165	165	ACHIEVED	165	ACHIEVED	165	NONE	NONE	Photos and attendance register
74	YOUTH DEVELOPMENT	Career Expo	To develop and empower youth socially, economically and with career opportunities	Number of elderly persons benefiting from Mandela Day initiative by DRUSMLM by August 2018	300	150 learners took part in the Career expo by June 2018	ACHIEVED	150 learners took part in the Career expo	NONE	NONE	NONE	Photos, invitations and attendance register	
75	KEY FOCUS AREA	PROJECT	OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	2017-2018 ANNUAL TARGET	ACHIEVED OR NOT ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE		
75	SPORTS AND RECREATION	Sports and Recreation	To promote sports participation within community and for municipal wellness	100% participation by both Councilors and employees in SAMSRA & SAMSRA in all levels by June 2018	100%	100% participation by both Councilors and employees in SAMSRA & SAMSRA in all levels by June	ACHIEVED	ACHIEVED	NONE	NONE	Report, Photos, Invitations and attendance register		
76	CEMETERY MANAGEMENT	Numbering of graves at the cluster cemetery (as and when required)	To provide security, control and management of graves	% graves at the cluster cemetery numbered (as and when required) by June 2018	100%	100% graves at the cluster cemetery numbered (as and when required) by June 2018	ACHIEVED	ACHIEVED	NONE	NONE	Registers		
77	WASTE MANAGEMENT	Procurement of refuse-bins	To promote clean, safe & healthy environment	Number of refuse-bin to be procured for waste collection by June 2018	13	100 refuse-bin to be procured for waste collection by June 2018	ACHIEVED	ACHIEVED	NONE	NONE	Delivery Notes		

KPA: BASIC SERVICE DELIVERY
& INFRASTRUCTURE
DEVELOPMENT

DEPARTMENT: TECHNICAL
SERVICES

KPA - BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT											
NO	KEY FOCUS AREA	PROJECT	OBJECTIVES	KEY PERFORMANCE INDICATOR	BASELINE	ANNUAL TARGETS	ACHIEVED OR NOT ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE
78	WATER	Water laboratory services	Ensure access to potable and sustainable water supply services to all communities	Number of samples collected for analysis as per SANS241:2015	610	800 samples collected for analysis as per SANS241:2015	Achieved	903 samples collected	None	None	Laboratory results
79	WATER	Fixing and Re-installing the Bloedfontein Bulk Supply System (Phase 2)	Ensure access to potable and sustainable water supply services to all communities	Completion of the 10 ML Reservoir	23KM of 250mm φ HDPE bulk pipeline	10 ML Reservoir Completed by June 2018	Not Achieved	12Km Bulk line, 104KI elevated steel tank, 1 pump house and last lit of the reservoir	slow progress on site	Extension of time was granted up to 30th June 2018	Progress report, Completion certificate
80	WATER	Upgrading and extension of reticulation networks in the Bloedfontein Village Cluster (Allensandrift C)	Ensure access to potable and sustainable water supply services to all communities	Number of HH supplied with water	823 HH	650 HH supplied with water	Not Achieved	0 HH supplied with water	The project was delayed to commence due to community stoppage	Extension of time was granted up to 31st October 2018	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate
81	WATER	Upgrading and extension of reticulation networks in the Waakraal Village Cluster (Makopanong)	Ensure access to potable and sustainable water supply services to all communities	Number of HH connected	2074 HH	1350 HH supplied with water	Not Achieved	0 HH supplied with water	slow progress on site	Extension of time was granted up to 31st October 2018	Appointment Letter, Progress reports, Practical Completion Certificate and Completion Certificate
82	WATER	Upgrading and extension of reticulation networks in the Vaaikraal Village Cluster (Mogengonong)	Ensure access to potable and sustainable water supply services to all communities	Number of HH connected	150HH	857 HH supplied with water	Achieved	857 HH supplied with water	None	None	Appointment, Progress reports, Practical Completion Certificate and Completion Certificate
83	WATER	Upgrading and extension of reticulation network in the Kameelmeer sub-system village cluster (Moklapanongale)	Ensure access to potable and sustainable water supply services to all communities	Number of HH connected	350 HH	250 HH supplied with water	Not Achieved	0 HH supplied with water	Late appointment of the contractor	Project scheduled for 2018/19 FY with commencement date scheduled on the 02/07/2018	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate
84	WATER	Basic Borehole Water Supply in the Mathanjana Villages (Masobye)	Ensure access to potable and sustainable water supply services to all communities	Number of HH connected	604 HH	245 HH supplied with water	Achieved	245 HH supplied with water	None	None	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate
85	WATER	Phake Water Reticulation	Ensure access to potable and sustainable water supply services to all communities	Number of HH connected	852 HH	300 HH supplied with water	Not Achieved	0 HH supplied with water	Late appointment of the contractor	Project scheduled for 2018/19 FY with commencement date scheduled on the 02/07/2018	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate
86	ELECTRICAL AND MECHANICAL	Maintenance of pumps at water treatment works and sub-stations	To ensure that municipal mechanical infrastructure, fleet and plant machinery are in good working condition.	Number of pumps maintained	48	48 pumps maintained	Achieved	65 pumps maintained	None	None	Job cards, Proof of payments
87	ELECTRICAL AND MECHANICAL	Maintenance of waste water treatment works	To ensure that municipal mechanical infrastructure, fleet and plant machinery are in good working condition.	Number of waste water treatment pumps maintained	20	20 waste water treatment pumps maintained	Achieved	25 waste water treatment pumps maintained	Payments	attended to the payment issue to avoid Leyal actions	Job cards, Proof of payments
88	ELECTRICAL AND MECHANICAL	Maintenance of municipal fleet (as and when)	To ensure that municipal mechanical infrastructure, fleet and plant machinery are in good working condition.	Number of municipal fleet maintained	129	2017-2018 ANNUAL TARGETS 129 municipal fleet maintained	Achieved (Over Achieved 206 maintenance job cards)	205 municipal fleet maintained	None	None	Job cards

NO	KEY FOCUS AREA	PROJECT	PREDETERMINED OBJECTIVES	KEY PERFORMANCE INDICATOR	2016/2017 BASELINE	2017-2018 ANNUAL TARGETS	ACHIEVED OR NOT ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE
89	ELECTRICAL AND MECHANICAL	Repairs of high-mast lights (as and when)	To ensure that municipal mechanical infrastructure, fleet and plant machinery are in good working condition	% requests for repairs of high mast lights attended (as and when)	200	70% requests for repairs of high mast lights attended to (as and when)	Achieved	100% requests for repairs of high mast lights attended to (as and when)	Staff shortage	HR attend to the matter	Job cards
90	ROADS AND STORMWATER	Upgrading from Gravel to Surface at Marapyane (500m) Internal Staff	Ensure safe, reliable and accessible roads within the Municipality. Ensure effective & efficient stormwater control	Number of km upgraded from Gravel to Surface at Marapyane (500m) Internal staff	1km	1 km upgraded from Gravel to Surface at Marapyane (using internal staff)	Achieved	1km upgraded from Gravel to Surface at Marapyane internal staff	Disturbance due to continuous regravelling emergency interventions	Restructure regravelling programmes and request additional resources from public works	Progress Reports.
91	ROADS AND STORMWATER	Road markings	Ensure safe, reliable and accessible roads within the Municipality. Ensure effective & efficient stormwater control	Number of km on roads markings to be done	180km	40 km on roads markings done	Not Achieved	0km	Contract Lapsed. Budget constraints	To republish in the new FY	Job cards. Site instruction Progress Reports.
92	ROADS AND STORMWATER	Upgrading of Roads and Stormwater in Libangeni (Libangeni Stormwater Drainage)	Ensure safe, reliable and accessible roads within the Municipality. Ensure effective & efficient stormwater control	Number of kilometers upgraded	3.4km	2km	Not Achieved	0.6km	Delays due to late commencement and Payments not made on time	Extension of time until the 20th of July 2018 in process	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate
93	ROADS AND STORMWATER	Rehabilitation of Katibane Bus and Taxi Route	Ensure safe, reliable and accessible roads within the Municipality. Ensure effective & efficient stormwater control	Number of kilometers upgraded/rehabilitated on Katibane Bus and Taxi Route	6,3km	0.5km	Achieved	0.5km kilometers upgraded/rehabilitated on Katibane Bus and Taxi Route	None	None	Appointment Letter, Progress reports, Practical Completion Certificate and Completion Certificate
94	ROADS AND STORMWATER	Upgrading of Makomeatsane Bus and Taxi Route	Ensure safe, reliable and accessible roads within the Municipality. Ensure effective & efficient stormwater control	Number of kilometers upgraded	5km	3.1km	Achieved	3.1 km road on Makomeatsane Bus and Taxi Route upgraded	Variation for additional works deemed necessary not yet adjudicated	Expedite the approval for variation order for the project	Progress reports, Practical Completion Certificate and Completion Certificate
95	ROADS AND STORMWATER	Upgrading of roads and Stormwater in Siyabuswa	Ensure safe, reliable and accessible roads within the Municipality. Ensure effective & efficient stormwater control	Number of kilometers upgraded	5km	0.9km	Achieved	0.9km	None	None	Appointment, Progress reports, Practical Completion Certificate and Completion Certificate
96	ROADS AND STORMWATER	Upgrading of Marapyane Bus and Taxi Route	Ensure safe, reliable and accessible roads within the Municipality. Ensure effective & efficient stormwater control	Number of kilometers upgraded	5,6km	3.4km	Achieved	3.4km	None	None	Appointment, Progress reports, Practical Completion Certificate and Completion Certificate
97	SANITATION	Provision of CWB Toilets in the eastern cluster villages.	Ensure access to basic sanitation services to all communities	CWB toilets in the eastern cluster completed	4941RH	600 CWB toilets completed	Achieved	600 CWB toilets completed	None	None	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate
98	SANITATION	Provision of CWB Toilets in the western cluster villages.	Ensure access to basic sanitation services to all communities.	CWB toilets in western cluster completed	4941RH	600 CWB toilets completed	Achieved	600 CWB toilets completed	None	None	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate
99	NO KEY FOCUS AREA	PROJECT	PREDETERMINED OBJECTIVES	KEY PERFORMANCE INDICATOR	2016/2017 BASELINE	2017-2018 ANNUAL TARGETS	ACHIEVED OR NOT ACHIEVED	ACTUAL PROGRESS	CHALLENGES	REMEDIAL ACTIONS	EVIDENCE
FACILITY	DR/MJLM Fresh Produce Market		To have a safe, efficient and accessible facilities for all races	Building of 264 m ²	Building of 264m ²	264m ²	Not Achieved	60% Construction	Late appointment of the contractor	Project scheduled for 2018/19 FY with commencement date scheduled on the 02/07/2018	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate

100	FACILITY	Construction of fences around Municipal cemeteries in the western cluster	To have a safe, efficient and accessible facilities for all races	Number of Km of fences constructed around Municipal cemeteries in the western cluster	6km	1.5km	Achieved	1.5km of fences constructed around Municipal cemeteries in the Eastern cluster	None	None	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate
101	FACILITY	Construction of fences around Municipal cemeteries in the Eastern cluster	To have a safe, efficient and accessible facilities for all races	Number of Km of fences constructed around Municipal cemeteries in the Eastern cluster	6km	1.5km	Achieved	1.5km of fences constructed around Municipal cemeteries in the Eastern cluster	None	None	Appointment letter, Progress reports, Practical Completion Certificate and Completion Certificate

Annexure C
Performance of Service
Providers

**ANNEXURE – MUNICIPAL ENTITY/ SERVICE PROVIDER
PERFORMANCE SCHEDULE**

DR JS MOROKA LOCAL MUNICIPALITY

ANNEXURE – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE 2017/2018 REPORT ON THE PERFORMANCE OF EXTERNAL SERVICE PROVIDERS

This section serves to evaluate the Service Provider's performance in respect of provisions of the contract and the product that the Service Provider delivered for all aspects of the project scope. The Evaluation criteria are based on a scale of 1-5 and each of aspects measured relate to the successful completion of the project. The evaluation score guide on the performance of the service providers is as follows:

LEVEL	PERFORMANCE	DESCRIPTION
5	Excellent	Completion of the project before the scheduled time and within budget
4	Good	Completion of the project within the timeframe and budget
3	Average	Completion of the project within the timeframe but outside the allocated budget or vice versa
2	Below Average	Failure to complete the project
1	Unacceptable	failure to commence with the project

2017/2018 REPORT ON THE PERFORMANCE OF EXTERNAL SERVICE PROVIDERS

No.	Service Provider	Project	Appointment Date	Contract Period	Start Date	End Date	Progress by 30 June 2018	Reasons for Variation if Any	Corrective Actions	2017/2018 Score (1-5)	Department/Unit
1	Digalo Engineering Consultants	Upgrading of roads & Stormwater in the Mibobane Village Cluster Subangeni Phase 1	17/09/2016	3 Years						3	PMU
2	Sineshwe Trading Enterprise		24/10/2017	4 Months	07/12/2018	29/07/2018	80%	Head Rock Blasting and Addition of Slabs	Approval for Application of Variation Order	3	PMU
3	Digalo Engineering Consultants	Upgrading of roads & Stormwater in the Mibobane Village Cluster Makomkhashe Phase 1	17/09/2016	3 Years						3.5	PMU
4	Chiphone Quantity & Projects		24/10/2017	6 Months	07/12/2018	7/7/2018	100%	None	None	4.5	PMU
5	Digalo Engineering Consultants	Upgrading of roads & Stormwater in the Mibobane Village Cluster Makomkhashe Phase 1	17/09/2016	3 Years						3.5	PMU
6	N J Nkossana Business Enterprise		02/2/2017	8 Months	16/03/2017	16/11/2017	100%		Approval for Application of Variation Order	4.5	PMU
7	Bsky Engineers & Associates	Construction of CWB Toilets in the Western Cluster B, Gwelo, Muzondama & Loding	16/10/2017	4 Months	07/12/2018	30/04/2018	100%		None	2.5	PMU
8	Superior Quality Engineers	Upgrading & Extension of reticulation networks in the Bluebirden village cluster, Aftersandrift C section (S 7.5 & 8.4)	24/05/2015	3 Years	07/12/2017	17/10/2018	70%		None	3	PMU
9	Mahlaba Construction	Fixing and re-installing of the Suezlanten Bulk line Phase 2 and taxi route	18/10/2017	8 Months	07/12/2017	17/09/2018	65%	Extension of time with cost	Approval of extension of time with cost utilizing contingencies	4.5	PMU
10	Manoja Trading/People Elias Construction/ Superior Quality Engineers Consultant	Upgrading of roads & Stormwater in the Mibobane Village Cluster Subangeni Phase 1	17/09/2016	3 Years						2	PMU
11	Prestowave (Pty) Ltd	Upgrading of roads & Stormwater in the Mibobane Village Cluster Subangeni Phase 1	17/09/2016	3 Years	20/05/2016	20/05/2017	100%		None	3	PMU
12	Exit 454 CC	Upgrading of roads & Stormwater in the Mibobane Village Cluster Subangeni Phase 1	17/09/2016	4 Months	15/03/2017	27/09/2017	100%		Approval of Variation order	3	PMU

11	Mahlalewa Construction	Upgrading of roads and stormwater in the Mtshajana village cluster - Siyabuswa-C	20/02/2017	4 Months	16/03/2017	15/12/2017	100%	Standing time caused by community disruption	Approval for Application of extension of time	3	PMU
12	Nepone JV Sheila and Kotebo's Construction	Upgrading and extension of reticulation networks in the Mathanjana village cluster - Masibane	17/11/2017	4 Months	28/02/2017	24/03/2017	100%	Project stoppage by local business forums. Delays in material deliveries due to a national tax strike	Approval for Application of extension of time	5	PMU
13	Mocha and Associates	Construction of CWB Toilets in the Western Cluster A, Lefiso, Lefisoane and Maraphane	12/10/2017	4 Months	09/1/2018	7/5/2018	100%	None	None	5	PMU
14	Phanicia Engineering Services	Construction of CWB Toilets in the Eastern Cluster A - Dithabang, Sontso and Madlaedwa	18/11/2017	4 Months	14/11/2017	1/2/2018	100%	None	None	5	PMU
15	Shy's General Trading	Construction of fences for Municipal Cemeteries in the western cluster Village - Seabe Cemetery	10/10/2017	2 Months	15/11/2017	15/02/2018	100%	None	None	4	PhU
16	Mphahlele Hygiene and Construction	Construction of fences for Municipal Cemeteries in the Eastern Cluster Village - Mvuvu Cemetery	10/10/2017	2 Months	08/1/2018	5/3/2018	100%	Delays from the Contractor in procurement of materials and slow progress	The contractor had to submit acceleration plans as to how to take the project in place and moving	3	PMU
17	Maleso Trading	Construction of fences for Municipal Cemeteries in the Western Cluster Village - Dushwanele Cemetery	10/10/2017	2 Months				The Contractor did not accept the offer	It was recommended that the project goes into re-aven	1	PMU
18	Pheko Consulting Engineers	Upgrading & Extension of reticulation networks in the Waakraai Village cluster - Mookoong Village	24/05/2015	8 Months	16/03/2017	10/5/2018	100%	Commission of booster pumps on the designs and under estimation of hard rock quantities	None	2	PhU
19	Mhako	Upgrading & Extension of reticulation networks in the Waakraai Village cluster - Mookoong Village	14/02/2017	8 Months	16/02/2017	10/5/2018	100%	Hard Rock Blasting and additional Est	Approval for Variation Order	4	PMU
20	Pheko Consulting Engineers	Upgrading & Extension of reticulation networks in the Waakraai Village cluster - Mookoong Village	24/05/2015	8 Months	16/03/2017	incomplete	90%	Commission of booster pumps on the designs and under estimation of hard rock quantities	None	2	PMU

		Upgrading & Extension of reticulation networks in the Waalkraal Village cluster Makopane Village	17/08/2016	8 Months	7/9/2016	incomplete	90%	Hard Rock Blasting and additional Eri Stats	Approval for Variation Order	1	PMU
21	Malyane Civils	Upgrading of Macopyane Bus and Taxi Route Phase 2	17-Aug-16	6 Months	15-Mar-17	31-Oct-17	100%	None	None	4	PMU
22	Shile Civils	Construction of fences for Municipal Cemeteries in the Eastern Cluster Village, Masibane	12/06/2017	2 Months	9/11/2017	23/02/18	100%	None	None	2, 5	PMU
23	Marubi copiers and projects	Construction of fences for Municipal Cemeteries in the Eastern Cluster Village Mputmanse (Trading Plot)	12/10/2017	2 Months	8/11/2017	12/12/2018	100%	None	None	4, 5	PMU
24	Mputmanse (Trading Plot)	Construction of CWB Toilets in the Eastern Cluster B: Ga-Mawwe, Makopane, Mogorong	18/1/07	4 Months	17/1/17	26/02/18	100%	None	None	4	PMU
25	TMS Consulting Engineers	Construction of CWB Toilets in the Western Cluster B: Phake & Senohole	24/04/2017	4 Months	17/08/17	8/11/2018	100%	Hard Rock & Blasting	Approval of Variation Order application	4	PMU
26	TMS Consulting Engineers Tash construction and projects	Construction of fences for Municipal Cemeteries in the Western Cluster Village, Tash construction and projects	12/10/2017	2 Months	8/11/2017	29/02/18	100%	None	None	2	PMU
27	WSSA	repair and maintenance at Purification and Sewage works	14-Oct-15	3 yrs	29-Oct-15	29-Oct-15	Satisfactory	None	None	5	Technical, Electrical
28	VTT Industries	Repair and Maintenance of Water Networks AS and When Required For the Period of three years	20-Aug-15	3 years	20-Aug-15	20-Aug-15	Satisfactory	None	None	4	Technical, Services, Water
29	Molokane Chemworks	Supply and Delivery of Water Treatment Chemicals	16-Mar-15	2 years	16-Mar-15	16-Mar-15	Satisfactory	None	None	4	Services, Water
30	Mashfu Properties	Repair and Maintenance of Sewer Networks As and When Required For the Period of three years	12-Apr-17	3 years	12-Apr-17	12-Apr-17	Satisfactory	None	None	4	Technical, Services, Water
31	Amantzi Water Laboratories Services	Water and Waste water Laboratories Services	20-Jun-16	3 years	20-Jun-16	20-Mar-19	Satisfactory	None	None	5	Services, Water
32	NIH Kosama Business Enterprise	Supply and Delivery of Hot Asphalt	28-Jun-16	3 years	8-Feb-16	8-Feb-19	Satisfactory	None	None	5	Technical, Roads
33	Calvin Chwene Construction	Supply and Delivery of Crushed Concrete Stones	29-Oct-15	3 years	29-Oct-15	29-Oct-18	Satisfactory	None	None	5	Technical, Roads
34	Enterprise	Supply and Delivery of Cement and LIME	27-Nov-15	3 years	27-Nov-15	27-Nov-18	Satisfactory	None	None	5	Technical, Roads
35	Mashonho Construction and Projects	Supply and Delivery of Cold Bituminous Products	27-Nov-15	3 years	27-Nov-15	27-Nov-18	Satisfactory	None	None	5	Technical, Roads

36	Makgala A. Thiba Trading	Office Furniture	25-Apr-17 / 24 Months	25-Apr-17	Mar-19	Makgala A Thiba Trading supply furniture as per the requests	N/A	None	Admin & Corporate Services: HRM
37	Lekay Management Services	Supply delivery and offloading of Personal Protective Equipment	25-Feb-16 / 3 years	25-Feb-16	Feb-19	Etienne Mandi General Construction & Projects is now supplying the Protective Equipment	Lekay Management Services CC acted in the Project to Environment General construction & Projects	None	Admin & Corporate Services: HRD - CHS
38	Malupunuka ICT (Pty) LTP	The Routine Maintenance of the Municipal ICT Infrastructure and Support Provision	24-May-16 / 3 years	1-Jun-16	31-May-19	The Service Provider is responsible for the daily Routine Maintenance of the Municipal ICT Infrastructure and support They report on a monthly basis	N/A	None	Admin & Corporate Services: ICT
39	Malupunuka ICT (Pty) LTP	The supply, installation and Maintenance of the digital multi-function photocopier machines	14-Sep-17 / 3 years	1-Oct-17	30-Sep-20	Supplier, installed 32 digital multi-functional photocopier machines and provide maintenance of 3 machines	N/A	None	Admin & Corporate Services: Secretariat/ICT

VOLUME: II

2017/2018 AFS



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Dr JS Moroka Local Municipality

Dr JS Moroka Local Municipality
Annual Financial Statements
for the year ended June 30, 2018

Accepted
By
2018-11-30

Auditor General South Africa

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local Municipality
Mayoral committee	
Executive Mayor	Madifeng W.T (Elected 12 September 2017) Skosana G.J (Resigned 12 September 2017)
MMC Social Development	Mdkuli D.M
MMC Public Safety, Roads & Transport	Mtsweni M.G
MMC Planning & Infrastructure	Segalagala J
MMC Finance & LED	Sibanyoni L.B
MMC Admin & Corporate Services	Sekwala J.M
Speaker	Mathabe R.S
Council Whip	Ntšifane M.S
Councillors	Mahlangu J.S Nkoane M.R Madonsefa T.L Mashishi M.W Banda M.D Nkadimeng S.L Phahla S.M Mthiwethafa N.C Shabangu M.M Ratsoma P.G Ndlovu A.Z Mahlangu D.P Mnguni P.P Masango A Mphuthi J.M Mthimunye W.E Skhosana J.C Mkweni J.T Masilela M.L Skosana C.B Aphane S.P Namane A.M Komape A.N Mojela B.N Mkhondo M.S Matji J.S Makgaloa C.M Leballo J.M Nkgodi J.S Lebelo L.K Sekanka M.E Nyatio T.M Lekakala T.I Legong T.B Majombosi T.R Makola K.D Moselane M.M

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

General Information

	Mahlangu K Ngoatle M.M Malatjie R.J Mashigoana D.K Masombuka N.Z Ngoako M.M Mtsweni D.N Ntuli K.B Mokoala V.D Baloyi L.W Selala H.N Rankapole M.M Ratfadi S.J Maoka R.N Makgakela B.M Maja S.R
Grading of local authority	Grade 3
Capacity	Low
Chief Finance Officer (CFO)	Letsoalo MT
Acting Accounting Officer	Monkoe MF
Registered office	A2801/3 Bongimfundo Street Siyabuswa 0472
Business address	A2801/3 Bongimfundo Street Siyabuswa 0472
Postal address	Private Bag X4012 Siyabuswa 0472
Bankers	ABSA Bank Limited Marble Hall Branch
Auditors	Auditor General South Africa
Attorneys	Nkadimeng Inc Machaba Incorporated Attorneys KA-Mbonane Inc
Published	August 31, 2018

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Index

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

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The following supplementary information does not form part of the audited annual financial statements.

MPAC	Municipal Public Accounts Committee
MEGA	Mpumalanga Economic Growth Agency
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
SARS	South Africa Revenue Service
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
INEP	Integrated National Electrification Programme
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
WSOG	Water Services Operating Grant
EPWP	Expanded Public Works Programme

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the 01 July 2018 to June 30, 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certify that salaries, allowances and benefits of Councillors as disclosed in note 26 of these Annual Financial Statements are in line with the upper limits of framework envisaged in section 219 of the Constitution read with Remuneration of Public Office Bearers Act, Act no 20 of 1998 and section 124 of the Municipal Management Act, Act 56 of 2003.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements of Dr JS Moroka Municipality set out on pages 5 to 67, which have been prepared on going concern basis, were approved by the municipality on August 31, 2018 and were signed on its behalf by:


Monikoe MF
Acting Accounting Officer

Siyabuswa

Friday, August 31, 2018



Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local municipality and operates principally in South Africa.

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

Net surplus of the municipality is R 117,017,515 (2017: deficit R 41,886,353).

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality's current liabilities exceed its current assets by R 13 237 265 and 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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year which might require adjustment to the financial information.

4. Accounting policies

The annual financial statements prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board and National Treasury guidelines.

5. Accounting Officer

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

Name	Nationality	Changes
Monkoe MF	South African	Appointed Thursday, March 1, 2018
Mahlangu MJ	South African	Appointed Wednesday, November 8, 2017, resigned Wednesday, February 28, 2018
Rampedi MR	South African	Appointed Tuesday, August 1, 2017, resigned Tuesday, November 7, 2017
Mahlangu BS	South African	Resigned Monday, July 31, 2017

6. Bankers

The municipality banks primarily with ABSA Bank Limited.

7. Auditors

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

8. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commencement text.

Audited
By
2018-11-30

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Accounting Officer's Report

During the financial period under review 30 June 2018, Dr JS Moroka Local Municipality did not enter into any Public Private Partnership agreements.

9. Consumer debtors

The book value of consumer debtors is standing at R85 559 936 as of 30 June . The above figure is determined after an amount of R280 800 017 in respect of allowance for impairment has been taken into account.

10. mSCOA adoption

During the financial year the municipality adopted the mSCOA, this resulted in the reclassification of some votes in the financial statements.

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Statement of Financial Position as at June 30, 2018

	Notes	2018 R	2017 Restated* R
Assets			
Current Assets			
Inventories	3	3,516,457	4,124,982
Other financial assets	4	-	1,706,585
Operating lease asset		89,800	-
Receivables from exchange transactions	5	10,871,983	12,499,666
Receivables from non-exchange transactions	6	756,700	1,620,497
VAT receivable	7	7,072,426	-
Consumer debtors	8	101,653,786	60,286,627
Cash and cash equivalents	9	1,009,906	2,506,658
		124,971,058	82,745,015
Non-Current Assets			
Investment property	10	154,170	154,170
Property, plant and equipment	11	1,896,254,213	1,819,008,869
Intangible assets	12	249,723	491,507
		1,896,658,106	1,819,654,546
Total Assets		2,021,629,164	1,902,399,561
Liabilities			
Current Liabilities			
Finance lease obligation	13	-	2,387,021
Trade payables	14	115,193,649	102,867,332
VAT payable	50&53	-	12,097,173
Consumer deposits	15	501,679	483,449
Unspent conditional grants and receipts	16	814,517	-
Provisions	17	2,860,587	2,742,445
Long service bonus liability	18	1,307,000	389,000
		120,677,432	120,966,420
Non-Current Liabilities			
Provisions	17	22,497,139	18,948,551
Long service bonus liability	18	10,179,000	9,336,000
		32,676,139	28,284,551
Total Liabilities		153,353,571	149,250,971
Net Assets		1,868,275,593	1,753,148,590
Accumulated surplus		1,868,275,593	1,753,148,590

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Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Statement of Financial Performance

		30 June 2018	30 June 2017 Restated*
	Note(s)	R	R
Revenue			
Revenue from exchange transactions			
Service charges	19	84,874,578	68,318,306
Rental of facilities and equipment	20	404,089	333,801
Interest on receivables (trading)	21	25,877,818	20,846,457
Licences and permits	22	4,269,687	3,314,362
Operational revenue	23	12,021,385	5,249,063
Interest received - investment	24	3,529,215	3,940,080
Fair value adjustments		-	75,000
Total revenue from exchange transactions		130,776,772	102,077,069
Revenue from non-exchange transactions			
Property rates	25	39,063,321	33,003,582
Transfers and subsidies	26	505,218,353	462,773,437
Traffic fines		2,780,525	2,282,470
Total revenue from non-exchange transactions		547,062,199	498,059,489
Total revenue	27	677,838,971	600,136,558
Expenditure			
Employee related costs	28	(184,332,057)	(165,426,349)
Remuneration of councillors	29	(22,209,829)	(21,204,997)
Depreciation and amortisation	30	(53,567,745)	(59,028,649)
Impairment loss	31	(1,304,240)	(1,049,799)
Finance costs	32	(2,805,585)	(1,602,837)
Operating leases	33	(3,147,503)	(939,667)
Bad debts provision	34	(46,405,007)	(62,170,784)
Contracted services	35	(151,710,191)	(179,677,499)
Assets write down		-	(57,729,099)
Fair value adjustments	4	(259,121)	-
Actuarial gains recognised	18	(33,000)	(95,000)
Operational Cost	36	(95,047,178)	(93,098,231)
Total expenditure		(560,821,456)	(642,022,911)
Surplus (deficit) for the year		117,017,515	(41,886,353)

Dr JS Moroka Local Municipality
 Annual Financial Statements for the ended June 30, 2018

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2016 as restated	1,795,034,944	1,795,034,944
Changes in net assets		
Surplus for the year	65,281,889	65,281,889
Correction of prior year errors (refer to note 42)	(107,168,243)	(107,168,243)
Total changes	(41,886,354)	(41,886,354)
Restated* Balance at July 1, 2017	1,751,258,078	1,751,258,078
Surplus for the year	117,017,515	117,017,515
Total changes	117,017,515	117,017,515
Balance at June 30, 2018	1,868,275,593	1,868,275,593

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Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Cash Flow Statement

	Note(s)	30 June 2018 R	30 June 2017 Restated* R
Cash flows from operating activities			
Receipts			
Sale of services		65,660,964	49,529,458
Grants		472,419,754	427,408,000
Other receipts		10,293,436	19,936,912
		548,374,154	496,874,370
Payments			
Employee costs		(203,042,466)	(186,631,346)
Suppliers		(235,306,125)	(205,485,903)
Other payments		(9,817,358)	(1,941,061)
		(448,165,949)	(394,058,310)
Net cash flows from operating activities	39	100,208,205	102,816,060
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(98,928,934)	(98,829,317)
Purchase of other intangible assets	12	-	(425,890)
Net cash flows from investing activities		(98,928,934)	(99,255,207)
Cash flows from financing activities			
Finance lease payments		(2,387,023)	(3,265,832)
Benefit paid		(389,000)	(287,000)
Finance costs		-	(389,311)
Net cash flows from financing activities		(2,776,023)	(3,942,143)
Net increase/(decrease) in cash and cash equivalents		(1,496,752)	(381,290)
Cash and cash equivalents at the beginning of the year		2,506,658	2,887,948
Cash and cash equivalents at the end of the year	9	1,009,906	2,506,658

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Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue from exchange transactions						
Revenue						
Service charges	40,000,000	18,005,000	58,005,000	84,674,578	26,669,578	Consumer accounts were settle more than expected. More water supplied to Sekhukhune District
Rental of facilities and equipment	500,000	-	500,000	404,089	(95,911)	Less utilisation by the community members due to the poor conditions
Interest earned- Outstanding debtors	2,500,000	-	2,500,000	25,877,818	23,377,818	Increased due to non payment of services.
Licence and permits	5,000,000	-	5,000,000	4,269,887	(730,313)	Less licenses were issued during the year, delays in opening for testing centre
Other income	3,250,000	505,000	3,755,000	12,021,385	8,266,385	
Interest received - investment	5,500,000	4,250,000	9,750,000	3,529,215	(6,220,785)	Some interest forfeited due to early withdrawal of investment
Total revenue	56,750,000	22,760,000	79,510,000	130,776,772	51,266,772	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	18,500,000	(5,000,000)	13,500,000	39,083,321	25,583,321	more properties were livied for property rates
Transfer revenue						
Government grants & subsidies	465,845,000	2,500,000	468,345,000	505,218,353	36,873,353	Donations received were incorporated in to the grants and subsidies as required by mSCOA

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Fines, Penalties and Forfeits	250,000	-	250,000	2,780,525	2,530,525	more tickets were issued during the year
Total revenue from non-exchange transactions	484,595,000	(2,500,000)	482,095,000	547,062,199	64,967,199	
Total revenue	541,345,000	20,260,000	561,605,000	677,838,971	116,233,971	
Expenditure						
Personnel	(179,997,000)	(4,713,000)	(184,710,000)	(184,332,057)	377,943	
Remuneration of councillors	(20,000,000)	(3,200,000)	(23,200,000)	(22,209,829)	990,171	
Depreciation and amortisation	(150,000,000)	-	(150,000,000)	(53,567,745)	96,432,255	
Impairment loss	-	-	-	(1,304,240)	(1,304,240)	
Finance costs	-	(250,000)	(250,000)	(2,805,585)	(2,555,585)	mainly due to the interest calculated for land fill sites and long service bonus
Contracted services	(45,750,000)	(11,750,000)	(57,500,000)	(151,710,194)	(94,210,194)	Due to the re-classification of mSCOA, most items were moved from Repairs and Maintenance to Contracted Services.
Debt Impairment	(39,495,000)	-	(39,495,000)	(46,405,007)	(6,910,007)	
Repairs and maintenance	(52,210,000)	8,890,000	(43,320,000)	-	43,320,000	Due to the re-classification of mSCOA, most items were moved from Repairs and Maintenance to Contracted Services
General Expenses	(130,850,696)	(522,000)	(131,372,696)	(96,394,423)	34,978,273	Due to the re-classification of mSCOA, the item forms part of General Expenditure
Actuarial gains recognised	-	-	-	(33,000)	(33,000)	
Total expenditure	(618,302,696)	(11,545,000)	(629,847,696)	(558,762,080)	71,085,616	
Surplus before taxation	(76,957,696)	8,715,000	(68,242,696)	119,076,891	187,319,587	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(76,957,696)	8,715,000	(68,242,696)	119,076,891	187,319,587	
Reconciliation						

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	4,863,037	-	4,863,037	3,516,457	(1,346,580)	Less inventory items were bought
Other financial assets	5,000,000	-	5,000,000	-	(5,000,000)	Stanlib investment account was closed during the financial year
Operating lease asset	-	-	-	89,800	89,800	
Receivables from exchange transactions	7,912,000	-	7,912,000	10,871,983	2,959,983	Increase of debtors due to non payment by debtors
Receivables from non-exchange transactions	-	-	-	756,700	756,700	
VAT receivable	-	-	-	7,072,426	7,072,426	
Consumer debtors	37,244,000	-	37,244,000	101,653,786	64,409,786	Increase of debtors due to non payment by consumers mainly due to early withdrawal of investments
Cash and cash equivalents	1,871,000	-	1,871,000	1,009,906	(861,094)	
	56,890,037	-	56,890,037	124,971,058	68,081,021	
Non-Current Assets						
Investment property	154,170	-	154,170	154,170	-	
Property, plant and equipment	1,909,449,000	-	1,909,449,000	1,896,254,213	(13,194,787)	more PPE projects were implemented in the current year, hence the increase
Intangible assets	774,000	-	774,000	249,723	(524,277)	No additions for intangible were procured during the year
	1,910,377,170	-	1,910,377,170	1,896,658,106	(13,719,064)	
Total Assets	1,967,267,207	-	1,967,267,207	2,021,629,164	54,361,957	



Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Liabilities						
Current Liabilities						
Trade payables	79,770,000	-	79,770,000	115,193,649	35,423,649	increase due to non payment, because of cash flow challenges
Consumer deposits	182,000	-	182,000	501,679	319,679	
Unspent conditional grants and receipts	-	-	-	814,517	814,517	
Provisions	4,595,000	-	4,595,000	2,860,587	(1,734,413)	
Long service bonus liability	-	-	-	1,307,000	1,307,000	
	84,547,000	-	84,547,000	120,677,432	36,130,432	
Non-Current Liabilities						
Provisions	39,437,000	-	39,437,000	22,497,139	(16,939,861)	
Long service bonus liability	-	-	-	10,179,000	10,179,000	
	39,437,000	-	39,437,000	32,676,139	(6,760,861)	
Total Liabilities	123,984,000	-	123,984,000	153,353,571	29,369,571	
Net Assets	1,843,283,207	-	1,843,283,207	1,868,275,593	24,992,386	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1,843,283,207	-	1,843,283,207	1,877,298,007	34,014,800	

Audited
By
2018-11-30
Auditor General South Africa

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	54,392,000	(2,137,000)	52,255,000	49,962,067	(2,292,933)	
Grants	439,592,000	2,500,000	442,092,000	427,408,000	(14,684,000)	
Interest income	13,000,000	(5,550,000)	7,450,000	-	(7,450,000)	
Other receipts	49,308,000	(28,354,000)	20,954,000	19,936,912	(1,017,088)	
	556,292,000	(33,541,000)	522,751,000	497,306,979	(25,444,021)	
Payments						
Employee costs and suppliers	(427,530,000)	34,724,826	(392,805,174)	(390,953,494)	1,851,680	
Finance costs	(159,000)	(51,000)	(210,000)	-	210,000	
Transfer and subsidies	(3,569,000)	(35,000)	(3,604,000)	(1,941,061)	1,662,939	
	(431,258,000)	34,638,826	(396,619,174)	(392,894,555)	3,724,619	
Net cash flows from operating activities	125,034,000	1,097,826	126,131,826	104,412,424	(21,719,402)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(123,602,000)	-	(123,602,000)	(100,919,506)	22,682,494	
Purchase of other intangible assets	-	-	-	(425,890)	(425,890)	
Net cash flows from investing activities	(123,602,000)	-	(123,602,000)	(101,345,396)	22,256,604	
Cash flows from financing activities						
Finance lease payments	-	-	-	(3,265,832)	(3,265,832)	
Finance costs	-	-	-	(389,311)	(389,311)	
Net cash flows from financing activities	-	-	-	(389,311)	(389,311)	
Net increase/(decrease) in cash and cash equivalents	1,432,000	1,097,826	2,529,826	2,577,717	147,891	
Cash and cash equivalents at the beginning of the year	4,825,000	9,327,060	14,152,060	120,184,096	106,032,036	
Cash and cash equivalents at the end of the year	6,257,000	10,424,886	16,681,886	122,861,813	106,179,927	
Reconciliation						

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

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

1.2 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

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

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

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

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

Cost model

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

the useful life of the property, is as follows:

Item	Useful life
Property - land	indefinite

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

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

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

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Accounting Policies

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	5-50
Plant and machinery	Straight line	3 - 50
Furniture and fixtures	Straight line	3 - 20
Transport Assets	Straight line	3 - 20
Office equipment	Straight line	3 - 20
IT equipment	Straight line	3 - 20
Infrastructure	Straight line	3 - 60

Accounting Policies

1.3 Property, plant and equipment (continued)

Community

Straight line

10 - 50

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

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

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

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

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

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

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

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

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

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

1.4 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Accounting Policies

1.4 Property, plant and equipment (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability after 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.

1.5 Intangible assets

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Accounting Policies

1.5 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 17

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

1.6 Financial instruments

Classification

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Impairment losses are not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.6 Investments in associates (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost. The overdraft recorded as a liability in the statement of financial position.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 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.

Accounting Policies

1.7 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 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.

1.8 Inventories

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of the business.

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.

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.

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

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

1.9 Impairment of cash-generating assets

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

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.10 Employee benefits

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

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

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

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

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

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

The salaries, allowances and benefits of Councillors are dealt with the upper limits of framework envisaged in section 219 of the constitution read with Remuneration of Public Office Bearers Act, Act no 20 of 1998 and section 124 of the Municipal Finance Management Act, Act 56 of 2003.

The salaries, wages, allowances and benefits for employees for rendering of services are recognised in the statement of financial performance in the period incurred.

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

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

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

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

1.11 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.

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.

Accounting Policies

1.11 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.

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the note to annual financial statements..

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:

Accounting Policies

1.11 Provisions and contingencies (continued)

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

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.12 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.

Measurement

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

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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

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

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

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

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

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

1.14 Investment income

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

1.15 Borrowing costs

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

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

1.16 Comparative figures

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

1.17 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 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.

1.18 Fruitless and wasteful expenditure

Fruitless and wasteful 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 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.

2018-01-30

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Accounting Policies

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not condoned in terms of section 170;

Expenditure incurred by a municipality or municipal entity in Contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 30 No. 20 of 1998); or

Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law

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

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

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

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

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Budget information

The general purpose of financial reporting by the municipality, shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 7/1/2017 to 6/30/2018.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 18.

1.22 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 national and provincial spheres of government are considered to be related parties.

Accounting Policies

1.22 Related parties (continued)

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Events after reporting date

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

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

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

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

1.24 Capital Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in outflow of resources.

Capital commitments are not recognised in statement of financial position as a liability, but are included in the disclosure notes.

1.25 Value-Added Tax

The municipality applies the payments basis for VAT purposes as per the Value-Added Tax Act. Output tax is payable as and when the purchase consideration are received and input will be claimed as and when payments is made.

1.26 Receivables form non-exchange transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognised as an asset when , and only when:

- (a) It is probable that the future economic benefits or service potential associated with the asset will flow to the entity
- (b) The fair value of the assets can be measured reliably.

Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current

In the current , the municipality has adopted the following standards and interpretations that are effective for the current financial and that are relevant to its operations:

BY
2018-11-30
The Hon. C. J. ...

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	April 1, 2017	
• GRAP 109: Accounting by Principals and Agents	April 1, 2017	

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	April 1, 2019	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	April 1, 2019	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	April 1, 2019	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	April 1, 2019	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	April 1, 2019	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	April 1, 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	April 1, 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	April 1, 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	April 1, 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	April 1, 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	April 1, 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	April 1, 2018	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	April 1, 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	April 1, 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	April 1, 2018	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	April 1, 2018	Unlikely there will be a material impact

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Paragraph .59 was amended by improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

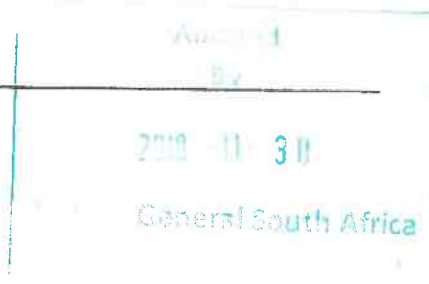
An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 1, 2015.



Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 1, 2015.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this Interpretation is dependent on/in conjunction with the effective date of GRAP106, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2015 annual financial statements.

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2015 annual financial statements.

3. Inventories

Storm water supplies	127,819	593,200
Consumable stores	1,849,308	2,252,130
Mechanical supplies	367,644	371,035
Electrical supplies	374,687	410,772
Water supplies	287,833	217,483
Pipe fitting	509,188	280,362
	3,516,457	4,124,982

4. Other financial assets

Designated at fair value		
Stanlib Collective Investments: Unit trusts (Acc No 1005687)	-	1,706,585
Total other financial assets	-	1,706,585

Current assets

Designated at fair value	-	1,706,585
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Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Stanlib Investment opening balance	1,706,585	1,542,422
Additions for the year	-	89,163
Fair value adjustment	(259,121)	75,000
Withdrawals for the year	(1,447,464)	-
The investment has no defined maturity date.		
	-	1,706,585

5. Receivables from exchange transactions

Consumer agreement	181,823	1,786,000
Interest accrued	76,683	59,989
Debtors on sale of stands	1,049,777	1,089,977
Other receivables	9,563,700	9,563,700
	10,871,983	12,499,666

Dr JS Moroka Local Municipality
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Notes to the Annual Financial Statements

	2018 R	2017 R
6. Receivables from non-exchange transaction		
Fines	9,590,830	7,003,765
Allowance for impairment	(8,834,130)	(5,383,268)
	756,700	1,620,497
7. VAT Receivables		
VAT	7,072,426	-
8. Consumer debtors		
Gross balances		
Rates	100,673,353	72,157,985
Water	134,721,091	76,264,570
Sewerage	27,474,029	17,778,138
Refuse	28,714,604	18,546,709
Interest and other	74,776,876	97,300,351
	366,359,953	282,047,753
Less: Allowance for impairment		
Rates	(56,903,893)	(37,348,753)
Water	(94,841,836)	(60,548,639)
Sewerage	(24,528,531)	(16,177,496)
Refuse	(26,917,540)	(17,662,088)
Interest and other	(61,514,367)	(90,024,150)
	(264,706,167)	(221,761,126)
Net balance		
Rates		
Water	43,769,460	34,809,232
Sewerage	39,879,255	15,715,931
Refuse	2,945,498	1,600,642
Interest and other	1,797,064	884,621
	13,262,509	7,276,201
	101,653,786	60,286,627
The following receivables from exchange transactions are included above		
Water	39,879,255	19,048,446
Sewerage	2,945,498	1,634,476
Refuse	1,797,064	1,945,403
Interest and other	13,262,509	8,123,616
	57,884,326	30,751,941
The following receivable from non-exchange transactions is included above		
Rates	43,769,460	48,750,063
Net balance	101,653,786	79,502,004

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Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
8. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	1,395,272	913,008
31 - 60 days	1,390,712	828,419
61 - 90 days	1,386,797	822,636
> 90 days	39,596,679	32,245,169
	43,769,460	34,809,232
Water		
Current (0 -30 days)	2,720,157	853,142
31 - 60 days	5,476,582	392,918
61 - 90 days	1,240,966	407,616
> 90 days	30,441,550	14,062,255
	39,879,255	15,715,931
Sewerage		
Current (0 -30 days)	253,122	24,064
31 - 60 days	199,541	21,360
61 - 90 days	105,172	18,749
> 90 days	2,387,663	1,536,469
	2,945,498	1,600,642
Refuse		
Current (0 -30 days)	203,281	23,801
31 - 60 days	134,601	22,957
61 - 90 days	124,773	22,551
> 90 days	1,334,409	815,312
	1,797,064	884,621
Interest and other		
Current (0 -30 days)	230,899	111,970
31 - 60 days	1,469,361	103,784
61 - 90 days	888,100	99,601
> 90 days	10,674,149	6,960,846
	13,262,509	7,276,201

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
8. Consumer debtors (continued)		
Summary of debtors by customer classification		
Government		
Current (0 -30 days)	6,135,736	8,128,199
31 - 60 days	9,034,089	4,662,377
61 - 90 days	4,167,902	4,209,607
91 - 120 days	3,284,960	4,099,877
>121days	61,099,685	45,070,165
	<u>83,722,373</u>	<u>66,170,225</u>
Less: Allowance for impairment	(13,673,648)	(5,874,746)
	<u>70,048,725</u>	<u>60,295,479</u>
Business		
Current (0 -30 days)	849,660	913,963
31 - 60 days	794,346	725,107
61 - 90 days	605,866	694,326
91 - 120 days	448,167	551,632
121 - 365 days	21,256,305	15,839,804
	<u>23,954,344</u>	<u>18,724,832</u>
Less: Allowance for impairment	(22,914,788)	(15,839,804)
	<u>1,039,556</u>	<u>2,885,028</u>
Households and Other		
Current (0 -30 days)	5,179,197	3,758,120
31 - 60 days	6,149,558	3,317,755
61 - 90 days	6,098,803	3,737,291
91 - 120 days	5,983,665	3,201,856
121 - 365 days	235,272,013	180,251,730
	<u>258,683,236</u>	<u>194,266,752</u>
Less: Allowance for impairment	(228,117,731)	(177,945,255)
	<u>30,565,505</u>	<u>16,321,497</u>
Total		
Current (0 -30 days)	12,164,593	12,800,282
31 - 60 days	15,977,993	8,705,239
61 - 90 days	10,872,571	8,641,224
> 90 days	327,344,796	251,901,008
	<u>366,359,953</u>	<u>282,047,753</u>
Less: Allowance for impairment	(264,706,167)	(221,761,126)
	<u>101,653,786</u>	<u>60,286,627</u>
Less: Allowance for impairment		
Current (0 -30 days)	(8,966,254)	(7,986,392)
31 - 60 days	(8,877,180)	(19,965,981)
61 - 90 days	(246,862,733)	(193,808,753)
	<u>(264,706,167)</u>	<u>(221,761,126)</u>
Total debtor past due but not impaired		
>121 days	61,099,686	41,501,894

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
8. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(221,761,126)	(161,379,175)
Contribution to provision	(42,946,041)	(60,381,951)
	(264,706,167)	(221,761,126)

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1,009,906	2,300,461
Short-term investments	-	206,197
	1,009,906	2,506,658

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2018	30 June 2017	June 30, 2016	June 30, 2018	30 June 2017	June 30, 2016
ABSA BANK - 406-952-9871- Cheque account	87,262	178,692	21,070	87,262	178,692	21,070
ABSA BANK - 40-5285-3972 - cheque account (Primary Account)	828,559	2,560,555	2,889,080	828,560	2,093,636	2,866,878
ABSA BANK - 40-9074-1909- Cheque account	94,088	1,000	-	94,088	1,000	-
FNB - 62685633060 - Fixed deposit	-	26,506	-	-	26,506	-
Total	1,009,909	2,766,753	2,910,150	1,009,910	2,299,834	2,887,948

10. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	154,170	-	154,170	154,170	-	154,170

Reconciliation of investment property - 2018

	Opening balance	Total
Land	154,170	154,170

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	154,170	154,170

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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10. Investment property (continued)

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

Details of valuation

The valuation was based on the report conducted by HP Matidza professional valuer (Reg No: 4953/7) from Ndala Mass valuation. The general evaluation came into effect on 01 July 2014.

The valuations was based on deemed cost approach, in line with the municipality adopted approach in valuation of investment properties. The deemed cost is described as per GRAP Directive 7 [4].

11. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	334,819,504	-	334,819,504	334,819,504	-	334,819,504
Buildings	85,050,562	(62,896,945)	22,153,617	85,050,562	(58,150,083)	26,900,479
Plant and machinery	29,286,448	(12,593,503)	16,692,945	25,936,448	(9,556,666)	16,379,782
Furniture and fixtures	13,808,654	(7,915,321)	5,893,333	12,978,838	(6,609,837)	6,369,001
Transport assets	42,603,839	(27,895,901)	14,707,938	41,765,701	(25,223,191)	16,542,510
Office equipment	4,030,459	(2,387,563)	1,642,896	3,909,559	(1,935,311)	1,974,248
IT equipment	15,941,077	(5,490,476)	10,450,601	12,739,402	(3,230,282)	9,509,120
Infrastructure	1,429,415,504	(190,177,388)	1,239,238,116	1,238,219,566	(158,072,253)	1,082,147,313
Community	172,365,975	(88,138,593)	84,227,382	168,234,370	(83,635,809)	84,598,561
Assets under construction	166,427,881	-	166,427,881	237,876,984	-	237,876,984
Other leased Assets	-	-	-	8,487,694	(6,596,327)	1,891,367
Total	2,293,749,903	(397,495,690)	1,896,254,213	2,170,018,628	(351,009,759)	1,819,008,869

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfer	Donations received	Depreciation	Impairment	Total
Land	334,819,504	-	-	-	-	-	334,819,504
Buildings	26,900,479	-	-	-	(4,746,862)	-	22,153,617
Plant and machinery	16,379,782	-	-	3,350,000	(2,103,713)	(933,124)	16,692,945
Furniture and fixtures	6,369,001	829,822	-	-	(926,207)	(379,283)	5,893,333
Transport Assets	16,542,510	838,138	-	-	(2,672,710)	-	14,707,938
Office equipment	1,974,248	145,200	-	-	(218,774)	(257,778)	1,642,896
IT equipment	9,509,120	3,065,431	-	136,243	(1,560,518)	(699,675)	10,450,601
Infrastructure	1,082,147,313	-	161,270,271	29,925,668	(34,105,136)	-	1,239,238,116
Community	84,598,581	-	4,228,175	-	(4,600,354)	-	84,227,382
Assets under construction	237,876,984	94,050,343	(165,499,446)	-	-	-	166,427,881
Other leased Assets	1,891,367	-	-	-	(1,891,367)	-	-
	1,819,008,869	98,928,934	-	33,411,911	(52,825,641)	(2,269,860)	1,896,264,213

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Transfer	Depreciation	Impairment	Total
Land	334,819,504	-	-	-	-	334,819,504
Buildings	32,095,478	-	-	(5,194,999)	-	26,900,479
Plant and machinery	17,528,862	879,336	-	(2,028,416)	-	16,379,782
Furniture and fixtures	6,345,825	689,010	-	(666,834)	-	6,368,001
Transport Assets	18,554,567	-	-	(2,012,057)	-	16,542,510
Office equipment	2,117,887	29,865	-	(173,504)	-	1,974,248
IT equipment	10,035,125	229,350	-	(755,355)	-	9,509,120
Infrastructure	1,057,643,027	14,293,056	42,136,056	(31,924,826)	-	1,082,147,313
Community	88,284,188	-	642,887	(3,278,715)	(1,048,789)	84,598,561
Assets under construction	181,744,679	98,911,249	(42,778,944)	-	-	237,876,984
Other leased Assets	5,325,508	-	-	(3,434,141)	-	1,891,367
	1,754,494,650	115,031,866	(1)	(49,467,847)	(1,048,789)	1,819,008,869

WIP projects taking a significantly longer period of time to complete than expected

Fresh Produce Project

21,121,696

The Fresh Produce Project started in 2008 first payment was in 2009. Due to various factors such as community protests regarding the initial site of the project, the Municipality was forced to move the project to its current location during the 2012/2013 financial year. The project has been delayed with community protests since inception, during 2013/2014 financial year the delays were due to contractor not having material on site due to cash flow problems. Further more there delays due to sub contractor not being paid hence they stopped work. Due to the slow progress of the initial contractor and his unwillingness to complete project on time, a new contractor had to be appointed which caused further delays. The revised completion date was 2015 but was once again delayed due to community protests causing the project not to be completed. The new completion date was scheduled for 2016/2017 financial year end but due to protest in May to July of 2016 the project was further delayed.

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

2018	2017
R	R

11. Property, plant and equipment (continued)

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

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
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12. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,453,883	(1,204,160)	249,723	1,453,883	(962,376)	491,507

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	491,507	(241,784)	249,723

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	443,607	425,890	(377,990)	491,507

13. Finance lease obligation

Minimum lease payments due - within one year	-	2,470,563
less: future finance charges	-	(83,542)
Present value of minimum lease payments	-	2,387,021
Present value of minimum lease payments due - within one year	-	2,387,021

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 9% (2017 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

14. Trade payables

Trade payables	39,411,658	39,129,524
Income received in advance	1,120,260	1,561,108
ENatis	5,226,056	1,088,493
Leave accrued	18,822,408	16,615,267
Accrued bonus	4,243,730	4,533,135
Payroll accruals	860,391	670,701
Third party payables	4,191,473	-
Retentions	41,317,673	39,269,104
	115,193,649	102,867,332

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
15. Consumer deposits		
Water	466,769	120,524
Refuse	7,702	-
Housing rental	27,208	362,925
	501,679	483,449

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts WSIG	814,517	-
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Movement during the

Balance at the beginning of the year	-	294,802
Additions during the	139,817,000	124,984,000
Income recognition during the	(139,002,483)	(125,278,802)
	814,517	-

See note 26 for reconciliation of grants from National/Provincial Government.

17. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Change in estimates	Interest charge	Total
Siyabuswa landfill	15,200,665	1,188,340	1,312,912	17,701,917
Libangeni landfill	6,490,331	637,347	528,131	7,655,809
	21,690,996	1,825,687	1,841,043	25,357,726

Reconciliation of provisions - 2017

	Opening Balance	Change in estimates	Interest charge	Total
Siyabuswa landfill	13,696,003	1,504,662	-	15,200,665
Libangeni landfill	5,416,137	616,184	458,010	6,490,331
	19,112,140	2,120,846	458,010	21,690,996

Non-current liabilities	22,497,139	16,948,551
Current liabilities	2,860,587	2,742,445
	25,357,726	21,690,996

Environmental rehabilitation provision

The municipality has two landfill site for which the calculation was made and those calculations of the closure costs have been based on an estimations.

Siyabuswa landfill estimated 20 years in 2011 and the landfill has now been closed, a remaining life of zero years has been used for these valuations since 2013.

The expected remaining life of the Libangeni landfill is estimated at 32 years.

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
18. Long service bonus liability		
Reconciliation of assets and liabilities		
Opening accrued liability	9,725,000	8,088,000
Service cost	1,236,000	1,109,000
Interest cost	881,000	720,000
Actuarial gain/loss	33,000	95,000
Benefit paid	(389,000)	(287,000)
	11,486,000	9,725,000

Nature of Liability

The employer's long service bonus awards consist of an obligation to pay out a bonus in the year of the employee attaining the required service. This obligation represents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the employer's current policy. Dr JS Moroka offers bonuses for every 5 years of completed service from 10 years to 45 years.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. Dr JS Moroka advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Summary of actuarial assumptions

The long service bonus awards are a function of accumulated leave days. The long service bonus awards is a function of annual leave days and is convertible into cash in the year the employee attains the service eligible for an award. As a result the award is also function of the employee's annual salary.

The annual salary is converted into a daily salary by dividing the annual salary by 250. The consumer price inflation of 6.82% p.a. is obtained from the differential between the long term market yield on the index-linked bond (the R197 at 1.56% p.a.) consistent with the estimated term of the liabilities and those of nominal bond (the R186 at 8.48% p.a.). However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have assumed that salary inflation will exceed consumer price inflation by 1% per annum. The assumption regarding the relative levels of these two rates is our expectation of the long-term average. Accounting Standard IAS19 defines the determination of the investment return assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used.

The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations." As such a discount rate of 8.51% p.a. has been used. This was derived from the yield curve, without a tax adjustment, obtained from the Bond.

Liability valuation method

Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date. In determining these liabilities, due allowance has been made for future award increases. For each employee, this projection is based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. In accordance with the requirements of IAS19, the Projected Unit Credit method of funding has been applied.

19. Service charges

Sale of water	70,906,745	54,495,419
Sewerage and sanitation charges	7,191,639	7,427,007
Refuse removal	6,576,194	6,395,880
	84,674,578	68,318,306

During the year the water billing changed from meter readings to flat rate, a resolution to that effect is in place.

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
20. Rental of facilities and equipments		
Municipal buildings	157,518	117,517
Community halls	186,215	138,160
Stadium	34,661	26,500
Bussiness stalls	25,696	51,624
	404,090	333,801
21. Interest on receivables		
Interest on arrears accounts	25,877,817	20,837,502
Interest on trading accounts	-	8,955
	25,877,817	20,846,457
22. Licence and permits		
Motor licencing	4,062,700	3,190,616
Trading licence	206,987	123,746
	4,269,687	3,314,362
23. Operational revenue		
Community service fee	290,756	460,798
Advertising	133,819	231,909
Sundry income	772,792	635,662
Application for tenders	1,306,611	1,334,007
Agency fee	2,849,041	2,291,428
Administration fees	6,668,366	295,259
	12,021,385	5,249,063
24. Interest received		
Interest revenue		
Interest on fixed deposit	3,529,215	3,940,080

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
25. Property rates		
Rates received		
Residential	8,891,799	9,109,480
Commercial	6,969,412	8,311,614
State	24,617,866	21,022,235
Small holdings and farms	445,856	187,914
Less: Income forgone	(1,861,612)	(5,627,661)
	39,063,321	33,003,582
Valuations Roll		
Residential	1,271,706,520	1,271,706,520
Commercial	122,020,597	122,020,597
State	1,137,910,050	1,137,910,050
Small holdings and farms	406,139,461	406,139,461
	2,937,776,628	2,937,776,628

The valuation on land and building are performed every 5 years. The general Valuation roll came into effect on the 01 July 2014. The basic rates of R0.017252 (R0.001540: 2016) on the value of agricultural land and buildings, R0.017252 (R0.017252:2018) on the value of commercial business land and buildings, R0.017252 (0.017252:2016) on the value of state land and buildings and R0.0072 (R0.0072:2016) on the value of residential land and buildings are applied to determine assessment rates. These rates were agreed to the approved tariff policy.

Dr JS Moroka Local Municipality

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Notes to the Annual Financial Statements

	2018 R	2017 R
26. Transfers and Subsidies		
Equitable share	328,528,000	302,718,802
Municipal Infrastructure Grant	132,371,000	119,102,000
Financial Management Grant	1,700,000	1,625,000
WSIG Grant	1,685,483	-
EPWP Grant	3,246,000	4,257,000
Education Training and Development Practices SETA	279,818	-
Nkangala District Municipality - donations	33,411,908	20,830,346
Department of Culture, Sport and Recreation	-	562,451
Mpumalanga Economic Growth Agency	-	2,351,275
Department of Public Works - sale of stands	3,996,144	11,326,563
	505,218,353	462,773,437

Equitable Share

In terms of section 227 of the Constitution, the equitable share grant is used to subsidise the provision of basic services and the day to day operations of the municipality.

Municipal Infrastructure grant

Current-year receipts	132,557,694	119,102,000
Conditions met - transferred to revenue	(132,557,694)	(119,102,000)

Conditions still to be met - remain liabilities (see note 16).

The grant is used to supplement municipal capital budgets to eradicate backlogs on municipal infrastructure utilised in providing basic services. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Financial Management Grant

Current-year receipts	1,700,000	1,625,000
Conditions met - transferred to revenue	(1,700,000)	(1,625,000)

Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Dr JS Moroka Local Municipality
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Notes to the Annual Financial Statements

	2018 R	2017 R
26. Transfers and Subsidies (continued)		
MSIG		
Balance unspent at beginning of	-	99,224
Return to Treasury	-	(99,224)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant was used to assist the municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the local government municipal systems act 32 of 2000. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

EPWP

Current-year receipts	3,246,000	4,257,000
Conditions met - transferred to revenue	(3,246,000)	(4,257,000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The grant was used to provide poverty and income relief through temporary work for the unemployed to carry out socially useful activities. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

WSIG Grant

Current-year receipts	2,500,000	-
Conditions met - transferred to revenue	(1,685,483)	-
	814,517	-

The grant was used to finance the refurbishment, operation and maintenance of the water treatment plant.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Revenue

Service charges	84,674,578	68,318,306
Rental of facilities and equipment	404,089	333,801
Interest received (trading)	25,877,818	20,846,457
Licences and permits	4,269,687	3,314,362
Operational revenue	12,021,385	5,249,063
Interest received - investment	3,529,215	3,940,080
Property rates	39,063,321	33,003,582
Transfers and subsidies	505,218,353	462,773,437
Fines, Penalties and Forfeits	2,780,525	2,282,470
	677,838,971	600,061,558

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	2018 R	2017 R
27. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	84,674,578	68,318,306
Rental of facilities and equipment	404,089	333,801
Interest on receivables	25,877,818	20,846,457
Licences and permits	4,269,687	3,314,362
Operational Revenue	12,021,385	5,249,083
Interest received - investment	3,529,215	3,940,080
	130,776,772	102,002,069
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	39,063,321	33,003,582
Transfer revenue		
Transfers and subsidies	505,218,353	462,773,437
Fines, Penalties and Forfeits	2,780,525	2,282,470
	547,062,199	498,059,489

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Notes to the Annual Financial Statements

	2018 R	2017 R
28. Employee related costs		
Basic	119,299,848	110,398,721
Bonus	9,679,895	8,607,743
Medical aid - company contributions	9,768,427	8,829,462
UIF	898,317	937,392
SDL	1,563,369	1,297,307
Leave pay provision	2,602,540	2,414,893
Pension fund contribution	23,558,155	22,093,711
Travel, motor car, accommodation, subsistence and other allowances	8,293,662	4,379,723
Overtime payments	637,034	3,358,991
Acting allowances	1,391,210	-
Housing benefits and allowances	1,130,523	2,099,470
Cellphone allowance	1,119,976	931,091
Bargaining council	56,783	48,709
Group life contributions	28,910	29,136
Standby Allowance	4,303,408	-
	184,332,057	165,426,349

Remuneration of Municipal Manager

Annual Remuneration	654,962	1,167,483
Contributions to UIF, Medical and Pension Funds	73,308	241,362
Benefits and allowances	90,956	201,669
	819,226	1,610,514

For the duration of 2017/2018 financial year, the accounting officer for the municipality was Mr Mahlangu BS whose contract ended on 31 July 2017. Mrs Rampedi MR was appointed by council as the acting accounting officer effective from 01 August 2017 to 7 November 2017. Mr Mvonselwa J Mahlangu was appointed as the accounting officer effective from 8 November 2017 and he passed away on 28 February 2018. Mr Monkoe MF was appointed as acting accounting officer from 1 March 2018.

Remuneration of Chief Finance Officer

Annual Remuneration	661,500	453,067
Backpay	53,424	-
Annual Bonuses	-	37,755
Contributions to UIF, Medical and Pension Funds	159,870	105,862
Acting allowance	-	172,842
Benefits and allowances	269,105	201,626
	1,143,899	971,152

Remuneration of Technical Manager

Annual Remuneration	682,079	775,589
Backpay	53,424	4,660
Contributions to UIF, Medical and Pension Funds	163,738	150,321
Benefits and allowances	140,502	123,192
Acting allowance	-	82,218
	1,039,743	1,136,980

Remuneration of Community Development Services Manager

Annual Remuneration	621,400	586,765
Acting allowance	28,925	27,348
Annual Bonus	-	37,756

Dr JS Moroka Local Municipality

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Notes to the Annual Financial Statements

	2018 R	2017 R
28. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	207,847	199,068
back pay	53,424	-
Benefits and allowances	218,156	230,819
	1,129,752	1,081,756

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
28. Employee related costs (continued)		
Remuneration of Adim & Corporate Services Manager		
Annual Remuneration	786,736	769,205
Backpay	53,424	4,660
Contributions to UIF, Medical and Pension Funds	143,710	141,864
Acting allowance	69,277	-
Benefits and allowances	145,365	143,213
	1,198,512	1,058,942
29. Remuneration of councillors		
Executive Mayor	490,484	777,347
Speaker	831,352	718,541
Chief Whip	699,334	641,447
Members of Moyalal Committee	3,215,426	3,404,332
Chairpersons of section 79 committees	2,859,764	2,575,319
Other councillors	14,113,469	13,088,011
	22,209,829	21,204,997
30. Depreciation and amortisation		
Property, plant and equipment	53,567,745	59,028,649
31. Impairment of assets		
Impairments		
Property, plant and equipment	1,304,240	1,049,799
32. Finance costs		
Finance leases	83,541	424,827
Other interest	2,722,044	1,178,010
	2,805,585	1,602,837
33. Operating leases		
Photo copying machine		
Operating lease expenditure	3,147,503	939,667
Minimum Lease payments		
Due within 1 year	4,196,671	-
Due within 2 to 5 years	5,245,839	-
	9,442,510	-
<p>The operating lease constitutes a lease for printers by the Municipality. The lease was effective 01 October 2017 and will run for a period of 36 months. Upon termination of the contract the Municipality must return the goods at its own expense to the service provider in good working order and condition, fair wear and tear expected</p>		
34. Bad debts provision		
Movement in bad debts provision	46,405,007	62,170,784

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Notes to the Annual Financial Statements

	2018 R	2017 R
35. Contracted services		
Information Technology Services	7,887,642	11,550,697
Repairs and Maintenance	54,177,440	60,068,765
Security	29,540,905	29,437,578
Specialist Services	16,069,613	22,570,626
Other Contractors	44,034,591	56,049,833
	151,710,191	179,677,499
36. Operational Cost		
Advertising	707,954	822,562
Auditors remuneration	5,179,697	4,037,350
Bank charges	199,723	171,225
Cleaning	4,986,949	2,701,991
Heritage	-	615,160
Donations	-	6,539,017
Refreshment	1,553,609	1,201,424
Community development and training	-	1,743,772
Conferences and seminars	2,896,701	2,612,037
IT expenses	3,722,298	945,564
Motor vehicle expenses	3,748,362	602,480
Printing and stationery	4,125,913	2,638,849
Subscriptions and membership fees	1,859,272	1,481,047
Telephone and fax	972,325	84,178
Training	891,083	2,527,049
Travel - local	3,071,847	3,862,944
Electricity	31,694,765	31,319,257
Uniforms	820,496	15,200
Tourism development	101,324	137,050
Waste management	-	89,400
Free basic services	9,817,358	1,961,057
Compensation commission	1,014,259	1,438,611
Landfill	1,825,687	2,120,846
Ward committee Support	4,099,351	2,395,554
Consumables	604,952	6,925,258
Other expenses	11,153,233	13,367,929
Restructuring	-	741,420
	95,047,178	93,096,231
37. Fair value adjustments		
Other financial assets		
• Other financial assets (Designated at FV through statement of financial performance)	(259,121)	75,000
38. Auditors' remuneration		
Fees	5,179,697	4,037,350

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
39. Cash generated from operations		
Surplus (deficit)	117,017,515	(41,886,353)
Adjustments for:		
Depreciation and amortisation	53,567,745	59,028,649
Assets written down	-	57,729,099
Gain/loss on long service benefit	33,000	95,000
Fair value adjustments	259,121	(75,000)
Finance costs	2,805,584	1,602,837
Impairment loss	1,304,240	1,049,799
Debt impairment	46,405,007	62,170,784
Movements in operating lease assets and accruals	(89,800)	-
Donation (non cash)	(33,275,665)	(17,197,391)
Free basic services	9,817,358	1,961,057
Service cost	1,236,000	1,109,000
Changes in working capital:		
Inventories	608,525	458,840
Trade receivables	(84,395,739)	(72,052,742)
Receivable non exchange transaction	(2,596,171)	14,981,949
Receivable exchange transaction	105,503	1,354,110
Trade payables	5,742,834	23,399,182
VAT	(19,169,599)	9,080,274
Unspent conditional grants and receipts	814,517	(294,802)
Consumer deposits	18,230	301,768
	100,208,205	102,816,060

40. Commitments

Authorised capital expenditure

Already contracted for but not completed

• Property, plant and equipment	36,520,874	82,717,969
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Total capital commitments

Already contracted for but not provided for	36,520,874	82,717,969
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Authorised operational expenditure

Total commitments

Total commitments

Authorised capital expenditure	36,520,874	82,717,969
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This committed expenditure relates to rental of plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated, etc.

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

2018
R

2017
R

41. Contingencies

Contingent liabilities

1. Dumisani J Mashiga - This is a claim against the municipality in the amount of R700 000 in respect of wrongful arrest and detention.

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Africa

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

	2018 R	2017 R
41. Contingencies (continued)		
2. Thathazakho Taxi Association - This is a claim against the municipality which dispute relating to two rival taxi association regarding a taxi route with the municipality as one of the respondents and ordered to implement the court order.		
3. Mozma Trading Case no. 1565/2017 - This is a claim against the municipality for breach of contract for the amount of R1 267 194-92 including interest of 15.5% from the date of the breach.		
4. Black Archives - To defend a claim for monies due for services allegedly rendered by the Plaintiff in the matter, such "damages" being in the sum of R 87, 612.92. Our offices are attending to set down our exception in the matter for argument.		
5. E.B. Shiga - Our offices have received no further pleadings or notices from the Plaintiff's attorneys to date and are of the view that: The Plaintiff's in the matter have instructed their attorneys on a contingency basis / and/or have run out of funds in the matter; and that in light of same, it is strongly advisable that our offices take no further action until prompted by the Plaintiff's attorneys. It is strongly possible at this stage that the matter may die a quiet and slow death and intend to pend the matter accordingly. We trust same is in order and shall report further in due course. The Plaintiff is claiming damages from the Municipality. Instructions given to defend to the matter. Potential claim against the Municipality: R 900, 000.00, plus interest and legal costs.		
6. Ndhlovu A J Inc - Our offices are attending to serve our Bill of cost upon the opposing side, following which, the matter will be set down by the court for taxation. Our offices shall report further in due course. The Plaintiff withdrew its Action in the sum of R 412, 635.00 against the Municipality, agreeing to pay the latter's Party and Party Costs. Tax Bill of Costs. No risk to the Municipality		
7. Aubrey Sindane - Our offices are attending to serve our Bill of cost upon the opposing side, following which, the matter will be set down by the court for taxation. Our offices shall report further in due course. Tax a Bill of Costs. No risk to the Municipality		
8. Mahlangu Attorneys - Our offices are attending to serve our Bill of cost upon the opposing side, following which, the matter will be set down by the court for taxation. Our offices shall report further in due course. Defend the action for outstanding legal fees, brought by the Plaintiff. No risk to the Municipality. Action withdrawn.		
9. Brian Tebogo Phatlane - The Plaintiff in the matter, upon receiving our previous correspondence regarding jurisdiction over the road in question, has, in contravention of the agreement between the parties to withdraw the action against the municipality, attended to apply for joinder of the MEC for Mpumalanga for Public Works, Roads and Transport. Based on the grounds that said application does not prejudice the municipality's rights, our offices have not opposed same (said opposition would have placed the municipality at financial risk). Our offices will, however, remind the Plaintiff's attorneys of their obligation in terms of the agreement between the parties, failing their compliance in terms thereof, our offices shall attend to report the conduct of the Plaintiff's attorneys to the law society of the northern provinces. Our offices shall report further in due course. The Plaintiff is claiming payment of delictual damages in the sum of R 709, 953.32 from the Municipality, together with interest thereon at 10,25 % and costs of suit. Instructions given to defend the action for delictual damages brought by the Plaintiff's attorneys. Risk to Municipality: R 709, 953.32, plus costs and interest		
10. Johannes Maobane - Our offices have, to date, not received the written proof of authority by the Applicant's attorney, to act on behalf of all of the applicants in the matter. Our offices shall attend to deliver our mock bill and pend our file, awaiting further proof from the said attorneys. The Applicant has made application to the Pretoria High Court for an order, uplifting a stay of execution on a writ for movable property against the Municipality for the sum of R51, 666.75 (which amount was in terms of a Bill of Costs which the Municipality intended and took steps to Review). Defend the application brought by the Applicants in the matter. Potential risk: (minimal given legal steps taken and lack of any response from Applicant's attorneys) R51, 666.75, plus interest and legal costs.		
11. Bopape Elizabeth Maite - Kindly be advised that our offices have received a Notice of Set Down, setting down our Exception in the matter for 25 September 2018 (the Plaintiff appears not to have complied with the practice directives in terms of setting same down). Our offices shall report further in due course. The Plaintiff is suing the Municipality for delictual damages in the sum of 25, 000, 000.00, being in respect of injury to a minor child as a result of allegedly falling off a concrete water pipe which formed part of works being attended to by the Municipality. Defend the action for delictual damages brought by the Plaintiff's attorneys. Potential risk: R25, 000, 000.00, plus interest and legal costs.		
12. Interdict Unlawful Occupation - Our offices have, following a recent site visit with Counsel in the matter, have proposed that		

Dr JS Moroka Local Municipality
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Notes to the Annual Financial Statements

2018
R

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R

41. Contingencies (continued)

Client attend to urgently furnish our offices with a list of documents and availability of various parties for the purposes of attending to an informal and carefully planned approach (meeting) with the interested parties for the purposes of expediting settlement, removal of the two structures and buy-in by the potential occupants, into the existing development plan. Our offices shall report further in due course. Our offices have been instructed to interdict unlawful occupants from occupying Municipal owned property. Evict unlawful occupants of Municipal owned land. Potential risk to Municipality: None at this point.

13. Ditiro IT Resource & Services and Sizwe IT - The Plaintiff in the matter, Sizwe IT Group, has served Summons in the matter upon the municipality and our offices have attended to serve and intention to defend and Plea in the matter. Our offices have received Notices to remove causes of complaint in terms of Rule 23 (1) and Rule 30 of the Uniform Rules, to which, Counsel has prepared a response and an objection thereto has been raised by the Plaintiff's attorneys. Our offices shall report further in due course. A rental agreement between the parties has lapsed and the Municipality require that the service provider remove the machinery rented from Municipal premises, as same is frustrating the new service providers execution of its mandate to perform in terms of a Service Level Agreement entered into with the Municipality. Instructions Demand removal of machinery owned by the opposing party and/or make application compelling same. Potential risk against municipality: R3, 418,270.20, plus interest and legal costs.

14. Merchant West - Our offices have attended to write a letter to the Plaintiff, requesting copies of the alleged Master Rental Agreement, together with all supporting documentation in support of their alleged claim. Our offices shall report further in due course. Our offices have been instructed to defend a potential action by the Plaintiff in terms of a Letter of Demand, to make payment in the sum of R302,508.53, being monies allegedly owing in terms of a Master Rental Agreement for services rendered by the Plaintiff to the Municipality. To defend the contemplated action in the matter. Potential risk to Municipality: R302, 508.53, plus interest and legal costs.

Contingent assets

1. The Curve / Crystal Spark JV - This is a claim by the Municipality on the amount of R5 996 572.09. The curve failed to perform its obligations in terms of the agreement with the municipality.

2. J.J. Mamabolo - Our offices have been unsuccessful with settlement negotiations with the debtor herein and are attending to proceed with litigation of the matter. Municipality's claim against the Defendant; R65,047.39, plus interest and legal costs. Payment in the sum of R 65, 047.39 in respect of contractual damages in respect of a Learnership Agreement, together with interest and legal costs.

3. P.M. Mtsweni - Our offices have been unsuccessful with settlement negotiations with the debtor herein and are attending to proceed with litigation of the matter. Payment in the sum of R 47, 085.00 in respect of contractual damages in respect of a Learnership Agreement and Payment in the sum of 59, 280.85 in respect of monies erroneously paid by the Municipality to the latter, together with interest and legal costs. Municipality's total claim against the Defendant: R 106, 365.85, plus interest and legal costs.

4. T.S. Mahlangu - Our offices have been unsuccessful with settlement negotiations with the debtor herein and are attending to proceed with litigation of the matter. Payment in the sum of R 32, 831. 00 in respect of contractual damages in respect of a Learnership Agreement, together with interest and legal costs. Municipality's claim against the Defendant: R 32, 831. 00, plus interest and legal costs.

5. There are work in progress projects to be donated by Nkangala district municipality on completion the details are as follows

Project No	Project description	Amount
4151/16	Replace asbestos pipes	12 631 925.65
34393	Kabenziwa storm water	239 981.44
34404	Kakarela road	566 503 .50

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Notes to the Annual Financial Statements

	2018 R	2017 R
42. Prior period errors		
k		
1. Property, Plant and Equipment		
Balance as previously reported		1 883 411 686
Adjustment for prior period errors		(63 830 106)
Restated balance		1 819 581 580
There restatement is due to Buildings, Infrastructure and Community assets which were duplicated and which were no longer in use. All adjustment for restatement is due to engineer findings and recommendations. In the year 2016, infrastructure (Bloedfontein project) was completed but not capitalised to infrastructure it was still under WIP.		
2. Service charges		
Balance as previously reported		65 432 360
Adjustment for prior period errors		2 885 945
Restated balance		68 318 305
Correction of errors (negative billings and over billing of customers account) on the billing report for basic service charges to ensure that the billing report is inline with the tariff structures.		
3. Property rates		
Balance as previously reported		57 693 651
Adjustment for prior period errors		(24 690 069)
Restated balance		33 003 582
Correction of errors of overstatement of revenue as a result of debit note fom property rates related to 2009/10 to 2014/15		
4. Other financial assets		
Balance as previously reported		1 556 585
Adjustment for prior period errors		150 000
Restated balance		1 706 585
Correction closing balance of investment account for stanlib was not correspond with bank confirmation as 30 June 2017 after realising that fair value adjustment journal was not proceed correctly		
5. Furniture & Fittings		
Balance as previously reported		665,833.73
Adjustment to incorrect depreciation		15,263.00
Balance restated		681,096.73.
Correction of error of overstatement of prior year depreciation		
6. Office Equipment		
Balance as previously reported		173 504.13
Adjustment to incorrect depreciation		(60 567.13)
Balance restated		112 937.00
Correction of error of understatement of prior year depreciation		
7. Computer equipment		
Balance as previously reported		755 355.31
Adjustment to incorrect depreciation		(15 088.31)
Balance restated		740 267.00
Correction of error of understatement of prior year depreciation		
8. Plant and machinery		
Balance as previously reported		2 028 415.79
Adjustment to incorrect depreciation		- 192 635.79

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Notes to the Annual Financial Statements

	2018 R	2017 R
42. Prior period errors (continued)		
Balance restated		1 835 780.00
Correction of error of understatement of prior year depreciation		
9. Bad debts provision		
Balance as previously reported		40 071 334
Adjustment to incorrect write off		79 828 548
Balance restated		119 899 882
Correction of provision for bad debts was under provided in 2017.		

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decrease in property, plant and equipment	-	(83,840,106)
Decrease in Consumer debtors	-	(19,215,376)
Increase in Other financial assets	-	150,000
Decrease in accumulated surplus	-	106,605,532
Statement of Financial Performance		
Increase in Depreciation and amortization	-	4,073,063
Increase in Service charges	-	(2,885,945)
Decrease in Property rates	-	24,890,069
Increase in Provision for bad debts	-	79,828,548
Increase in Fair value adjustment	-	(150,000)
Increase in Impairment of assets	-	1,049,799
Change in accounting policy		

43. Comparative figures

Certain comparative figures have been reclassified.

During the financial year the municipality adopted the mSCOA, this resulted in the reclassification of some votes in the financial statements.

The effects of the reclassification are as follows:

Statement of financial position - extract

	Comparative figures previously reported	Reclassificatio n	After reclassification
Consumer deposits	-	483,449	483,449
Trade payables	103,350,781	(483,449)	102,867,332
Total	103,350,781	-	103,350,781

Dr JS Moroka Local Municipality

Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

43. (continued)

Statement of financial performance - extract

	Comparative figures previously reported	Reclassificatio n	After reclassification
Repairs and maintenance	60,258,540	(60,258,540)	-
Contracted services	76,168,167	80,227,153	156,395,320
Transfers and subsidies (Revenue)	427,702,802	35,070,635	462,773,437
General expenses	135,327,636	(18,947,223)	116,380,413
Transfers and subsidies (Expenditure)	1,961,057	(1,961,057)	-
Donations	35,070,635	(35,070,635)	-
Operating lease	-	939,667	939,667
Total	736,488,837	-	736,488,837

44. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Market risk

Interest rate risk

The municipality's interest risk arises from unit trust of the municipality.

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 at fair value. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

surplus for the would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

45. Going concern

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

46. Events after the reporting date

There were no material events after reporting date that required adjustments in the financial statements.:

Dr JS Moroka Local Municipality
Annual Financial Statements for the ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

47. Unauthorised expenditure

Opening balance	74,875,779	21,931,903
Current	14,888,081	52,943,876
	89,763,860	74,875,779

The current unauthorised expenditure of R14 888 081 is due to the overspending of various votes not the total amount appropriated in the municipal approved budget.

48. Fruitless and wasteful expenditure

Opening balance	3,890,783	3,832,687
Current year	431,324	58,096
	4,322,107	3,890,783

The fruitless and wasteful expenditure for current year of R431 324 is related to interest on over due accounts.

Mentioned matters have been referred to council committee for investigation.

49. Irregular and unauthorised expenditure

Opening balance	273,993,493	315,876,071
Add: Irregular Expenditure - current year	150,554,914	173,219,943
Written off	-	(215,102,521)
Amounts for prior year identified in the current year	127,249,107	-
	551,797,514	273,993,493

Analysis of irregular expenditure

Irregular expenditure for current year is related to non compliance with SCM regulations	150,554,914	-
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50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2,226,728	983,413
Current year subscription / fee	1,795,094	2,292,728
Amount paid - previous years	(2,351,545)	(1,049,413)
	1,670,277	2,226,728

Material losses

Water distribution loss	11,683,723	13,833,087
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The water losses was determined by using actual kilolitre pumped and water billed at cost per kilolitre of R2.39 (R2.39 2017).

Audit fees

Amount paid - current year	Audited	5,179,697	4,598,670
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Audited

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	20,556,005	20,813,816
Amount paid - current year	(20,556,005)	(20,813,816)
	-	-

VAT

VAT receivable	7,072,426	-
VAT payable	-	12,097,173
	7,072,426	12,097,173

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following councillors have arrear accounts outstanding for more than 90 days at June 30, 2018:

June 30, 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahlangu DP	200	-	200
Skosana CB	370	384	754
Nkoane MR	881	6,444	7,325
Nkoane NN	377	766	1,143
Madonsela TL	245	-	245
Mdluli DM	1,891	4,658	6,349
Nkadimeng SL	754	1,453	2,207
Mathebe RS	2,186	13,072	15,258
Phaahla SM	1,389	9,884	11,273
Mthwethafa NC	364	79	443
Shabangu MM	1,273	2,763	4,036
Mtsweni MG	2,605	18,823	19,428
Ntlailane MS	169	-	169
Ratsoma PG	663	-	663
Mashishi MW	727	624	1,351
Sekwala JM	712	233	945
Komape AN	621	1,198	1,819
Banda MD	377	465	842
Mthimunye WE	436	2,540	2,976
Mkoneni JT	370	384	754
Masango A	364	79	443
Matji JS	364	79	443
Makgaloa CM	931	2,909	3,840
Leballo JM	364	79	443
Nkgodi JS	364	79	443
Lebelo LK	364	79	443
Mabena ME	364	79	443
Nyafiso TM	364	79	443
Lekalakala TI	364	79	443
Mputhi JM	364	79	443
Mahlangu S	201	-	201
Makola KD	364	79	443
Moselane MM	364	79	443
Mahlangu K	364	79	443
Masilela ML	364	79	443
Malajle RJ	364	79	443
Mashigoana DK	364	79	443
Masombuka NZ	1,670	3,897	5,567
Mtsweni DN	1,345	4,581	5,926
Ntuli KB	364	79	443
Baloyi LW	364	79	443
Selala HN	364	79	443
Rankapole MM	1,439	-	1,439
Raffadi SJ	369	219	588
Namane AM	843	5,375	6,218
Sibanyoni LB	364	79	443
Ndlovu AZ	1,456	6,646	8,102
Mojela BN	1,201	-	1,201
Skosana JC	364	79	443
Mkhondo MS	364	79	443
Makoala VD	364	79	443
	863	-	863

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

	34,372	87,056	121,428
30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahlangu JS	-	413	413
Skosana GJ	-	257	257
Nkoane MR	-	98	98
Sibanyoni LB	-	604	604
Banda MD	-	62	62
Mduli DM	-	241	241
Nkadimeng SL	-	58	58
Mathebe RS	-	371	371
Phaahla SM	-	111	111
Mthiwethafa NC	-	413	413
Shabangu MM	-	166	166
Mtsweni MG	-	1,723	1,723
Nkoane NN	-	62	62
Masango A	-	413	413
Mputhi M	-	413	413
Mthimunya WE	-	78	78
Skosana JC	-	413	413
Masilela ML	-	413	413
Namane AM	-	413	413
Mojela BN	-	413	413
Mkhondo MS	-	413	413
Maji JS	-	413	413
Makgala CM	-	186	186
Leballo JM	-	413	413
Nkgodi MR	-	413	413
Lebelo LK	-	413	413
Mabena ME	-	413	413
Nyatio TM	-	413	413
Lekalakala TI	-	413	413
Legong TB	-	413	413
Majombosi TR	-	413	413
Makola KD	-	413	413
Moselane MM	-	413	413
Mahlangu K	-	413	413
Ngoatle MM	-	413	413
Malajtie RJ	-	413	413
Mashigoana DK	-	183	183
Masombuka NZ	-	242	242
Ngoako MM	-	56	56
Mtsweni DN	-	413	413
Ntuli KB	-	413	413
Baloyi LW	-	413	413
Selaia HN	-	413	413
Rankapole MM	-	413	413
Ratladi SJ	-	413	413
Magakela BM	-	413	413
Komape AN	-	111	111
	-	16,999	16,999

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Incident		
Entertainment	638,885	256,873
Repair and Maintenance	34,798	1,780,652
Advertisement	126,953	79,115
Transport	-	271,410
Training	-	581,386
Other	2,081,265	627,559
	2,881,901	3,596,995

51. 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.

The municipality incurred expenditure amounting to R1 417 140 (2016: R3 596 995) during the financial under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

52. Particulars of Non - Compliance with the MFMA of 2003

Details		
Irregular and unauthorised expenditure	400,933,754	315,876,071
Fruitless and Wasteful Expenditure	4,322,107	3,832,687
Unauthorised expenditure	82,637,572	21,931,903
	487,893,433	341,640,661

The Municipality did not comply with the MFMA act 56 of 2003 on the above mentioned expenditures

53. VAT payable

Tax refunds payables	12,097,173
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