FETAKGOMO LOCAL MUNICIPALITY

FORMER FETAKGOMO LOCAL MUNICIPALITY
SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP) PERFORMANCE REPORT
FOR THE PERIOD 01ST JULY- 10TH AUGUST 2016

DATE: 10TH AUGUST 2016

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CHAPTER 1

INTRODUCTION

This sets out in brevity the strategic overview, the vision and mission. It then glances at the applicable legislation, policy regime and overarching purpose of the Report. A general note is also made for readers' consideration, attention and perusal. Except for this Introductory Chapter (**Chapter 1**), the following chapters make up this report. **Chapter 2**: Mayor's Foreword and Executive Summary. **Chapter 3** delves on the former Fetakgomo Local Municipality's Service Delivery and Budget Implementation Plan (SDBIP) Performance Report. The concluding chapter, **Chapter 4**, reveals corroboration.

STRATEGIC OVERVIEW

VISION

"A VIABLE MUNICIPALITY IN SUSTAINABLE RURAL DEVELOPMENT"

MISSION

"TO PROVIDE INTEGRATED SERVICES IN ENABLED ENVIRONMENT FOR GROWTH AND DEVELOPMENT"

APPLICABLE LEGISLATION, POLICY REGIME AND OVERARCHING PURPOSE

It is trite that the entirety of Chapter 6 of the Local Government: Municipal Systems Act 32 of 2000 ("the Systems Act") prescribes for development of performance management systems and monitoring mechanisms. It (the Systems Act) is the primary legislation governing and/or impinging on performance management system (PMS) in municipal government. The enactment of the Local Government: Municipal Finance Management Act 56 of 2003 ("the MFMA") introduced additional requirements for the municipal budgeting, planning and performance monitoring into the local government legislative framework. Chief amongst the management reforms introduced by the MFMA is that municipalities must develop "SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN".[1] Regarding the SDBIP, Section 53(c) (ii) of the MFMA states as follows: *"the Mayor of the Municipality must take all reasonable steps so that the municipality's Service Delivery and Budget Implementation Plan is <u>approved by the Mayor within 28 days</u>[2] after the approval of the budget"* (our underlining). The SDBIP must be submitted to the Mayor by the Municipal Manager within <u>15 days after</u> the adoption of the budget by the Municipal Council. It (SDBIP) basically operationalizes the IDP/Budget. It is drafted in compliance with the MFMA read with s40 of the Systems Act. The SDBIP is also consequent to the FTM's PMS Performance Management Policy Framework. Regard was also had to the **National Treasury's Framework for Managing Programme Performance Information** (FMPPI) dated May 2007 as well as the reports of the Auditor-General South Africa in the successive, prior financial years. Consistent with the directive from the provisions of s52 of the MFMA, quarterly reports on the implementation of financial and non-financial information are prepared for purposes of monitoring and/or formative

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[1] The MFMA Circular Number 13 (National Treasury, 2005:13) succinctly describes the SDBIP as a *"key management, implementation and monitoring tool, which provides operational content to ... the budget and IDP"*. This description succinctly fits the conceptual parameters of logic model as understood and applied by evaluation practitioners including a renowned evaluation professional Mouton (2013b: unpaged). It is on the basis of this conceptual premise, later authors (see for instance Matumane, 2013: 58) ventilated and extrapolated that the SDBIP is akin to *"a logic model"*.

[2] *"Day"* is defined in the Labour Court Rules and Practice Manual of the Labour Court of South Africa as: *"Any day other than Saturday, Sunday or Public holiday... the number of days must be calculated by excluding the first day and including the last day"* when any particular number of days is prescribed for doing something (read Tlhotlhalemaje J in the matter between *Tshidziambi Tshivhase-Phendla v University of Venda* [2014] at para 13 for finer exposition). This SDBIP accepts this definition.

and summative evaluation. The following pages set out to document the SDBIP Performance Report of the Fetakgomo Local Municipality (FTM) for the period 01st July to 06th August 2016. In short, this is an accountability document. The overarching purpose is to satisfy the general performance jurisprudential requirements and specifically accountability requirements as enshrined in Clause 6.1 of the FMPPI.

GENERAL

The following pages document the Performance Report of the Fetakgomo Local Municipality (FTM) for the foregoing reporting period (01st July to 10th August 2016) with a total of about 22 projects/programmes, 39 indicators and 45 targets. KPA1 has 1 project, 1 indicator and 1 target. KPA2 has 4 projects, 5 indicators and 5 targets. KPA3 has 2 projects, 2 indicators and 3 targets. KPA4 has 2 projects, 2 indicators and 2 targets. KPA5 has 6 projects, 15 indicators and 21 targets. KPA6 has 7 projects, 13 indicators and 13 targets. A general regard is given to narration of quantitative (especially where percentages are seemingly indispensable) targets. Where narration is not provided it is largely due to **self-explanatory nature of the project** i.e. a project which must be achieved 100% throughout the financial year. NA (Not applicable) suggests or indicates that the target or the relevant variable is not applicable. Targets are largely cumulative[3] (except for a few instances where this may not be amenable) and therefore reporting will have to be cumulative. Projects are listed according to KPAs as the derivative of the IDP/Budget. Below is the schematic representation of the results of performance of the FTM for the period under review (01st July to 10th August 2016). Same is also tabulated for purposes of clearer identifiability.

[3] According to a definition, cumulative means aggregate, amassed or growing.

CHAPTER 2

MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

His Worship The Mayor
Cllr. MJ Phokane

The legal texture and matrix governing the preparations and development of Annual Report is considered of equal application in the circumstances, in relation to the Draft Financial and Performance Report of former Fetakgomo Local Municipality for the mentioned period **01st July to 10th August 2016** viz Sections 127 and 128 of the Local Government: Municipal Finance Management Act no. 53 of 2003 read together with Section 45 of the Local Government: Municipal Systems Act 32 of 2000. Section 14 of the Public Audit Act (PAA) 25 of 2004 as well as the Guidelines on the Annual Financial Statements and Performance Reporting for Municipalities Affected by Demarcations Issued by the National Treasury dated June 2016 are of germane (relevance) herewith.

Realizing that the 2016 Local Government Elections were scheduled after the 01st July 2016, the National Treasury issued specific *"GUIDELINE ON THE ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE REPORTING FOR MUNICIPALITIES AFFECTED BY DEMARCATIONS"* dated June 2016 to guideline municipalities which were affected by demarcations in the country, Republic of South Africa. The guidelines laid down that:

- *"… municipalities… affected by the re-demarcation submit both the 2015/16 AFS and the 2016/17 AFS covering the period 01st July 2016 to the date of disestablishment, to the AG by 31st August 2016…".* and
- *"… the same submission dates be applied for the … performance reports to facilitate handover and audit process"* (National Treasury, 2016: 04).

The former Fetakgomo Local Municipality was one of the signal municipalities affected by the demarcation that conformed to, and, by extension, applied the *dicta* of the guidelines as cited above with approval. In the result, the AFS and the performance report for the period **01st July to 10th August 2016** (the latter, 10th August 2016, being the date of disestablishment) were prepared, and, in the final analysis, submitted to the Office of Auditor-General South Africa by the 31st August 2016 for auditing purposes. The guidelines intended and/or envisaged that the post-election audit for the 2016/17 financial year of the new amalgamated Lim 476 municipality would only cover the period 11th August 2016 to 30th 2017.

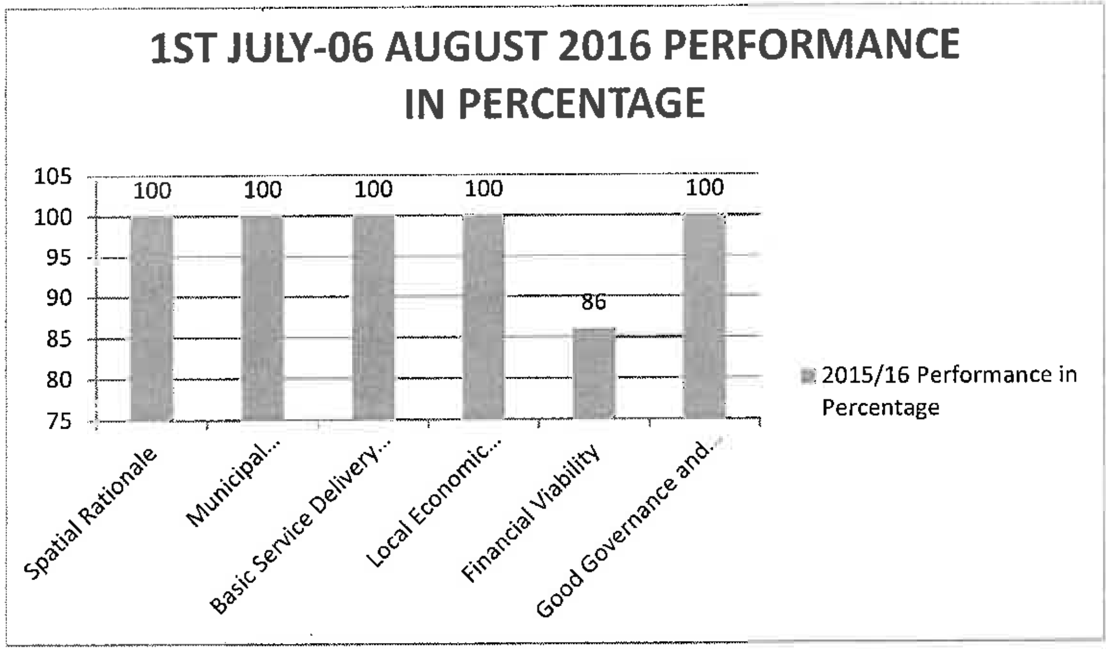
As has been the case with the 2015/16 AFS and APR, the AFS and the performance report of the former Fetakgomo Local Municipality for the mentioned period **01st July to 10th August 2016** were audited separately. These produced the *infra* results:

In respect of the financial statements, the former Fetakgomo Local Municipality **sustained** an **Unqualified Audit Opinion**. The relevant texture of the Audit Report corroborates this in the following terms: *"In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fetakgomo Municipality as at 10 August 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standard of GRAP and the requirements of the MFMA and DoRA"* (consult paragraph 6 of the Audit Report on former Fetakgomo Local Municipality for the period 01st July to 10th August 2016).

In respect of performance information, the Audit Report inferred that the performance information of the former Fetakgomo Municipality for the even period was both useful and reliable. This is axiomatic in Paragraph 19 of the Audit Report which reads: *"I did not identify any material findings on the usefulness and reliability of the reported performance for the development priorities".* Juxtaposed to prior years, it has again become uncontroverted and quite evident that the Municipality is an epitome of good performance management practices. In a wider analytical framework, it remains to encourage upholding, incorporation and/or sustenance of same into our Lim 476 Fetakgomo/Greater Tubatse Municipality. I now turn to summation in a form of schematic representation of the performance of the former FTM for the period **01st July to 31st August 2016**.

THE SCHEMATIC REPRESENTATION OF THE RESULTS OF PERFORMANCE OF THE FTM

FOR THE REPORTING PERIOD 01ST JULY TO 06TH AUGUST 2016



NUMBER	KEY PERFORMANCE AREA	NO. OF PROJECTS	NO. OF TARGETS	ACHIEVED	NOT ACHIEVED	EVALUATION PER KPA
1.	**SPATIAL RATIONALE**	01	01	01	0	100%
2.	**MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**	04	05	05	0	100%
3	**BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT**	02	03	03	0	100%
4.	**LOCAL ECONOMIC DEVELOPMENT**	02	02	02	0	100%
5.	**FINANCIAL VIABILITY**	06	21	18	03	86%
6.	**GOOD GOVERNANCE AND PUBLIC PARTICIPATION**	07	13	13	0	100%
7.	**TOTAL**	22	45	42	03	93%

The following conclusions are irresistible from the above schematic presentation:

- In the general scheme of things, the former Fetakgomo Local Municipality sustained the **good performance practice** it is long known for;
- The targets for almost all key performance areas, with an exception of financial viability (86%) were achieved par excellence **100%** for the period under review **01st July to 31st August 2016**;
- From a quantitative analytical procedure **93%** (42/45) of the targets were achieved;
- Only **7%** (3/45) of the targets could not be achieved. The reasons for non-achievement are disclosed in the Service Delivery and Budget Implementation Plan (SDBIP) Performance Report for the period that follows;
- The above paints a picture that is, in broad strokes, **rosy**;[4] and
- In a larger scale of things, it could be said that the performance remains **pleasing.**

I trust that readers, audit practitioners, municipal stakeholders and other users including evaluators will find the contents thereto useful, rich and noteworthy.

As I draw to close, I deem it fit to extol the excellent work carried performed by my predecessor former Her Worship Cllr. KRE Sefala the then Mayor of former Fetakgomo Local Municipality, her Executive Committee, Traditional Leaders and the totality of the Council as then was.

[4] The FTM has recorded a sustenance of lovely and fabulous performance..

TOGETHER LET'S MOVE THE MUNICIPALITY FORWARD!!!

Yours in local governance,

His Worship The Mayor

Cllr. MJ Phokane

CHAPTER 3

FORMER FETAKGOMO LOCAL MUNICIPALITY
SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP) PERFORMANCE REPORT
FOR THE PERIOD 01ST JULY- 10TH AUGUST 2016

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KPA 1: SPATIAL RATIONALE

OBJECTIVE: *"TO PROMOTE INTEGRATED HUMAN SETTLEMENT AND AGRARIAN REFORM"*

PROJECT 1.1: IMPLEMENTATION OF SPLUMA[5]

Performance Indicators	2015/2016 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance / Challenges	Comments / Mitigation
Turnaround time in processing[6] land use applications from the date received	15 days	15 days	**Target Achieved** **3/3** land use applications processed within 15 days from the date received	None	Land Use Application Register in place
Budget (R)	**R 42 000**	**R 500 000**	**N/A**	**N/A**	**s71 Reports**

[5] Spatial Planning and Land Use Management Act 16 of 2013.

[6] Scrutiny & evaluation of the application, site visit by the town planner, recommendations on the application and if needs be interface with relevant stakeholders such as interface with the Sekhukhune District Municipality (SDM) and the Department of Cooperative Governance Human Settlements and Traditional Authorities (CoGHSTA) and revert to applicant.

KPA 2: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

OBJECTIVE: *"TO BUILD FTM'S CAPACITY BY WAY OF RAISING INSTITUTIONAL EFFICIENCY, EFFECTIVENESS AND COMPETENCY"*

PROJECT 2.1: IMPLEMENTATION OF BACK TO BASICS (B2B)

Performance Indicators	2015/2016 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
#[7] of B2B reports generated	12 monthly B2B Reports generated	1 monthly B2B report generated	**Target Achieved** *1 B2B Report in place	None	None
Budget (R)	**R0**	**N/A**	**N/A**	**N/A**	**s71 Reports**

[7] Number.

PROJECT 2.2: INDIVIDUAL PERFORMANCE MANAGEMENT SYSTEM (PMS)

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
# of performance agreements developed & signed within legal framework	4	4 performance agreements developed & signed within legal framework	**Target Achieved** **4** performance agreements developed & signed within legal framework	None	Signed performance agreements in place
Budget	**N/A**	**N/A**	**N/A**	**N/A**	**s71 Reports**

PROJECT 2.3: LABOUR RELATIONS

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
Functionality of LLF[8]	9 LLF meetings held	1 LLF meeting held	**Target Achieved** **1** LLF meeting held on 18/07/2016	None	None
	R0	**N/A**	**N/A**	**N/A**	s71 Reports

[8] Local Labour Forum.

PROJECT 2.4: LEGAL SERVICES

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
Turnaround time in responding to legal issues	Legal Unit in place	21 days[9]	**Target Achieved** Legal issues responded within **21** days	None	None
# of reports on development and maintenance of contract register	Legal Unit in place	1 report on development and maintenance of contract register	**Target Achieved** **1** report on development and maintenance of contract register	None	None
Budget (R)	**R700 000**	**R 400 000**	**R 308 721**	**N/A**	**71 Reports**

[9] Legal issued responded within 21 days.

KPA 3: BASIC SERVICES DELIVERY AND INFRASTRUCTURE DEVELOPMENT

OBJECTIVE: *"TO FACILITATE FOR BASIC SERVICES DELIVERY AND INFRASTRUCTURAL DEVELOPMENT / INVESTMENT"*

PROJECT 3.1: CONSTRUCTION OF CULVERT DRAINAGE STRUCTURES

Performance indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
Completion date in Construction of Culvert Drainage Structures	Construction of Nchabeleng Access Street and Culvert Bridge over Mohwetse River	Construction of Culvert Drainage Structures across four nodal points: Apel: ward 03, 05, 06 & 08 Atok: ward 10,11, 12 & 13 Stydskraal: ward 07 Mphanama: ward 01, 02 & 04 *Contractors appointed *Site hand over completed *Site establishment completed	**<u>Target Exceeded</u>** Construction of Culvert Drainage Structures across four nodal points: Apel: ward 03, 05, 06 & 08 Atok: ward 10,11, 12 & 13 Strydskraal: ward 07 Mphanama: ward 01, 02 & 04 *Contractors appointed *Site hand over completed *Site establishment completed Strydskraal: ward 07: Physical progress practically complete	None	Progress Report in place to support the reported performance
Budget (R)	**R 12 000 000**	**R 6 000 000**	**R 5 249 919**	**N/A**	**MIG Report**

PROJECT 3.2: REFUSE REMOVAL

Performance indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
# of villages sustained refuse removal services	4 villages	4 villages sustained refuse removal services (Nkoana, Apel, Nchabeleng and Mohlaletse)	**Target Achieved** **4** villages sustained refuse removal services (Nkoana, Apel, Nchabeleng and Mohlaletse)	None	None
# of businesses and gov. depts. sustained refuse removal services	19 businesses and gov. departments serviced *14 health facilities *4 businesses *1 gov department (SAPS)	18 businesses and gov. departments serviced *14 health facilities[10] *3 businesses *1 government department (SAPS[11])	**Target Achieved** **18** businesses and gov. departments serviced ***14** health facilities ***3** businesses ***1** gov department (SAPS)	Fluctuating figures due to economical & other operational requirements receptors such as businesses	Continuous engagements with receptors & regular updating of the municipal refuse receptors data
Budget (R)	**R1 500 000**	**R 500 000**	**R 463,058**	**N/A**	**s71 Reports**

[10] Clinics / health center.
[11] South African Police Service (Apel Area)

KPA 4: LOCAL ECONOMIC DEVELOPMENT

OBJECTIVE: *"TO PROMOTE LOCAL ECONOMIC DEVELOPMENT IN THE FETAKGOMO MUNICIPAL AREA"*

PROJECT 4.1: LOCAL BUSINESS SKILLS DEVELOPMENT

Performance Indicator	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance / Challenges	Comments / Mitigation
# of Cooperatives / SMMEs[12] empowerment initiatives[13] facilitated	12 Trainings/Workshops facilitated	1 Training/Workshop facilitated	**Target Achieved** *21-22 July 2016: **1** Training facilitated on Basic Financial Management	None	None
Budget (R)	**R90 000**	**R25 000**	**R 6000**	**N/A**	**s71 reports**

PROJECT 4.2: MINING ENGAGEMENT FACILITATION

Performance Indicator	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance / Challenge	Comments / Mitigation
# of mining engagements[14] held	4 mining engagement sessions	1 mining engagement session	**Target Achieved** *29 July 2016 1 engagement session (meeting) held	None	None
Budget (R)	**R0**	N/A	N/A	N/A	N/A

[12] Small Micro Medium Enterprises.
[13] Training/workshops.
[14] Meetings / letters.

KPA 5: FINANCIAL VIABILITY (OUTPUT 06)
OBJECTIVE: *"TO IMPROVE MUNICIPAL FINANCE MANAGEMENT"*
PROJECT 5.1: REVENUE MANAGEMENT

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments / Mitigation
% debt collected from billed revenue	98% Rental of council facilities	Rental of facilities 98% (R153400)	**Target Not Achieved:** **63%** collected (14477.64 / 22981.94)	National Treasury refuse outstating balance and ATOK unemployment committee reluctant to pay the billed amount.	Advocate in partnership for payment & collection of billed revenue
	6 % Refuse removal	Refuse removal 30% (R 102600)	**Target Not Achieved:** **0.07%** collected (514 / 710,726.07)	The communities are reluctant to pay their billing in relation to refuse removal.	Continuous community mobilization for payment of services
	16 % Property Rates	Property rates 30% (R 2700 000)	**Target Exceeded:** **63%** collected (1 445,957.71 / 1 602 586.25)	None	None
Budget (R)	**R0**	**N/A**	**N/A**	**N/A**	**S71**

PROJECT 5.2: ASSET AND INVENTORY MANAGEMENT

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
# of assets maintenance monthly reports	GRAP 17	1 Assets Maintenance Reports	**Target Achieved** 1 Asset Maintenance Report in place	None	None
# of assets counts conducted	12 asset count conducted	1 Assets counts concluded	**Target Achieved** 1 Asset count report in place	None	None
# of inventory reports produced	12 compliance inventory reports produced	1 Inventory Reports produced	**Target Achieved** 1 Inventory report in place	None	None
# of inventory counts conducted	100% compliance to GRAP12	1 Inventory count report	**Target Achieved** 1 Inventory count report in place	None	None
Budget (R)	**R2 070 000**	**R500 000**	**R 453 038**	**N/A**	**s71 Reports**

PROJECT 5.3: BUDGET & FINANCIAL REPORTING

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
# of MFMA compliance reports submitted	4 MFMA Statutory Reports	1 Monthly Report (s71)	**Target Achieved** 1 monthly (July) Report in place (s71 report)	None	None
	12 Bank Reconciliation	1 Bank Reconciliation	**Target Achieved** 1 monthly (July) bank reconciliation in place.	None	None
	12 Petty Cash Reconciliations	1 Petty Cash Reconciliations	**Target Achieved** 1 month (July) petty cash reconciliation in place.	None	None
	12 Debtors and Creditors reconciliation	1 Debtors and Creditors reconciliations	**Target Achieved** 1 monthly (July) Debtors and Creditors reconciliation in place	None	None
	12 Payroll reconciliation	1 Payroll reconciliations	**Target Achieved** 1 monthly (July) payroll reconciliation in place	None	None
Budget (R)	**R0**	**N/A**	**N/A**	**N/A**	**S71 Reports**

PROJECT 5.4: SCM IMPLEMENTATION

Performance Indicator	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
Frequency in updating the database	List of Tender Awarded Reports.	2 times	**Target Achieved** **2** list of tender award reports are in place.	None	None
# of key SCM reports	4 reports	2 SCM reports submitted -Tenders awarded report -Service providers' performance report	**Target Achieved** **2** SCM reports in place *Tenders awarded report generated *Service Providers' performance report	None	None
% bids awarded to **SMMEs**	80% of bids awarded to SMMEs	20% of bids awarded to SMMEs.	**Target Exceeded** **100% (4/4)** bids awarded to SMMEs	None	None
% bids awarded to local **SMMEs**	35% of total procurement a warded to local SMME's	10% of bids awarded to local SMMEs	**Target Exceeded** **25% (1/4)** of bids awarded to local SMMEs	None	None
% tenders above R100 000 submitted to National Treasury	Procurement contract information report	100% tenders above R100 000 submitted to National Treasury	**Target Achieved** **100% (4/4)** tenders above R100,000 submitted to National Treasury	None	None
Budget (R)	**R0**	**N/A**	**N/A**	**N/A**	**s71 Reports**

PROJECT 5.5: EXPENDITURE MANAGEMENT

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
Turnaround time for payment of creditors	Creditors paid within 30 days	Creditors paid within 30 days	Target Achieved *Creditors were paid within 30 days for the reporting period	None	None
Budget (R)	**R0**	**N/A**	**N/A**	**N/A**	**s71 Report**

PROJECT 5.6: OPERATION CLEAN AUDIT

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
# of irregular expenditure reduced	0	0 irregular expenditure	Target Achieved **0** irregular expenditure	None	None
# of fruitless & wasteful expenditure	3	0 fruitless expenditure	Target Not Achieved **2** fruitless & wasteful expenditures (ESKOM & TELKOM)	Delayed posting of the invoices leading to incurrence of interest	Continuous engagement with ESKOM, TELKOM and South African Postal Services for expeditious solution to the challenge
# of unauthorized expenditure	0	0 unauthorized expenditure	Target Achieved **0** unauthorized expenditure	None	None
Budget (R)	**R0**	**N/A**	**N/A**	**N/A**	**s71**

GOOD GOVERNANCE AND PUBLIC PARTICIPATION (OUTPUT 05)
OBJECTIVE: *"TO ENHANCE GOOD GOVERNANCE AND PUBLIC PARTICIPATION"*
PROJECT 6.1: SPECIAL PROGRAMMES

Performance Indicators	**2015/16 Baseline**	**01/07/2016 - 06/08/2016 Target**	**Progress**	**Variance/ Challenges**	**Comments/Mitigation**
# of youth development initiatives[15] unfolded	3 initiatives	1 initiative	**Target Achieved** 1 initiative *Youth Elections Marathon	None	None
# of initiatives[16] towards Mandela Day	2 initiatives	4 initiatives towards Mandela Day	**Target Exceeded** 7 initiatives towards Mandela Day *Painting & Cleaning of Selemagae Creche *Painting & Cleaning of Kopano Ke Maatla Creche *Painting & Cleaning of Maloke Creche *Painting & Cleaning of Mathetse Creche *Painting & Cleaning of Mooiplats Creche *Painting & Cleaning of Lerena Re Kakgona Disability School *Painting & Cleaning of Matleu Primary School	None	None
Budget (R)	**R440 000**	**R600 000**	**R 81 875**	**N/A**	**s71 Reports**

[15] Youth Elections Marathon / Youth Matric Awards / Back To School Campaigns.
[16] Painting / cleaning of educational facilities / crèches / schools / disability centers.

PROJECT: COUNCIL FUND - EVENT MANAGEMENT

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
# of EXCO meetings	4 EXCO meetings	1 EXCO meeting held	<u>**Target Achieved**</u> 1 Ordinary EXCO Meeting held on 25th July 2016	None	None
Functionality of Council	4 Ordinary Council meetings	1 Ordinary Council meeting held	<u>**Target Achieved**</u> 1 Ordinary Council Meeting held on 29th July 2016	None	None
Budget	**R224 100**	**R200 000**	**R 142 280**	**N/A**	**s71 Reports**

PROJECT: MARKETING AND PUBLICITY

Performance Indicators	**2015/16 Baseline**	**01/07/2016 - 06/08/2016 Target**	**Progress**	**Variance/ Challenges**	**Comments/Mitigation**
# of media relations initiatives[17]	4 Initiatives	1 media relations initiative	**Target Achieved** **1** media relations initiative: *Public Notice for 1st Ordinary Council Meeting (29/07/2016) published on City Press of 24th July 2016	None	None
Turnaround time for issues reported and addressed	Complaints register, Presidential & Premiers' hotlines	21 days -Community -Presidential hotline -Petition Committee -Public Protector -Premier's hotline -COGHSTA's hotline -Compliments & Complaints Register	**Target Achieved** ***02/02** issues received reported and addressed[18] within 21 days	None	None
Budget (R)	**R120 000**	**R50 000**	**N/A**	**N/A**	**s71 Reports**

[17] Electronic or press media statement / announcement / advertisement / notice.
[18] Resolved or Referred to the relevant authority.

PROJECT: CORPORATE PERFORMANCE MANAGEMENT SYSTEM (PMS)

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
# of Performance Makgotla	2 Performance Makgotla	1 Performance Makgotla	**Target Achieved** *1 Performance Lekgotla held on the 28/07/2016 for 2015/16 4th Quarter Performance	None	Lekgotla Resolution Register
# of in- year reports generated	4 reports	1 in-year report[19] generated	**Target Achieved** *1 in-year report (SDBIP Performance Report for the period 01/07/2016 to 06//08/2016) generated.	None	None
Budget (R)	**R0**	**N/A**	**N/A**	**N/A**	**s71 Reports**

[19]For the period 01/07/2016 to 06/08/2016.

PROJECT: INTERNAL AUDIT

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance / Challenges	Comments / Mitigation
Completion date in reviewing Internal Audit Plan	Approved 2014/2015 Internal Audit Plan	Development and Approval of Internal Audit plan for 2016/17	**Target Achieved** Internal Audit Plan review completed as served in the Council on 29/07/2016	None	None
Completion date in reviewing Internal Audit Charter Review	Approved Internal Audit Charter	Review and Approval of Internal Audit Charter for 2016/17	**Target Achieved** Internal Audit Charter review completed as served in the Council on 29/07/2016	None	None
Completion date in reviewing Audit Committee Charter	Approved Audit Committee Charter	Review and Approval of Audit Committee Charter for 2016/16	**Target Achieved** Audit Committee Charter review completed as served in the Council on 29/07/2016	None	None
	R100 000	**R 240 000**	**R 199 025**	**N/A**	**N/A**

PROJECT: SUPPORT TO OVERSIGHT STRUCTURES (AUDIT COMMITTEE & MPAC)

Performance Indicator	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
# of Audit Committee reports submitted to Council	4 reports AC reports	1 Audit Committee report submitted to Council	**Target Achieved** 1 Audit Committee report submitted to Council on 29/07/2016	None	None
Budget R	**R300 000**	**R100 000**	**R 74 121**	**N/A**	**s71 Reports**

PROJECT: FRAUD PREVENTION AND RISK MANAGEMENT

Performance Indicators	2015/16 Baseline	01/07/2016 - 06/08/2016 Target	Progress	Variance/ Challenges	Comments/Mitigation
# of Risk Registers developed	2 Risk Registers	Review and development of 02 Risk Registers *Strategic Risk Register *Operational Risk Register	<u>**Target Achieved**</u> Review and development of **02** Risk Registers completed: *Strategic Risk Register *Operational Risk Register	None	None
Budget R	**R135 000**	**R 95 000**	**R 20 335**	**N/A**	**s71 Reports**

Thus done and signed at Mashung, Ga-Nkwana, Fetakgomo Local Municipality on this day 30 of JANUARY 201[illegible]

Municipal Manager's Signature ______________________

Witnesses: 1. ______________________

2. ______________________

Mayor's Signature: ______________________

Witnesses: 1. ______________________

2. ______________________

CHAPTER 3

CONCLUSION

All that said above are respectively corroborated in the appendices annexed hereto, which appendices entail the Audited Financial Statements as well as the Auditor-General's Report for the period 01st July to 10th August 2016. It only bears repetition that in respects of the financial statements, the former Fetakgomo Local Municipality **sustained** an **Unqualified Audit Opinion** for the reporting period. As has been the case, there were no findings on the when the audit of predetermined objectives was performed. **The Audit Report raises no findings about the usefulness and reliability of the reported performance information** of the former Fetakgomo Local Municipality. This result, has now become a long established tradition of the Municipality.

FETAKGOMO LOCAL MUNICIPALITY

Fetakgomo Local Municipality
Annual Financial Statements
for the year ended 10 August 2016

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Service Delivery
Members of the Council	Councillors and Traditional Leaders Sefala RE (Mayor) Mamphekgo KK (Speaker) Phala TN (Chief Whip) Lentsoane SA (EXCO Member of Development Planning Maisela PR (EXCO Member of Technical Services) Phaladi RC (EXCO Member of Budget & Treasury) Seroka KA (EXCO Member of Corporate & Community Services) Diphofa KD (Chairperson of Technical Services Portfolio Committee) Kupa MT (Chairperson of Budget & Treasury Portfolio Committee) Phala MD (Chairperson of Development Planning Portfolio Committee) Mashabela MN (Chairperson of Community Services Portfolio Committee) Mathipa MH (Chairperson of Remuneration Committee) Marota ET (Chairperson of Chairperson) Mabotha MO (Chairperson of Rules and Ethics Committee) Molfo HK Manala ER Moswane MW Mawela TV Maesela MG Maboa S Makola MM Lesufi MJ Phasa MJ Maisela NS Kgoshi Phahlamohlaka KP Kgoshi Nchabeleng MK Kgoshigadi Seroka TM Kgoshigadi Maisela RM Kgoshigadi Nchabeleng M
Grading of local authority	2
Municipal Manager	Matumane ND
Chief Financial Officer	Maredi MF
Registered office	Stand No. 1 Mashung Ga-Nkoana Apel
Business address	Stand No. 1 Mashung Ga-Nkoana Apel
Postal address	PO Box 818 Ga-Nkoana Apel 739
Bankers	Standard Bank of South Africa Limited
Attorneys	Rachoene and Associates Sydwel Rachoene
Bankers	Nedbank Limited
Auditors	Auditor General of South Africa

FETAKGOMO LOCAL MUNICIPALITY
Financial Statements for period ended 10 August 2016

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

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

Although effective from 10 August 2016 the municipality will be disetablished and merged with Tubatse municipality the accounting officer has reviewed the municipality's cash flow forecast for the period to 10 August 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence. The accounting officer is primarily responsible for the financial affairs of the municipality,however, they are supported by the municipality's external auditors.

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

The financial statements set out on pages 6 to 55, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

Accounting Officer
Designation

Audit Committee Report

We are pleased to present our report for the period ended 10 August 2016.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 9 times per annum as per its approved terms of reference. During the current period 1 of meeting was held.

Name of member	Number of meetings attended
1. Adv Thubakgale L (Chairperson)	1/1
2. Mr Semenya C.C (Audit Member)	1/1
3. Mr Mangokwana A (Audit Member)	1/1
4. Mr Maeyane A.K (Audit Member)	1/1
5. Ms Makhongela M (Audit Member)	1/1

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of financial statements

The audit committee has:

- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Internal audit

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

Chairperson of the Audit Committee

Date: 28/11/2016

Date:

Statement of Financial Position as at 10 August 2016

Figures in Rand	Note(s)	Aug-16	Jun-16
Assets			
Current Assets			
Inventories	6	551 569	506 106
Receivables from exchange transactions	8	1 290 537	1 293 629
Receivables from non-exchange transactions	7	658 288	667 765
VAT receivable	9	4 350 317	2 203 721
Consumer debtors	10	928 488	786 886
Cash and cash equivalents	11	1 261 078	11 509 754
		9 040 278	16 967 661
Non-Current Assets			
Property, plant and equipment	3	149 370 228	135 246 084
Intangible assets	5	49 994	50 246
Heritage assets	4	105 000	105 000
		149 525 223	135 401 330
Total Assets		158 565 501	152 368 991
Liabilities			
Current Liabilities			
Finance lease obligation	13	86 679	115 840
Payables from exchange transactions	16	7 755 536	5 702 468
Unspent conditional grants and receipts	14	9 139 686	9 731 873
Provisions	15	3 985 532	3 656 691
		20 967 434	19 206 872
Non-Current Liabilities			
Employee benefit obligation	12	1 084 688	1 084 688
		1 084 688	1 084 688
Total liabilities		22 052 122	20 291 560
Accumulated surplus		136 513 355	132 077 405
Total Net Assets		136 513 355	132 077 431

FETAKGOMO LOCAL MUNICIPALITY

Financial Statements for period ended 10 August 2016

Statement of Financial Performance

Figures in Rand	Notes	Aug-16	Jun-16
Revenue			
Revenue from exchange transactions			
Service charges		463 058	4 162 040
Rental of facilities and equipment		9 436	117 299
Income from agency services		7 671	296 954
Licences and permits		33 693	1 577 714
Other income	17	837 782	549 881
Public contributions and donations		15 000	2 414 890
Interest received - investment	18	95 990	1 640 938
Total revenue from exchange transactions		1 462 629	10 759 716
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	831 593	8 871 916
Property rates - Penalties imposed		-	456636
Transfer revenue			
Government grants & subsidies	20	16 716 826	105 385 830
Fines		144 050	1 923 200
Total revenue from non-exchange transactions		17 692 470	116 637 582
Total revenue		19 155 099	127 397 298
Expenditure			
Employee related costs	22	(7 077 303)	(37 785 323)
Remuneration of councillors	23	(924 468)	(8 929 987)
Depreciation and amortisation		(679 026)	(5 786 459)
Impairment loss		-	-
Finance costs		(30 593)	(113 345)
Debt impairment		(655 921)	(15 502 787)
Repairs and maintenance		(585 432)	(2 248 705)
Grants and subsidies paid		(6 000)	(2 211 646)
General expenses	24	(4 671 306)	(33 577 520)
Total expenditure		(14 630 048)	(106 155 772)
Operating surplus		4 525 051	21 241 526
Surplus for the year		4 525 051	21 241 526

Cash flow statement

Figures in Rand	Notes	Aug-16	Jun-16
Cash flows from operating activities			
Receipts			
Rates and taxes		943 494	651 704
Sale of goods and services		514 626	1 710 874
Grants		16 124 639	115 117 629
Interest income		95 990	1 640 938
Other receipts		852 782	2 964 772
Fines		17 477	508 271
		18 549 009	122 594 188
Payments			
Employee and councillor related costs		(7 672 929)	(46 954 871)
Suppliers		(6 264 704)	(37 202 602)
Finance costs		(30 593)	(18 881)
Net cash flows from operating activities	34	4 580 782	38 417 834
Cash flows from investing activities			
Purchase of property plant and equipment		(14 800 298)	(31 035 600)
Purchase on intangible assets			(50 593)
Cash flows from financing activities			
Finance lease payments		(29 161)	(178 776)
Net increase/(decrease) in cash and cash equivalents		(10 248 677)	7 152 865
Cash and cash equivalents at the beginning of the period		11 509 755	4 356 890
Cash and cash equivalents at the end of the period		1 261 078	11 509 755

FETAKGOMO LOCAL MUNICIPALITY

Financial Statements for period ended 10 August 2016

Statement of Changes in Net Assets

Figures in Rand		Accumulated Surplus	Total: Net Assets
Balance as at 1 July 2014		**94,445,273**	**94,445,273**
Changes in net assets			
Surplus for the year		10,949,320	10,949,320
Total changes		10,949,320	10,949,320
Opening balance as previously reported		105,394,593	105,394,593
Prior year adjustments		5,329,107	5,329,107
Balance as at 1 July 2015 as restated*		**110,723,700**	**110,723,700**
Changes in net assets		112,152	112,152
Surplus for the year		21,241,526	21,241,526
Total changes		21,353,678	21,353,678
Balance as at 30 June 2016		**132,077,378**	**132,077,378**
Prior year adjustments	**21**	(89,074)	(89,074)
Surplus for the perioed ended 10 August 2016		4,525,051	4,525,051
Total changes		4,435,977	4,435,977
Balance as at 10 August 2016		136,513,355	136,513,355

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustment	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance Percentage	Reasons
Statement of Financial Performance							
Revenue							
Revenue from exchange transactions							
Service charges	2 360 000	-	2 360 000	463 058	1 896 942	410%	* Refer below
Rental of facilities and equipment	227 380	-	227 380	9 436	217 944	2310%	* Refer below
Income from agency services	331 780	-	331 780	7 671	324 109	4225%	* Refer below
Licences and permits	2 385 000	-	2 385 000	33 693	2 351 307	6979%	* Refer below
Other income	529 037	-	529 037	837 782	(308 745)	-37%	* Refer below
Public contributions and donations	10 000	-	10 000	15 000	(5 000)	-33%	* Refer below
Interest received - investment	1 397 946	-	1 397 946	95 990	1 301 956	1356%	* Refer below
Total revenue from exchange transations	7 241 143	-	7 241 143	1 462 629	5 778 514	395%	
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	6 248 400	-	6 248 400	831 593	5 416 807	651%	* Refer below
Property rates - Penalties imposed	440 536		440 536	0	440 536	100%	* Refer below
Transfer revenue							
Government grants & subsidies	129 501 840	-	129 501 840	16 716 826	112 785 014	675%	* Refer below
Fines	1 908 000	-	1 908 000	144 050	1 763 950	1225%	* Refer below
Total revenue from non exchange transations	138 098 776		138 098 776	17 692 470	120 406 306	681%	
Total revenue	145 339 919	-	145 339 919	19 155 099	126 184 820	659%	
Expenditure							
Employee related costs	(38 212 673)	-	(38 212 673)	(7 077 303)	(31 135 370)	440%	* Refer below
Remuneration of councillors	(9 240 000)	-	(9 240 000)	(924 468)	(8 315 532)	899%	* Refer below
Depreciation and amortisation	(7 700 000)	-	(7 700 000)	(679 026)	(7 020 974)	1034%	* Refer below
Impairment loss	-	-	-	-	-	0%	
Finance costs	(40 000)	-	(40 000)	(30 593)	(9 407)	31%	* Refer below
Debt impairment	(5 850 000)	-	(5 850 000)	(665 921)	(5 186 320)	782%	* Refer below
Repairs and maintenance	(2 213 600)	-	(2 213 600)	(585 432)	(1 628 168)	278%	* Refer below
Grants and subsidies paid	(4 200 000)		(4 200 000)	(6 000)	(4 194 000)	69900%	* Refer below
General expenses	(41 636 057)	-	(41 636 057)	(4 671 306)	(36 964 751)	791%	* Refer below
Total expenditure	(109 092 330)	-	(109 092 330)	(14 6370 048)	(94 454 622)	645%	
Operating surplus	36 247 589		36 247 589	4 525 051	-		
Surplus before taxation	36 247 589		36 247 589	4 525 051	-		

* The actual amounts are for only 41 days from the 1 July 2016 to 10 August 2016, whereas the budget amounts are for a full 12 month period.

Notes to the Financial Statements

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables or loans and receivables

The municipality assesses its loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Allowance for slow moving, damaged and obsolete stock

Inventory is carried at lower of cost or net realisable value. Management have made estimates of the selling price and direct costs to sell on certain inventory items. The write down is included in the inventory note

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

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

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

Provisions

Provisions are recognised when the municipality has a legal or constructure obligation as result of past events, where it is probable that an outflow of resources embodying econimic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made

Long service awards

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligation. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality
corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.
Other key assumptions for the obligations are based on current market conditions. Additional information is disclosed in the long service award note

Effective Interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

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

1.2 Presentation of Currency

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

1.3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 30 to 34 the financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

1.4 Property, plant and equipment

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

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

- Ø It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- Ø 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 at no cost, or for a nominal cost, 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.

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

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

Property, plant and equipment is measured using cost model

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.

The asset management policy contains the details of the components and their useful lives.

Item	Depreciation method	Average useful life

Buildings	Straight line	10 - 60 years
Plant and machinery	Straight line	4 - 5 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Computer software	Straight line	2 - 5 years
Infrastructure	Straight line	5 - 100 years
Other leased assets	Straight line	10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

The gain or loss arising from the de-recognition of an item of intangible assets is included in surplus or deficit when the items derecognised. The gain or loss arising from the de-recognition 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. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Inventories

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

The cost at reporting date 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 is assigned using the weighted average method. The same cost formula is used for all inventories having a similar nature and use to the entity.
When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

1.6 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, (see the Standard of GRAP on Revenue from Exchange

Transactions) transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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

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

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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

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

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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

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

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

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

- Ø derivatives;
- Ø combined instruments that are designated at fair value;
- Ø instruments held for trading. A financial instrument is held for trading if:

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

Classification

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

Class Category

Cash and cash equivalents - Financial asset measured at amortised cost

Trade and other receivables from non-exchange transactions - Financial asset measured at amortised cost

Trade and other receivables from exchange transactions - Financial asset measured at amortised cost

Long term receivables - Financial asset measured at amortised cost

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

Class Category

Long term liabilities Financial liability measured at amortised cost

Trade and other payables Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price

and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

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

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

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

This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

Gains and losses

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

Impairment and un-collectability of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

De-recognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1.7 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, and net of trade discounts.

Sale of goods

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

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

Rendering of services

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- Ø It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- Ø The amount of the revenue can be measured reliably.
- Ø Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.8 Revenue from non-exchange transactions

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

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

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

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

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.

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.

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.

Taxes

The municipality recognises an asset for taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.
The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.
The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.
Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Recognition

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

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to

recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

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

1.9 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.10 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

A provision is used only for expenditure 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. 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 agreement.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes.

1.11 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.12 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

Prior year comparatives

When presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.15 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.

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. The 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.

Operating leases – lessor

Operating lease income is recognised as an income 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 income.

Income for leases is disclosed under revenue in the 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. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.16 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- Ø It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- Ø the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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:

- Ø It is technically feasible to complete the asset so that it will be available for use or sale.
- Ø there is an intention to complete and use or sell it.
- Ø there is an ability to use or sell it.
- Ø it will generate probable future economic benefits.
- Ø there are available technical, financial and other resources to complete the development and to use or sell the asset.
- Ø the expenditure attributable to the asset during its development can be measured reliably.
- Ø 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. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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. Amortisation is not provided for these property, plant and equipment. 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 every period-end. Reassessing the useful life of an intangible asset with a definite 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.

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

Computer software, internally generated	3 - 5 years
Computer software, other	3 - 5 years

Intangible assets are derecognised:

- Ø on disposal; or

- Ø when no future economic benefits or service potential are expected from its use or disposal.

1.17 Non-current assets held for sale

Non-current assets are classified as "held for sale assets" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is depreciated (or amortised) while it is classified as a "held for sale" asset.

Interest and other expenses attributable to the liabilities of the "held for sale assets" are recognised in surplus or deficit.

1.18 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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:

- Ø 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;
- Ø 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
- Ø 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.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- Ø projections of cash inflows from the continuing use of the asset;
- Ø 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
- Ø 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:

- Ø cash inflows or outflows from financing activities; and
- Ø 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.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- Ø the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- Ø the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined. An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- Ø its fair value less costs to sell (if determinable);
- Ø its value in use (if determinable); and
- Ø zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

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

- Ø its recoverable amount (if determinable); and
- Ø the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.
- Ø The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.19 Employee benefits

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

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

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

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service. Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.
The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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 municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- Ø the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- Ø the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

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

- Ø the present value of the defined benefit obligation at the reporting date;
- Ø minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- Ø 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 municipality measure the resulting asset at the lower of:

- Ø the amount determined above; and
- Ø 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 municipality 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 financial statements do not differ materially from the amounts that would be determined at the reporting date. The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- Ø current service cost;
- Ø interest cost;
- Ø the expected return on any plan assets and on any reimbursement rights;
- Ø actuarial gains and losses;
- Ø past service cost;
- Ø the effect of any curtailments or settlements; and
- Ø the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- Ø the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- Ø the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- Ø any resulting change in the present value of the defined benefit obligation; and
- Ø any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices). When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

Ø past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Pension Obligations: The municipality and its employees contribute to 3 different Pension Funds, Municipal Councillors Pension Fund, Municipal Employees Pension Fund and Municipal Gratuity Fund cater for the majority of the staff. Municipal Employees Pension Fund, and Municipal Gratuity Fund are defined benefit funds. The South African Local Authority Pension Fund is a defined contribution fund.

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.20 Investment Income

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

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Ø Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Ø Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- Ø expenditures for the asset have been incurred;
- Ø borrowing costs have been incurred; and
- Ø activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Use of Estimates

The preparation of financial statements in conformity with Generally Recognised Accounting Practice 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 financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.25 Grants in aid

The Aganang Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not: Receive any goods or services directly in return, as would be expected in a purchase or sale transaction Expect to be repaid in future; or Expect a financial return, as would be expected from an investment. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.26 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

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

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

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

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

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

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

Useful life is either:

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.
The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.27 Presentation of Budget Information in the Financial Statements

The Municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- Ø are prepared using the same basis of accounting i.e. either cash or accrual;
- Ø include the same activities and entities;
- Ø use the same classification system; and
- Ø are prepared for the same period.

1.28 Heritage Assets

Recognition of Assets

Heritage assets is recognised when it has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is further recognised as an asset only if:

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

Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus and is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit and is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Although a heritage asset is not depreciated is the heritage asset assess at each reporting date to disclose whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

The municipality will treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. Should any item of property, plant and equipment or an intangible asset carried at a re-valued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a re-valued amount, the entity applies the applicable Standard to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard relating to that asset. Transfer of investment property carried at fair value, or inventories to heritage assets at a re-valued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

- Ø on disposal, or
- Ø when no future economic benefits or service potential are expected from its use or disposal.
- Ø The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

2. Standards, Amendments to Standards and Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

No	Title of standard	Impact on GRAP
GRAP 20	Related party disclosures	No material Impact
GRAP 32	Service Concession Arrangement Grantor	No Material Impact
GRAP 108	Statutory Receivables	No impact
GRAP 109	Accounting by Principals and Agents	No Impact

9. Property, plant and Equipment

	Aug-16			Jun-16		
	Cost /Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost /Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	406 000	-	406 000	406 000	-	406 000
Buildings	76 593 053	(14 995 642)	61 597 411	76 593 053	(14 685 887)	61 907 166
Plant and machinery	3 291 456	(919 756)	2 371 700	2 760 347	(890 720)	1 869 627
Furniture and fixtures	5 990 766	(1 975 317)	4 015 449	5 990 766	(1 936 021)	4 054 745
Motor vehicles	10 916 016	(2 580 070)	8 335 946	9 805 419	(2 456 945)	7 348 474
Computer equipment	1 339 378	(311 464)	1 027 914	1 339 378	(301 006)	1 038 372
Infrastructure	43 955 783	(3 420 318)	40 535 465	36 720 228	(3 213 499)	33 506 729
Other leased assets	456 221	(273 799)	182 421	456 221	(257 134)	199 087
Work in progress	30 847 922	-	30 847 922	24 926 885	-	24 926 885
	173 796 096	(24 426 367)	149 370 228	159 906 297	(23 700 212)	136 246 085

Reconciliation of property, plant and equipment - August 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Carrying value
Land	406 000	-	-	-	-	406 000
Buildings	61 907 166	-			-309 755	61 597 411
Plant and machinery	1 869 627	593 100			-20 036	2 371 700
Furniture And fixtures	4 054 745	-			-39 296	4 015 449
Motor vehicles	7 348 474	1 110 597			-73 125	8 335 946
Computer equipment	1 038 372	-			-10 458	1 027 914
Infrastructure	33 506 729	7 236 555			-208 819	40 535 465
Other leased assets	199 087	-			-16 666	182 421
Work in progress	24 926 885	5 921 037	-	-	-	30 847 922
	136 246 085	14 900 288	-	-	(676 156)	149 370 228

Notes to the Annual Financial Statements
Figures in Rand

4. Heritage assets

	Aug-16			30-Jun		
	Cost /Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost /Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Mayoral chain	105 000	-	105 000	105 000	-	105 000
	105 000	-	106000	105 000	-	105 000

5.Intangible assets

	Cost /Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost /Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	50 593	(599)	49 994	50 593	(347)	50 246
	50 593	(599)	49 994	50 593	(347)	50 246

Reconciliation of intangible assets August 2016

	Opening balance	Derecognition	Amotisation	Carrying value
Software	50 246	-	(252)	49 994
	50 246	-	(252)	49 994

Notes to the Financial Statements

Figures in Rand	Aug-16	Jun-16
6. Inventories		
Consumables stores	254 089	208 626
Refuse bins	297 480	297 480
	551 569	506 106
7.Receivable from non exchange transactions		
Fines	5 580 605	5 454 032
Provision	(4 922 317)	(4 786 267)
	658 288	667 765
8.Receivable from exchange transactions		
Trade debtors	272 042	275 135
Secured deposits	1 018 494	1 018 494
	1 290 537	1 293 629
Included in receivables from exchange transactions are the following:		
Debtors - Hawker stalls	25 488	24 060
Less: Allowance for Impairment	(24 848)	(22 526)
Debtors	271 402	273 600
Secured deposit	1 018 494	1 018 494
	1 290 537	1 293 629
9.VAT Receivable		
VAT	4 350 317	2 203 721
10.Consumer debtors		
Gross balances		
Rates	24 661 782	25 276 146
Refuse	18 170 063	17 667 599
	42 831 844	42 943 745
Less: Allowance for impairment		
Rates	(24 464 050)	(25 233 501)
Refuse	(17 439 306)	(16 923 558)
	(41 903 356)	(42 157 059)
Rates		
31-60 days	1 581 686	1 600 196
61-90 days	769 554	766 249
91-120 days	760 887	760 824
121-365 days	21 549 655	22 148 877
Less: Allowance for Impairment	(24 464 050)	(25 233 501)
	197 732	42 645
Refuse		
31-60 days	810 155	883 895
61-90 days	380 746	395 285
91-120 days	378 166	513 692
121-365 days	16 600 995	15 874 726
Less: Allowance for Impairment	(17 439 306)	(16 923 558)
	730 756	744 041
Net balance		
Rates	197 732	42 645
Refuse	730 757	744 041
	928 488	786 686

Notes to the Annual Financial Statements

Figures in Rand	Aug-16	Jun-16
Reconciliation of allowance for impairment:		
balance at beginning of period	(42 157 059)	(28 577 300)
Contribution to allowance for impairment	(126 881)	(13 579 759)
Balance at end of the period	(42 283 940)	(42 157 059)

11. Cash and cash equivalents

	Aug-16	Jun-16
Cash and cash equivalents consist of:		
Petty Cash	2 534	506
Bank balances	1 258 544	11 509 248
	1 261 078	11 509 754

12. Long service awards

	Aug-16	Jun-16
Movement in the net liability recognised on the statement of financial position:		
Opening balance	(1 084 688)	(846 564)
Current service costs	-	(165 951)
Interest costs	-	(72 173)
Expected benefit vesting	-	-
Actuarial loss/(gain)	-	-
Closing balance	(1 084 688)	(1 084 688)
Net expense recognised in the statement of financial performance:		
Current service costs	-	(165 951)
Interest costs	-	(72 173)
Curtailment	-	-
Actuarial loss/(gain)	-	-
Total included in employee related costs	-	(238 124)

13. Finance lease

	Aug-16	Jun-16
Minimum lease payments due		
within 1 year	89 766	119 441
in second to fifth year	-	-
	-	119 441
Less: Future Finance charges	(3 087)	(3 601)
Present Value of Minimum lease payments	86 679	115 840
Present Value of Minimum lease payments due		
within 1 year	86 679	115 840
in second to fifth year	-	-
	86 679	115 840
Non current liabilities	-	-
Current Liabilities	86 679	115 840
	86 679	115 840

The municipality leases photocopier machines from Nashua. The effective interest rate on the lease is 8.74%(goverment bond rate) and is repayable in 36 equal instalments of R 16 382.41 monthly, the first was paid in February 2014 and the last instalment is payable during January 2017.

Notes to the Financial Statements

Figures in Rand	Aug-16	Jun-16

14. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Munipal Finance Management Grant (MFMG)	77	77
Municipal Infrastructure Grant (MIG)	9,139,609	9,731,796
	9,139,686	9,731,873

Movement during the period

Balance at beginning of the period	9,731,873	74
Additions during the period	-	40,873,629
Income recognition during the period	(592,187)	(31,141,830)
	9,139,686	9,731,873

15. Provisions

Reconciliation of staff leave provision:

Opening	3,656,691	3,632,312
Provision raised	430,607	428,444
Payments	(101,766)	(404,065)
Closing balance	3,985,532	3,656,691

16. Payables from exchange transactions

Payables from exchange transactions consist of:

Trade payables	-	1,092,295
Income received in advance	45,861	40,945
Deposits	21,236	20,683
Accruals	2,170,276	32,000
Retentions	4,720,473	3,718,844
Accrued bonus	797,700.80	797,701
	7,755,536	5,702,468

17. Other income

Included in other income are the following:

Land use charges	7,723	28092
Traffic escort	1,316	2368
Proof of residence	19,717	113450
Tender documents	2,470	254131
Reversal of debt impairment	749,755	
Sundry income	32,579	126817
Staff parking	4,527	23,523
Sale of dustbins	-	1,500
	818,086	549,881

18. Investment income

Interest received consists of:

Interest received on debtors	95,990	797,538
Interest on the call account	-	843,400
	95,990	1,640,938

Figures in Rand	Aug-16	Jun-16

19. Property rates

Rates received

Residential	883 718	9 403 796
Rebates	(52 125)	(531 880)
Interest levied on property rates	-	456 636
	831 593	9 328 552
Revenue consists of:		
Revenue from exchange transactions		
Service charges	463 058	4 162 040
Rental of facilities and equipment	9 436	117 299
Income from agency services	7 671	296 954
Licences and permits	33 693	1 577 714
Other Income	637 782	549 881
Public contributions and donations	15 000	2 414 890
Interest received - Investment	95 990	1 640 938
Revenue from non-exchange transactions		
Taxation revenue		
Property rates	831 593	8 871 916
Property rates - Penalties imposed	-	456 636
Transfer revenue		
Government grants & subsidies	16 716 826	105 385 830
Fines	144 050	1 923 200
Total revenue	19 155 099	127 397 298

20. Government grants and subsidies

Operational grants		
Equitable share	13 414 000	74 244 000
Finance Management Grant	-	1 800 000
Municipal Infrastructure grant	592 187	27 377 201
Municipal Systems Improvement Grant	-	930 000
LG Seta Grant	24 639	34 629
Municipal demarcation grant	2 686 000	-
EPWP Incentive Grant	-	1 000 000
	16 716 827	105 385 830
Conditional and Unconditional grants		
Conditional grants	3 302 827	31 141 830
Unconditional grants	13 414 000	74 244 000
	16 716 827	105 385 830

Finance Management Grant

Balance unspent at beginning of the period	77	74
Current year receipts	-	1 800 000
Conditions met - transferred to revenue	-	(1 799 997)
Balance unspent at the end of the period	77	77

Municipal Infrastructure grant

Balance unspent at beginning of the period		0
Current year receipts	9 731 796	37 109 000
Conditions met - transferred to revenue	(592 187)	(27 377 204)
Balance unspent at the end of the period	9 139 609	9 731 796

Notes to the Financial Statements

Figures in Rand	Aug-16	Jun-16

20. Government grants and subsidies (continued)

LG Seta grant

Current year receipts	24 639	34 629
Recognised in revenue	(24 639)	(34 629)
Balance unspent at the end of the period	-	-

Municipal systems improvement grant

Current year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
Balance unspent at the end of the period	-	-

Expanded Public Works Programme grant

Current year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
Balance unspent at the end of the period	-	-

Municipal Demarcation Grant

Current year receipts	2 686 000	-
Conditions met - transferred to revenue	(2 686 000)	-
Balance unspent at the end of the period	-	-

21. Prior year errors

During the current year it was discovered that training expenditure was ommitted from expenses, and resulting in understatement of expenses. The effect of the correction is as follows:

Decrease in accumulated surplus	89 074
Increase in trade payables	(89 074)

Restatement of items in the annual financial statements

Statement of financial position	
Trade payables	(89 074)
Statement of financial performance	
General expenses: training costs	89 704

Notes to the Financial Statements

Figures in Rand	Aug-16	Jun-16

22. Employee related costs

Acting allowance	3 707	21 855
Basic salary	2 627 229	14 018 385
Bonus	395 040	1 355 318
Cellphone allowance	51 791	272 700
Contributions to special leave	430 607	428 444
Group life insurance	43 106	247 182
Housing benefits and allowances	10 388	49 700
Long service awards	-	165 951
Medical aid	400 609	2 283 794
Overtime payments	90 254	388 259
Pay As you Earn	897 376	3 709 241
Pension funds	860 569	4 458 206
Performance rewards	-	226 410
SALGB	2 285	13 239
Skills Development Levy	48 998	222 953
Standby allowance	31 810	179 635
Travel allowance	745 581	3 884 114
Travel and subsistence allowance	393 491	1 014 050
Unemployment Insurance Fund	46 461	253 259
	7 077 303	33 192 695

Remuneration of Municipal manager - ND Matumane

Annual Remuneration	110 195	561 246
Car allowance	1 633	9 800
Performance bonuses	-	156 644
Contributions to UIF, Pemsion funds and medical aid	84 242	609 375
Cellphone allowance	1 600	9 600
Subsistence and travel allowance	26 783	63 764
	224 453	1 410 429

Notes to the Financial Statements

Figures in Rand	Aug-16	Jun-16

22. Employee related costs (continued)

Remuneration of Chief Financial Officer : MF Maredi

Annual Remuneration	72 160	426 079
Car allowance	24 000	144 000
Performance bonuses	-	60 386
Contributions to UIF, Pemsion funds and medical aid	66 696	491 338
Cellphone allowance	1 400	8 400
Subsistence and travel allowance	17 123	54 482
	181 379	1 184 685

Remuneration of Director: Corporate Services Phasha MI

Annual Remuneration	91 585	564 200
Car allowance	12 569	75 411
Performance bonuses	-	57 520
Contributions to UIF, Pemsion funds and medical aid	51 212	368 179
Cellphone allowance	1 400	8 400
Subsistence and travel allowance	14 469	8 399
	171 215	1 082 109

Remuneration of Director: Development Planning Peu L

Annual Remuneration	31 488	354 050
Car allowance	30 214	149 284
Performance bonuses	60 971	80 272
Contributions to UIF, Pemsion funds and medical aid	62 270	287 654
Cellphone allowance	1 400	8 400
Subsistence and travel allowance	14 175	35 745
	200 518	915 405

23. Remuneration of councillors

Mayor	75 678	745 730
Speaker	66 745	630 562
Chief Whip	63 499	592 543
Executive committee	210 025	2 058 663
Councillors	508 521	4.902 489
	924 468	8 929 987

Notes to the Financial Statements

Figures in Rand	Aug-16	Jun-16

Remuneration of Mayor

	Aug-16	Jun-16
Annual Remuneration	58 636	554 848
Car Allowance	13 952	136 416
Backpay	586	18 501
Skills Development Levy	-	6 247
Cellphone allowance	2 134	20 868
Subsistence allowance	-	5 250
Mobile data	368	3 600
	75 678	745 730

Remuneration of Speaker

	Aug-16	Jun-16
Annual Remuneration	46 910	443 878
Car Allowance	11 161	109 133
Backpay	-	14 801
Skills Development Levy	474	5 047
Cellphone allowance	2 134	20 868
Subsistence allowance	5 698	33 236
Mobile data	368	3 600
	66 745	630 563

Remuneration of Chief Whip

	Aug-16	Jun-16
Annual Remuneration	50 257	477 522
Car Allowance	4 186	40 925
Backpay	-	13 876
Skills Development Levy	443	4 820
Cellphone allowance	2 134	20 868
Subsistence allowance	6 111	30 932
Mobile data	368	3 600
	63 499	592 543

Remuneration of Executive Committee

	Aug-16	Jun-16
Annual Remuneration	171 334	1 625 316
Car Allowance	22 077	215 867
Backpay	-	49 862
Skills Development Levy	1 589	17 146
Cellphone allowance	8 537	83 472
Subsistence allowance	5 015	52 600
Mobile data	1 473	14 400
	210 025	2 058 663

Notes to the Financial Statements

Figures in Rand

23. Remuneration of councillors (continued)

Aug-16

Name of councillor	Annual Remuneration	Travel allowance	Cellphone allowance	Mobile data	Subsistence allowance	Company contributions	Backpay	Total
Lesufi MJ	23 894	4 186	2 134	368	2 844	241	-	33 667
Phasa MJ	17 695	4 186	2 134	368	-	194	-	24 577
Maisela NS	17 695	4 186	2 134	368	7 579	194	-	32 156
Moswane MW	23 894	4 186	2 134	368	2 546	241	-	33 369
Manale RE	17 695	4 186	2 134	368	-	194	-	24 577
Kupa MT	23 894	4 186	2 134	368	5 274	241	-	36 097
Maboa S	17 695	4 186	2 134	368	-	194	-	24 577
Malatji MP	17 695	4 186	2 134	368	-	194	-	24 577
Molfo HK	17 695	4 186	2 134	368	-	194	-	24 577
Mawela TV	17 695	4 186	2 134	368	1 369	194	-	25 946
Mabotha MC	17 695	4 186	2 134	368	-	194	-	24 577
Mathipa MH	17 695	4 186	2 134	368	-	194	-	24 577
Marote ET	23 894	4 186	2 134	368	-	-	-	30 582
Mashabela MN	23 894	4 186	2 134	368	9 291	241	-	40 114
Diphofa DK	23 894	4 186	2 134	368	-	241	-	30 823
Makola MM	17 695	4 186	2 134	368	-	194	-	24 577
Maisela RP	17 695	4 186	2 134	368	-	194	-	24 577
Makgopa IK	17 695	4 186	2 134	368	-	194	-	24 577
	356 704	75 348	38 412	6 624	20 903	3 533	-	508 524

Jun-16

Name of councillor	Annual Remuneration	Travel allowance	Cellphone allowance	Mobile data	Subsistence allowance	Company contributions	Backpay	Total
Lesufi MJ	225 859	40 925	20 868	3 600	18 916	2 576	7 770	319 914
Phasa MJ	166 959	40 925	20 868	3 600	3 212	2 054	6 055	243 673
Maisela NS	166 959	40 925	20 868	3 600	7 834	2 054	6 055	248 294
Moswane MW	225 859	40 925	20 868	3 600	21 810	2 576	7 771	323 409
Manale RE	166 959	40 925	20 868	3 600	-	2 054	6 055	240 461
Kupa MT	225 859	40 925	20 868	3 600	28 826	2 577	7 771	330 226
Maboa S	166 959	40 925	20 868	3 600	-	2 054	6 055	240 461
Malatji MP	14 418	3 410	1 739	300	-	150	-	20 017
Maesela MG	152 541	37 515	19 129	3 600	4 685	1 904	6 055	225 409
Molfo HK	166 959	40 925	20 868	3 600	-	2 054	6 055	240 461
Mawela TV	166 959	40 925	20 868	3 600	11 580	2 054	6 055	252 041
Mabotha MC	166 959	40 925	20 868	3 600	-	2 054	6 055	240 461
Mathipa MH	166 959	40 925	20 868	3 600	4 724	2 054	6 055	245 185
Marote ET	225 859	40 925	20 868	3 600	653	-	7 771	299 676
Mashabala MN	225 859	40 925	20 868	3 600	66 387	2 576	7 771	366 986
Diphofa DK	225 859	40 925	20 868	3 600	23 357	2 582	7 771	324 962
Makola MM	166 959	40 925	20 868	3 600	19 764	2 054	6 055	260 225
Maisela RP	166 959	40 925	20 868	3 600	-	2 054	6 055	240 461
Makgopa IK	166 959	40 925	20 868	3 600	-	2 054	6 055	240 461
	3 356 661	736 650	375 624	65 100	209 928	37 535	119 285	4 902 783

Notes to the Financial Statements

Figures in Rand	Aug-16	Jun-16
24. General expenses		
Advertising	5 633	212 783
Auditors remuneration	-	2 526 914
Bank charges	-	65 682
Bursary	9 620	210 719
Car rentals	-	15 400
Cleaning service	310 206	2 898 661
Computer expenses	204 990	1 478 387
Consulting fees	631 295	3 124 249
Council governance and function	89 121	622 844
Debt collection	-	6 526
Electricity	866 116	2 482 630
Entertainment	997	60 849
FMG expenditure	29 471	818 520
Fuel and oil	241 462	984 402
Insurance	8 042	314 366
IT expenses	38 845	356 756
Landfill site expensed	-	26 869
Licensing - Motor vehicle	-	12 378
Loss on disposal of assets	32 948	955 391
Magazines, books and periodicals	47 717	17 492
Other expenditure	322 000	2 709 140
Postage and courier	-	1 316
Printing and stationery	393 159	1 974 059
Promotions	142 280	627 687
Rental of office equipment	23 840	284 508
Security	633 916	3 820 569
Subscription and membership	-	535 436
Telephone and fax	6 148	818 594
Training	163 244	967 008
Travel-local	242 905	1 616 338
Uniforms	-	28 740
Ward committee stipends	258 000	1 817 022
Workmens compensation	-	840 626
Traffic costs	-	114 359
	4 671 306	**33 577 520**

25. Additional disclosure in terms of Municipal Finance Management Act

	Aug-16	Jun-16
Contributions to SALGA		
Current year subscription/fee	-	500 000
Amount paid - current year	-	(500 000)
	-	-
Audit fees		
Current year subscription/fee	-	2 527 026
Amount paid - current year	-	(2 527 026)
	-	-
PAYE, UIF and SDL		
Current year subscription/fee	791 320	6 813 145
Amount paid - current year	(791 320)	(6 813 145)
	-	-
VAT		
VAT Receivable	4 352 970.88	2 203 721
Medical aid and Pension deductions		
Current year subscription/fee	1 198 248	6 742 000
Amount paid - current year	(1 198 248)	(6 742 000)
	-	-

25. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrea.consumer accounts - rates and taxes
The following councillors had arrear accounts outstanding for more than 90 days at 10 August 2016

Aug-16

Name of councillor	Outstanding less than 90 days	Outstanding more than 90 days	Total
Marote ET	236	1,717	1,953
Mabotha R	236	1,880	2,116
Phala MD	236	977	1,213
Phala TN	236	1,150	1,386
Molfo	236	1,941	2,177
Kupa MT	819	5,943	6,762
Mashabela MN	236	836	1,072
Moswane MW	177	118	295
	2,412	14,562	16,974

Jun-16

Name of councillor	Outstanding less than 90 days	Outstanding more than 90 days	Total
Marote ET	228	1,648	1,876
Mabotha R	228	1,812	2,040
Phala MD	228	909	1,137
Phala TN	228	1,081	1,309
Molfo	228	1,872	2,100
Kupa MT	782	5,699	6,481
Mashabela MN	228	767	995
Moswane MW	218	54	272
	2,368	13,842	16,210

Deviations from 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 by the municipal manager noted by council on a quarterly basis

The following deviations were condoned by council:

Description		
Deviation on goods and services less than R30 000	-	226,607
Deviation on goods and services between than R30 000 and R200 000	-	916,216
	-	1,142,823

26. Commitments

Authorised capital expenditure		
Approved and contracted for		
Infrastructure	25,525,254	31,050,815
	25,525,254	31,050,815
Total capital commitments		
Already contracted for but not provided for	25,525,254	31,050,815
Authorised operational expenditure		
Already contracted for but not provided for		
Commitment	8,607,498	9,901,703
	8,607,498	9,901,703

Notes to the Financial Statements

Figures in Rand	Aug-16	Jun-16

27. Contingent liabilities

Summary of claims lodged

Edward Maleni Property Consultants vs FLM	2 591 350	2 591 350
Human Communication (Pty) Ltd vs FLM	-	6 479
Phetlakgo Construction vs FLM	189 316	189 316
Bernard Nchabeleng vs FLM	590 000	590 000
Mathibe Bernedict vs FLM	1 000 000	1 000 000
MAMS Architecture vs FLM	157 604	157 604
	4 528 270	4 534 749

Edward Maleni Property Consultants vs FLM
A dispute by Edward Beleni Property Consultants has been raised against the municipality to the value of R 2 591 350 for failure to make payment for services rendered. The municipality denies the liability and counterclaim amount paid for services not rendered. The dispute is still in progress

Phetlakgo Construction vs FLM
Phetlakgo construction claims retention money in respect of construction of Strydrael community hall which was withheld due to defects on the plumbing system, amounting to R 189 316

Bernard Nchabeleng vs FLM
Bernard Nchabeleng claims an amount of R 590 000 against the municipality for land. The matter is still in

Mathibe Bernedict vs FLM
Mathibe Bernedict Mamogobo instituted a claim against the municipality for failure to effect payment after t. designing the logo for the municipality, the claim is estimated to be R 1000 000. Council resolved that a new logo be designed. The municipality is still awaiting further action from the claimant

MAMS Architecture vs FLM
1. MAMS Architecture alleges that upon completion of the project the full payment was not effected. The claim against the municipality is to the value of R 157 603. A letter of demand has been issued but legal proceedings have not yet been instituted

28. Related parties

Relationships

Members of Senior Management	Matumane ND	Municipal Manager
	Maredi MF	Chief Financial Officer
	Phasa MI	Director: Corporate Services
	Peu LC	Director: Development Planning
Members of Municipal Council	Sefala RE	Mayor
	Mamphekgo KK	Speaker
	Phala TN	Chief Whip
	Lensfoane SA	EXCO Member: Development Planning
	Maleela PR	EXCO Member: Technical Services
	Phaladi RC	EXCO Member: Budget & Treasury
	Seroka KA	EXCO Member: Corporate & Community Development
	Diphofa KD	Chairperson: Technical Services and Portfolio Committee
	Kupa MT	Chairperson: Budget & Treasury
	Phala MD	Chairperson: Development Planning Portfolio Committee
	Mashabela MN	Chairperson: Community Services Portfolio Committee
	Mathipa MH	Chairperson: Remuneration Committee
	Marole ET	Chairperson of Chairperson
	Mabotha MC	Chairperson: Rules and Ethics Committee
	Molfo HK	
	Manala ER	
	Moswane MW	
	Mawala TV	
	Maesela MO	
	Maboa S	
	Makola MM	
	Lesufi MJ	
	Phasha MJ	
	Maisela NB	
	Kgoshi Phahlamohlaka KP	
	Kgoshi Nchabeleng MK	
	Kgoshigadi Seroka TM	
	Kgoshigadi Maisela TM	
	Kgoshigadi Nchabeleng M	

Figures in Rand — Aug-16 — Jun-16

Apart from salaries and performance bonuses paid to the members of the senior management,management did not have any other related transaction identified.All the members of council were paid remuneration in line with the requirement of Public Office Bearers Act of 1998 and no loan was issued issued to either member of management or council.Other than related parties identified above, no other related parties existed as at the time of submission of annual financial statement. Salaries and remuneration of key management and councillors are disclosed in note 26 and 27.
Audit committee members were paid in terms of approved council guidelines.

29. In-kind-benefits

The Mayor, Speaker , Chiefwhip and two executive committee were full-time. Mayor,Speaker and Chiefwhip are provided with an office and secretarial support at the cost of the Council.

30. 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.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

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.

31. 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.

32.Fruitless and wasteful expenditure

	Aug-16	Jun-16
Opening balance	2,429,007	1,746,588
Add: fruitless and wasteful expenditure incurred during the year	1,284	682,419
	2,430,291	2,429,007

Figures in Rand	Aug-16	Jun-16

33. 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(2) 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 deviationses and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instance

- Sole Supplier
- Emergency
- Impracticality

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 accounting officer and noted by Council. Deviations from the from the official procurement process during the financial year were approved by the accounting officer and noted by Council in terms of the delegations as stipulated and amount to approximately the following:

	Aug-16	Jun-16
Deviation of goods and services less than R30 000	93,602	226,607
Deviation of goods and services between R30 000 and R200 000.	60,000	916,296
	153,602	1,142,903

34. Irregular Expenditure

	Aug-16	Jun-16
Opening balance	17,423,297	17,423,297
Add: Irregular expenditure incurred during the year	-	-
	17,423,297	17,423,297

35. Unathorised Expenditure

	Aug-16	Jun-16
Opening balance	3,221,843	
Add: Irregular expenditure incurred during the year	-	3,221,843
	3,221,843	3,221,843

35. Cash generated from operations

	Aug-16	Jun-16
Surplus for the year	4,517,292	21,241,526
Adjustments for:		
Depreciation and amotisation	676,407	5,788,567
Loss on disposal of PPE		965,391
Loss on sale of intangible assets		13,826
Debt impairment	(107,571)	15,122,789
Movements in provision	328,841	24,379
Impairment reversal		(14,653)
Other non cash items	(69,106)	(361,467)
Interest costs: Defined benefit plan		165,951
Current services costs		72,173
Changes in working capital		
Inventories	(45,463)	190,865
Receivables from exchange transactions	769	132,763
Consumer debtors	111,901	(13,266,583)
Receivables from non exchange transactions	(126,573)	(1,411,959)
Payables from exchange transactions	2,063,068	534,008
VAT	(2,146,596)	(491,291)
Unspent conditional grants	(592,187)	9,731,799
Cash generated from operations	4,580,782	38,417,834

AUDITOR GENERAL REPORT

Report of the auditor-general to the Limpopo provincial legislature and the council on Fetakgomo Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Fetakgomo Municipality set out on pages ... to ..., which comprise the statement of financial position as at 10 August 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and of the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

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

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting

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

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fetakgomo Municipality as at 10 August 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Material underspending of the budget

8. As disclosed in 14 to the financial statements, the municipality has materially underspent conditional grants to the amount of R9 139 686. As a consequence, the municipality has not achieved some of its objectives as set out in its performance report for infustructure grants

Significant uncertainties

9. With reference to note 27 to the financial statements, the municipality is the defendant in several legal claims. The municipality is opposing these claims as it believes the claims to be unfounded. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Events after the reporting date

10. As disclosed in 40 to the financial statements, the municipality will be amalgamated with Tubatse Local Municipality into one municipal area.

Additional matter

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

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

Report on other legal and regulatory requirements

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

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the Fetakgomo Municipality for the year ended 10 August 2016:

- Basic service delivery and infrastructure development on pages xx to xx
- Local and economic development on pages xx to xx

16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual

reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the development priorities.

Additional matter

20. I draw attention to the following matter. Our conclusion is not modified in respect of this matter.

Achievement of planned targets

21. Refer to the annual performance report on pages xx to xx for information on the achievement of the planned targets for the year.

Unaudited supplementary information

22. The supplementary information set out on pages xx to xx does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

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

Annual financial statements, performance and annual reports

23. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.

24. Material misstatements of non-current assets, current assets/liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.

Internal control

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

Leadership

27. The accounting officer did not implement adequate internal controls to ensure the accuracy, completeness and reliability of the reported financial statements

28. The municipality developed a plan to address internal and external audit findings, but the accounting officer did not timeously monitor adherence to the plan

Financial and performance management

29. The municipality did not properly monitor and review the work done by the consultant appointed to prepare its financial statements

30. The financial statements were not reconciled to the underlying records to ensure the accuracy, completeness and reliability of reported financial results.

Auditor-General

Polokwane

30 November 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

AUDIT ACTION PLAN

NO	FINANCIAL YEAR		2015/16					
	Municipality Name		Greater Tubatse		Fetakgomo			
	Audit Opinion		Qualified		Unqualified			
	Reporting Period		2015/16					
	Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	AFS action plan Description	Start Date	Completion Date
					BTM			
1		Misstatement in financial statement	Matters affecting the auditor's report	Actuarial gains/losses (Note 9 to the AFS) incorrectly stated	The Chief Financial Officer did not ensure that proper reviewing processes are in place to ensure that notes supporting the financial statements are prepared in terms of GRAP	Compile an AFS action plan that allows sufficient time for CFO to do thorough review of the AFS.	01-Feb-17	30-Jun-17
2		Non- compliance with regulation	Matters affecting the auditor's report	IBU-Poor contract management	The accounting officer did not implement financial management controls to ensure that payments are only made when service had been rendered and also that contracts are appropriately monitored	Strengthen project management and pay only on progress report	01-Feb-17	30-Jun-17
3	Appropriated and surrendered funds	Non- compliance with regulation	Matters affecting the auditor's report	Budget-Statement of Comparison of Budget and Actual Amounts incomplete	The Chief Financial Officer did not adequately review the compilation of annual financial statements so as to ensure that the municipality's annual financial statements comply with the applicable accounting framework	Compile an AFS action plan that allows sufficient time for CFO to do thorough review of the AFS.	01-Feb-17	30-Jun-17
4	Commitments	Misstatement in financial statement	Matters affecting the auditor's report	Committed Contracts not disclosed as commitments	Lack of proper control around contracts register to ensure it is complete, the accounting officer did not ensure that all contracts that are committed are disclosed in the AFS.	Implement contract management	01-Feb-17	30-Jun-17
5	Commitments	Misstatement in financial statement	Matters affecting the auditor's report	Supporting schedule of Commitments not agree to Disclosure in the AFS	The PMS unit did not ensure that the commitments schedule for capital projects agrees to supporting documents and that the schedule is reviewed and up to date.	Compile and review the monthly reconciliations for retentions and capital projects.	01-Feb-17	30-Jun-17
6	Contingent liabilities	Misstatement in financial statement	Matters affecting the auditor's report	Contingent liabilities incorrectly and incompletely disclosed	The Chief financial officer did not ensure that proper controls are in place to ensure that contingent liabilities are valued correctly in the financial statements and that all contingent liabilities are evaluated and appropriately disclosed in financial statements	Implement contract management	01-Feb-17	30-Jun-17

NO	FINANCIAL YEAR		2015/16					
	Municipality Name		Greater Tubatse		Fetakgomo			
	Audit Opinion		Qualified		Unqualified			
	Reporting Period		2015/16					
	Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	AFS action plan Description	Start Date	Completion Date
					BTM			
7	Employee costs	Misstatement in financial statement	Matters affecting the auditor's report	Employee cost- overtime not supported	1 The information technology manger did not ensure that backups for payday are done. The municipality experienced a crush on the system and they did not have proper back up to restore correct information.2 Reconciliations between payday and the financial system were not done to ensure that correct information is transferred	1. Monthly reconciliations between the HR system and venus to be performed and reviewed by the CFO; 2.Off site and in and out break up system to be implemented	01-Feb-17	30-Jun-17
8	Heading 1	Non- compliance with regulation	Matters affecting the auditor's report	SCM - Non-compliance with Section 32 of Municipal Supply chain management regulation	The Accounting officer did not ensure that the Municipal Supply chain regulation and MFMA are complied with when appointing these Service providers.	Quality assurance on all section 32 procurement for compliance	01-Feb-17	30-Jun-17
9	Heading 1	Non- compliance with regulation	Matters affecting the auditor's report	SCM - Splitting of services to avoid competitive bidding	The Accounting officer did not ensure that the Municipal Supply chain regulation and MFMA are complied with when procuring services	Enforce compliance with MFMA regulations on procurement	01-Feb-17	30-Jun-17
10	Heading 1	Non- compliance with regulation	Matters affecting the auditor's report	SCM - Awards to the persons in the service of the state	The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control to ensure that persons in service with the state are not awarded bids	Procure a system that assist in preventing awarding of tenders to persons who are in service of the state	01-Feb-17	30-Jun-17
11	Heading 1	Non- compliance with regulation	Matters affecting the auditor's report	SCM - Deviation from normal procurement process not disclosed on the AFS	The Accounting officer did not ensure that the Municipal Supply chain regulation and MFMA are complied with when procuring services..	Keep record of proper registration of deviation	01-Feb-17	30-Jun-17
12	Heading 1	Non- compliance with regulation	Matters affecting the auditor's report	CM-Unauthorised, irregular or fruitless and wasteful expenditure not investigated	The Municipality did not ensure that investigations on Unauthorised, irregular or fruitless and wasteful expenditure are promptly concluded and individuals held liable or expenditure is written-off as approved by council	Implement the system of investigating fruitless, wasteful and unauthorised expenditure	01-Feb-17	30-Jun-17

NO	FINANCIAL YEAR		2015/16					
	Municipality Name		Greater Tubatse		Fetakgomo			
	Audit Opinion		Qualified		Unqualified			
	Reporting Period		2015/16					
	Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	AFS action plan Description	Start Date	Completion Date
					GTM			
13	Heading 1	Misstatement in financial statement	Matters affecting the auditor's report	IE-Understatement of Irregular expenditure	The accounting officer did not put in place adequate controls to ensure that irregular expenditure is completely disclosed in the financial statements	Compile monthly reconciliations of the irregular expenditure.	01-Feb-17	30-Jun-17
14	Heading 1	Non- compliance with regulation	Matters affecting the auditor's report	GRAP – Non compliance	The accounting officer did not adequately review the financial statements to ensure compliance with GRAP standards	Compile an AFS action plan that allows sufficient time for CFO to do thorough review of the AFS.	01-Feb-17	30-Jun-17
15	Heading 1	Non- compliance with regulation	Matters affecting the auditor's report	Creditors – payment not made in 30 days	The accounting officer did not ensure that all invoices are paid within 30 days from the date of receipt	Develop procedure manual and tracking system.	01-Feb-17	30-Jun-17
16	Heading 2	Non- compliance with regulation	Matters affecting the auditor's report	IBU-Non- Compliance with section 32 of the municipal supply chain management regulation of 2005	Accounting officer did not ensure that the section 32 requirements were complied with before the service provider was contracted.	Develop quality assurance and compliance framework for section 32 appointments	01-Feb-17	30-Jun-17
17	Heading 2	Non- compliance with regulation	Matters affecting the auditor's report	IBU-Amendment of contract in contravention of section 116 (3) of the Municipal Financial Management Act	Inadequate oversight by the Municipality has resulted in the awarding of extension being inconsistent with Section 116 of the MFMA.	Establish the contract management section in SCM to work together with Legal services .	01-Feb-17	30-Jun-17
18	Immovable assets	Misstatement in financial statement	Matters affecting the auditor's report	Assets - Infrastructure Assets accumulated depreciation	• Lack of oversight responsibility regarding financial and performance reporting and compliance and related internal controls are not exercised by management • Inadequate review and monitoring of compliance with applicable laws and regulations	1. Compile an AFS action plan that allows sufficient time for CFO to do thorough review of the AFS; 2. Quarterly assets management reporting	01-Feb-17	30-Jun-17
19	Leases	Misstatement in financial statement	Matters affecting the auditor's report	Leases - Understatement of short-term portion and overstatement of long-term portion of finance lease.	The Accounting Officer did not ensure that current and non-current portions of leases are accurately disclosed.	Implement contract management system	01-Feb-17	30-Jun-17

NO	FINANCIAL YEAR		2015/16					
	Municipality Name		Greater Tubatse		Fetakgomo			
	Audit Opinion		Qualified		Unqualified			
	Reporting Period		2015/16					
	Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	AFS action plan Description	Start Date	Completion Date
					GTM			
20	Operating expenditure	Misstatement in financial statement	Matters affecting the auditor's report	Expenditure - expenditure understated	The accounting officer did not implement controls to ensure that payment certificates for work done are signed by an appropriately competent official so that there are no inconsistences between the signed payment certificate and other documents supporting the same payment claims.	Strengthen the system of payment, authorisation and process flow	01-Feb-17	30-Jun-17
21	Payable	Misstatement in financial statement	Matters affecting the auditor's report	Creditors - Difference between the trial balance and annual financial statement	The Chief Financial Officer did not properly review the annual financial statements to ensure that the figures reported in the AFS were reconciling to the underlying records.	Compile an AFS action plan that allows sufficient time for CFO to do thorough review of the AFS.	01-Feb-17	30-Jun-17
22	Predetermined objectives	Misstatement in annual performance	Matters affecting the auditor's report	AOPO-Inconsistency between planned indicator and reported indicator	The PMS Manager did not properly review the annual performance report	Monthly review of the PMS reports and assessment.	01-Feb-17	30-Jun-17
23	Predetermined objectives	Misstatement in annual performance	Matters affecting the auditor's report	AOPO-Difference between reported information and information audited	The PMS Manager did not ensure that controls are implemented to ensure reliability and accuracy of the information reported on	Monthly review of the information on PMS targets.	01-Feb-17	30-Jun-17
24	Predetermined objectives	Misstatement in annual performance	Matters affecting the auditor's report	AOPO-Inconsistency on the reported information and the source document	The PMS Manager did not ensure that controls are implemented to ensure reliability and accuracy of the information reported on	Monthly review of the information on PMS targets.	01-Feb-17	30-Jun-17
25	Predetermined objectives	Misstatement in annual performance	Matters affecting the auditor's report	AOPO-Inconsistency between the planned target and reported target	The PMS Manager did not properly review the annual performance report	Monthly and quarterly review of the planned and reported targets.	01-Feb-17	30-Jun-17
26	Predetermined objectives	Misstatement in annual performance	Matters affecting the auditor's report	AOPO-Reported performance or actual achievement for some of the performance targets could not be verified	Inadequate preparation of valid accurate and complete performance reports that are supported and evidenced by reliable information due to *absence of verifiable records and* **collection systems.**	Monthly review of the PMS.	01-Feb-17	30-Jun-17

NO	FINANCIAL YEAR		2015/16					
	Municipality Name		Greater Tubatse		Fetakgomo			
	Audit Opinion		Qualified		Unqualified			
	Reporting Period		2015/16					
	Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	AFS action plan Description	Start Date	Completion Date
					GTM			
27	Receivables	Internal control deficiency	Matters affecting the auditor's report	Debtor statements not provided for audit	The accounting officer did not implement a sound records management system to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Monthly Debtors management reports	01-Feb-17	30-Jun-17
					Fetakgomo LM			
28	Other	Misstatement in financial statement	Matters affecting the Auditors report	CM8 Ex46: VAT - Differences	The Accounting officer did not keep accurate and complete financial reports.	The audit finding was resolved during the audit process.	N/A	N/A
29	Other	Non- compliance with regulation	Matters affecting Auditors report	CM9 Ex58: PAYE, SDL and UIF: Incorrect AMOUNT	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	The audit finding was resolved during the audit process.	N/A	N/A
30	Other	Non- compliance with regulation	Matters affecting Auditors report	CM10 Ex60: HRM - Overtime: Employees not eligible for paid overtime remuneration	Management did not prepare accurate and complete financial statements that are supported and evidenced by reliable information	The audit finding was resolved during the audit process.	N/A	N/A
31	Other	Misstatement in financial statement	Matters affecting Auditors report	CM8 Ex47: Commitments are not complete	Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	The audit finding was resolved during the audit process.	N/A	N/A
32	Employee cost	Misstatement in financial statement	Matters affecting Auditors report	CM8 Ex57: HRM - Scope limitation: Unable to audit the employee cost journal	Management did not consistently implement controls in a timely manner to ensure complete, relevant and accurate information is available to support performance reporting.	The audit finding was resolved during the audit process.	N/A	N/A
33	Movables assets	Misstatement in financial statement	Matters affecting the Auditors report	CM8 Ex56:PPE: Incorrect classification of Fixed Assets	Management did not prepare accurate and complete financial statements that are supported and evidenced by reliable information.	The audit finding was resolved during the audit process.	N/A	N/A

NO	FINANCIAL YEAR		2015/16					
	Municipality Name		Greater Tubatse		Fetakgomo			
	Audit Opinion		Qualified		Unqualified			
	Reporting Period		2015/16					
	Audit Findings	Category of Finding	Description of Finding	Finding status	Root Cause	AFS action plan Description	Start Date	Completion Date
					GTM			
34	Revenue	Misstatement in financial statement	Matters affecting the Auditors report	CM1 Ex4: Revenue: Revenue from parking fees was not recognized throught the year as per GRAP requirement	The Accounting Officer did not implement controls to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with the prescribed standards and norms.	The audit finding was resolved during the audit process.	N/A	N/A