ANNUAL REPORT 2015/16

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

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ANNUAL REPORT 2015/2016– MALUTI-A-PHOFUNG MUNICIPALITY

ABBREVIATIONS

Abbreviation	Term
MAP	Maluti-A-Phofung Local Municipality
MAP Water	Maluti-A-Phofung Water SOC Ltd
MPAC	Municipal Public Accounts Committee

VOLUME I

CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

Cllr V.W. Tshabalala
Executive Mayor

The Maluti-A-Phofung Local Municipality (MAP) is a proud and ethics bound institution. As such it is an exciting time as the transformation we envisage, will transpire in the next five years. We wish to thank those directly linked to the Municipal Council, thus all councillors and staff members, who worked diligently during the past financial year to achieve the vision of our municipality, as well as those who contributed towards achieving our dream of an unqualified audit (clean audit). The commitment from all Councillors and Members of the Mayoral Committee and employees cannot be disputed. We have been privileged to be part of this municipality in its fifth term, making us eager and optimistic for clean audit target. This in itself makes it easy for us as a team to just continue with the good work and the ground rules that are already in place.

The municipality has made significant progress towards meeting its targets and goals as set for the provision of basic services. We have achieved taking council closer to the community, by hosting a successful budget tabling and holding regular Imbizos. This enabled communities to be familiar with council operations and to maintain a healthy relationship with the citizens. We have also been adhering to the call for inter-governmental relations by benchmarking with different municipalities, in the best interest of exchanging good practices on governance and policies. We have engaged potential investors for the upcoming Special Economic Zone as well as encouraging the youth to empower themselves with rare skills in order to take part in the construction process of this project in an effort to grow our local economy.

We have also achieved a milestone by establishing our own Contractor Development Programme where our members of youth are given construction work in an effort to upgrade their CIDB and enable them to be employers so that the fight against the eradication of poverty is realised sooner.

We are still on the journey of improving our services that are delivered to our communities with water and electricity taking priority. We are on the verge of starting with the development of upgrading our water networks that will take water from Sterkfontein dam to Fika Patso dam in an attempt of keeping our promise of service delivery to our communities which is their constitutional right. We are continuing with construction and maintenance of roads, electrification and supplying water to out households in different wards. It is in this financial year where our people should be taught about the importance of paying rates and taxes so that we enable the municipality to improve on its revenue collection so that it can be able to improve and efficiently deliver services. We are also bound to educate our people about the importance of not polluting hence the municipality is considering reviving some of the landfill sites for dumping.

We know that the past half a decade has not been an easy one and we therefor acknowledge and apologise to the community for any mistake that was done by us as a council. We therefor invite our people to come walk with us as we are on the journey of trying to change the lives of our people and giving them better services; not forgetting trying to create sustainable jobs and develop our youth to be able to face the challenges of life on their own.

Cllr V.W Tshabalala

Executive Mayor

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

As the Local Municipality, it is only correct that we provide support support/service to our communities during the ongoing electricity and water crisis facing the country. It is my view that despite the above mentioned challenges that citezens, business

As indicated in the Executive Mayor's foreword, the past half a decade has not been easy. The municipality has, however, made great strides in its efforts to provide infrastructure for the community of Maluti-A-Phofung. The section on the performance report included in this document provides the detail of the progress achieved.

The 2015/2016 year has been characterised by a prolonged drought in the area which placed a great strain on the resources of the municipality. We will continue to strive to improve the lives of our people by activities that impact on access to most basic services, including water, economic opportunities and electricity. Local economic development remains a focus area to improve the economic outlook for all our people.

Our work in relation to social services has involved the communities with what affects them most. We will continue to work tirelessly for a safe and secure environment to live and work in.

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1 MUNICIPAL FUNCTIONS

MAP is a Category B municipality situated within the Thabo Mofutsanyana District in the Free State Province. It is bordered by Phumelela in the north, the Kingdom of Lesotho in the south, the KwaZulu-Natal Province in the east, and Dihlabeng in the west. It is one of the six municipalities that make up the district. The municipality comprises of 35 wards and covers approximately 4 421km^2.

MAP was established on 5 December 2000 in terms of the Provincial Gazette No.14 of 28 February 2000, issued in terms of Section 21 of the Local Government Notice and Municipal Demarcation Act 27 of 1998.

Phuthaditjhaba is the urban centre of QwaQwa and serves as the administrative head office of the MAP.

1.2.2 POPULATION

According to Census 2011, Maluti-a-Phofung had a population of 335 784, of which 98,2% were black African, 1,3% were white, 0,2% were coloured, 0,2% were Indian, with other population groups making up the remaining 0,1%.

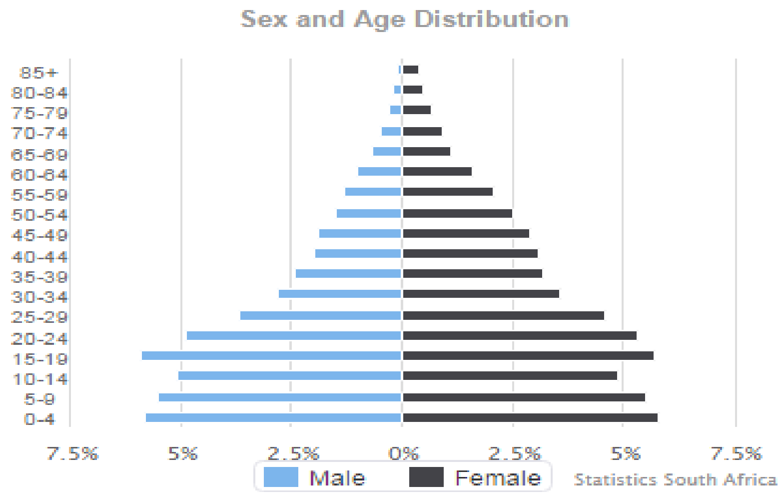

Figure 1: 2011 Sex and Age Distribution

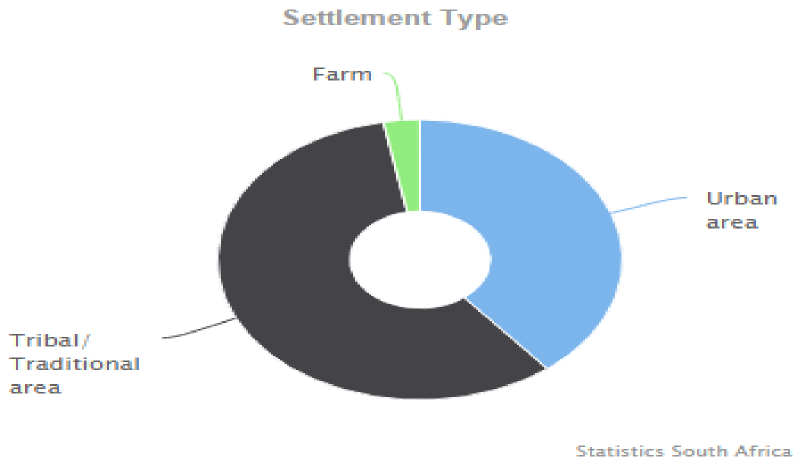

Figure 2: Formal and informal dwellings in Maluti-A-Phofung Municipality

1.2.3 SOCIO-ECONOMIC STATUS

62% of the municipal population is economically active. The majority of the population depends on subsistence farming. Support and service sectors such as arts and crafts, beadwork, sculpting, pottery and others enable the unemployed and self-employed to earn an income. 42% of the community is unemployed, with youth unemployment at 53%.

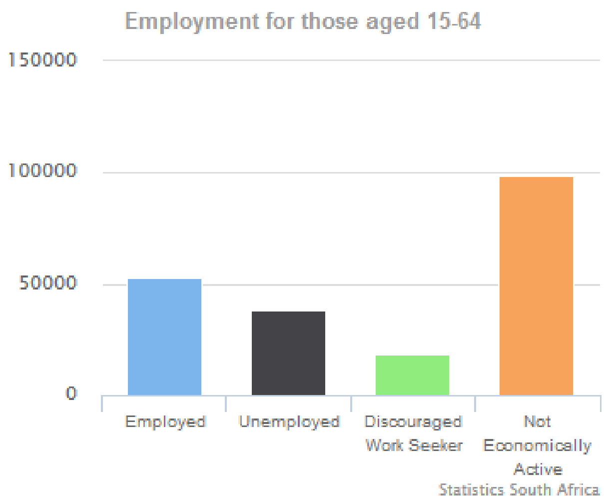

Figure 3: Formal and informal dwellings in Maluti-A-Phofung Municipality

CHAPTER 2 – GOVERNANCE

INTRODUCTION

Municipalities in South Africa are governed by Municipal Councils. Maluti-A-Phofung Council is therefore the governing body of MAP and the custodian of its powers, duties and functions, both legislative and administrative. Essentially, the Council performs a legislative and executive role. The Constitution of the Republic of South Africa, 1996, Chapter 7, Section 160 (1) defines the role of the Council as being:

- (Making) decisions concerning the exercise of all the powers and the performance of all the functions of the municipality;
- (Electing) its chairperson;
- (Electing) an executive committee and other committees, subject to national legislation;
- (Employing) personnel that are necessary for the effective performance of its functions.

Municipal Council comprises the governing and decision making body of the Municipality whilst municipal officials and staff focus on implementation. Council determines the direction for the municipality by setting the course and allocating the necessary resources. Council establishes the policies, and municipal staff ensures that those policies are implemented. Decisions made at Council or committee level are often the result of a lot of research, consultation and advice from staff, residents, business people, and interested parties. Often there are competing interests and financial constraints that must be considered.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1. POLITICAL GOVERNANCE

MAP is governed by a council, led by an Executive Mayor. All major policy and administrative decisions are presented, resolved and implemented after the approval of Council.

The political system in the municipality is functioning well in that all major committees are fully functional. The Municipality has a functional oversight committee that meets regularly to consider policy direction and track performance of the municipality, There is a functional audit committee that periodically provide advice to Council. There is a Municipal Public Accounts Committee (MPAC) that continues to interrogate municipal performance and thus assist the municipality to act in the manner that assist service delivery. The annual report is publicised for scrutiny and comment of the public as well.

2.1.1 POLITICAL STRUCTURE OF MAP

1. Executive Mayor: Councillor VW Tshabalala
2. Speaker: Councillor AM Nthedi
3. Chief Whip: Councillor TR Thebe

Table 2.1: MEMBERS OF THE MAYORAL COMMITTEE

Members of the Mayoral Committee	Responsible Councillor
Finance	Cllr Betsi Mofokeng
Corporate & Legal Services	Cllr Mary Crockett
Human Settlement, Spatial Development, Planning and Traditional Affairs	Cllr Moeketsi. J Lebesa
IDP & PMS	Cllr M.T Mavuso
Local Economic Development, SMME, Tourism and Agricultural Development	Cllr MM Mosia
Community Services	Cllr M.J Tsotetsi
Infrastructure and Electricity Services	Cllr D.J Nhlapo
Public Safety, Transport and Protection Services	Cllr T.J Nthinya
Woman, Children and People with Disability	Cllr Mof. T Mopeli
Sports, Arts and Culture	Cllr N.R Mokoena
MPAC	Cllr S Khumalo

The Maluti-A-Phofung Council is constituted by 69 elected public representatives. The parties in Council are illustrated in the table below.

Table 2.2: POLITICAL PARTIES REPRESENTED IN THE COUNCIL

Political Parties in Council	Total seats
African National Congress	47
Economic Freedom Fighters	9
Democratic Alliance	5
Dikwankwetla Party of South Africa	4
AULA	2
African Independent Congress	1
African People’s Convention	1

Table 2.3: THE GOVERNANCE STRUCTURE OF MALUTI-A-PHOFUNG MUNICIPALITY

Structure	Responsible for	Oversight Over	Accountable to
Council	Approve policies and budget Executive	Mayor, Mayoral Committee And Audit Committee	Community
Executive	Mayor Policies, budget, outcomes, management and oversight over Municipal Manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The administration Executive	Mayor
CFO	Outputs and implementation	Financial management and operational functions	Municipal Manager

2.2 ADMNISTRATIVE GOVERNANCE

The administration is headed by the Municipal Manager as the Accounting Officer. The day-to-day management of the Municipality is performed by staff under the direction of the Municipal Manager and directors of Departments. The Municipal Manager and directors of Departments have broad and general management responsibilities, such as making sure staff is kept abreast on Council's direction, and identifying gaps in service delivery. Together with Council they must monitor progress on set goals and priorities.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 RELATIONSHIP WITH MUNICIPAL ENTITIES

The municipality has established a municipal entity Maluti-A-Phofung Water SOC Ltd (MAP Water) to provide water services to its citizen and manage and maintain water on the behalf of the Municipality. The decisions of MAP Water are taken by a duly constituted Board of Directors and the entity account to the Municipality through the Executive Mayor.

COMPONENT C: OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

As provided for in Legislation, the municipality convened a series of meetings using a ward clustering system to involve communities to participate actively in the unfolding planning, monitoring and budgeting processes.

The Municipal Systems Act (MSA) states that the IDP must include a vision for the long-term development of the municipality and development priorities, which must be aligned with national and/or provincial sectoral plans and planning requirements. In terms of the MSA and Municipal Finance Management Act (MFMA), the Municipality has been reviewing its IDP and the organisational scorecard on an annual basis whilst on the other hand compiling the Service Delivery and Budget Implementation Plans (SDBIPs) for each year.

Annual reports address the performance of the Municipality against its performance measures as outlined in the SDBIP. The SDBIP primarily captures annual delivery agenda of the municipality as spelt out in the IDP and the budget. In sync with the deeply entrenched culture of public participation, the setting of the delivery for the period under review was highly participatory. The participation in the IDP as well as the budget encompassed involvement in the planning for the development and budget allocation including implementation of programmes and projects that require community involvement for them to be sustainable and have the lasting impact.

2.4 PUBLIC MEETINGS

MAP consult with the public throughout the financial year on IDP and tariffs including annual reports and by-laws, The Municipality has 43 wards with ward committees. The Municipality publishes its public meetings in local newspapers and radio stations.

Table 2.4: PUBLIC MEETINGS

Public meetings					
Nature and purpose of the meeting	**Dates of event**	**No of participating councillors**	**No of participating Municipal councillors**	**Number of community members attending**	**Dates and manner of feedback given to community**
IDP and budget consultative meetings	31 March – 14 April 2015	83 Councillors, Community development workers and Ward Committees	83 Councillors, Community development workers and Ward Committees	2 620	Public participation schedule was published in the local newspaper. Final budget presented by the Executive Mayor on 2 June 2015. It was also broadcasted on a local radio station (QwaQwa radio). Documents were made available at local libraries and satellite offices.
Annual report	xxx				
By-laws	31 March – 14 April 2015	83 Councillors, Community development workers and Ward Committees	83 Councillors, Community development workers and Ward Committees	As per attendance registers	As for IDP and budget consultative meetings

Public engagements in the municipality provide opportunities for the public to contribute, interrogate and engage municipal priorities. Furthermore, the municipality organise feedback sessions to report back on what communities have been reflecting and how the municipality is responding. The IDP of the municipality also has a section that addresses issues raised by communities and municipal responses.

2.4.1 WARD COMMITEES

Ward committees in the municipality serve as an interface between the community and the municipality. They pick up day to day service delivery issues in wards and through the ward councillor they advance those issues for council attention. Ward committees are a single most important institutional arrangement to ensure efficient and result based participatory system.

2.5 IDP PARTICIPATION AND ALIGNMENT

Table 2.5: IDP AND ALIGNMENT

IDP Participation and alignment criteria	Yes/no
Does the municipality have impact, outcome, input, output indicators	Yes
Does the IDP have priorities, objectives, KPI's development strategies?	Yes
Does the IDP have multiyear targets?	Yes
Are the above aligned and can they calculate to a score?	Yes
Does the budget align directly to the KPI in the strategic plan?	Yes
Does the IDP KPI align to section 56 managers?	Yes
Do the IDP KPI lead to functional area KPI as per SDBIP?	Yes
Were the indicators communicated to the public?	No
Were the four quarter aligned reports submitted within stipulated time frames?	No

COMPONENT D: CORPORATIVE GOVERNANCE

2.6 OVERVIEW OF CORPORATE GOVERNANCE

2.6.1 Risk management

The MFMA places an injunction on the municipality to maintain an effective, efficient and transparent system of Risk Management. MAP performs risk management activities. These activities are reported on a bi-annually to the oversight committee.

2.6.2 Anti-fraud and corruption

The municipality has established an Audit Committee that is periodically reviewing and advising on internal controls of the municipality. The Audit Committee is administratively supported by the Internal Audit Unit.

Table 2.6: MEETINGS OF THE AUDIT COMMITTEE

Nature/type of meeting	Date
Special	07 August 2015
Special	29 September 2015
Ordinary	21 October 2015
Ordinary	28 January 2016
Special	25 May 2016

CHAPTER 3 - SERVICE DELIVERY PERFORMANCE

The Municipal Planning and Performance Management Regulations (2001) in terms of the MSA set the requirements for performance management out in detail. The Regulations also contain general Key Performance Areas (KPAs) which all municipalities must apply. The municipality's performance against these general KPAs is discussed below. Each performance objective is supported by key performance indicators (KPIs).

3.1 PERFORMANCE REPORT AGAINST ANNUAL PERFORMANCE PLAN:

3.1.1 Infrastructure

Objective	KPI	Baseline Indicator	Indicator Reporting period	Annual target	Budget	Evidence	Progress and further actions
1. To accelerate the delivery of infrastructure services	1.1 % Of sports facilities completed	100%	Quarterly	100%	R22 655 280.77	Progress reports and quality control site visit report	Partially achieved - 94% - Facility 1 - Intabazwe sport and recreational facility (Phase 2) – 40% - Bluegumbosch indoor sport and recreational hall – 15% - Upgrade of Intabazwe stadium – 14%
	1.2 Total km of paved roads constructed	3km	Quarterly	5 km	R33 185 949.90	Progress reports and quality control site visit report	Partially achieved Paved roads in Tlhololong – 79% Slow progress due to lack of enough plant on site. The matter was discussed

Objective	KPI	Baseline Indicator	Indicator Reporting period	Annual target	Budget	Evidence	Progress and further actions
							with the contractor and he is on site working, though the plant is still expected.
	1.3 Number of VIP toilets constructed	37 400	Quarterly	200	R4 000 000.00	Quality control site visit report	Achieved The consultant was requested to send a close-out report. 360 toilets were completed.
	1.4 Number of households serviced with potable water	66 709	Quarterly	2 000	R27 069 954.80	Quality control site visit report	Partially achieved Bolata – 99% Maluti-a-Phofung Municipality – 91%
	1.5 % Cemeteries with proper infrastructure developed	100%	Quarterly	100%	R10 498 573.92	Quality control site visit report	55% - Partially achieved The project only started in April 2016.
	1.6 % of reservoirs constructed	100%	Quarterly	100%	R9 123 618.26	Quality control site visit report	90% - Partially achieved Testing and waterproofing of the reservoirs will be a challenge as it is anticipated to leak, because of previous contractors.

Objective	KPI	Baseline Indicator	Indicator Reporting period	Annual target	Budget	Evidence	Progress and further actions
	1.7 Number of new high mast lights installed	68	Quarterly	68	R10 340 166.40	Quality control site visit report	23% - Partially achieved The contractor is to liaise with the ward councillors effectively so that delays due to the changes in the positions of the lights installations are minimised.
	1.8 % of wastewater treatment plants	2	Quarterly	100%	R12 676 799.10	Progress reports	Partially achieved Practical completion at Fika Patso water purification plant. 97% complete for civil works and 85% complete for electrical installation.
	1.9 Number of households connected to sewer works	60 000	Quarterly	350	R2 801 178.00	Quality control site visit reports	650 stands - Achieved Practical completion of the project.
	1.10 % of bulk water schemes constructed	100%	Quarterly	100%	R24 896 000.00	Project completion certificates	Partially achieved Makwane – 99%
	1.11 Number of electricity	85 000	Quarterly	100%	R 20 000 000.00	Project completion	Not achieved – evidence could not be provided.

Objective	KPI	Baseline Indicator	Indicator Reporting period	Annual target	Budget	Evidence	Progress and further actions
	connections					certificate	
	1.12 % of PMU establishment	100%	Quarterly	100%	R5 772 029.00	Close-out report	Not achieved – evidence could not be provided.
	1.13 % of water networks refurbished	100%	Quarterly	50%	R3 000 000.00	Project report	Achieved Mabolela Village – 99%
	1.14 % of new footbridges	17%	Quarterly	50%	R4 000 000.00	Project progress report	Not achieved – Locality or sites have been identified. Construction to follow.
2. To create new job opportunities	2.1 Number of jobs created on projects	750	Quarterly	750	As per EPWP regulations	Reports submitted to Public Works	Achieved – 885
3. To improve waste removal services and management of landfill sites	3.1 Implement a programme for the disposal of domestic waste and commercial services to industrial and business customers	25%	Quarterly	75%	R33 236 086.00	Monthly reports	Not achieved. After the appointment of a service provider, the programme of door-to-door collection is in good standing.
	3.2 Update and maintain waste collection	50%	Quarterly	100%	R3 000 000	Vehicle control sheet, log books and monthly	Not achieved. Service provider Prospa is appointed to maintain on waste collection

Objective	KPI	Baseline Indicator	Indicator Reporting period	Annual target	Budget	Evidence	Progress and further actions
	equipment					reports	equipment.
	3.3 Managing the landfill sites	50%	Quarterly	100%	R3 785 000.00	Monthly reports	Not achieved A service provider is appointed to manage both landfill sites. Service delivery is not up to standard yet.
	3.4 Minimising illegal dumping	10%	Quarterly	100%	R2 000 000.00	Log books	Not achieved. Illegal dumping is removed when it is identified.

3.1.2 Human Settlements, Spatial Development and Planning

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Progress	Comments
1.To promote and ensure integrated human settlements	1.1 Number of sites provided to people	1 175	Quarterly	1 629	Not achieved	A list was compiled, but none of these sites were formally transferred
	1.2 Number of mixed development settlements established	1	Annually	1 Schoonplaats	1 – Achieved	Completed claim and 226 houses
2. To prevent and eradicate all informal settlements	2.1 Number of illegal structures on unproclaimed areas to be reallocated and formalised	3	Quarterly	3 Informal settlements: Mandela Park, Disaster park, Klein begin	Not achieved	Reports
	2.2 Number of successful removals / evictions, relocations on illegally occupied land	1	Monthly	1 Intabazwe	1 – Achieved	Eviction order and eviction report
3. To manage and improve conditions in	3.1 Number of commonages and	34 townlands and 4	Quarterly	3 Kestell & Phuthaditjhaba	3 – Achieved	Boschetto, Mariushoek and Kestell. Only the completion certificate is

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Progress	Comments
commonages and town lands	town lands fenced	commonages				outstanding on the project.
	3.2 Number of commonages established / improved conditions and identification	4	Annually	4 Kestell & Harrismith	1 – Partially achieved	Documentation provided to support the transfer of land to Maluti-A-Phofung.
4. To facilitate access to subsistence and commercial farming	4.1 Number of leased and utilised town lands and camps	42	Annually	42	38 – Partially achieved.	Most properties were leased. Supply chain processes to be followed for leases that expired.
5. To secure tenure rights for all in MAP	5.1 Number of title deeds given out through discount benefit scheme	3 450	Annually	1 500	569 – Partially achieved	Register for issuing title deeds
6. To manage advertisement space monthly	6.1 Number of new and old advertisement boards monitored and billed	35 billboards and 56 posters	Quarterly	44 Billboards and 200 posters	Not achieved	Approved applications and signed contracts

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Progress	Comments
	accordingly					
7. To improve access to land property	7.1 Number of planned and surveyed sites in Harrismith, Intabazwe and Phuthaditjhaba (Township establishment)	20 000	Quarterly	7 townships: Kestell/Tlholong (1200) Harrismith Extension (300) Weltevreden (529) Bluegumbosch (1000) Intabazwe for planning and surveying (1029) EersteZending (100) Lotusville (300)	7 – Partially Achieved Kestell (1121) Harrismith Extension (319) Weltevreden (500) Bluegumbosch (654) Intabazwe (1029) Eerste Zending (100) Lotusville (432)	
8. To maintain forward planning	8.1 Number of local development tribunal established in terms of SPLUMA and FSSPLUMB	0	Quarterly	2 SPLUMA tribunal and housing dispute resolution committee	Not achieved	Structure approved by Council and appointment letters
9. To provide and maintain	9.1 No of sustainable	7	Quarterly	1	Not achieved	Service provider was appointed for geotechnical

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Progress	Comments
cemeteries	cemeteries established					survey.

3.1.3 Local Economic Development and Tourism

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
1. To draw new investment in the area.	1.1 No. of new investments attracted: ➢ Bell Pty Ltd ➢ Special Economic Zone and Harrismith Logistics Hub ➢ Facilitation of the new Mall in Phuthaditjhaba ➢ Oryx Oil SA PTY LTD ➢ Waste to energy project ➢ existing taxi ranks and development of new taxi ranks in Intabazwe and Phuthaditjhaba ➢ LGSETA (Artisan Programme)	0	Quarterly	5	5	**Bell Pty Ltd** Bell Equipment is still on board to invest at Harrismith. The only challenge with them is that their sales dropped and once the situation improves, they will be in the position to indicate to MAP the way forward. **Special Economic Zone and Harrismith Logistics Hub** Plans are underway to launch the SEZ. There was a meeting held in Tshiame to make preparations for the launch. The DTI is awaiting the office of the President to confirm the date for the launch **Facilitation of the new Mall in Phuthaditjhaba** Construction is anticipated to commence in September 2016. The developer is busy with the appointment of the

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
						contractor. There is concern over the commencement date of the development of the taxi rank as the two projects should be developed simultaneously. **Oryx Oil SA PTY LTD** The directorate met with Oryx Oil SA PTY LTD company to discuss the issues relating to the sustainability of Oryx Oil SA projects implemented in Maluti-A-Phofung Municipality. It was agreed that the model should be reworked and further engagements will be entered to with relevant stakeholders The challenge on this project was the delay in obtaining the permission to erect structures of the provincial and national roads. The budget would be made available after technical evaluation. **Waste to Energy Project** Mathababa Green Consultants wanted to bring a **Self-Funded Waste to Energy** municipality where the municipal landfill site would be utilized to solution to the generate Green Renewable sustainable electricity. The project was presented to Mayoral committee for approval. A letter of intent was given to Mathababa to implement the project. The budget would

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
						be made available after technical evaluation. **<u>Facilitation of upgrading the existing taxi ranks and development of new taxi ranks in Intabazwe and Phuthaditjhaba</u>** Service providers were appointed to develop and upgrade the taxi rank in Phuthaditjhaba and Intabazwe but there were issues regarding the land ownership of the Phuthaditjhaba taxi rank. In Intabazwe taxi owners raised issues regarding road infrastructure maintenance.
	1.2 Number of policies and by-laws developed	0	Annually	2	1	No policies were developed only 3 LED by-laws were developed and submitted to mayoral committee to be recommended to council.
	1.3 Number of LED forum meetings held	0	Quarterly	4	Not achieved	The LED forum has not been established yet.
	1.4 Number of sector strategies reviewed and developed	0	Annually	2	1	Only LED Strategy was reviewed. The first draft was sent to COGTA for comments and it will serve in council for approval
	1.5 Number of people attending apprenticeship	100	Annually	100	100 - Achieved	**<u>LGSETA (Artisan Programme)</u>** LED, SMME, Tourism, Agriculture and Rural Development Directorate facilitated the implementation of the training programme of artisan

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
						funded by LGSETA where all four trades have been implemented and students were identified and taken to different institutions for job training in the following trades: - Welding - Plumbing - Motor mechanic - Spray painting This project was launched by the Deputy Minister of Higher Education at multipurpose and it was a great success Challenges on this project include the attitude of some learners who are absent from duty without permission showing a lack of commitment. Learners placed at the Municipality for plumbing are struggling due to the non-availability of tools.
	1.6 Number of infrastructure development facilitated	8	Quarterly	8	8 – Achieved Greenhouse tunnel, 11 grazing camps, commonage, animal health kraal, 3 Oryx	An additional project for waste to energy was approved at no cost to the Municipality.

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
					Guess containers, SMME park in Harrismith	
2. To facilitate the industrial development in the region	2.1 Number of companies retained	80	Quarterly	80	137 - Achieved	Manufacturing sector generally is still a challenge. However, the review of the LED strategy is intended to address the challenges which are being experienced in this sector.
	2.2 Number of companies expanded	3	Annually	3	Not achieved	Manufacturing in the sector is still a challenge. However, the review of the LED strategy is intended to address the challenges experienced in this sector.
3. To expand the manufacturing sector in the region	3.1 Number of retained companies and new entrants into the sector	0	Annually	4 reports	4 – Achieved.	Manufacturing in the sector is still a challenge. However, the review of the LED strategy is intended to address the challenges experienced in this sector.
4. To strengthen the institutional capacity of SMME's and increase the number of viable emerging businesses	4.1 Number of emerging SMMEs formalised	0	Quarterly	82	158 - Achieved	Emerging businesses (SMMEs) were assisted through workshops that were identified and facilitated by the Directorate. ABI Conducted training for 158 emerging businesses and awarded certificates to 170 learners who completed the training that was offered. During the certificate awarding ceremony, 26 SMMEs received the trollies which were provided by the Destea

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
						The directorate assisted exhibitors to attend and exhibit their products in the celebration of Youth Month. The directorate also assisted SMMEs to attend SMME summit that was organised by the Department of Small businesses in Bloemfontein where Minister Lindiwe Zulu and Minister Olifant made presentations to municipal officials and SMMEs
	4.2 Number of viable emerging businesses identified and assisted	0	Quarterly	25	25 - Achieved	W&RSETA trained 25 emerging businesses and purchased equipment for them. They were trained according to their requests.
	4.3 Number of workshops and information sessions conducted	0	Quarterly	3	3 – Achieved	Mineral laws administration presentation SMME road show National informal economy summit
	4.4 Number of networking sessions facilitated with different funding institutions	0	Quarterly	3	6 - Achieved	Greater Harrismith small business forum Harrismith Hawkers committee Capacity building workshop for informal trader organisations Training for women hawkers ABI tuckshop training National informal economy summit
5. To expand mining beneficiation sector in the region	5.1 Number of emerging and small-scale miners formalised	80	Quarterly	80	Partially achieved	No small scale miners were assisted to obtain permits that formalised their businesses. Current and planned project for brick miners is to help the miners with

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
						their mining applications and mining licences.
6. To expand agricultural sector in the region	6.1 Number of new agricultural projects identified and implemented.	0	Annually	3	3 - Achieved	• Facilitated the implementation of Feedlot in Thaba Bosiu – Beef livestock feeding facility • Facilitated the implementation of Fodder bank in Kestell – grazing management system that includes the pasture cultivation, cutting and storage. • Facilitated the implementation of Back yard gardens
	6.2 Number of agricultural projects revived and implemented.	0	Annually	3	3 - Achieved	• Facilitated the implementation of Dairy on Weltevreden farm - +2000l milk cooling tank and 15 Ayrshire cows • Facilitate the implementation of River valley Vegetable Farm • Facilitated the implementation and revival of Poultry (Layers) farming in Harrismith – Housing structure to house 3000 layers.
	6.3 Number of farming activities and agro-processing projects implemented	0	Annually	5	5 - Achieved	Distribution of seedlings in Thaba-Bosiu Area Distribution of seedlings in Phuthaditjhaba area Distribution of seedlings at Monontsha DAFF female entrepreneur awards

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
						Agri-village concept plan for Maluti-A-Phofung
	6.4 No. of farms assisted on infrastructure development: ➢ Water Connections ➢ Electricity networks ➢ Roads upgrading ➢ Mobile communication networks	0	Bi-annually	5	3 – Partially achieved	Only few farms were assisted on water connections and fencing. The directorate facilitated the provision of these installations were they negotiated with department of Agriculture.

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
7. Expand tourism sector in the region	7.1 No. of tourism products developed.	0	Quarterly	4	4 - Achieved	***Thabo Mofutsanyana Project*** The implementation of this project is still on-hold due to approval from Thabo Mofutsanyana's Family. The family did not give the municipality permission to upgrade the house, the grave and the church. ***Construction of Environmental centre*** The directorate facilitated the implementation of Environmental centre in ward 2. The construction work is in progress. Reports are attached as POE ***The upgrade of Witsieshoek lodge*** The directorate facilitated the implementation of this project. The project is complete and the lodge is in use. ***The upgrade of Metsi Matsho*** The directorate facilitated the implementation of this project. Construction work is still in progress, the project is 75 % complete. A proposal to request for service provider to manage Metsi Matsho was made. ***Implementation of Phase3 for***

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
						QwaQwa guest house The directorate facilitated the implementation of this project. The construction works is in progress.
	7.2 Number of tourism infrastructure developed, upgraded and maintained	0	Annually	6	2 - Partially achieved	No tourism infrastructure was developed by the directorate. Two projects were implemented for the upgrade of infrastructure. The directorate facilitated the upgrading of the two infrastructure projects: • ***Upgrade of Sentinel Hiking trails***

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
						This project is still on the planning phase. • ***Installation of signage (brown boards)*** A service provider was appointed to install 60 tourism signage in Maluti -a-Phofung, unfortunately the implementation was put on hold. The directorate was informed in Tourism Forum meeting that some of the icons on the tourism boards are going to change. This change on the icons would affect the budget of the directorate because the directorate will have to change all the signs that were installed by the service provider
7. To expand tourism in the region	7.3 Number of marketing material developed and distributed	0	Quarterly	2 000	2 000 - Achieved	2 000 Brochures were produced and distributed at Tourism Indaba Durban
	7.4 Number of tourism events organised and held	1	Annually	5	1 – Partially achieved	Dipontso is the only event that was organised and held during tourism month (September 2015)
	7.5 Number of tourism events attended and marketing materials	0	Quarterly	5	3 – Partially achieved	Only 3 events were attended that and they are as follows: **Tourism Indaba** was attended in May

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
	exhibited					2016 and marketing materials were distributed **The Cherry Festival** was attended as from 18 – 21 November 2016 **Youth Expo** was attended in 20 June 2016
8. To market Maluti-A-Phofung as a tourism destination	8.1 Monitor environmental risks in high risk areas	0	Quarterly	100%	Not achieved	The target could not be achieved due to the shortage of staff.
	8.2 Strategic environmental management plan reviewed	0	Annually	1	1 - Achieved	Only few amendments were made in SEMP were done in house. A full review would be made in 2016/2017 financial year where a request would be made in September 2016 and an advert would be place in the newspaper to request for service providers who will assist to review this document.
	8.3 Number of Air Quality Management Plans Developed	0	Annually	1	Not achieved	The plan was not develop due to cash flow problems. A request would be made as from the first of September 2016 where an advert would be place in the newspaper to request for service providers who will assist to develop the plan
	8.4 Number of Environmental management policy reviewed	0	Annually	1	1 - Achieved	Amendments were made on the policy and is waiting for council approval

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Achievement	Progress and further actions
9. To promote compliance to environmental legislation, policies and by-laws	9.1 Air quality management by-laws developed	0	Annually	1	Not achieved	Benchmarking on the development of by-laws was made and by-laws would be developed in-house.
	9.2 Reports on the identified emergency incidents that impact on water air and soil	0	Quarterly	100%	100%	No emergency incidents were identified and reported
	9.3 Number of cleanest ward competition organized	0	Annually	1	Not achieved	No ward competitions were organised. The big challenge is the staff components, The environmental section is not having staff to perform environmental duties
	9.4 Number of cleaning campaigns organized	0	Quarterly	4	Not achieved	No cleaning campaigns were organised. The big challenge is the staff components, The environmental section is not having staff to perform environmental duties
10. To ensure that pollution (air, water and soil) are minimised to acceptable notional standards in order to preserve the environment	10.1 Number of workshops organized to educate community on environmental issues	0	Annually	2	Not achieved	No workshops were organised. The reason no staff complement for this section.

3.1.4 Sports, Arts and Culture

The Directorate reported on the objectives that they were tasked with below. The Directorate also addressed the challenges that were faced during the financial year and proposed solutions to ensure better service delivery.

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
1. To develop parks	1.1 No of parks developed with recreation equipment	5	Quarterly	5	Not achieved No new parks were developed	Lack of funding, suitable land and budget.
	1.2 Number of parks installed with recreational equipment	4	Bi-annually	4	Not achieved	Needs assessment has been done; insufficient staff and resources to achieve the target.
2. To maintain parks	2.1 No of parks maintained	5	Quarterly	5	Not achieved	Shortage of staff, equipment and vehicles.
3. To beautify and enhance urban areas and access roads	3.1 Number of municipality access roads to be enhanced	20	Quarterly	50	Not achieved	Insufficient evidence provided
4. To provide recreational areas	4.1 Number of playing equipment to be acquired for different recreational areas	5	Quarterly	5	Not achieved	Lack of sufficient maintenance equipment.

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
5.To develop new sporting codes	5.1 No of sporting codes developed	12	Quarterly	20	Not achieved	Lack of sufficient equipment and personnel.
	5.2 Number of sports federations introduced for different sporting codes	4	Quarterly	12	Not achieved	
	5.3 Number of tournaments and competitions organised	4	Quarterly	12	2 – Partially achieved: Freedom day tournament OR Tambo games	As per the report
6. To maintain sports and recreation facilities	6.1 Number of maintenance programs developed for different sport facilities	4	Quarterly	7	7 – Achieved	Lack of maintenance equipment
7. To provide new sports equipment	7.1 Number of new sports equipment provided per sports codes	11	Quarterly	13	Not achieved	Evidence not provided

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
8. To develop sports facilities	8.1 Number of sports and recreational facilities developed	2	Annual	2	Intabazwe Multi-Purpose hall is under construction. 94% progress towards completion.	None.
9. To promote Arts and Culture in MAP	9.1 Number of arts and culture centres developed	2	Annually	2	Not achieved	Insufficient evidence submitted
	9.2 Number of exhibitions and workshops conducted	20	Quarterly	30	Not achieved	
	9.3 Number of cultural festivals / cultural concerts conducted	19	Quarterly	20	Partially achieved – 3 cultural festivals/ concerts were conducted.	

3.1.5 Community Services

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
1. To facilitate the provision of Social Security Services	1.1 Report on the number of child-headed and orphaned families assessed for indigent qualification	2	Annually by February	3	1 – Partially achieved.	According to the consultation process there were no child headed households and additional reports were not needed.
	1.2 Report on the number of Non-governmental organisations for indigent qualification	8	Annually by February	4	3 – Partially achieved Documents obtained from NGO's and psycho – social reports compiled and submitted to Finance Department – Billing Section for Rates and Taxes reduction qualification.	None
	1.3 Number of pauper burials attended to	150	Monthly	150	73 - Partially achieved. Pauper and Indigent burials attended to. 1 cancelled.	Costs of pauper and indigent burials escalating. Review pauper and indigent policy annually.
	1.4 Number of meetings held	1	Every 6 months	2	2 – Achieved. Meetings were held on:	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
	with stakeholders to reduce the number of pauper and indigent burials				- 22 September 2015 - 8 December 2015	
2. To raise awareness with the community on social problems occurring in their specific wards and services rendered	2.1 Number of communities / wards benefited from awareness raised on their social problems and services rendered	2	Quarterly	15	1 – Partially achieved In September and October 2014 provided counselling services to victims of fire in Harrismith farming areas.	Insufficient material support for destitute families.
	2.2 Number of life skills education events held	2	Half-yearly	6	Achieved - Held Life Skill Education activities on the 18 September 2014 - Small business development display in the library - Display on healthy living International day of older persons - Breast cancer awareness month display	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
					- World trauma day - International day for the eradication of poverty - SADC malaria week - World science day - World diabetes day - WRD for victims of road accidents - World aids day - Arrive alive - World water day - Oral hygiene day - Say no to racism - Health and social issues Local government election - Chronic diseases	
	2.3 Number of life skills workshops and training held	2	Half-yearly	6	Not achieved	
	2.4 Number of national and international days' events held	5	Bi-monthly	5	Achieved - International day against drug abuse - Women's month - Africa day	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
3. To develop support networks for older persons	3.1 Develop older persons action plan	0	Annually	1	- Local forum - Stakeholders meeting 12 and 21 January	
	3.2 Number of older persons receiving comprehensive service	600	Quarterly	600	386 - Partially achieved - 8 Luncheon clubs visited	
4. To reduce substance abuse through local drug action committee	4.1 Local drug action plan in place	0	Annually	4	4 – Achieved. - The Local Drug Action Plan was done and approved by the Local Drug Action Committee. Addressing gaps on action plan on areas without stakeholders was done. - Identified and met with stakeholders in Harrismith, Intabazwe, Tshiame, Makholokweng and Kestell.	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
					- Held meetings with these stakeholders to clarify their role. - The meetings agreed on establishing the Ward Local Drug Forums and on developing their Ward Action Plan in 2015.	
	4.2 Awareness campaigns on substance abuse	8	Quarterly	8	8 - Achieved - Attended some quarterly meetings of the Free State Provincial Substance Abuse Forum meeting - Participated in community dialogues on 24 November - Information session on substance abuse – 4 November 2015 - Information session on substance abuse – 3 November - Inhlakanipho Senior Primary – 2 June 2016 - World no tobacco day	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
					– 18 May 2016 - World no tobacco day – 27 May 2016	
5. To improve people's life skills	5.1 Number of life skills programs conducted	8	Monthly	10	1 – Partially achieved - Workshop for disabilities on HIV & AIDS - Women in Agriculture - Basic vegetable production training - Info session on disability rights - Women victim empowerment workshop - Women empowerment and gender equality dialogue	
6. To contribute towards the improvement of education	6.1 Number of learning materials issued	9	Monthly	12	2 – Partially achieved - Cemetery and crematoria operations training - Brush cutter	
	6.2 Number of educational programs conducted	9	Monthly	12	8 – Partially achieved - Cemetery and crematoria operations training	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
					- N Certificate Municipal integrated development planning - FET certificate: Project management - N Certificate: Gardening and Horticulture - N Certificate: Horticulture - Senior certificate and national senior certificate: Qedibanga - Training of employees operating machines - Cemeteries workshop programme	
7. To improve access to libraries and functioning of libraries	7.1 Number of outreach programs conducted	4	Quarterly	4	2 – - Intabazwe library committee - Outreach service to QwaQwa Inter	
	7.2 Number of user education conducted to new members	15	Monthly	30	Not achieved	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
	7.3 % Of new members registered	20%	Monthly	5%	Not achieved	
	7.4 Number of children's programs conducted	20	Monthly	25	Partially achieved - New books display - Child protection month display - June School holiday programme - 67 Minutes	
	7.5 Number of youth programs conducted	4	Quarterly	6	6 - Achieved - Youth month - Drug abuse and addiction display - Be your own employer - Teens day at the library - Keeping fit - Healthy living and diet	
8. To ensure that the community has access to relevant information	8.1 Number of consignments received	100%	Monthly	100%	Not achieved	Evidence not submitted
	8.2 Number of questionnaires completed on-line and attended to	100%	Monthly	100%	Not achieved	Evidence not submitted

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
9. To provide and maintain municipal cemeteries	9.1 Number of graves provided	120 per month	Monthly	As per request	Not achieved	Evidence not submitted
	9.2 A register of graves in place	1	Annually	1	1 – Achieved	
	9.3 Number of exhumations conducted	10	Annually	As requested	Achieved All requests were complied with.	
	9.4 Number of municipal cemeteries fenced	9	Annually	2	Not achieved	Evidence not submitted
	9.5 Cemeteries maintenance plans in place	0	Annually	1	1 – Achieved.	
10. To establish new cemeteries	10.1 Number of new cemeteries established	2	Quarterly	2	Not achieved	Evidence not submitted
11. To raise awareness on the rights of women, children and people living with disabilities	11.1 Number of info-sessions, workshops and awareness campaigns held	6	Quarterly	2	2 – Achieved - Entrepreneurship training for disabilities - Computer literacy course for disabilities	
	11.2 Number of national awareness days held	6	Quarterly	4	4 – Achieved - Info-session for learners in Manthatisi High School - Youth month	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
					- - Women's month - 16 days of activism against women and children - World environment day - Mother's day	
	11.3 Number of women, men and people with disabilities participated in public participation and IDP processes – obtain gender disaggregated statistics	Disaggregated statistics	Monthly	1 report	Not achieved	Evidence not submitted
12. To develop policies and facilitate the implementation of departmental policies and operational	12.1 Number of local policies formulated: - Gender - Children - People with disabilities	0	Annually	1	Not achieved	Evidence not submitted

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
plans with regard to gender, children and disability	12.2 Number of operational plans implemented: - Gender - Children - People with disabilities	3	Annually	3	Not achieved	Evidence not submitted
	12.3 Number of policies analysed to determine equity and equality. Facilitate policy reviews and development	0	Quarterly	4	Not achieved	Evidence not submitted
	12.4 Number of presentations to line managers (one-on-one) for the integration gender, children and people with disabilities	0	Quarterly	4	Not achieved	Evidence not submitted

3.1.6 Public Safety and Transport

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
1. To create a safe and secured environment	1.1 Conduct regular roadblocks	14	Quarterly	16	5 – Partially achieved	
	1.2 Impound stray animals	208	Quarterly	250	252 – Achieved	
	1.3 Establishment of animal pounds	1	Quarterly	2	Not achieved	The site that was identified for the pound was used for housing purposes. The directorate will engage with the Department of spatial, development planning, housing and traditional affairs for identification of another site.
	1.4 Reduce road accidents and fatalities in MAP	1.68%	Quarterly	<5%	2.42% Achieved	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
	1.5 Purchase of specialised equipment and fleet	2	Quarterly	10	3 – Partially achieved - Two speed cameras - Diving equipment	
2. To optimise income	2.1 Collection of traffic fines	R736 986.06	Quarterly	R20 740 000	Achieved R21 405 129 collected	
	2.2 Provide professional training to students for firefighting	R225 406.15	Quarterly	R302 000	Partially achieved R7 075 collected	
3. To review disaster management plan	3.1 Conduct consultative meetings	1	Annually	1	Not achieved	
4. To upgrade fire training centre	4.1 Accreditation of specialised courses within the academy	4	Quarterly	2	2 –Achieved	
	4.2 Renovation of the training centre	0%	Quarterly	50%	Not achieved	The request for renovation was submitted for approval. A small area was revamped, i.e.

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
						soldering gas leakages and repair of the separator. Total renovation of the training centre will not be possible in the 2016/2017 financial year due to financial demands.
5. To comply with SANS requirements with regard to response time	5.1 Conduct fire safety inspections on buildings	183	Quarterly	200	122 – Partially achieved	
6. To increase municipal fleet and equipment	6.1 Purchase of required fleet and equipment	2	Quarterly	20	1 - Partially achieved	1 Vehicle purchased; Additional vehicles are leased until the vehicles are procured.
	6.2 Leasing of required fleet and equipment	50	Quarterly	50	50 – Achieved	Vehicles were leased to compensate for the fleet not purchased.

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
7. To operate and maintain municipal fleet	7.1 Verification of drivers' licences through e-natis	138	Quarterly	150	13 – Partially achieved	Insufficient evidence submitted
8. To improve municipal transport capacity	8.1 Conduct inspections on municipal vehicles	1	Quarterly	2	10 – Achieved	Vehicles are in service and inspections may impact on service delivery.
	8.2 Facilitate in-service training to staff	16	Quarterly	20	9 – Partially achieved	Insufficient evidence submitted

3.1.7. Financial Services

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
1. To enhance revenue collection	1.1 Increase number of pay-points by 30 June 2016	48	Monthly	20	Not achieved.	The burned vending station in Tshiame is in the process of being renovated. The municipality still has 5 pay points
	1.2 Increase the number of vending stations	100	Monthly	100	4 – Partially achieved - Gakka Distributors - Boxer - Makgolokweng - Tsheneng Rietpan	Awaiting signed contract from Boxer
	1.3 Increased no. of water smart meters installed	40 000	Monthly	40 000	Not achieved	There were no water smart meters installed during the year.
	1.4 Increased number of electricity smart meters installed	40 000	Monthly	40 000	3116 – Partially achieved	Electricity smart meters were installed during the 2015/16 year 1st quarter - 584 2nd quarter -1207 3rd quarter - 746 4th quarter - 579
	1.5 No of supplementary valuation roll conducted	1	Mid-year	1	Partially achieved - The new valuation roll process is still in progress	The objection period had to be extended and the last extension ended on the **13 April 2016**

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
						The appeal board will sit in September 2016
	1.6 No of disconnections issued	120 000	Monthly	120 000	**1 196** disconnections were issued. 1st quarter- no disconnections were issued 2nd quarter- 394 3rd quarter- 466 4th quarter-336	The target may have been overestimated. Data for the first quarter was not available.
	1.7 No of property valuation of properties within the municipal area valuation	1 After every 4 years	Once after every 4 years	1 Complete valuation roll	Not achieved	The new valuation roll will be done in four years' time.
	1.8 No of registered indigents who receive subsidy	38 454 registered indigents	February – April	30 000	Achieved. A total of **36 955** indigents were registered by the end of June 2016.	
2. To ensure proper budgetary processes and related matters are adhered to	2.1 No of budget books to be submitted to Council for approval 30 days before the start of the financial year	1	Yearly	1	1 – Achieved. The Final Budget 2016/17 was tabled to council on the **29 June 2016** **Operating Budget: Revenue** R1,627,864,778 **Expenditure**	The budget was noted on the meeting on 31 May 2016 due to extended Budget Bilateral engagements with Treasury. The final budget was approved on 29 June 2016.

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
					R1,555,464,778 **Capital Budget** R257, 920, 000	
	2.2 No of consultative meetings with stakeholders	10	Yearly	10	**Achieved.** **6 Stakeholders and 27 meetings.** **1) Traditional Leaders** 13 April 2016 **(2) Business Forums** 13 April 2016 **(3) Ward Committees** 13 April 2016 **(4) Councillors** 15 April 2016 **(5)** Community 20 April – 05 May 2016 **(6) Provincial Treasury** 16 & 21- 22 May 2016	
3. To ensure the safeguarding of proper recording of assets	3.1 No of regular updates of the asset register	12	Monthly	12	Partially achieved. Assets register is updated annually and will be produced at the end of July 2016	Movement of assets from one office to another not monitored by users and not reported to the Assets office.
	3.2 No of updates on the loans and investment register	12	Monthly	12	Achieved. **12** updates on loans and investments registers	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
	3.3 No of claims submitted	30	Monthly	30	Achieved. **50** Insurance claims were submitted and following progress has been achieved: **20** Settled =40% **16** Closed =32% **14** In progress =28%	
4. To record and report on all financial matters	4.1 No of AFS to be submitted to the Auditor General by 31 August	1	Annually	1	1 – Achieved. AFS was submitted to Auditor General on the 31ST of August 2015	
	4.2 Number of VAT returns submitted to SARS	12	Monthly	12	12 – Achieved **SUBMISSION DATES:** Jul return- -27 Aug 2016 Aug return -21 Sep 2016 Sep return-30 Oct 2016 Oct return -24 Nov 2015 Nov return-17 Dec 2015 Jan return -29 Feb 2016 Feb return - 24 Mar 2016 Mar return- 19 Apr 2016 Apr return -01 Jun 2016 May return- 27 Jun 2016 Jun return - 29 Jul 2016	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
	4.3 No of Section 71 reports submitted	12	Monthly	12	12 – Achieved. **SUBMISSION DATES:** Jul reports -11 Aug 2015 Aug reports -09 Sep 2015 Sep reports-10 Oct 2015 Oct reports -11 Nov 2015 Nov reports -10 Dec 2015 Dec reports-12 Jan 2016 Jan reports -09 Feb 2016 Feb reports -09 Mar 2016 Mar reports-10 Apr 2016 Apr reports-10 May 2016 May reports -10 Jun 2016 Jun reports- 08 Jul 2016	
	4.4 No of quarterly reports submitted	4	Quarterly	4	4 – Achieved **3 MFMA** quarterly **reports** were submitted to council: [s(11)4(a); s(52)d; s(66)] **SUBMISSION DATES:** 1st quarter-19 Nov 2016 2nd quarter-21 Jan 2016 3rd quarter-31 May 2016 4th quarter - tabled to the Aug council meeting	

Objective	KPI	Baseline	Reporting baseline indicator	Annual Target	Progress	Challenges and further actions
5. Manage expenditure in accordance with the budget	5.1 Quarterly reports on preparation of monthly creditors reconciliations	4	Quarterly	4	Partially achieved 650 Suppliers were contacted to request statements and 99 statement were received and 551 is outstanding	-Slow responses by suppliers. -Refusal of suppliers to send statements before receiving payments from the municipality - Other suppliers refuse to send statements claiming they don't have business with the municipality - Small businesses which do not have statements
	5.2 Quarterly reports on compliance with Supply Chain Management Policy	4	Quarterly	4	Partially achieved The annual report submitted to the August council sitting	

3.1.8 Executive services

3.1.8.1 Office of Municipal Manager

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Progress	Challenges and further actions
1. To ensure proper coordination and management of IDP and performance review	1.1 % of reviewed and completed IDP within prescribed legislative time frames.	Completed IDP	Annually	100%	100%	Completed IDP 2015/16 and approved by Council 02 June 2015 Council resolution
	1.2 No. of signed performance agreements within prescribed legislative time frames.	9	Quarterly	9 signed Performance Agreements	Not achieved	Performance agreement for Senior Manager Sports, Arts and Culture was not available as the post was still vacant.
	1.3 No. of signed SDBIPs Implementation plans within prescribed legislative time frames.	9 signed SDBIPs	Quarterly	9	**9**	All 9 SDBIPs were approved by Executive mayor and ratified by Council.
2.To ensure effective coordination of governance processes and compliance to	2.1 % compliance to governance processes and legislative requirements	100%	Annually	100%	Achieved	Reports submitted to Council in accordance with the legislative requirement.

Objective	KPI	Baseline	Reporting baseline Indicator	Annual Target	Progress	Challenges and further actions
legislative requirements						
4.To encourage communities to participate in the activities of the Municipality	4.1 No. of wards inclusive of stakeholders participated in IDP review	35 wards inclusive of stakeholders	Mid-Year	35 wards inclusive of stakeholders	Achieved	Attendance Registers/ Notices for public participation
5.To ensure effective administrative management and coordination of strategic issues by all managers	5.1 No. of quarterly reports submitted to Council	36 reports	Quarterly	36 reports	Achieved	18 to be submitted to Council on 20 August 2015.
6.To ensure the compilation of the budget in terms of the budget process (MFMA)	No. of wards inclusive of stakeholders participated in the budget review	35 wards inclusive of stakeholders	Mid- Year	35 wards inclusive of stakeholders	Achieved	Attendance registers

3.1.8.2 Internal Audit

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
1. To ensure internal controls through effective internal auditing and accounting practices	1.1 Number of audit plans developed	2	Annually	1	1 - Achieved	Audit plan
2. To monitor risk management process	2.1 Number of risk management reports compiled to evaluate and improve the adequacy and effectiveness of risk management, control and governance processes	2	Bi-annually	2 reports	2 - Achieved	
	2.2 Number of oversight committee meetings attended to monitor activities and status reports of such committees	4	Quarterly	4	4 - Achieved	Additional special audit committee meetings were scheduled as needed.
3. To review the means of safeguarding assets and as appropriate verify the	3.1 Number of policies relating to management of assets verified	1	Annually	1	1 – Achieved	Report of findings on assets

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
existence of such assets	3.2 Number of assets recorded in the assets register verified	30	Annual	30	Not achieved	Internal audit report on assets not included in the evidence submitted
4. To ensure the reliability and integrity of financial and operating information	4.1 Number of internal audit reports compiled	4	Quarterly	4 reports	4 – Achieved	Internal audit reports are discussed a the internal audit meetings
5.To monitor compliance with policies, plans, procedures laws and regulations	4.2 Number of plans and procedures vouched	1	Annually	1	1 - Achieved	

3.1.8.3 Risk management

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
1. To ensure that risks are identified and communicated throughout the municipality	1.1 Number of risk management reports submitted to the risk management committee	3	Quarterly	4	4 - Achieved	Quarterly risk management reports
	1.2 Number of risk management action	30	Quarterly	40	40 - Achieved	Risk action plan per department per quarter

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
	plans obtained from departments					
	1.3 Number of risk assessments performed	1	Annually	1	1 - Achieved	Risk assessment report Risk register
	1.4 Number of risk management training conducted	1	Annually	1	1 - Achieved	Presentation Attendance register
	1.5 Number of fraud awareness campaigns conducted	1	Annually	1	1 - Achieved	Presentation and hand-outs
	1.6 Number of risk management committee meetings held	4	Quarterly	4	4 – Achieved - September 2015 - December 2015 - March 2016 - April 2016	Minutes of Risk management committee

3.1.8.4 Information technology

Objective	KPI	Baseline	Reporting period Indicator	Annual Target	Progress	Comments and further actions

1. Improve ICT governance	1.1 Number of ICT policies and procedures reviewed	22	Quarterly	22	6 – Partially achieved	- IT Access control policy - Change control Procedures - Business continuity planning - Back-up policy - Anti-virus policy & procedure - Domain controller and eVenus password policy
	1.2 Percentage of enforcement of ICT policies and procedures	100%	Quarterly	13	3 – Partially achieved	- E-mail address list provided - Backup, restore reports and backup register is provided - Password policy is implemented - Antivirus procedures are in place and monitored
	1.3 Number of audit findings reduced	13	Quarterly	13	6 – Partially achieved	- Back-up tapes are tested - Antivirus procedures are in place and monitored - Password policy is implemented - User account creation / modification is formally requested through the use of appropriate forms and memos - Officials sign for receiving ICT equipment - Termination forms are used for terminated employees
2. To implement municipal website as per legislative requirement MFMA.	2.1 Number of compliance information updated	0	Quarterly	200	Not achieved	Pamphlets, e-mails
	2.2 Percentage of general information updated	100%	Quarterly	100%	Not achieved	Report on items placed on the website

	2.3 Percentage of maintenance on the municipality's website	100%	Quarterly	100%	Not achieved	The website has been offline since Dec 2015.
3. To improve IT Service delivery	3.1 Percentage of IT infrastructure and service delivery	100%	Quarterly	100%	Service provider was appointed	Appointment letters
	3.2 Percentage of IT infrastructure and systems	100%	Quarterly	100%	Not achieved	Implementation plan
	3.3 Percentage protection of data during power failures	100%	Quarterly	100%	Not achieved	Implementation plan
	3.4 Percentage improvement of disaster recovery and business continuity planning	30%	Quarterly	80%	Not achieved	Evidence not provided.

3.1.8.5 Communication

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
1. To facilitate better communication integration and co-ordination within the municipality	1.1 No. of internal newsletters published.	12 internal newsletters	Quarterly	12	12 – Achieved	Staff newsletters were produced for 12 months
2. To ensure consistent communication and better liaison among directorates	2.1 No. of management roadshows	2 Management roadshows	Mid-Year	2	2 – Achieved	Nelson Mandela day and Senior Managers' induction program
3. To communicate activities, programmes and successes of MAP	3.1 % of local people aware of municipality activities, programmes and policies	60%	Quarterly	80%	80% - Achieved	We are well represented in the newspapers, radio and on the web.
4. To have up to date information on a well-developed website	4.1 % of well -developed and maintained website	70%	Quarterly	90%	35% - Not achieved	Well developed and maintained website is not in place yet.
5. Ensuring that positive relations are maintained with the media	5.1 No. of media events	4	Quarterly	4	4 - Achieved	The media was invited to additional events when the opportunity presented itself

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
	5.2 % of Media Coverage of Municipal Activities and Programmes	80%	Quarterly	90%	90% - Achieved	Articles, Clippings/CD/DVD of media reports
	5.3 No. of media statements/advisories/commentaries/letters to the editor released/ media interviews	6	Quarterly	8	8 – Achieved	Additional media statements were made on Municipal involvement in events
	5.4 No. of visits to media houses	2	Quarterly	4	4 - Achieved	Feedback from media houses visited
	5.5 % of Media Monitoring and Analysis	90%	Quarterly	100%	85% - Partially achieved	Media Monitor and Analysis Register & Reports
6. To maintain uniform corporate identity	6.1 % Staff understanding Corporate Identity Manual	100%	Annually	100%	60% - Partially achieved	Proper application of manual guidelines
	6.2 % of local people can identify municipality brand	50%	Annually	80%	80% - Achieved	Corporate Image Adverts/Attendance registers/Activities/Programmes

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
7. To win the support of stakeholders	7.1 % of stakeholders engagements and management	60%	Quarterly	90%	80% - Partially Achieved	Attendance registers & feedback from stakeholders
8. To communicate programmes and successes of the municipality	8.1 % of local people aware of municipality activities, programmes and policies	60%	Quarterly	80%	80% - Achieved	Media Published articles and Announcements
9. To determine communication context and to establish the public mood	9.1 No. of environmental scanning and research activities	2	Annually	4	1 – Partially achieved	Report submitted

3.1.8.6 Corporate services

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
1. To ensure that records are kept in a safe place	1.1 No of fireproof cabinets procured	6	Quarterly	6	Not achieved	Evidence not submitted
2. To render an effective and efficient record management system to the Council	2.1 % compliance with the Archives Act	100%	Annual	100%	100% - Achieved	Registry office is equipped to handle the record-keeping needs. No evidence submitted for Q4
3. To administer the booking and cleaning of Council building and halls	3.1 % of bookings administered	100%	Quarterly	100%	100% - Achieved	No evidence submitted for Q4
	3.2 % of council buildings cleaned	100%	Quarterly	100%	100% - Achieved	
4. To provide Council and the mayoral committee with administrative support	4.1 No of meetings held and supported	20	Quarterly	20	25 – Achieved	Some continuation meetings were held. These were added to the number of meetings supported.
5. To recruit competent employees in order for the municipality to achieve its IDP objectives	5.1 No of competent staff appointed	100%	Quarterly	100%	100% - Achieved	
6. To capacitate all employees with the necessary skills	6.1 No of training interventions provided to all employees	22	Quarterly	22	15 – partially achieved	
7. To conduct a holistic	7.1 To regulate the	10	Quarterly	10	Not	Insufficient evidence was

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
employer / employee relations training	relations between employer and employee				reported	submitted
8. Discipline and grievance enquiry	8.1 No of reduced cases of misconduct	24	Quarterly	24	Not reported	Evidence was not submitted
9. To develop an organisational structure for the municipal to execute the IDP	9.1 % of completion of an organisational structure developed	100%	Mid-year	100%	Not reported	Evidence was not submitted
	9.2 No of posts filled to execute the IDP	200	Annual	200	Not reported	Evidence was not submitted
10. To develop a wellness programme in order to address the wellness of employees	10.1 % Development of the wellness programme	100%	Annual	100%	Partially achieved	Some interventions did take place during the year.
	10.2 No of employee attended wellness programme	100%	Quarterly	100%	100%	Attendance registers provided
11. To ensure that legal matters for and against Council are expeditiously dealt with	11.1 No of cases submitted	20	Quarterly	20	Not achieved	Evidence not submitted
12. To ensure that all contracts and other legal documents are kept in a safe environment	12.1 No of fireproof cabinets for legal documents procured	4	Annually	4	Not achieved	Evidence not submitted
13. To ensure that all contracts are entered	13.1 % of Compliance of all contracts entered	100%	Quarterly	100%	Not achieved	Evidence not submitted

Objective	KPI	Baseline	Reporting Period Indicator	Annual Target	Progress	Comments
into legally correct and are compiled in terms of relevant legislation	into					
14. To provide professional legal services	14.1 % of professional services provided	100%	Annual	100%	Not achieved	Evidence not submitted
15. To provide customer care services	15.1 % of customer care services provided	100%	Quarterly	100%	Not achieved	Customer care services to be moved to Infrastructure services
16. To determine the compliance with policies, plans, procedures and regulations	16.1 Review of processes and procedures in order to align municipal practices with relevant legislation	100%	Quarterly	100%	Not achieved	Evidence not submitted

CHAPTER 4 - ORGANISATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: INTRODUCTION TO MUNICIPAL PERSONEL

The delivery of quality enhanced services in a sustainable manner to the broader of Maluti-A-Phofung is influenced by the creation of an adequately balanced and skilled workforce that ideals the principle of Batho Pele. Maluti-A-Phofung continually strives for establishing an “appropriately sized” institutions with a balance of skills related to our core functions and administrative support.

4.1 EMPLOYEE VACANCIES 2015/16

Table 4.1: EMPLOYEES

Description	Year 2015/16 Section 57 Vacancies
Infrastructure	1
Human settlements	1
Sports, Art and culture	1
Community & Social Development	1
Corporate Services and Other	1
Totals	**5**

Table 4.2: VACANCY RATE

Designations	No of vacancies
Municipal manager	0
CFO	0
Section 57	5
Totals	**5**

COMPONENT B: MANAGING WORKFORCE

MSA 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

Employee benefits including sick leave are administered in terms of applicable labour legislation, Conditions of Service, Collective Agreements and policies by means of Human Resource Management department.

CHAPTER 5- STATEMENT OF FINANCIAL PERFORMANCE

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

The table 5.1 below gives an overview of municipal performance against the budget.

Table 5.1: RECONCILIATION OF TABLE A1 BUDGET SUMMARY

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Service charges	597 600 000	-	**597 600 000**	374 075 350	**(223 524 650)**
Rental income	1 345 000	-	**1 345 000**	1 063 565	**(281 435)**
Recoveries	-	-	**-**	63 475	**63 475**
Other income	34 288 592	-	**34 288 592**	19 948 649	**(14 339 943)**
Interest received	27 400 000	-	**27 400 000**	26 961 587	**(438 413)**
Total revenue from exchange transactions	**660 633 592**	**-**	**660 633 592**	**422 112 626**	**(238 520 966)**
Revenue from non-exchange transactions					
Taxation revenue					
Traffic fines	1 080 254	-	**1 080 254**	21 405 129	**20 324 875**
Property rates	262 412 510	-	**262 412 510**	152 732 209	**(109 680 301)**
Transfer revenue					
Government grants and subsidies	560 254 000	-	**560 254 000**	639 416 404	**79 162 404**
Total revenue from non-exchange transactions	**823 746 764**	**-**	**823 746 764**	**813 553 742**	**(10 193 022)**
Total revenue	**1 484 380 356**	**-**	**1 484 380 356**	**1 235 666 368**	**(248 713 988)**
Expenditure					
Personnel	(308 576 286)	-	**(308 576 286)**	(313 780 088)	**(5 203 802)**
Remuneration of councilors	(22 717 692)	-	**(22 717 692)**	(22 925 539)	**(207 847)**
Community project expenditure	-	-	**-**	(11 400 474)	**(11 400 474)**
Depreciation and amortisation	(70 000 000)	-	**(70 000 000)**	(265 606 540)	**(195 606 540)**
Finance costs	(6 000 000)	-	**(6 000 000)**	(6 783 091)	**(783 091)**
Bad debts written off	(102 887 061)	-	**(102 887 061)**	(347 418 380)	**(244 531 319)**
Repairs and maintenance	(125 310 000)	-	**(125 310 000)**	(98 987 478)	**26 322 522**
Bulk purchases	(200 000 000)	-	**(200 000 000)**	(488 924 449)	**(288 924 449)**
Contracted services	(117 325 000)	-	**(117 325 000)**	(64 921 081)	**52 403 919**
Grants and subsidies paid	(185 000 000)	-	**(185 000 000)**	(102 916 667)	**82 083 333**
General expenses	(257 126 184)	-	**(257 126 184)**	(391 987 871)	**(134 861 687)**
Total expenditure	**(1 394 942 223)**	**-**	**(1 394 942 223)**	**(2 115 651 658)**	**(720 709 435)**
Operating deficit	**89 438 133**	**-**	**89 438 133**	**(879 985 290)**	**(969 423 423)**
Loss on disposal of assets and liabilities	-	-	**-**	(662 035)	**(662 035)**
Fair value adjustments	-	-	**-**	(34 614)	**(34 614)**
	-	**-**	**-**	**(696 649)**	**(696 649)**
Deficit before taxation	**89 438 133**	**-**	**89 438 133**	**(880 681 939)**	**(970 120 072)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**89 438 133**	**-**	**89 438 133**	**(880 681 939)**	**(970 120 072)**

COMPONENT B: CASH FLOWS

Cash Flow Statement

	Note(s)	2016 R	2015 Restated* R
Cash flows from operating activities			
Receipts			
Service charges		418 050 423	636 236 569
Grants		641 308 000	608 968 538
Interest income		26 961 587	17 530 461
Other receipts		205 719 605	273 411 213
		1 292 039 615	1 536 146 781
Payments			
Employee costs		(327 880 071)	(279 577 745)
Suppliers		(752 603 024)	(1 052 955 432)
Finance costs		(6 783 091)	(4 078 311)
		(1 087 266 186)	(1 336 611 488)
Net cash flows from operating activities	43	**204 773 429**	**199 535 293**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(206 867 020)	(204 268 870)
Proceeds from sale of property, plant and equipment	9	7 756 411	51 708 715
Purchase of other intangible assets	10	(59 299)	-
Proceeds from sale of other intangible assets	10	-	234 041
Proceeds from sale of financial assets		44 712	(506 942)
Purchase of long term receivable		(1 660 656)	8 236 185
Net cash flows from investing activities		**(200 785 852)**	**(144 596 871)**
Cash flows from financing activities			
Repayment of other financial liabilities		(2 820 965)	(3 940 704)
Finance lease payments		-	(398 987)
Net cash flows from financing activities		**(2 820 965)**	**(4 339 691)**
Net increase/(decrease) in cash and cash equivalents		**1 166 612**	**50 598 731**
Cash and cash equivalents at the beginning of the year		6 728 773	(43 869 959)
Cash and cash equivalents at the end of the year	7	**7 895 385**	**6 728 772**

5.1 GRANTS

5.1.1 Operating Grants

Table 5.2: OPERATING GRANTS

Grant Performance			
R' 000			
Description	**2015/2016**		
	Budget	**Adjustments Budget**	**Actual**

Operating Transfers and Grants			
Equitable share	451 439 000.00	557 649 000.00	557 648 000.00
Financial Management Grant	1 675 000.00	1 675 000.00	1 675 000.00
Municipal System Improvement Grant	930 000.00	930 000.00	930 000.00
Total Operating Transfers and Grants	454 044 000.00	560 254 000.00	560 253 000.00

5.1.2 Conditional Grants

Table 5.2.2: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Grant Performance			
R' 000			
Description	**2015/2016**		
	Budget	**Adjustments Budget**	**Actual**
Conditional Grants: excluding MIG for 2015/16			
Expanded Public Works Programme	5 718 000.00	5 718 000.00	5 718 000.00
Integrated National Electrification Programme ESKOM	20 000 000.00	20 000 000.00	20 000 000.00
Municipal Infrastructure Grant	157 047 000.00	157 047 000.00	157 047 000.00
Rural Household Infrastructure Grant	4 500 000.00	4 500 000.00	4 500 000.00
Total conditional Grants	**187 265 000**	**187 265 000**	**187 265 000**

CHAPTER 6 AUDITOR GENERAL REPORTS 2015/16

COMPONENT A: AUDIT REPORT OF MALUTI-A-PHOFUNG MUNICIPALITY FINANCIAL STATEMENTS

Report of the auditor-general to the Free State Legislature and the council on the Maluti-A-Phofung Local Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Maluti-A-Phofung Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget 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 the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) (MFMA) and the Division of Revenue Act, 2015 (Act no. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An 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 qualified audit opinion.

Basis for qualified opinion

Receivables from exchange transactions

6. The municipality did not calculate the allowance for impairment of receivables from exchange transactions in accordance with SA Standards of GRAP, GRAP 104*, Financial instruments,* as there were errors in the debtors age analysis. Consequently, the allowance for debt impairment was understated and consumer debtors overstated by R63 423 818 in note 7 to the financial statements. Additionally, there was a resultant impact on the deficit for the period and on accumulated surplus.

Repairs and maintenance

7. During 2015, I was unable to obtain sufficient appropriate audit evidence regarding repairs and maintenance due to inadequate record management. I was unable to confirm repairs and maintenance by alternative means. Consequently, I was unable to determine whether any adjustments to repairs and maintenance stated at R461 075 119 in note 37 to the financial statements were necessary. My audit opinion on the financial statements for the period ended 30 June 2015 was modified accordingly.

Qualified opinion

8. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Maluti-A-Phofung Local Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

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

Irregular expenditure

10. As disclosed in note 54 to the financial statements, the municipality incurred irregular expenditure of R117 547 638 (2015: R30 761 895) due to non-compliance with supply chain management (SCM) requirements.

Fruitless and wasteful expenditure

11. As disclosed in note 53 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R143 935 032 (2015: R73 558 891) due to interest charges on the late payment of suppliers.

Unauthorised expenditure

12. As disclosed in note 52 to the financial statements, the municipality incurred unauthorised expenditure of R746 474 638 (2015: R953 549 988) due to expenditure that exceeded the limits provided for in the main divisions of the approved budget.

Significant uncertainties

13. With reference to note 46 to the financial statements, contingencies of R8 790 454 197 (2015: R2 053 976 827) are disclosed due to claims against the municipality. Included in this amount is a contingency of R8 700 000 000 (2015: R2 000 000 000) for royalties as the municipality is involved in a legal dispute over the validity of an electricity maintenance contract. The municipality believes the contract is invalid. The ultimate outcome of the contingencies cannot presently be determined and no provisions for any liabilities that may result have been made in the financial statements.

1.1.1.1 *Going concern*

14. Note 50 to the financial statements indicates that the municipality incurred a net loss of R880 681 939 during the year ended 30 June 2016 and, as of that date, the municipality's current liabilities exceeded its current assets by R1 430 323 863. The municipality has been making pension, medical aid and pay-as-you-earn deductions from employees' salaries, but has been unable to pay over R12 887 729 (2015: R8 298 635) of these amounts deducted to the relevant third parties. In addition, the municipality owed Eskom R1 345 396 146 (2015: R877 907 052) as at 30 June 2016, which was long overdue. These conditions, along with other matters set forth in note 50, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.

1.1.1.2 *Restatement of corresponding figures*

15. As disclosed in note 48 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of errors discovered during 2015-16 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

1.1.1.3 *Material impairments and losses*

16. As disclosed in note 5 to the financial statements, receivables from non-exchange transactions were impaired by R206 993 170 (2015: R126 771 537).

17. As disclosed in note 38 to the financial statements, electricity losses of R248 508 912 (2015: R204 445 058) and water losses of R12 402 225 (2015: R8 321 699) were incurred as a result of distribution losses.

Additional matters

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

1.1.1.4 *Unaudited disclosure notes*

19. 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.

Unaudited supplementary information

20. The appropriation statement set out on pages x to x does not form part of the financial statements and is presented as additional information. I have not audited this statement and, accordingly, I do not express an opinion thereon.

21. The supplementary information set out on pages x to x 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.

Report on other legal and regulatory requirements

22. 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 of selected key performance areas 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

23. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2016:

- Key performance area 2: basic service delivery on pages x to x.

24. I evaluated the usefulness of the reported performance information to determine

whether it was consistent with the planned key performance area. 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).

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

26. The material findings in respect of the selected key performance area are as follows:

Key performance area 2: basic service delivery

Usefulness of reported performance information

27. The FMPPI requires performance targets to be specific in clearly identifying the nature and required level of performance and to be measurable and specify the period or deadline for delivery. A total of 21% targets were not measurable.

28. The FMPPI requires performance indicators to be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use. A total of 31% indicators were not well defined.

29. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 28% indicators were not verifiable.

30. A total of 30% of indicators did not relate logically and directly to an aspect of the municipality's mandate and the realisation of strategic goals and objectives as per the service delivery and budget implementation plan, as required by the FMPPI.

Additional matters

31. I draw attention to the following matters:

Achievement of planned targets

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

Adjustment of material misstatements

33. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of key performance area 2: basic service delivery. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness of the

reported performance information.

Unaudited supplementary information

34. The supplementary information set out on pages x to x 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 on them.

Compliance with legislation

35. 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:

Strategic planning and performance management

36. Annual performance objectives and indicators were not established by agreement with Maluti-a-Phofung Water SOC and included in the municipal entity's multi-year business plan, as required by section 93B(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

37. Revisions to the service delivery and budget implementation plan were not approved by the council, as required by section 54(1)(c) of the MFMA.

Annual financial statements and performance reports

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

39. The annual financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

40. The annual performance report for the year under review did not include the performance of the municipality and each external services provider and a comparison of the performance with set targets and comparison with the previous financial year and measures taken to improve performance, as required by section 46(1)(a), (b) and (c) of the Municipal Systems Act.

Procurement and contract management

41. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, as required by SCM regulation 17(a) and (c).

42. Contracts were awarded to bidders based on preferential points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA) and its regulations.

43. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

44. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.

Expenditure management

45. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

46. An adequate management, accounting and information system which accounted for creditors was not in place, as required by section 65(2)(b) of the MFMA.

47. Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Conditional grants received

48. The municipality did not evaluate its performance in respect of programmes funded by the energy efficient and demand side grant allocation, as required by section 12(5) of DoRA.

Revenue management

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

Asset management

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

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

Human resource management and compensation

52. The competencies of the chief financial officer, head of supply chain and financial and SCM officials were not assessed in a timely manner in order to identify and address gaps in competency levels, as required by regulation 13 of the Municipal Regulations on Minimum Competency Levels.

53. Sufficient appropriate audit evidence could not be obtained that the municipality developed and adopted appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff, as required by section 67(d) of the Municipal Systems Act.

54. The municipal manager and some of the senior managers directly accountable to the municipal manager did not sign performance agreements, as required by section 57(2)(a) of the Municipal Systems Act.

55. The annual performance agreements for the senior managers are not linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan as required in terms of section 53(1)(c)(iii) of the MFMA and section 57(1)(b) of the Municipal Systems Act.

Internal control

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

Leadership

57. The leadership did not take timeous and adequate action to address internal control weaknesses, which resulted in non-compliance with applicable legislation and gave rise to fruitless and wasteful and irregular expenditure.
58. Leadership took action to address internal control weaknesses, which resulted in an improved audit outcome; however, this process was not implemented timeously, which resulted in a delay in the audit process.
59. Key management positions were vacant during the year under review. Critical vacancies were not addressed, which had a negative impact on the basic daily and monthly internal controls.

Financial and performance management

60. Appropriate action was not taken to prevent irregular expenditure. This was mainly due to inadequate planning, which resulted in deviations from the procurement process that did not meet the criteria for a valid deviation.
61. Management did not prepare accurate and complete financial and performance reports that were supported by reliable information. This was due to lack of competencies and the reliance placed on consultants to provide information without management taking ownership.

Governance

62. Although the governance structures made an effort to facilitate an improvement in the control environment of the local municipality, the impact was not significant, mainly because recommendations made by the internal audit division and audit committee were not adequately implemented by the executive management.

Auditor-General

Bloemfontein

22 May 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

COMPONENT B: AUDIT REPORT OF MALUTI-A-PHOFUNG WATER (SOC) LTD FINANCIAL STATEMENTS 2015/16

Report of the auditor-general to the Free State Legislature-and the council on the Maluti- a- Phofung Water SOC Ltd

Report on the financial statements

Introduction

1. I have audited the financial statements of the Maluti-a-Phofung Water SOC Ltd set out on pages XX to XX, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget 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 the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act, 2008 (Act No. 71 of 2008) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. An 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 Maluti-a-Phofung Water SOC Ltd as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act.

Emphasis of matters

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

Going concern

8. Note 30 to the financial statements indicates that the Maluti-a-Phofung Water SOC Ltd incurred an accumulated deficit of R189 978 299 at 30 June 2016 and, as of that date, the entity's current liabilities exceeded its total assets by R189 977 999. The municipal entity had been deducting pension, medical aid, pay as you earn and unemployment insurance fund from employee's salaries, but had not been unable to pay over R7 180 735 (2015: R7 188 785) of these amounts deducted to the relevant third parties as disclosed in note 34. In addition, the municipal entity owed the Department of Water Affairs R177 596 885 (2015: R151 504 909) as at 30 June 2016 which was long overdue. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the municipal entity's ability to operate as a going concern and to meet its service delivery objectives.

Irregular expenditure

9. As disclosed in note 33 to the financial statements, the municipal entity incurred irregular expenditure of R38 392 792 (2015: R4 373 369) in 2015-16 mainly due to overspending of the budget and non-compliance with supply chain management (SCM) requirements. In addition, the full extent of irregular expenditure was still in the process of being determined.

Fruitless and wasteful expenditure

10. As disclosed in note 32 to the financial statements, the municipal entity incurred fruitless and wasteful expenditure of R16 555 293 in 2015-16 mainly due to interest payable to the Department of Water Affairs. In addition, the full extent of fruitless and wasteful expenditure was still in the process of being determined.

Restatement of corresponding figures

11. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of errors discovered during 2016 in the financial statements of the Maluti-a-Phofung Water SOC Ltd at, and for the year ended, 30 June 2015.

Material impairments

12. As disclosed in note 6 to the financial statements, management provided for the impairment of irrecoverable receivables from exchange transactions of R34 167 659 (2015:R28 689 600). In addition, as disclosed in note 7 to the financial statements, management provided for the impairment of irrecoverable receivables from non-exchange transactions of R45 088 611 (2015: R20 886 267).

Additional matters

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

Unaudited supplementary information

14. The appropriation statement 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 this statement and, accordingly, I do not express an opinion on it.

Other reports required by the Companies Act

15. As part of our audit of the financial statements for the year ended 30 June 2016, I have read the accounting officer's report for the purpose of identifying whether there are material inconsistencies between the report and the audited financial statements. The report is the responsibility of the preparer. Based on reading the report I have not identified material inconsistencies between the reports and the audited financial statements. I

have not audited the report and accordingly do not express an opinion on the accounting officer's report.

Unaudited disclosure note

16. In terms of section 125(2)(e) of the MFMA, the municipal entity 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

17. In accordance with the Public Audit Act, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected key performance areas 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 the matters.

Predetermined objectives

18. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected key performance areas presented in the annual performance report of the municipal entity for the year ended 30 June 2016:

- Key performance area (KPA) 1: Organisational development and institutional transformation on pages x to x
- KPA 2: Basic service delivery on pages x to x
- KPA 4: Public participation and good governance on pages x to x

19. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned key performance areas. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

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

21. The material findings in respect of the selected key performance areas are as follows:

KPA 1: Organisational development and institutional transformation

Usefulness of reported performance information

22. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed in section 28 of the MFMA. Material changes were made to important development objectives, indicators and targets in the annual performance report, without adoption by the municipal council.

23. Section 121(4) (d) of the MFMA requires the annual delivery plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 64 % of the reported objectives were not consistent with those in the approved annual delivery plan. A total of 58 % of the reported indicators were not consistent when compared with the planned indicators. A total of 58 % of the reported targets were not consistent when compared with the planned targets.

KPA 2: Basic service delivery

Usefulness of reported performance information

24. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed in section 28 of the MFMA. Material changes were made to important development objectives, indicators and targets in the annual performance report, without adoption by the municipal council.

25. Section 121(4) (d) of the MFMA requires the annual delivery plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 63% of the reported objectives were not consistent with those in the approved annual delivery plan. A total of 68% of the reported indicators were not consistent when compared with the planned indicators. A total of 79% of the reported targets were not consistent when compared with the planned targets.

KPA 4: Public participation and good governance

Usefulness of reported performance information

26. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. Material changes were made to important development objectives, indicators and targets in the annual performance report, without adoption by the municipal council.

27. Section 121(4) (d) of the MFMA requires the annual delivery plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 77% of the reported objectives were not consistent with those in the approved annual delivery plan. A total of 85% of the reported indicators were not consistent when compared with the planned indicators. A total of 88% of the reported targets were not consistent when compared with the planned targets.

Additional matters

28. I draw attention to the following matters:

Achievement of planned targets

29. Refer to the annual performance report on pages x to x; x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness of the reported performance information for the selected key performance areas reported in paragraphs 22-27 of this report.

Adjustment of material misstatements

30. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 2: Basic service delivery and KPA 4: Good governance and public participation. As management subsequently corrected the misstatements, I did not raise any material findings on the reliability of the reported performance information.

Compliance with legislation

31. I performed procedures to obtain evidence that the municipal entity 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:

Strategic planning and performance management

32. The budget was not consistent with the service level agreement between the entity and the parent municipality, as required by section 87(5)(b) of the MFMA.

33. The annual performance objectives and indicators were not established by agreement with the parent municipality and included in the municipal entity's multi-year business plan, as required by section 93B(a) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (Municipal Systems Act).

Financial statements

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, current 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.

Procurement and contract management

35. Goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).

36. Bid adjudication committees were not always composed in accordance with SCM regulation 29(2).

37. Contracts were extended without tabling the reasons for the proposed amendment in the council of the parent municipality, as required by section 116(3) of the MFMA.

Expenditure management

38. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.

39. Reasonable steps were not taken to prevent irregular expenditure, as required by section 95(d) of the MFMA.

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

41. The municipal entity did not have an adequate management, accounting and information system that accounted for payables as required by section 99(2)(c) of the MFMA.

Consequence management

42. Irregular expenditure by the municipal entity was not investigated to determine if any person was liable for the expenditure, as required by section 102(1) of the MFMA.

43. Fruitless and wasteful expenditure by the municipal entity was not investigated to determine if any person was liable for the expenditure, as required section 102(1) of the MFMA.

Internal control

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

Leadership

45. The leadership did not always take prompt and adequate action to address weaknesses in the finance and SCM directorate, which resulted in non-compliance with applicable legislation and gave rise to irregular expenditure.

46. The position of the chief executive officer had been vacant for more than four years. The chief financial officer was therefore responsible for the duties of both positions which hampered the effectiveness of the entity.

Financial and performance management

47. Management did not oversee performance information which resulted in performance indicators and targets recorded in the annual delivery plan not agreeing to the targets recorded in the annual performance report.

48. The financial statements were subject to material corrections resulting from the audit process, which were attributable to weaknesses in the design and implementation of internal controls in respect of financial management and financial reporting. This was mainly due to weaknesses in the information

systems, a lack of regular reconciliations for payables and inadequate review processes.

49. The municipal entity was dependent on the parent municipality for funding its operations to deliver on its mandate. The parent municipality significantly decreased the budget of the entity which resulted in late payment of payables, fruitless and wasteful expenditure and irregular expenditure due to overspending on the budget.

Governance

50. Although the governance structures made an effort to influence an improvement in the municipal entity's control environment, the impact was not adequate, mainly because recommendations made by governance were not adequately implemented by the executive management.

Auditor - General

Bloemfontein
30 November 2016

AUDITOR - GENERAL

SOUTH AFRICA

Auditing to build public confidence

CHAPTER 7: AUDIT COMMITTEE REPORT ON THE ANNUAL REPORT 2015/16

MALUTI-A-PHOFUNG LOCAL MUNICIPALITY

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2016

We are pleased to present our report for the financial year ended 30 June 2016.

Audit Committee Members and Attendance

The Audit Committee comprised of the members listed hereunder. During the current year, the committee held xxx meetings as follows.

Audit Committee Responsibility

The Committee reports that it has complied with its responsibilities arising from section 166 (2) of the Municipal Finance Management Act, 56 of 2003.

The Committee further 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 its responsibilities as contained therein.

The effectiveness of internal control

Table: COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance				
Council Members	**Full Time / Part Time FT/PT**	***Ward and/ or Party Represented**	**Percentage Council Meetings Attendance %**	**Percentage Apologies for Nonattendance %**
XXX				

Table: COMMITEE AND COMMITEE PURPOSE

Committees (other than Mayoral / Executive Committee) and Purposes of

Committees	
Municipal Committees	**Purpose of Committee**
Section 79 Committee	These committees are established for the effective and efficient performance of any of the council functions or the exercise of any of its powers as determined by the MAP
Section 80	The Roles fulfilled by the portfolio committees are to operate and assist the mayoral committee in their respective functional areas and the executive Mayor may delegate any powers and duties of the Mayoral committee to the section 80 committee
Audit Committee	Each Municipality and entity must have an audit committee which is an independent advisory body and which must advise council and all other stakeholders in accordance with the stipulations as set out under section 166 of the MFMA
Budget steering committee	This committee oversees the drafting and formulation of the budget of the MAP
IDP Steering Committee	Committee that is responsible for the annual review and implementation of the IDP
Ward Committees	The object of ward committee is to enhance participatory democracy in local government. ward committees are established for each of the 35 wards in MAP

APPENDIX A: Maluti-a-Phofung Municipality stand-alone Annual Financial Statements for the year ended 30 June 2016

Maluti-A-Phofung Local Municipality

Annual Financial Statements

for the year ended 30 June 2016

Maluti-A-Phofung Local Municipality

General Information

Legal form of entity Municipality

Nature of business and principal activities Is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the Local Government Municipal Demarcation Act,1998.

Mayoral committee

Executive Mayor	Tshabalala VW
Chief Whip	Thebe TR
	Gamede EN
	Khoarai MI
	Lebesa MJ
	Mboso LA
	Mkhwanazi TI
	Mofokeng BD
	Nhlapo DJ
	Mokoena JM
	Mokubung ML
	Mosia MM
	Mositi MC
	Nhlapo MA
	Tsotetsi MJ

General Information

Councillors

Speaker	Ntedi AM

Beukes PB Crockett M Hlatshwayo TF Khambule MA Khoapha NA Komako AM Lebesa MB Lebesana PJ Letaoane TT Letooane SG Mahamuza LP Mahlambi TJ Mahlatsi A Majake MI Malinga DN Matjele MP Mavuso TM Mazibuko MR Mdakane HF Mhlambi MA Mofokeng BD Mofokeng K Mofokeng MA Mohlekwa TR Mohoaladi ME Mojakisane NS Mokoena DJ Mokoena JM Mokoena LE Mokotso GT Mokubung ML Molaba TE Moloi L Moloi TD Mopeli MS Mopeli N Moseme LA Mosikidi MF Mosikidi TJ Motaung ME Motaung PM Motaung SJ Motloung MM Mpakathe MP Ndlovu VM Nhlapo DJ Ramochela A Ramohloki NI Rantsane J Salamu MS Sefatsa DE Semela DG Seobi MJ Sephula PE Shabalala M Taaso MB Tamane MJ Thakhuli ND Tolofi ME

Grading of local authority	Grade 4
Capacity of local authority	High capacity
Municipal demarcation code	FS194
Accounting Officer	Adv. Tsupa MR

Maluti-A-Phofung Local Municipality

General Information

Chief Finance Officer (CFO) Mofokeng MA

Business address 32 Moremoholo and
Motloung Street Setsing Business centre Phuthaditjhaba
9870

Postal address Private Bag X805
Witsieshoek 9866

Bankers First National Bank Ltd
Standard Bank of South Africa

Auditors Auditor-General of South Africa (Free State)

Attorneys Balden and Vogel Partners
Majavu Incorporated
Majola Attorney’s
Ponoane Attorneys, Notories and Conveyancers Moroka Attorney's
Sunil Narian Incorporated Uys Mathebula Attorneys

Index

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

Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report.

The annual financial statements set out on pages 7 to 96, which have been prepared on the going concern basis, were approved by the accounting officer on 07 November 2016 and were signed on its behalf by:

Adv. MR Tsupa
Accounting officer

07 November 2016

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

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

Net deficit of the municipality was R 880 681 939 (2015: deficit R 406 053 253).

2. Going concern

We draw attention to the fact that at 30 June 2016, the municipality incurred a net loss of R 880 681 939 during the year ended 30 June 2016 and, as for that date, the municipality's current liabilities exceed its current assets by R 1 430 323 863.

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.

The municipality is still exploring alternative options to improve its financial position. Although certain financial ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2017.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to obtain funding for the ongoing operations for the municipality. Government did not announce that it intends to cease funding to Maluti-a-Phofung local municipality.

3. Subsequent events

On the 02 September 2016 a robbery took place at the municipality, and an amount of R105 641.55 was stolen from the municipality cashiers.

4. Accounting policies

The annual financial statements prepared in accordance with the Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally

Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

- Name
- Adv. MR Tsupa

6. Interest in controlled entities

Name of controlled entity	Shareholding ratio %
Maluti-a-Phofung Water SOC Ltd	100

Details of the municipality's investment in controlled entity are set out in note 12.

Maluti-A-Phofung Local Municipality

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 Restated R
Assets			
Current Assets			
Inventories	3	[illegible]	[illegible]
Other receivables from exchange	4	9 257 832	6 861 562
Receivables from non-exchange transactions	5	13 832 575	177 071
VAT receivable	6	157 497	47 847 859
Receivables from exchange transactions	7	92 955 150	334 012
Cash and cash equivalents	8	7 895 386	6 728 773
Short term portion of long term receivable	14	645 390	1 213 652
		284 216	**576 013**
Non-Current Assets			
Investment property			
Property, plant and equipment	10	3 547 738	3 615 520
Intangible assets	11	1 278 957	1 631 633
Investments in controlled entities	12	300	300
Other financial assets	13	776 545	786 643
Long term receivable	14	2 590 327	361 409
		3 610 269	**3 676 985**
Total Assets		**3 894 486**	**4 252 998**
Liabilities			
Current Liabilities			
Other financial liabilities	15	[illegible]	[illegible]
Payables from exchange transactions	16	1 693 993	1 174 176
Consumer deposits	17	11 732 472	11 721 031
Unspent conditional grants and receipts	18	3 678 204	1 786 608
Employee benefit obligation	20	2 386 000	4 227 000
		1 714 540	**1 195 528**
Non-Current Liabilities			
Other financial liabilities			
Provisions	19	34 394 596	33 650 081
Employee benefit obligation	20	29 169 000	24 803 000
		70 686	**67 530**
Total Liabilities		**1 785 227**	**1 263 058**
Net Assets		**2 109 258**	**2 989 940**
Reserves			
Revaluation	21	276 825	276 825
Accumulated surplus		1 832 433	2 713 115
Total Net Assets		**2 109 258**	**2 989 940**

* See Note

Maluti-A-Phofung Local Municipality

Statement of Financial Performance

	Note(s)	2016 R	2015 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	24	[illegible]	[illegible]
Rental income	25	1 063 565	850 031
Recoveries	26	63 475	833 609
Other income	27	19 948 649	446 810
Interest received	28	26 961 587	17 530 461
Total revenue from exchange transactions		**422 112**	**876 115**
Revenue from non-exchange transactions			
Taxation revenue			
Fines		21 405 129	879 568
Property rates	29	152 732	111 231
Transfer revenue			
Government grants and subsidies	30	639 416	609 662
Total revenue from non-exchange		**813 553**	**721 774**
Total revenue	23	**1 235 666**	**1 597 889**
Expenditure			
Employee related costs			
Remuneration of councilors	32	(22 925	(23 389
Community project expenditure	33	(11 400	(13 305
Depreciation and amortisation	34	(265 606	(260 862
Impairment loss		(662 035)	(6 214 684)
Finance costs	35	(6 783 091)	(4 078 311)
Debt Impairment	36	(347 418	162 696
Repairs and maintenance	37	(98 987	(461 075
Bulk purchases	38	(488 924	(535 692
Contracted services	39	(64 921	(60 777
Grants and subsidies paid	40	(102 916	(93 500
General expenses	41	(391 987	(265 114
Total expenditure		**(2 116 313**	**(1 814 384**
Operating deficit		**(880 647**	**(216 494**
Fair value adjustments		(34 614)	356 538
Inventories losses/write-downs	59	-	(189 915
		(34 614)	**(189 558**
Deficit for the year		**(880 681**	**(406 053**

* See Note

Maluti-A-Phofung Local Municipality

Statement of Changes in Net Assets

	Revaluation	Accumulated surplus	Total net assets
	R	R	R
Balance at 01 July 2014	**-**	**3 119 168 774**	**3 119 168 774**
Net income (losses) recognised directly in net assets	276 825	-	276 825
Deficit for the year	-	(406 053 253)	(406 053 253)
Total recognised income and expenses for the year	276 825	(406 053	(129 228
Total changes	276 825	(406 053	(129 228
Restated* Balance at 01 July 2015	**276 825 208**	**2 713 115 521**	**2 989 940 729**
Changes in net assets Deficit			
Total changes	-	(880 681	(880 681
Balance at 30 June 2016	**276 825**	**1 832 433**	**2 109 258**

* See Note

Maluti-A-Phofung Local Municipality

Cash Flow Statement

	Note(s)	2016 R	2015 Restated R
Cash flows from operating activities			
Receipts			
Service charges		418 050	456 961
Grants		641 308	608 968
Interest income		26 961 587	17 530 461
Other receipts		205 719	273 411
		1 292 039	1 356 871
Payments			
Employee costs		(329 649	(281 346
Suppliers		(744 846	(811 331
Finance costs		(6 783 091)	(4 078 311)
		(1 081 279	(1 096 756
Net cash flows from operating activities	44	**210 760**	**260 114**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(205 097	(213 139
Purchase of other intangible assets	11	(59 299)	-
Proceeds from sale of other intangible assets	11	-	234 041
Proceeds from sale of financial assets		44 712	(506 942)
Purchase of long term receivable		(1 660 656)	8 236 185
Net cash flows from investing activities		**(206 773**	**(205 176**
Cash flows from financing activities			
Repayment of other financial liabilities		(2 820 965)	(3 940 704)
Finance lease payments		-	(398 987)
Net cash flows from financing activities		**(2 820 965)**	**(4 339 691)**
Net increase/(decrease) in cash and cash		**1 166 613**	**50 598 733**
Cash and cash equivalents at the beginning of the year		6 728 773	(43 869 959)
Cash and cash equivalents at the end of the	8	**7 895 386**	**6 728 774**

* See Note

Maluti-A-Phofung Local Municipality

Statement of Comparison of Budget and Actual Amounts

- Budget on Accrual Basis

	- Approved budget	- Budget	Adjustments Actual amounts	Final - on comparable basis	- Difference between final budget and actual	- Reference to note
	-	R	R	R	R R	
Statement of Financial						
Performance Revenue						
Revenue from exchange transactions						
Service charges	597 600 000	-	**597 600 000**	374 075	**(223 524**	60
Rental income	1 345 000	-	**1 345 000**	1 063 565	**(281 435)**	60
Recoveries	-	-	**-**	63 475	**63 475**	60
Other income	34 288 592	-	**34 288 592**	19 948	**(14 339**	60
Interest received	27 400 000	-	**27 400 000**	26 961	**(438 413)**	60
Total revenue from transactions	**660 633 592**	**-**	**660 633 592**	**422 112**	**(238 520**	
Revenue from non-transactions						
Taxation revenue						
Traffic fines	1 080 254	-	**1 080 254**	21 405	**20 324 875**	60
Property rates	262 412 510	-	**262 412 510**	152 732	**(109 680**	60
Transfer revenue						
Government grants and	560 254 000	-	**560 254 000**	639 416	**79 162 404**	60
Total revenue from exchange transactions	**823 746 764**	**-**	**823 746 764**	**813 553**	**(10 193**	
Total revenue	**1 484 380 356**	**-**	**1 484 380 356**	**1 235 666**	**(248 713**	
Expenditure						
Personnel	(308 576	-	**(308 576 286)**	(313 780	**(5 203**	60
Remuneration of	(22 717	-	**(22 717 692)**	(22 925	**(207 847)**	60
Community project	-	-	**-**	(11 400	**(11 400**	60
Depreciation and	(70 000	-	**(70 000 000)**	(265 606	**(195 606**	
Impairment loss/ Reversal of	-	-	**-**	(662 035)	**(662 035)**	
Finance costs	(6 000 000)	-	**(6 000 000)**	(6 783 091)	**(783 091)**	60
Bad debts written off	(102 887	-	**(102 887 061)**	(347 418	**(244 531**	60
Repairs and	(125 310	-	**(125 310 000)**	(98 987	**26 322 522**	60
Bulk purchases	(200 000	-	**(200 000 000)**	(488 924	**(288 924**	60
Contracted services	(117 325	-	**(117 325 000)**	(64 921	**52 403 919**	60
Grants and subsidies	(185 000	-	**(185 000 000)**	(102 916	**82 083 333**	60
General expenses	(257 126	-	**(257 126 184)**	(391 987	**(134 861**	60
Total expenditure	**(1 394 942 223)**	**-**	**(1 394 942 223)**	**(2 116 313 693)**	**(721 371**	
Operating deficit	**89 438 133**	**-**	**89 438 133**	**(880 647**	**(970 085 458)**	
Fair value adjustments	-	-	**-**	(34 614)	**(34 614)**	
Deficit before taxation	**89 438 133**	**-**	**89 438 133**	**(880 681**	**(970 120 072)**	
Actual Amount on	**89 438 133**	**-**	**89 438 133**	**(880 681**	**(970 120 072)**	

Maluti-A-Phofung Local Municipality

Statement of Comparison of Budget and Actual Amounts

Basis as Presented in Budget and Actual Comparative Statement

Maluti-A-Phofung Local Municipality

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. approved policy)	Final	Actual outcome	Unauthorised expenditure		Actual outcome as % of final budget	Actual outco as % of origina budget
	-	R	R	R	R	R	R	R	R	R	R R
2016											
Financial Performance											
- Property rates	267 000 000	(4 587 490)	262 412 510	-		262 412 510	152 732 209		(109 680 301)	58 %	57 %
Service charges	664 830 000	(67 230 000)	597 600 000	-		597 600 000	374 075 350		(223 524 650)	63 %	56 %
Investment revenue	515 398 639	(478 684 793)	36 713 846	-		36 713 846	42 480 818		5 766 972	116 %	8 %
- Transfers recognised - operational	**1 923 772 639**	**(439 392 283)**	**1 484 380 356**	-		**1 484 380 356**	**1 235 666 368**		**(248 713 988)**	**83 %**	**64 %**
- Other own revenue											

Total revenue (excluding capital transfers and contributions) 102 % 112 %

Employee costs (280 582 420) (27 993 866) (308 576 286) - - (308 576
286) (313 780 088) - (5 203 802)

- Remuneration of councillors (23 643 071) 925 379 (22 717 692) - - (22 717 692) (22 925 539) 101 % 97 %
- (207 847)

Debt impairment (50 000 000) (52 887 061) (102 887 061) (102 887 338 % 695 %
061) (347 418 380) - (244 531 319)

Maluti-A-Phofung Local Municipality

Appropriation Statement

- Depreciation and asset impairment	(175 000 000)	105 000 000	(70 000 000)	-	-	(70 000 000)	(266 268 575)	-	(196 268 575)	380 %	152 %
Finance charges	(6 000 000)	-	(6 000 000)	-	-	(6 000 000)	(6 783 091)	-	(783 091)	113 %	113 %
- Materials and bulk purchases	(620 000 000)	420 000 000	(200 000 000)	-	-	(200 000 000)	(488 924 449)	-	(288 924 449)	244 %	79 %
- Grants and subsidies paid	(255 396 452)	70 396 452	(185 000 000)	-	-	(185 000 000)	(95 000 000)	-	90 000 000	51 %	37 %
Other expenditure	(367 350 696)	(132 410 488)	(499 761 184)	-	-	(499 761 184)	(557 645 971)	-	(57 884 787)	112 %	152 %
Total expenditure	**(1 777 972 639)**	**383 030 416**	**(1 394 942 223)**	**-**	**-**	**(1 394 942 223)**	**(2 098 746 093)**	**-**	**(703 803 870)**	**150 %**	**118 %**
Surplus/(Deficit)	**145 800 000**	**(56 361 867)**	**89 438 133**	**-**		**89 438 133**	**(863 079 725)**		**(952 517 858)**	**(965)%**	**(592)%**

Maluti-A-Phofung Local Municipality

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	-	R	R	R	R	R	R	R	R	R	R R
- Loss on disposal of assets	-	-	-	-		-	(662 035)		(662 035)	DIV/0 %	DIV/0 %
- Contributions recognised - capital and contributed assets	-	-	-	-		-	(34 614)		(34 614)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**145 800 000**	**(56 361 867)**	**89 438 133**	**-**		**89 438 133**	**(863 776 374)**		**(953 214 507)**	**(966)%**	**(592)%**
Surplus/(Deficit) for the year	**145 800 000**	**(56 361 867)**	**89 438 133**	**-**		**89 438 133**	**(863 776 374)**		**(953 214 507)**	**(966)%**	**(592)%**

The appropriation is an unaudited statement.

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either

required or permitted by a Standard of GRAP. A summary of the significant accounting

policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Consolidation

Basis of

consolidation

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's annual financial statements at the acquisition date.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the annual financial statements of the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity’s annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates are the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the municipality is identified and recognised separately from the controlling entity's interest therein, and is recognised within net assets.

1.3 Significant judgements and sources of estimation uncertainty

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

1.3 Significant judgements and sources of estimation

uncertainty (continued) Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties or the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating 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. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality.

1.3 Significant judgements and sources of estimation uncertainty (continued) Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 20.

Effective interest rate

The municipality used the incremental borrowing rate to discount future cash flows.

Allowance for impairment

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

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

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

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

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

Fair value

Subsequent to initial measurement investment property iscarried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of asset previously recognised in surplus or deficit.

1.4 Investment property (continued)

Depreciation

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Land	indefinite
Building	60 years

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the 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), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item's fair value was not determinable, its 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 municipality 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.

Subsequent

measurement:

Cost model

Infrastructure and other assets are carried at cost less accumulated depreciation

and any impairment losses. Revaluation model

Land, buildings, community assets are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average expected useful life
Land		Indefinite
Buildings	Straight line	60 years
Infrastructure	Straight line	15 - 80 years
Community	Straight line	60 years
Other assets	Straight line	1 - 10 years

The residual value, and the 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.

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

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

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate, and the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

1.7 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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

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

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

Item	Average expected useful life
Computer software	3 - 5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is the difference between the net disposal proceeds and the carrying amount and the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.8 Investments in controlled entities

Investments in controlled entities are carried at cost less

any accumulated impairment. The cost of an investment in

controlled entity is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued

by the municipality; plus
- any cost directly attributable to the purchase of controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.9 Financial instruments

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

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
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Long term receivables (current portion)	Financial asset measured at amortised cost
Long term receivables (non-current)	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

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
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality 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 municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-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, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

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 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 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.

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

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.

1.9 Financial instruments

(continued) Derecognition

- Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality:
  - derecognises the asset; and
  - recognises 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.

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

- Financial liabilities

The municipality 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, expired 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 municipality 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).

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another municipality in cash or another financial asset.

The cost method is the method used to account for statutory receivable that require such receivable to be measured at their transaction amount, plus any accrued interest or other changes (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9 on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using GRAP 23 on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of either GRAP 9 or GRAP 23 listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is objective evidence that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

1.10 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, 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 municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.12 Impairment of cash-generating assets

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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.

Discount rate

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

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, 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.

1.12 Impairment of cash-generating

assets (continued) 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 uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- 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 municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- 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 non-cash-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 assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash- generating asset may no longer exist or may have decreased. If any such indication exists, the municipality 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.

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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.

Irrespective of whether there is any indication of impairment, the municipality also tests non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-

generating assets remaining service potential. The present value of the remaining

service potential of a non-cash-generating assets 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 will 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.

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.

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 assesses 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.

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.

1.14 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.15 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.16 Share capital / contributed capital

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

1.17 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received are measured, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in surplus or deficit for the period.

If the share based payments granted do not vest until the counterparty completes a specified period of service, municipality accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the municipality or the counterparty with the choice of whether the municipality settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.18 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

1.18 **Leases**

(continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over

the lease term on a straight-line basis. 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 or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense

over the lease term on a straight-line basis. Any contingent rent are expensed in the period in which they are incurred.

1.19 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered a service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality 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 the municipality provides post-employment benefits for one or more employees.

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate municipality (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 services to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- 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, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 the 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 are consistent with the currency and estimated term of the obligation.

1.19 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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 municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise of 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 or similar distributions 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 amount recognised as a defined benefit liability is the net total of the following amounts:

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

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the

plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

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:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- 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, the municipality attributes 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, the municipality, attributes benefit on a straight-line basis from:

- 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

1.19 Employee benefits (continued)

- 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:

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

Before determining the effect of a curtailment or settlement, the municipality re-measures 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 presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

The rate used to discount post-employment benefit obligations (both funded and unfunded) 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 post-employment benefit obligations.

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

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, those changes were enacted

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

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

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.19 Employee benefits

(continued) Termination

benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes (as a minimum):

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.20 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

A provision is used only for expenditures for which the provision

was originally recognised. Provisions are not recognised for future

operating expenditure.

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

A constructive obligation to restructure arises only when the municipality:

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

1.20 Provisions and contingencies (continued)

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingent assets and contingent liabilities are disclosed in note 46.

Decommissioning, restoration and similar liability

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

The related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; or
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

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

1.21 Revenue from exchange transactions

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.

Measurement

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

Sale of goods

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

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

1.21 Revenue from exchange transactions (continued)

Rendering of services

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

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

When 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 surveys of work performed.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.22 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the 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.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

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

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

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

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.

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.

1.22 Revenue from non-exchange transactions

(continued) Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of 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 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.

Transfers

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.

Debt forgiveness and assumption of liabilities

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

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

Fines

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

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable thet the future economic benefit or service potential will flow to the municipality and that the fair value of the assets can be measured reliably.

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

1.22 Revenue from non-exchange transactions (continued) Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds. Borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.25 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.26 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of resources.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 48 for detail.

1.28 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.29 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.

1.30 Irregular expenditure

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

All expenditure relating to irregular 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.

1.31 Revaluation reserve

The surplus arising from the revaluation of investment property, land, buildings and community assets is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

An impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumelated surplus/(defecit).

1.32 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification

linked to performance outcome objectives. The approved budget covers the fiscal period from

2015/07/01 to 2016/06/30.

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

Variances above 8% and below -8% were considered to be material and explained in detail. Refer to note 60.

1.33 Related parties

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

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

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

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.34 Events after reporting date

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

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

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1.35 Service concession arrangements:

Entity as grantor Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator. A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate. An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset. A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
  - the operator constructs, develops, or acquires from a third party; or
  - is an existing asset of the operator; or
- is provided by the grantor which:
  - is an existing asset of the grantor; or
  - is an upgrade to an existing asset of the grantor.

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.

- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

Grant of a right to the operator model

1.35 Service concession arrangements: Entity as grantor (continued)

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the entity accounts for the liability as the unearned portion of the revenue arising from the exchange of assets between the entity and the operator.

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

Dividing the arrangement

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration are recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 21 (as amended 2015): Impairment of Non-cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash- generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 2011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life has been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the

2016 annual financial statements. The impact of the standard is not

material.

GRAP 26 (as amended 2015): Impairment of Cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency

with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets and cash generating unit;
- in line with the amendments made to IPSAS 26 on Impairment of Cash-generating Assets (IPSAS 26) in 2010, an amendment has been made to include another indicator of impairment in relation to the internal sources of information;
- where the recoverable amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the

2016 annual financial statements. The impact of the standard is not

material.

Improvements to the Standards of GRAP (2013)

Amendments were made to the following standards of GRAP:
- GRAP 1 - Presentation of Financial Statements;
- GRAP 2 - Cash Flow Statements;
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors;
- GRAP 7 - Investments in Associates;

2. New standards and interpretations (continued)

- GRAP 10 - Financial Reporting in Hyperinflationary Economies;
- GRAP 11 - Construction Contracts;
- GRAP 13 - Leases;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21 - Impairment of Non-cash-generating Assets (refer to separate note);
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash-generating Assets (refer to separate note);
- GRAP 31 - Intangible Assets;
- GRAP 103 - Heritage Assets; and
- GRAP 104 - Financial Instruments.

The amendments relate mainly to editorial and other changes to the original text to ensure consistency with other Standards of GRAP and deletion of the appendices with illustrative guidance and examples from the standards, as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the improvements is for years beginning on or after 01 April 2015.

The municipality has adopted the improvements for the first time in the

2016 annual financial statements. The impact of the improvements is not

material.

GRAP 23 (as amended 2015): Revenue From Non-exchange Transactions

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- the scope paragraph has been amended to exclude non-exchange revenue from construction contracts from this Standard;
- commentary has been added to clarify that discounts, volume rebates or other reductions in the quoted price of assets are exchange transactions that should be treated in accordance with the Standard of GRAP on Revenue from Exchange Transactions;
- the Standard was amended to make it mandatory for entities to recognise services in-kind to the extent that the services in-kind are significant to an municipality’s operations and/or service delivery objectives and to the extent that the recognition criteria have been met;
- commentary has been added to clarify that services in-kind are not limited to the provision of services by individuals but also include the right to use assets. Examples have been added to illustrate this amendment; and
- the appendix with illustrative examples has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the

2016 annual financial statements. The impact of the standard is not

material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which the municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

2. New standards and interpretations (continued)

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more presentation and disclosure than is currently provided in the annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting municipality's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting municipality and its ability to deliver agreed services, including assessments of the risks and opportunities facing the municipality. This disclosure also ensures that the reporting municipality is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;

2. New standards and interpretations (continued)

- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

Public-Private Partnership (PPP) agreements that are governed and regulated in terms of the MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister

sets the effective date for the standard. It is unlikely that the standard will have a

material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables, because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister

sets its effective date for the standard. It is unlikely that the standard will have a

material impact on the municipality's annual financial statements.

GRAP 16 (as amended in 2015): Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended in 2015): Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

	2016	2015

2. New standards and interpretations (continued)

The objective of this Standard is to outline principles to be used by the municipality to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when the municipality is a principal or an agent.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister

sets the effective date for the standard. The impact of this standard is currently

being assessed.

3. Inventories

	2016	2015
Consumable stores	2 122 026	2 277 262

Refer to note 56.

4. Other receivables from exchange transactions

	2016	2015
Deposits	1 629 147	2 676 860
TATS Electrical services	3 434 647	3 434 647
Other receivables	4 194 038	750 055
	9 257 832	**6 861 562**

Trade and other receivables pledged as security

None of the trade and other receivables were pledged as security.

Credit quality of other receivables from exchange transactions

Other receivable from exchange transactions were neither past due

None of the financial assets that are fully performing have been

5. Receivables from non-exchange transactions

	2016	2015
Government grants and subsidies	-	106 210
Sundry deposits	34 369	34 369
Consumer recievables - rates	13 798 206	70 826 993
	13 832	**177 071**

	2016	2015

Receivables from non-exchange transactions pledged as

None of the trade and other receivables were pledged as security

	2016	2015

5. Receivables from non-exchange transactions (continued) Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions were neither past nor due nor due nor impaired.

Receivables from non-exchange transactions

	2016	2015
Gross balance	220 791 376	197 598 530
Less: Allowance for impairment	(206 993 170)	(126 771 537)
	13 798	**70 826 993**

Ageing of rates

	2016	2015
Current		
0-30 days	6 554 153	48 036 122
31-60 days	3 798 650	22 690 374
	13 798	**70 826 993**

None of the financial assets that are fully performing have been

Reconciliation of allowance for impairment

	2016	2015
Opening balance	(126 771	(213 968
Additional impairment charge for the current year.	80 221 633	87 197 451
Total impairment	(206 993 170)	(126 771 537)

Receivables from non-exchange transactions past due but not

The ageing of amounts past due but not impaired is as follows:

	2016	2015
1 month past due	17 970 058	100 497
2 months past due	-	48 036 122
>3 months past due	-	22 690 374

Receivables from non-exchange transactions impaired

As of 30 June 2016, other receivables from non-exchange transactions of R 206 993 170 (2015: R 126 771 537) were impaired and provided for.

6. VAT receivable

	2016	2015
VAT	157 497 209	47 847
859		

The municipality is registered for VAT on the payment basis.

	2016	2015
7. Receivables from exchange transaction		
Gross balances		
Electricity	134 725 528	152 360 540
Water	293 615 532	260 080 736
Sewerage	115 336 518	104 139 [illegible]
Refuse	123 493 216	108 959 219
Sundry receivable	45 885 238	130 779 554
	713 056	**756 319**

7. Receivables from exchange transaction (continued)

	2016	2015
Less: Allowance for impairment		
Electricity	(85 657 850)	(62 468 412)
Water	(270 794 851)	(174 492 015)
Sewerage	(107 965 553)	(69 068 521)
Refuse	(117 213 268)	(73 746 612)
Sundry receivable	(38 469 430)	(42 531 590)
	(620 101	**(422 307**
Net balance		
Electricity	49 067 688	89 892 123
Water	22 820 741	85 588 771
Sewerage	7 370 965	35 071 398
Refuse	6 279 948	35 212 407
Sundry receivable	7 415 808	88 247 964
	92 955	**334 012**
Electricity		
Current	20 391 800	2 215 238
0 -30 days	4 001 201	26 309 027
31 - 60 days	4 577 307	10 322 831
91 - 120 days	20 097 380	51 045 027
	49 067	**89 892 123**
Water		
Current	7 392 791	26 980
0 -30 days	4 464 647	10 020 319
31 - 60 days	4 715 081	9 177 889
91 - 120 days	6 248 222	66 363 583
	22 820	**85 588 771**
Sewerage		
Current	2 645 233	14 297
0 -30 days	2 068 167	2 869 927
31 - 60 days	1 873 521	2 565 107
91 - 120 days	784 044	29 622 067
	7 370 965	**35 071 398**
Refuse		
Current (0 -30 days)	2 553 195	10 364
31 - 60 days	2 005 706	2 328 734
61 - 90 days	1 031 665	2 140 145
91 - 120 days	689 382	30 733 164
	6 279 948	**35 212 407**
Sundry debtors		
Current (0 -30 days)	302 213	8 252
31 - 60 days	134 433	162 809
61 - 90 days	170 071	159 411
91 - 120 days	6 809 091	87 917 492
	7 415 808	**88 247 964**

	2016	2015

7. Receivables from exchange transaction (continued)

Reconciliation of allowance for impairment

	2016	2015
Balance at beginning of the year	(422 307 227)	(350 576 972)
Contributions to allowance	(197 793 825)	(71 730 255)
	(620 101 052)	**(422 307 227)**

Credit quality of receivable from exchange

During the year no consumer receivables were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2016	2015
Cash on hand	2 772	2 103
Bank balance (Main)	2 785 371	4 383 237
Short-term deposits	1 885 639	1 681 139
Bank balance (Electricity)	3 221 604	662 294
	7 895 386	**6 728 773**

The municipality had the following bank accounts

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-	Account number / description Cash book balances			Bank statement balances		
	30 June	30 June	30 June	30 June	30 June	30 June
First National Bank -	2 841 207	3 360 212	5 350 504	2 785 371	4 383 237	(47 770 929)
First National Bank -	3 221 604	662 302	1 905 042	3 221 604	662 294	2 210 373
Standard bank - short deposit	1 896 539	1 681 139	1 684 162	1 885 639	1 681 139	1 684 162
Petty cash	470	53	2 485	470	53	2 485
Cash float	2 300	2 050	2 050	2 300	2 050	2 050
Total	**7 962 122**	**5 705 756**	**8 945 243**	**7 895 386**	**6 728 773**	**(43 869**

9. Investment property

	2016			2015		
	Cost / Valuation	Accumulate depreciatio and accumulate	Carrying	Cost / Valuation	Accumulat depreciati and accumulat	Carrying

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					2016	2015
		ımpaırment			ımpaırment	
Investment property	58 685 324	(800 674)	57 884	58 685	-	58 685 324

Reconciliation of investment property - 2016

	- Opening balance	-	Impairments	Depreciation	Total
Investment property 650	58 685 324		(400 168)	(400 506)	57 884

	2016	2015

9. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Revaluation accumulated depreciation elimination	Revaluation cost	Depreciation	Total
Investment property	41 485 586	2 906 280	14 442 979	(149 521)	58 685 324

Pledged as security

There are currently no restrictions on Investment Property as they have not been pledged as securities for liabilities. There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal. There is no contractual obligation for the acquisition of Investment Property.

Amounts recognised in surplus/(deficit)

There were no direct operating expenses (including repairs and maintenance) arising from investment property that generated or did not generate rental revenue.

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

The revaluation will be evaluated every 4th year and will be in line with the valuation roll. The revaluation of the properties was conducted by Mogale Arthur Lelesa (Reg No 4735) is an independent professional valuer from Unit E1 Route 21 Corporate park, Pretoria, 0157. Their valuations were encounted in terms of the MPRA act of 2004 as mass valuation report. The following methods were used for the valuation of municipal properties:

- Income capitalisation method
- Comparable sales method

The effective date for the valuation was 30 June 2015.

	2016	2015

Revaluation model

A revaluation model was applied on the current year for the revaluation of land and building.

10. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying	Cost / Valuation	Accumulated depreciation and accumulated impairment	
Buildings	215 195	(6 630	208 565	215 195	1	215 195 249
Community	103 068	(2 562	100 505	92 727	(1 581 018)	91 146
Infrastructure	7 379 800	(5 165 945	2 213 855	7 265 373	(4 916 569 999)	2
Land	548 987	-	548 987	548 987	-	548 987 796
Other assets	66 653	(48 238	18 415	66 085	(42 699 558)	23 385
Work in progress	457 409	-	457 409	388 002	-	388 002 154

Total 8 771 115 172 (5 223 376 452) 3 547 738 720 8 576 370 991 (4 960 850 574) 3 615 520 417

10. Property, plant and equipment (continued)

Reconciliation of property, plant and

	Opening balance	Additions	Disposals / Donations	Transfers received	Landfill restoration provision changes	Depreciation	Impairment loss	Total
Buildings	215 195				-	(6 630		208 565
Community	91 146 212	-	-	12 839 327	(2 498 414)	(981 751)	-	100 505 374
Infrastructure	2 348 803 957	-	-	115 141 433	-	(249 897 156)	(192 183)	2 213 855 942
Land	548 987 706	-	-	-	-	-	-	548 987 706
Other assets	23 385 751	2 384 215	-	-	-	(6 689 068)	(664 669)	18 415 209
Work in progress	388 002 154	204 482 805	(7 094 377)	(127 980 759)	-	-	-	457 409 823

3 615 520 417 206 867 020 (7 094 377) - (2 498 414) (264 199 074) (856 852) 3 547 738 720

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals / Donations	Transfers received	Revaluation cost	Landfill restoration	Revaluation accumulated	Depreciation	Impairment loss	Total
Buildings	97 021 639	-	-	23 281 048	52 994 612	-	45 066 957	(3 169 633)	-	215 195
Community	61 871 868	-	-	9 800 000	15 866 580	1 682 958	2 569 345	(644 539)	-	91 146 212
Infrastructure	2 555 409 862	-	-	42 161 813	-	-	-	(248 768 417)	-	2 348 803 957
Land	405 894 522	114 842	-	-	142 978 454	-	-	-	-	548 987 706
Other assets	35 213 972	1 582 462	-	-	-	-	-	(7 409 828)	(6 000 355)	23 385 751
Work in progress	306 402 418	202 571 566	(45 728 070)	(75 243 760)	-	-	-	-	-	388 002 154

3 461 814 257 204 268 870 (45 728 070) - 211 839 646 1 682 958 47 636

302 (259 992 691) (6 000 855) 3 615 520 417

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10. Property, plant and equipment

(continued) Pledged as security

There are currently no restrictions on property, plant and equipment as they have not been pledged as securities for liabilities. There are no restrictions on the reliability of property, plant and equipment or the remittance of revenue and proceeds of disposal.

There is no contractual obligation for the acquisition of property, plant and equipment.

Insurance claims received for losses on property, plant and equipment – included in operating profit.

	2016	2015
Infrastructure	8 631 611	-

Details of valuation

Land, buildings and community assets are carried on the revaluation model. The revaluation will be evaluated every 4th year and will be in line with the valuation roll. The revaluation of the properties was conducted by Mr Mogale Arthur Lelesa (Reg No 4735) is an independent professional valuer from Unit E1 Route 21 Corporate park, Pretoria, 0157. Their valuations were encounted in terms of the MPRA act of 2004 as mass valuation report. The following methods were used for the valuation of municipal properties:

- Income capitalisation method
- Comparable sales method

The effective date for the valuation was 30 June 2015.

Other information

The following assets are in the municipality's name registered included in the fixed asset register due to the municipality not control over the assets.

	2016	2015
Church	30	30
Clinic	4	4
Police	4	4
RDP	4 681	4 681
School	17	17
	4 736	**4 736**

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included Community	Total
Opening balance	388 002	-	388 002
Additions/capital expenditure	184 549	19 933 703	204 482 805

		2016	2015
Other movements [donations community assets]	-	(7 094 376)	(7 094 376)
Transferred to completed items	(115 141 432)	(12 839 327)	(127 980 759)
	457 409 823	**-**	**457 409**

Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Communi	Included Buildings	Total
			-	206 492
Additions/capital expenditure	123 761 547	55 528 374	23 281 948	202 571
Other movements [donations community assets]	-	(45 728	-	(45 728 071)
Transferred to completed items	(42 161 812)	(9 800 000)	(23 281	(75 243
	388 002 153	**-**	**-**	**388 002**

	2016	2015

10. Property, plant and equipment (continued)

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

Deemed cost

Aggregate of items valued using deemed cost - other assets	27 964	28 396 982
Aggregate of items valued using deemed cost - infrastructure assets	6 666 507 208	6 667 221 372
Aggregate adjustment to the carrying amounts previously reported	-	282 347 884

Deemed cost for infrastructure and other assets was determined using

Land, Bulidings and community assets are carried on the revaluation

11. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 443 747	(4 164 790)	1 278 957	5 443 748	(3 812 115)	1 631
633						

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	1 631 633	59 299	(411 975)	1 278
957				

Reconciliation of intangible assets - 2015

	Opening balance	Disposals	Amortisation	Total

Computer software	2 565 934	(234 041)	(700 260)	1 631 633

	2016	2015

Pledged as security

There are currently no restrictions on intangible assets as they have not been pledged as securities for liabilities. There are no restrictions on the reliability of intangible assets or the remittance of revenue and proceeds of disposal. There is no contractual obligation for the acquisition of intangible assets.

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

12. Investments in controlled entities

Name of company	Held by	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Maluti-a-Phofung Water (SOC) Ltd	Maluti-a-Phofung Local Municipality	100,00 %	100,00 %	300	300

The carrying amounts of controlled entities are shown net of impairment losses.

13. Other financial assets

	2016	2015

13. Other financial assets (continued)

Fair value		
Sanlam shares	357 694	393 131
Sanlam life policy	418 851	393 512
Impairments	-	-
	776 545	**786 643**
Non-current assets		
Fair value	776 545	786 643

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Listed shares	357 694	393 131
Level 2		
Sanlam life policy	418 851	393 512
	776 545	**786 643**

	2016	2015

14. Long term receivable

Long term receivable - Current portion	645 390	1 213 652
Long term receivable - Non-current portion	2 590 327	361 409
	3 235 717	**1 575 061**

15. Other financial liabilities

At amortised cost

- Annuity loans - All annuity loans are from the Development Bank of South Africa and repayments are made on a six monthly basis.	9 873 522 487	12 694

The average interest rate amounts to 12% per annum and the last loan is redeemable at 31 December 2021.

The municipality did not default on any principal or interest repayments during the period for loans repayable. No terms were renegotiated before the financial statements were authorized for issue.

Non-current liabilities		
At amortised cost	7 123 250	9 077 081
Current liabilities		
At amortised cost	2 750 272	3 617 406

16. Payables from exchange transactions

Maluti-a-Phofung Water payable	90 786 649	87 270 399
Accrued leave pay	27 225 722	23 264 919
Accrued bonus	6 811 522	6 238 919
Deposits received	13 319	81 563
Trade payables	1 536 170	1 022 148
Payments received in advance	32 985 742	35 171 739
	1 693 993	**1 174 176**

17. Consumer deposits

Electricity and water	11 732 472	11 721 031

No interest accrues on the balance of the consumer deposits held by

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

	2016	2015
Rural household infrastructure grant	112 912	
Municipal infrastructural grant	2 372 806	1 786 608
Integrated national electrification programme grant	1 192 486	-
	3 678 204	**1 786 608**

	2016	2015

18. Unspent conditional grants and receipts (continued)

Movement during the year

	2016	2015
Balance at the beginning of the year	1 786 608	2 480 879
Grants received during the year	189 870 000	217 063 828
Income recognised (conditions met)	(187 978 404)	(217 758 099)
	3 678 204	**1 786 608**

See note 30 for reconciliation of grants from

19. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Unwinding interest	Total
Environmental rehabilitation	33 650 081	(1 632 [illegible])	2 376 717	34 394 596

Reconciliation of provisions - 2015

	Opening Balance	Additions	Unwinding interest	Total
Environmental rehabilitation	34 510 793	(3 616 [illegible])	2 755 535	33 650 081

The rehabilitation cost provision is for the rehabilitation programme of the landfill sites of the municipality. It is required from the municipality to execute an environmental management program to restore the landfill site after its useful life. The sites under construction are Harrismith and Phuthaditjhaba. Both landfill sites accept only general waste.

The Harrismith Landfill has been permitted for operation in terms Section 20 of the Environment Conservation Act, 1989 (ECA) and the QwaQwa Landfill has been licensed for closure and rehabilitation in terms of the National Environmental Management: Waste Act, 2008 (NEMWA).

In order to determine the rehabilitation costs of each site the minimum requirements issued by the Department of Water Affairs (DWA) was used as guideline for the design of the capping layer as well as the capacity of the storm water drainage system. If a site is permitted/licensed, the relevant rehabilitation requirements are obtained from the above documentation according to the site's classification or as required in each permit. If a site is unpermitted / unlicensed, the classification is assumed according to the volume of waste received per day at the site, the type of waste received and the climatic region in which the site is located, i.e. the factors that determine the classification of the licensed site.

The actual costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. For a new estimate the rates used for each item of work is based on current rates for similar activities. If a previous estimate was done for a specific site then the previous year's figures are escalated using CPI. The individual rates are then again cross- checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

	2016	2015

Provision has been made for this cost based on the estimated present value of future cash flows arising from the rehabilitation cost expected as at 30 June 2018 for the Phuthaditjhaba andfill site and 30 June 2024 for the Harrismith landfill site.

	2016	2015

20. Employee benefit obligations Defined benefit plan

Long service employee benefit obligation

According to the rules of the long service awards scheme, which the municipality instituted and operates, an employee (who is on the current conditions service), is entitled to a cash allowance calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The liability was calculated by ZAQ consultants and actuaries.

Actuarial valuation on post-employment medical aid benefit was performed by ZAQ consultants and actuaries. The valuation considerred all in service employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy.

It is management's best estimate that the current portion of the liability is the contributions expected to be paid on the plans for the following annual financial period.

Post retirement medical aid contribution plan

Actuarial valuation on post-employment medical aid benefit was performed by ZAQ consultants and actuaries. The valuation considerred all in service employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy.

It is management's best estimate that the current portion of the liability is the contributions expected to be paid on the plans for the following annual financial period.

The plan is a post-employment medical benefit plan.

The amounts recognised in the statement of financial position

	2016	2015
Carrying value		
Present value of long service liability	(19 306	(17 135
Present value of post-employment medical aid liability	(12 249 000)	(11 895 000)
	(31 555	**(29 030**
Non-current liabilities	(29 169	(24 803
Current liabilities	(2 386 000)	(4 227 000)
	(31 555	**(29 030**

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

	2016	2015

Changes in the present value of the long service obligation are as follows:

Opening balance	17 135 000	18 322 000
Benefits paid	(846 332)	(1 052 000)
Net expense recognised in the statement of financial performance	3 017 332	(135 000)
	19 306	**17 135 000**

Net expense of long service liability recognised in the statement of

Current service cost	2 133	2 669 000
Interest cost	1 618	1 482 000
Actuarial (gains)	(733 668)	(4 286 000)
	3 017	**(135 000)**

	2016	2015

20. Employee benefit obligations (continued)

Changes in the present value of the post-retirement medical aid

	2016	2015
Opening balance	11 895	12 290 000
Benefits paid	(707 104)	(672 000)
Net expenses recognised in the statement of financial performance	1 061 104	277 000
	12 249	**11 895 000**

Net expense of the post-retirement medical aid benefit recognised in the statement of financial performance

	2016	2015
Current service cost	124 000	90 000
Interest cost	1 064 000	1 061 000
Actuarial (gain)	(126 896)	(874 000)
	1 061 104	**277 000**

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Key assumptions used

Assumptions used at the reporting date for the post-employment medical aid liability and long service awards liability:

Discount rate	Yield curve		8.87%
Consumer price inflation	Difference	between	6.47%
Medical aid contribution inflation	CPI + 1%		7.97%
Net effective discount rate	Yield curve	based	0.83%
Salary increase rate	CPI +1%		7.18%
Mortality	SA85-90		SA85-90
Average retirement age	63		63

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A twenty percentage point change in assumed healthcare cost trends rates would have the following effects:

`

	Twenty percentage point decrease	Twenty percentage point
	13 425 000	11 328
Effect on the aggregate of the service cost	220	
Effect on defined benefit obligation	1 299 000	1 090
	780	
Effect on the aggregate of the interest cost	78 000	64 000

Amounts for the current and previous four years are

		2015	2014	2013	2012
	R	R	R	R	R
Post-employment medical aid benefit	12 249 000	11 895 000	12 290 000	11 181 000	9 344 000
Long service award	19 306 000	17 135 000	18 322 000	16 797 000	-
Plan assets	2 525 000	(1 582 000)	2 634 000	311 000	541 000

	2016	2015

21. Revaluation reserve

Opening balance Change during	276 825	- 276 825
	276 825	**276 825**

Revaluation surplus relating to property, plant and equipment

Revaluation surplus beginning of period Movements in the reserve for	276 825 208	- 276 825 208
	276 825	**276 825**

22. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At cost	Total
Other receivables from exchange transactions	9 257 832	9 257 832
Receivables from non-exchange transactions	13 832 575	13 832 575
Receivables from exchange transactions	92 955 150	92 955 150
Cash and cash equivalents	7 895 386	7 895 386
Short term portion of long term receivable	645 390	645 390
	124 586	**124 586**

Financial liabilities

	At cost	Total
Other financial liabilities	2 750 272	2 750 272
Payables from exchange transactions	1 693 993	1 693 993
Consumer deposits	11 732 472	11 732 472
Unspent conditional grants and receipts	3 678 204	3 678 204
	1 712 154	**1 712 154**

2015

Financial assets

	At cost	Total
Other receivables from exchange transactions	6 861 562	6 861 562
Receivables from non-exchange transactions	177 071	177 071
Receivables from exchange transactions	334 012	334 012
Cash and cash equivalents	6 728 773	6 728 773
Short term portion of long term receivable	1 213 652	1 213 652
	525 888	**525 888**

Financial liabilities

	At cost	Total
Consumer deposits	11 721 031	11 721 031
Other financial liabilities	6 317 406	6 317 406
Payables from exchange transactions	1 174 176	1 174 176
Unspent conditional grants and receipts	1 786 608	1 786 608
	1 194 001	**1 194 001**

	2016	2015

23. Revenue

	2016	2015
Service charges		
Rental of facilities and equipment	1 063 565	850 031
Recoveries	63 475	833 609
Other income	19 948 649	446 810 251
Interest received - investment	26 961 587	17 530 461
Traffic fines	21 405 129	879 568
Property rates	152 732 288	111 231 780
Government grants and subsidies	639 416 404	609 662 809
	1 235 666	**1 597 889**

The amount included in revenue arising from exchanges of services are as follows:

	2016	2015
Service charges	374 075	410 091
Rental of facilities and equipment	1 063 565	850 031
Recoveries	63 475	833 609
Other income	19 948 649	446 810 251
Interest received - investment	26 961 587	17 530 461
	422 112	**876 115**

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

	2016	2015
Taxation revenue		
Traffic fines	21 405 129	879 568
Property rates	152 732 288	111 231 780
Transfer revenue		
Government grants and subsidies	639 416	609 662
	813 553	**721 774**

24. Service charges

	2016	2015
Sale of electricity	259 993	256 050
Sale of water	49 442 995	83 614 918
Sewerage and sanitation charges	34 277 204	40 260 832
Refuse removal	30 361 833	30 164 712
	374 075	**410 091**

25. Rental income

	2016	2015
Premises	638 904	662 353
Facilities	424 661	187 678
	1 063 565	**850 031**
	1 063 565	**850 031**

All lease agreements are within a period of less than one year. No

26. Other income

	2016	2015
Recovery	63 475	833 609
Other income	19 948 649	446 810 251
	20 012	**447 643**

	2016	2015

27. Other income

	2016	2015
Accompanying vehicles		
Advertising	206 237	123 912
Building plan fees	187 932	281 642
Call out fees	197 559	273 880
Cemetery fees	46 450	280 440
Clearance certificate	104 081	33 678
Commission received	26 997	116 822
Connection and reconnection fees	706 109	1 528 108
Conservancy services	593 692	17 099
Container rental	7 877	-
Creditors write-off	-	438 057
Encroachment fees	17 670	10 034
Entrance fees	-	71 913
Identification of pegs	13 465	-
Festival donations and sponsorship	2 013 188	1 521 099
Valuation objection	136 956	74 682
Insurance claims	9 415 020	-
Medical aid income (pensioners contribution)	490 406	452 634
Other income (library fees, notice fees, licences and other income)	136 220	113 746
Donations	523 241	114 842
Photo copies	15 195	6 546
Sale of erven	12 985	1 885 461
Sale of tender documents	219 290	354 995
Searching fees	86 999	23 650
Storage fees	192 625	774 264
Unclaimed deposits and stale cheques	4 565 149	353 967
Telephone income	-	6 185
Training income	7 075	305 644
	19 948	**446 810**

Creditor's write-off: In prior periods the municipality recorded the payables which were going to be paid within the next payment run. As a result of weaknesses in the accounting system, officials were allowed to record part payments of the full outstanding creditor balance in situations where there were not sufficient cash to pay the full outstanding amount. In prior years this resulted in a limitation of scope on the completeness of payables.Management decided to take the following course of action during 2015:

- Management inspected all creditor statements and payments they have made for the preceding three years to determine the remaining balance as at year end.
- Management included advertisements in the local newspapers and on the local radio stations to request all suppliers to submit the creditor statements as at year end and management called all the suppliers who did not respond in order to determine the remaining payable balance at year end.
- It was impracticable for management to determine the specific individual expense line items that the creditors related to in 2015 and the preceding 3 years. Management therefore decided to adjust the prior period against other income in 2015.

28. Investment revenue

Interest revenue

	2016	2015
Interest earned on investments	[illegible]	[illegible]
Interest earned on arrear accounts	24 925 867	16 771 406
	26 961	**17 530**

	2016	2015

29. Property rates

Rates received

National and provincial government	96 112 286	84 553 723
	152 732	**111 231**

Valuations

Residential	4 260 979	2 750 051
Commercial	3 880 941 821	3 283 987 621
National and provincial government	1 885 149 452	1 501 541 318
Municipal	2 303 692 366	335 320 686
	2 330 763	**7 870 901**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

	2016	2015

30. Government grants and subsidies

Operating grants

	2016	2015
Equitable share	451 438	392 155
Financial management grant	1 675 000	1 600 000
Municipal systems improvement grant	930 000	934 000
Water service operating subsidy grant	-	8 500 000
	454 043	**403 189**

Capital grants

	2016	2015
Integrated national electrification programme grant	[illegible]	[illegible]
Extended public works programme incentive grant	5 718 000	4 866 000
Municipal infrastructural grant	156 460	154 260
Rural household infrastructure grant	4 387 088	4 499 100
Sterkfontein / Regional bulk infrastructural grant	-	31 548 317
	185 373	**206 473**
	639 416	**609 662**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2016	2015
Conditional grants received	188 802	177 459
Unconditional grants received	451 438	392 155
	640 240	**569 614**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to

Financial management grant

	2016	2015
Current-year receipts	1 675 000	1 600 000
Conditions met - transferred to revenue	(1 675 000)	(1 600 000)
	-	**-**

Conditions were met during the year

In terms of the Constitution, this grant is used to assist in support and implementation of financial management reforms, attendance at accredited training and capacity building programmes on financial management. .

Municipal system improvement grant

	2016	2015
Current-year receipts		
Conditions met - transferred to revenue	(930 000)	(934 000)
	-	**-**

Conditions were met during the year

In terms of the Constitution, this grant is used to building the capacity of municipalities to implement sound institutional and governance systems required in terms of local government legislation.

	2016	2015

Water services operating subsidy grant

Current-year receipts	-	8 500 000
Conditions met - transferred to revenue	-	(8 500 000)

	2016	2015

30. Government grants and subsidies (continued)

	-	-

In terms of the Constitution, this grant is used to subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department.

Rural household infrastructure grant

	2016	2015
Balance unspent at beginning of year		
Current-year receipts	4 500 000	4 500 000
Conditions met - transferred to revenue	(4 387 888)	(4 499 100)
Other	-	(2 031 779)
	112	**-**

Conditions still to be met - remain liabilities (see note 18).

In terms of the Constitution, this grant is used to improved access to basic

Sterkfontein / Regional bulk infrastructural grant

	2016	2015
Current-year receipts	-	31 548 317
Conditions met - transferred to revenue	-	(31 548 317)
	-	**-**

In terms of the Constitution, the grant can be used to build enabling infrastructure required to connect water resources over significant distances with bulk and reticulation systems.

Extended public works programme incentive

	2016	2015
Current-year receipts		
Conditions met - transferred to revenue	(5 718 000)	(4 866 000)
	-	**-**

Conditions were met during the year

In terms of the Constitution, this grant is used to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.

Municipal infastructure grant

	2016	2015
Balance unspent at beginning of year		
Current-year receipts	157 047 000	156 047 000
Conditions met - transferred to revenue	(156 460 802)	(154 260 392)
	2 372 806	**1 786 608**

Conditions were met during the year

	2016	2015

In terms of the Constitution, this grant is used to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Integrated national electrification programme

	2016	2015
Current-year receipts	20 000 000	11 300 000
Conditions met - transferred to revenue	(18 807 514)	(11 300 000)
	1 192 486	**-**

	2016	2015

30. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 18).

In terms of the Constitution, this grant is used to address the electrification backlog of occupied residential dwellings, clinics and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

	2016	2015

31. Employee related costs

Basic	195 219	154 015
Bonus	13 182 569	9 843 317
Medical aid - company contributions	10 860 189	9 395 532
Unemployment insurance fund contribution	2 337 549	1 611 860
Workmen's compensation	2 790 327	5 531 491
Skills development levy	4 914 572	2 503 011
Leave pay provision charge	6 250 941	(147 197)
Group life insurance	998 510	708 431
Defined contribution plans	27 948 324	24 626 142
Overtime payments	26 715 936	26 862 688
Long-service awards	349 650	-
Acting allowances	3 113 910	571 178
Car allowance	6 450 718	5 059 365
Housing benefits and allowances	1 334 834	677 840
Telephone / cellphone allowance	1 268 021	680 500
Standby allowance	1 708 870	1 438 060
Bargaining council contribution	103 321	91 510
Long-term benefits - incentive scheme	521 642	(151 553)
	306 069	**243 317**

Remuneration of municipal manager

Annual remuneration	1 683 551	1 395 569
Travel allowance	140 000	422 474
Cellphone allowance	26 000	24 000
Contributions to UIF, medical and pension funds	1 933	-
	1 851 484	**1 842 043**

Mr TC Taetsane was a Municipal Manager for the period July 2014 to January 2016. TC Taetsane received annual remunereration of R844 571, cellphone allowance of R14 000, travel allowance of R140 000, contribution to UIF of R1 041.

Adv MR Tsupa was a Municipal Manager for the period January 2016 to June 2016. Adv MR Tsupa received annual remunereration of R838 980, cellphone allowance of R12 000, contribution to UIF of R892.

There were two Municipal Managers between the period ended 30 June 2016.The remuneration of the staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of chief finance officer

Annual remuneration	1 074 039	1 185 282
Travel allowance	165 000	8 106
Cellphone allowance	18 000	18 000
Contributions to UIF, medical and pension funds	1 785	1 785
	1 258 824	**1 213 173**

Mr MA Mofokeng was a Chief Financial Officer for the period July

The remuneration of the staff is within the upper limits of the SALGA

Remuneration of the director of municipal infrastructure

	2016	2015
Annual remuneration	70 430	887 701
Car allowance	16 650	222 908
Cellphone allowance	1 500	18 000
Contributions to UIF, medical and pension funds	3 767	45 201
	92 347	**1 173 810**

	2016	2015

31. Employee related costs (continued)

Mr HW Ungerer was a Director of Municipal Infrastructure for the period July 2015 to August 2015.

The remuneration of the staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of the director of parks, sport, recreation, arts & culture

This position was vacant for both years. The municipal manager took responsibility of the post for financial years.

Remuneration of the director of local economic development and tourism

Annual remuneration	748 813	651 180
Travel allowance	216 604	320 764
Cellphone allowance	18 000	-
Contributions to UIF, medical and pension funds	148 380	172 362
	1 131 797	**1 144 306**

Mr FP Mothamaha was a Director of Local Economic Development and Tourism for the period

The remuneration of the staff is within the upper limits of the SALGA

Remuneration of the director of public safety

Annual remuneration	796 471	744 749
Car allowance	199 805	251 825
Cellphone allowance	18 000	18 000
Contributions to UIF, medical and pension funds	178 560	167 751
	1 192	**1 182 325**

Mr MW Matjele was a Director of Public Safety for the period ended July

The remuneration of the staff is within the upper limits of the SALGA

Procurements and infrastructure (planning, transport and

Annual remuneration	671 097	838 518
Travel allowance	113 408	188 919
Cellphone allowance	15 000	18 000
Contributions to UIF, medical and pension funds	36 226	-
	835 731	**1 045 437**

Mr SB Mhlambi was a Director of Corporate Services for the period

Ms MS Sekhonyana was a Director of Corporate Services for the period

There were two Director of Corporate for the period ended 30 June 2016. The remuneration of the staff is within the upper limits of the SALGA Bargaining Council determinations.

	2016	2015
Remuneration of the director of community services		
Annual remuneration	856 508	804 042
Travel allowance	173 313	176 263
Cellphone allowance	18 000	18 000
Contributions to UIF, medical and pension funds	144 099	134 602
	1 191 920	**1 132 907**

	2016	2015

31. Employee related costs (continued)

Mrs PP Selepe was a Director of Community services for the period

Director of Housing, Spatial development and Planning

	2016	2015
Annual remuneration	155 690	761 543
Car allowance	-	215 251
Cellphone allowance	-	18 000
Contributions to UIF, medical and pension funds	-	23 066
	155 690	**1 017 860**

The municipal manager took responsibility of the post from July 2015 to August 2015. Mr MS Nyembe was Acting Director of Parks, Sport, Recreation, Arts and Culture for the period September 2015 to June 2016.

Acting allowances

Key management posts are vacant the reason, the reason for not filling the post is due to the municipality experiencing cash flow constraints.

32. Remuneration of councillors

	2016	2015
Executive Major	823 751	787 777
Mayoral Committee Members	7 355 490	4 651 547
Speaker	654 115	613 472
Councillors	14 092 183	17 337 012
	22 925	**23 389**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

32. Remuneration of councilors (continued)

Councillors June 2016	Annual remuneration	Travel, accommodation, subsistence and other allowances	Cellular allowance	Data allowance	Contribution to UIF, medical pension	Total
Executive - Tshabalala VW	687 523		33 090	3 600	99 537	823 750
AM	402 476	152 479	20 868	3 600	74 691	654 114
Chief whip - Thebe TR	391 220	143 086	20 868	3 600	55 989	614 763
Mayoral Committee Member - Lebesa MJ	376 194	143 086	20 868	3 600	71 015	614 763
Mayoral Committee Member - Mkhwanazi TI	590 296		20 868	3 600		614 764
Mayoral Committee Member - MM	376 194	143 086	20 868	3 600	71 015	614 763
Mayoral Committee Member - Nhlapo MA	391 220	143 086	20 868	3 600	55 989	614 763
Mayoral Committee Member - MC	376 194	143 086	20 868	3 600	71 015	614 763
Mayoral Committee Member - LA	494 255	24 596	20 868	3 600	71 445	614 764
Mayoral Committee Member - Mokubung ML	212 862	81 597	12 173	2 100	31 928	340 660
Mayoral Committee Member - Tsotetsi MJ	376 194	143 086	20 866	3 600	69 575	613 321
Mayoral Committee Member - Khoarai MI	391 220	143 086	20 868	3 600	55 989	614 763
Mayoral Committee Member - Mokoena JM	204 096	81 597	12 173	2 100	40 693	340 659
Mayoral Committee Member - Gamede EN	515 642		20 868	3 600	74 653	614 763

	2016	2015

32. Remuneration of councilors (continued)

Mayoral Committ ee	221 708	-	8 695	1 500	32 081	263 984
Mayoral Committee Member - Motokeng BD	189 627	36 893	8 695	1 500	27 269	263 984
Councillors						
Mohlekwa TR	142 418	57 351	20 868	3 600	37 467	261 704
Mokoena DJ	157 444	57 351	20 868	3 600	22 441	261 704
Motloung MM	142 418	57 351	20 868	3 600	37 467	261 704
Mohoaladi ME	162 366	34 410	20 868	3 600	40 459	261 703
Lebesana PJ	142 418	57 351	20 868	3 600	37 467	261 704
Mokoena JM	76 157	24 712	8 695	1 500	15 930	126 994
Majake MI	157 444	57 351	20 868	3 600	22 441	261 704
Motaung SJ	157 444	57 351	20 868	3 600	22 441	261 704
Mopeli MS	207 314	-	20 868	3 600	29 922	261 704
Ramochela A	207 314	-	20 868	3 600	29 922	261 704
Tolofi ME	145 903	57 351	20 868	3 600	34 703	262 425
Moseme LA	157 444	57 351	20 868	3 600	22 442	261 705
Khambule MA	195 498	-	20 868	3 600	42 882	262 848
Mavuso TM	157 444	57 351	20 868	3 600	22 442	261 705
Motaung PM	192 567	-	20 868	3 600	44 990	262 025
Seobi MJ	157 444	57 351	20 868	3 600	22 442	261 705
Mosikidi TJ	207 314	-	20 868	3 600	29 922	261 704
Molaba TE	157 444	57 351	20 868	3 600	22 442	261 705
Lebesa MB	157 444	57 351	20 868	3 600	22 442	261 705
Moloi L	157 444	57 351	20 868	3 600	22 442	261 705
Letooane SG	179 885	57 351	20 868	3 600	-	261 704
Mokubung ML	82 418	24 712	8 695	1 500	9 670	126 995
Mokoena LE	157 444	57 351	20 868	3 600	22 442	261 705
Mahlambi TJ	157 444	57 351	20 868	3 600	22 442	261 705
Komako AM	157 444	57 351	20 868	3 600	22 442	261 705
Motokeng K	207 314	-	20 868	3 600	29 922	261 704
Mahamuza LP	157 444	57 351	20 868	3 600	22 442	261 705
Ratsane J	207 314	-	20 868	3 600	29 922	261 704
Motaung ME	207 314	-	20 868	3 600	29 922	261 704
Hlatshwayo TF	207 314	-	20 868	3 600	29 922	261 704
Shabalala M	157 444	57 351	20 868	3 600	22 442	261 705
Sephula PE	207 314	-	20 868	3 600	29 922	261 704
Crockett M	142 418	57 351	20 868	3 600	37 468	261 705
Mojakisane NS	157 444	57 351	20 868	3 600	22 442	261 705
Mopeli N	157 444	57 351	20 868	3 600	22 442	261 705
Khoapha NA	207 314	-	20 868	3 600	29 922	261 704
Mpakathe MP	179 885	57 351	20 868	3 600	-	261 704
Ndlovu VM	149 493	54 148	19 129	16 193	20 669	259 632
Thakhuli ND	215 147	-	20 868	3 600	29 922	269 537
Letaone TT	207 314	-	20 868	3 600	29 922	261 704
Matjele MP	157 444	57 351	20 868	3 600	22 442	261 705
Mahlatsi A	177 392	34 410	20 868	3 600	25 434	261 704
Taaso MB	129 545	-	13 001	2 243	18 257	163 046
Salamu MS	207 314	-	20 868	3 600	29 922	261 704
Semela DG	237 236	-	20 868	3 600	-	261 704
Malinga DN	237 236	-	20 868	3 600	-	261 704
Ramohloki NI	237 236	-	20 868	3 600	-	261 704
Beukes PB	237 236	-	20 868	3 600	-	261 704
Moloi TD	157 444	57 351	20 868	3 600	22 442	261 705
Motokeng MA	207 314	-	20 868	3 600	29 922	261 704

	2016	2015

32. Remuneration of councilors (continued)

Mokotso GT	182 987	27 976	20 868	3 600	26 273	261 704
Sefatsa DE	237 236	-	20 868	3 600	-	261 704
Mhlambi MA	183 066	-	18 135	3 129	22 624	226 954
Tamane MJ	19 770	1 739	300	-	-	21 809
Nhlapo DJ	113 526	-	12 173	2 100	17 029	144 828
Mofokeng BD	96 497	19 583	12 173	2 100	14 525	144 878
Mosikidi MF	93 253	-	8 695	1 500	-	103 448
Mazibuko MR	48 654	-	5 217	900	7 298	62 069
Mdakane HF	126 610	-	11 179	1 929	-	139 718
	16 025	**3 034 229**	**1 423 428**	**256 294**	**2 186 435**	**22 925**

	2016	2015

32. Remuneration of councilors (continued)

Councillors June 2015	Annual remuneration	Travel, accommodation, subsistence and other allowances	Cellular allowance	Data allowance	Contribution to UIF, medical pension	Total
Executive - Tshabalala VW	671 671		41 820	3 600	70 687	787 778
AM	373 554	144 277	20 868	3 600	71 176	613 475
Chief Whip - Thebe TR	364 906	134 603	20 868	3 600	52 671	576 648
Mayoral Committee Member - Gamede EN	594 097		20 868	3 600	24 328	642 893
Mayoral Committee Member - Mohlekwa TR	130 936	53 842	20 868	3 600	36 095	245 341
Mayoral Committee Member - Majake MI	145 962	53 842	20 868	3 600	21 069	245 341
Mayoral Committee Members - Mopeli N	145 962	53 842	20 868	3 600	21 069	245 341
Mayoral Committee Member - Mkhwanazi T	541 927		20 868	3 600		566 395
Mayoral Committee member - Mokoena MJ	349 880	134 603	20 868	3 600	67 647	576 598
Mayoral Committee member - Motaung SJ	145 962	53 842	20 868	3 600	21 069	245 341
Mayoral Committee Member - Mokubung ML	364 905	134 603	20 868	3 600	52 671	576 647
Mayoral Committe Member - MC	349 880	134 603	20 868	3 600	67 697	576 648
Mayoral Committee Member - MM	349 880	134 602	20 868	3 600	67 696	576 646
Councillors						
Beukes PB	[illegible]		[illegible]	[illegible]		[illegible]
Crockett SM	130 936	53 841	20 868	3 600	36 095	245 340
Hlatshwayo TF	186 966	8 798	20 868	3 600	26 944	247 176
Kambule MA	183 756	-	20 868	3 600	39 876	248 100
Lebesa MJ	349 880	134 602	20 868	3 600	67 697	576 647
Lebesana PJ	130 963	53 841	20 868	3 600	36 091	245 363

32. Remuneration of councilors (continued)

Letaoane TT	194 616	-	20 868	3 600	28 091	247 175
Letooane SG	185 451	36 246	20 868	3 600	-	246 165
Mahamuza LP	145 962	53 841	20 868	3 600	21 069	245 340
Mahlambi TJ	145 962	53 841	20 868	3 600	21 069	245 340
Mahlatsi A	165 423	32 304	20 868	3 600	23 878	246 073
Malinga DN	223 808	-	20 868	3 600	-	248 276
Matjele MP	145 962	53 841	20 868	3 600	21 069	245 340
Mavuso TM	145 962	53 841	20 868	3 600	21 068	245 339
Mazibuko MR	194 616	-	20 868	3 600	28 091	247 175
Mboso LA	486 541	-	20 868	3 600	70 227	581 236
Mofana MM	145 962	53 841	20 868	3 600	21 068	245 339
Mofokeng BD	165 423	32 304	20 868	3 600	23 877	246 072
Mofokeng K	194 616	-	20 868	3 600	28 091	247 175
Mofokeng MA	127 066	-	12 173	2 100	-	141 339
Mohlabi ML	28 688	10 997	1 739	300	4 303	46 027
Mohoaladi ME	150 397	32 304	20 868	3 600	38 903	246 072
Mojakisane NS	145 962	53 841	20 868	3 600	21 068	245 339
Moekoena DJ	145 962	53 841	20 868	3 600	21 068	245 339
Mokoena LE	145 962	53 841	20 868	3 600	21 068	245 339
Mokotso GT	266 450	100 027	20 868	3 600	39 141	430 086
Molaba TE	145 962	53 841	20 868	3 600	21 068	245 339
Moloi L	145 962	53 841	20 868	3 600	21 068	245 339
Moloi TD	160 403	-	13 912	2 400	-	176 715
Mopeli MS	194 616	-	20 868	3 600	28 091	247 175
Moseme LA	145 962	53 841	20 868	3 600	21 068	245 339
Mosikidi MF	223 808	-	20 868	3 600	-	248 276
Mosikili ST	109 113	44 515	17 390	3 000	29 941	203 959
Motaung ME	194 616	-	20 868	3 600	28 091	247 175
Motaung PM	180 069	-	20 868	3 600	42 910	247 447
Motloung PM	130 936	53 841	20 868	3 600	36 091	245 336
Mpakathe MP	176 654	45 043	20 868	3 600	-	246 165
Ndlovu VM	145 962	53 841	20 868	3 600	21 070	245 341
Nhlapo DJ	194 371	-	19 129	3 300	9 731	226 531
Nhlapo MA	364 906	134 602	20 868	3 600	52 671	576 647
Ramakarane TA	928 552	-	-	-	-	928 552
Ramaseli FW	94 092	-	3 478	600	-	98 170
Ramochela A	194 616	-	20 868	3 600	28 091	247 175
Ramohloki IN	282 710	-	20 868	3 600	-	307 178
Rantsane J	194 616	-	20 868	3 600	28 091	247 175
Salamu MS	194 616	-	20 868	3 600	28 091	247 175
Sefatsa DE	37 301	-	3 478	600	-	41 379
Sehlako KM	121 635	44 516	17 390	3 000	17 420	203 961
Semela DG	223 808	-	20 868	3 600	-	248 276
Khoapha NA	194 616	-	20 868	3 600	28 093	247 177
Khoarai MI	416 543	154 396	20 868	3 600	60 418	655 825
Kleinhans LM	22 950	8 798	3 478	600	3 444	39 270
Komako AM	145 962	53 841	20 868	3 600	21 069	245 340
Lebesa MB	145 962	53 841	20 868	3 600	21 069	245 340
Seobi MJ	145 962	53 841	20 868	3 600	21 069	245 340
Sephula PE	194 616	-	20 868	3 600	28 091	247 175
Shabalala M	149 787	49 442	20 868	3 600	21 641	245 338
Taaso BM	194 616	-	20 868	3 600	28 091	247 175
Thakhuli ND	194 616	-	20 868	3 600	28 091	247 175
Tolofi ME	135 102	53 841	20 868	3 600	32 491	245 902
Tsotsetsi MJ	349 880	134 602	20 868	3 600	67 697	576 647
Mosikidi TJ	194 616	-	20 868	3 600	28 092	247 176
	16 572	**3 059 134**	**1 471 278**	**250 200**	**2 036 576**	**23 389**

BM Taaso was a councillor for the period of 1 July 2015 to 29 February 2016.

	2016	2015

32. Remuneration of councilors (continued)

DJ Nhlapo was a councillor for the period 1 July 2015 to 31 January 2016. DJ Nhlapo was a member of the mayoral committee for the period of 1 February 2016 to 30 June 2016.

BD Mofokeng was a councillor for the period 1 July 2015 to 31 January 2016. BD Mofokeng was a member of the mayoral committee for the period of 1 February 2016 to 30 June 2016.

MR Mazibuko was a councillor from the period 1 July 2015 to 30 September 2015.

JM Mokoena was a member of the mayoral committee for the period of July 2015 to January 2016. JM Mokoena was a councillor for the period of February 2016 to June 2016.

MF Mosikidi was a councillor from the period 1 July

2015 to 30 November 2015. MJ Tamane was a

councillor from the period 1 June 2016 to 30 June 2016.

ML Mokubung was a member of the mayoral committee for the period of July 2015 to January 2016. ML Mokubung was a councillor for the period of February 2016 to June 2016.

HF Mgakane was a councillor from the period 1 December 2015 to 31 May 2016.

MA Mhlambi was a councillor for the period 1 September 2015 to 30 June 2016.

	2016	2015
Less: Assets capitalised	(204 482 805)	(202 571 566)
	11 400	**13 305 562**

34. Depreciation and amortisation

	2016	2015
Property, plant and equipment	265 606	260 862

35. Finance costs

	2016	2015
Interest external	4 406 374	1 322 775
Interest for landfill site	2 071 332	2 662 328
Current borrowings	305 385	93 208
	6 783 091	**4 078 311**

36. Debt impairment

	2016	2015
Reversal of debt impairment provision	275 021	(162 700
Bad debts written off	72 396 981	3 860
	347 418	**(162 696**

	2016	2015

37. Repairs and maintenance

Repairs and maintanance

Buildings	5 736 076	1 109 153
Tools and equipment	-	19 583 735
Ifrastructure	20 294 347	41 411 111
Roads	62 344 620	393 517 282
Vehilcles	10 613 125	5 453 234
	98 987	**461 075**

	2016	2015

38. Bulk purchases

Electricity	452 073	489 551
Water	36 851 372	46 141 400
	488 924	**535 692**

Distribution losses incurred on water and electricity:

	(units)	purchases (units)	purchases	loss at purchase price
Electricity	[illegible]	486 465	[illegible]	[illegible]
Water	8 045 361	20 447 586	61 %	12 402 225
	246 001	**506 913**		**260 911**

2015	Total sales (units)	Less total purchases (units)	% loss on purchases	Rand loss at purchase price
Electricity	[illegible]	510 622	[illegible]	[illegible]
Water	12 609 936	20 931 635	66 %	8 321 699
	318 787	**531 554**		**212 766**

The municipality contributed R60 341 570 towards indigent subsidy.

39. Contracted services

Information Technology Services	3 893 226	1 962 337
Fleet Services	2 157 779	-
Specialist Services	27 972 961	21 815
Other Contractors	30 897 115	36 999 859
	64 921	**60 777**

40. Grants and subsidies paid

Other subsidies

DWA subsidy to Maluti-a-Phofung (SOC) Ltd		8 500 000
Equitable share to Maluti-a-Phofung Water (SOC) Ltd	102 916 667	85 000 000
	102 916	**93 500**

41. General expenses

	2016	2015
Accommodation, subsistence and other allowances		
Advertising	4 671 330	1 029 605
Auditors remuneration	5 532 248	5 629 657
Bank charges	2 753 109	2 324 495
Bursaries	21 455 143	3 917 231
Capacity building	2 498 885	396 000
Cleaning	-	812 832
Community development and training	90 164 364	21 220 350
Consulting and professional fees	10 629 067	9 750 841
Consumables	3 400 538	951 050
Debt collection	2 040 221	-
Debt relief provision	9 815 831	-
Disaster emergency funding	3 809 278	-
Donations	7 094 376	45 728 072
Free basic electricity	-	2 074 585
Fuel and oil	3 976 250	8 073 797
General workers seasonal	2 294 850	1 339 074
IT expenses	937 410	12 553 465
Insurance	30 409 607	51 444 127
Levies	4 346 432	905 808
Magazines, books and periodicals	-	21 517
Mayoral funds	-	524 895
Motor vehicle expenses	320 720	206 994
Other expenses	1 244 678	412 879
Penalties and interest	143 935 899	73 558 891
Postage and courier	3 565 899	2 522 978
Promotions and sponsorships	5 207 024	633 660
Protective clothing	3 010 711	713 551
Refuse	4 409 668	3 773 697
Rehabilitation of landfill site	(451 344)	(2 774 093)
Security (Guarding of municipal property)	5 984 727	-
Staff welfare	970 643	5 305 555
Subscriptions and membership fees	248 857	220 417
Telephone and fax	3 098 384	3 004 070
Theft of cashier cash float	350	-
Training	10 398 684	2 455 258
Venue expenses	-	85 200
Veterinary department	-	2 759 000
	391 987	**265 114**

IT expenses: The municipality's IT department is outsourced in the

Community development and training: Community development and training consist of wage

42. Auditors' remuneration

	2016	2015
Fees	5 532 248	5 629 657

43. Operating lease - as lessee (expense)

Minimum lease payments due

	2016	2015
- Within one year	5 616 573	6 113 357
- In second to fifth year inclusive	10 189 633	15 806 206
	15 806 206	**21 919 563**

	2016	2015

43. Operating lease - as lessee (expense) (continued)

Operating lease payments represent rentals of vehicles payable by the municipality for various motor vehicles. Lease agreement is fixed until either party terminates the agreement. There are no renewal and/or purchase options. No contingent rentals are payable.

44. Cash generated from operations

	2016	2015
Deficit	(880 681	(406 053
Adjustments for:		
Depreciation and amortisation	265 606	260 862
Fair value adjustments	34 614	(356 538)
Impairment loss on assets	662 035	6 214 684
Debt impairment	347 418 320	(162 696 330)
Movements in retirement benefit assets and liabilities	2 525 000	(1 582 000)
Movements in provisions	744 515	(860 712)
Provision for leave and bonus	4 533 406	(3 303 866)
Other non-cash items capitalisation items	7 756 411	51 708 715
Changes in working capital:		
Inventories	144 227	120 876
Other receivables from exchange transactions	(2 396 270)	(424 605)
Receivable from exchange transactions	(106 360 867)	(63 937 126)
Receivables from non-exchange transactions	163 238 787	(169 240 327)
Payables from exchange transactions	515 281 060	619 813 160
VAT	(109 649 350)	(59 201 277)
Unspent conditional grants and receipts	1 891 596	(694 271)
Consumer deposits	11 441	(11 560)
	210 760	**260 114**

	2016	2015

45. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
- Property, plant and equipment	308 757 548	488 351 537
Total capital commitments		
Already contracted for but not provided for	308 757	488 351
Authorised operational expenditure		
Already contracted for but not provided for		
- Operating activities	50 432 987	-
Total operational commitments		
Already contracted for but not provided for	50 432 987	
Total commitments		
Total commitments		
Authorised capital expenditure	308 757	488 351
Authorised operational expenditure	50 432 987	-
	359 190	**488 351**

This commited expenditure relates to property, plant and equipment will be financed by grants,available bank facilities accumulated surpluses,existing cash resources, funds internally generated etc.

The property, plant and equiptment consist of electrification, sewer, paved roads and water.

The operating activities consist of IT, events management services, insurance and valuation roll.

	2016	2015

46. Contingencies

Detail of contingencies:	Claims of damages	Claims for services rendered	Claims for arrears payment	Labour cases	Total
Lehlomo Samuel Molefe	2 037 130	-	-		2 037 130
P Mabeleng and S	2 001 000	-	-	-	2 001 000
Phokana Tolong / MAP	25 000	-	-	-	25 000
MAP/ Manana Francina Mohomane	-	10 000	-	-	10 000
MAP/Illegal Occupiers Uitkoms	100 000				100 000
Transnet Soc Limited t/a Transnet Pipelines	17 675 427				17 675
Bibi Cash and Carry Supermarket	27 386 210				27 386
Bibi Cash and Carry LTD//MAP	130 000				130 000
Diagoeregoere Business Project Mal198/1	16 000 000				16 000
Lina Molaba/ JM Molaba		13 022			13 022
MAP/Eskom	-	5 143 047	-	-	5 143 047
Maluti Glass and Wholesalers CC	-	7 212	-	-	7 212
Water and Sanitation Services South Africa LTD/MAP		1 131 999			1 131 999
BZL petroleum			36 223		36 223
PF France N.O and N.O	-	-	496 443	-	496 443
Tjhabalala R.J//MAP				250 030	250 030
L Greyling No	-	-	-	1 486 139	1 486 139
H Langeveldt	-	-	-	2 291 981	2 291 981
SAMWU obo Selepe H.T 13 Others	-	-	-	50 000	50 000
Tshidi Tala Evans//MAP				50 000	50 000
Rens Thozamile Gladstone//MAP	-	-	-	50 000	50 000
SAMWU obo Tsotsotso T.V//MAP				50 000	50 000
SAMWU obo Tsotetsi Others//MAP				60 000	60 000
SAMWU obo Lebuso H.H and 12 Others//MAP				55 000	55 000
SAMWU obo M.N Sekosana//MAP				60 000	60 000
Thulisile Mlangeni Doris//MAP				50 000	50 000
Mahlasinyane Daniel Mosia//MAP				50 000	50 000
Telkom SA				1	1
Mashee	-	-	-	700 000	700 000
Mohapi	-	-	-	500 000	500 000
Rons and others	-	-	-	550 000	550 000
Maletane	-	-	-	100 000	100 000
Rampa	-	-	-	1 000 000	1 000 000
S.A Human Rights Commission	-	-	-	30 000	30 000
MAP//Mpho Nicollas Sekosana				15 000	15 000

				2016	2015

46. Contingencies (continued)

SAMWU obo Madlenkosi Dlamini//MAP	-	-	-	164 672	164 672
Motshoeneng Dikotsi A and 13 Others//MAP				1	1
MC Mositi/ML Mosia				50 000	50 000
MAP/Rural maintenance - Legal fees	-	10 000 000	-	-	10 000 000
MAP/Rural maintenance		8 700 000			8 700 000
MAP V.Liza Mokati and others	-	-	-	1 500 000	1 500 000
DJ Thateng t/a sheriffs of witseshoek		453 135			453 135
MAP/Isaac mohau moahluli		50 920			50 920
MT Mopeli & 2 others	300 000	-	-	-	300 000
CM maqelepo	200 000	-	-	-	200 000
State/Moeketsi Lebesa & 2 others	4 862	-	-	-	4 862
SAMWU obo Selepe MN & 13 others				90 000	90 000
Kgasebe Thabo & 12 others	-	-	-	50 000	50 000
	63 849	**8 716 815**	**516 443**	**9 272 794**	**8 790 454**

Summary of claims:

Claims for damages		
Claims of services rendered	16 815 313	436 949
Claims on arrear payments	516 443	1 094 554
Labour matters	9 272 794	5 955 966
Rural Maintenance breach of contract	8 700 000	2 000 000
	8 790 454	**2 053 976**

Contingent assets

Detail of contingencies:	Claims of damages	Claims for services rendered	Claims for arrears payment	Labour cases	Total
DF France N.O and Barros N.O		-	(981 821)		(981 821)
Diagoeregoere: Claim by MAP for overpayment			(304 106)		(304 106)
MAP/Illegal Occupiers Farm Uitkoms	(60 000)				(60 000)
	(60 000)	**-**	**(1 285 927)**	**-**	**(1 345 927)**

	2016	2015

47. Related parties

`

- Relationships

Accounting Officer — Refer to accounting officer's report page 10

Controlled entities — Maluti-a-Phofung Water (SOC) Ltd - Refer to note S57 managers - Note 12 12

Members of key management — Councillor - Note 32

Related party balances

	2016	2015
Amounts included in Trade receivable (Trade Payable)		
Maluti-a-Phofung Water (SOC) Ltd	(90 786 643)	(87 270 600)
Maluti-a-Phofung Water (SOC) Ltd - insurance	8 039 590	8 039 590
Maluti-a-Phofung Water (SOC) Ltd - electricity	13 350 149	13 350 149
Maluti-a-Phofung Water (SOC) Ltd - municipal services	10 714 984	10 714 984

Related party transactions

	2016	2015
Total service charges		
Maluti-a-Phofung Water (SOC) Ltd - water and sewer	44 816 706	39 419
Equitable share and DWA grant payment		
Maluti-a-Phofung Water (SOC) Ltd	95 000 000	88 500

The transactions that took place between the related parties are within the ordinary course of business and thus the intercompany transactions and balances have been disclosed for the users of the financial statements.

	2016	2015
Compensation to accounting officer and other key management		
Defined contribution plans	76 125	91 510

48. Prior period errors

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial performance	Balance as previously reported	Prior period error	Reclassified	Total
Revenue				
Service charges	395 516 256	14 574 922	-	410 091 178
Recoveries	833 609	-	-	833 609
Rental income	850 030	-	-	850 030
Interest received - trading	16 771 406	(356 471)	-	16 414 935
Interest received - investments	1 115 593	-	-	1 115 593
Debt impairment	162 696 333	-	-	162 696 333
Other income	446 589 837	220 423	-	446 810 260
Fines	879 568	-	-	879 568
Property rates	120 001 432	(8 769 727)	-	111 231 705
Government grants and subsidies	609 662 809	-	-	609 662 809
	1 754 916	**5 669 147**	**-**	**1 760 585**
Expenses				
Employee related cost				
Remuneration of councilors	(23 389 808)	-	-	(23 389 808)
Depreciation and amortisation	(186 120 561)	(74 742 133)	-	(260 862 694)
Grant and subsidies paid	(100 222 159)	6 722 159	-	(93 500 000)
Finance cost	(4 468 188)	389 877	-	(4 078 311)
Impairment loss	-	(6 214 684)	-	(6 214 684)
Repairs and maintenance	(446 129 234)	(2 744 043)	(12 201 842)	(461 075 119)
Bulk purchases	(483 308 888)	(52 383 877)	-	(535 692 765)
Contracted services	(58 034 449)	(716 232)	(2 026 859)	(60 777 540)
General expenses	(203 946 187)	(49 693 175)	(11 475 282)	(265 114 644)
Community project expenditure	(249 764 845)	210 755 302	25 703 981	(13 305 562)
	(2 010 756	**33 660**	**15 420**	**(1 977 080**
Operating (deficit) / surplus				
Inventories losses/write-downs	(189 915 292)	-	-	(189 915 292)
Fair value adjustments	-	356 538	-	356 538
	(445 755	**39 686**	**15 420**	**(406 053**

Statement of financial position	Balance as previously reported	Prior period error	Reclassification	Total
Current assets				
Inventory	2 339 758	(62 396)		2 277 362
Receivables from exchange transactions	314 167 274	19 845 391	-	334 012 665
VAT receivable	47 999 856	(151 997)	-	47 847 859
Receivables from non-exchange	177 071 262	-	-	177 071 262
Other receivables from exchange	6 861 562	-	-	6 861 562
Cash and cash equivalents	6 728 773	-	-	6 728 773
Short term portion of long term loan	1 213 652	-	-	1 213 652
	556 382	**19 630**	**-**	**576 013**

Maluti-A-Phofung Local Municipality

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Notes to the Annual Financial Statements

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Non-current assets				
Investment property				
Property, plant and equipment	2 993 040 128	654 378 131	(31 897 894)	3 615 520 415
Intangible assets	1 478	1 630 155	-	1 631 633
Heritage assets	4	(4)	-	-

48. Prior period errors (continued)

Other financial assets				
Investments in controlled entities	786 300	-	-	786 300
Long term receivable	361 409	-	-	361 409
	3 036 353	**640 632**	**-**	**3 676 985 723**
Current liabilities				
Other financial liability				
Payables from exchange transactions	1 127 647 832	46 528 781	-	1 174 176 023
Consumer deposits	11 721 031	-	-	11 721 031
Employee benefit obligations	4 227 000	-	-	4 227 000
Unspent conditional grants	1 786 608	-	-	1 786 608
	1 148 999	**46 528**	**-**	**1 195 528 068**
Non-current liabilities				
Other liabilities				
Employee benefit obligations	24 803 000	-	-	24 803 000
Provisions	19 307 350	14 342 731	-	33 650 081
	53 982	**13 547**	**-**	**67 530 162**
Net assets				
Revaluation reserve				
Accumulated surplus - opening balance	2 389 753 816	323 361 706	-	2 713 115 522
	2 389 753	**600 186**	**-**	**2 989 940 730**

1. Reversal of prior year interest

June 2015 DBSA payment was only paid in July 2015 (following financial year), the interest provision raised in the previous financial year had to be reversed.

Finance cost [SoFPer]	-	795 001
Other financial liabilities [SoFPos]	-	(795 001)
	-	**-**

2. No provision for outstanding payments to the Compensation Commissioner.

No provision for outstanding payments to the Compensation Commissioner - Prior year exception addressed in current year.

General expenses	-	438 630
General expenses	-	4 386 307
Payables from exchange transactions	-	(4 824 937)
	-	**-**

3.Reversal of prior year accrual - Bulk expenditure

Reversal of prior year accruals.

Bulk purchases	-	(30 841 696)
Finance cost	-	(4 922 421)
VAT	-	(4 317 837)
Trade creditors	-	40 081 954
	-	**-**

4. Creditors at year end not complete

48. Prior period errors (continued)

Additional provision for accruls and recognised the related expenditure, as the transactions relate to the 2014/2015 financial year, but was never recognised.

Employee related cost	-	1 205 027
Community project expenditure	-	7 464 560
Repairs and maintenance	-	3 468 065
Contracted services	-	1 978 099
General expenses	-	10 385 327
Inventories	-	107 769
Trade payables	-	(24 608 847)
	-	-

5. Reversal of journal (A1516-60) transaction should not have passed

Reversal of journal (A1516-60) transaction should not have passed

Payables	-	107 769
Inventories	-	(107 769)
	-	-

6. These expense were direct payment and not stores ordered items.

These expense were direct payment and not stores ordered items.

General expenses	-	62 395
Inventories	-	(62 395)
	-	-

7. Prior year bulk purchase overstated

Prior year bulk purchase overstated, instead of taking only June 2016 interest into account the whole years interest was taken into account.

General expense	-	(64 663 683)
Payables	-	64 663 683
	-	-

8. Prior year provision for landfill site understated - 2015

Landfill provision was done based on assumptions which is not relevant at that stage. This resulted in the liability to be understated as well as accumulated surplus and finance cost.

Finance cost	-	2 755 536
Provision	-	(14 342 731)

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Accumulated surplus	-	9 904 238
Property, Plant and Equipment	-	1 682 957
	-	-

9. 2015 Asset reclassification and movement.

2015 Assets and movement.All changes in asset have been

Accumulated surplus	-	(193 788 851)
Heritage assets	-	(4)

48. Prior period errors (continued)

Community project expenditure		(163 108 979)
Contracted services	-	764 992
Depreciation and amortisation	-	109 358 892
Finance cost	-	(2 350 412)
Intangible assets	-	1 630 155
Investment property	-	16 522 047
Loss on disposal of assets and liabilities	-	6 298 270
General expense	-	(146 164 858)
Other income	-	(114 843)
Payables from exchange	-	14 632 130
Property, plant and equiptment	-	620 797 269
Repair and maintanance	-	11 477 820
Revaluation surplus	-	(276 825 208)
Vat payable	-	871 277
	-	-

10. Recording of 15 days provision for the 2014/2015 financial year Recording of 15 days

Accumulated surplus	-	(14 572 481)
Vat payable	-	(5 270 127)
Receivable from exchange transaction	-	19 842 608
	-	-

11. Indigent expense incorrectly recognised

The municipality has recognised an expense with respect to the indigent subsidy contribution under general expenses.

Property rates	-	8 769 728
General expenses	-	(8 769 728)
	-	-

12. Enteries incorrectly classified to account

The entries relate to water and sewege transactions and not equitable share transactions.

Other income	-	6 722 159
Grants and subsidies paid	-	(6 722 159)

Notes to the Annual Financial Statements

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	-	-

13. Bulk purchases of electricity not accounted for correctly

Expenditure is recognised when it occurs (and not only when cash or its equivalent is received or paid). The resulting effect is that the expenditure and the liabilities are understated.

VAT receivable	-	8 565 032
Payables from exchange transactions	-	(82 640 071)
Bulk purchases	-	(3 660 495)
Community project expenditure	-	5 131 395
Accumulated surplus	-	7 582 742
Other income	-	(105 581)

48. Prior period errors (continued)

General expenditure	-	65 126 978
	-	-

14. Reclassifying to the correct vote

The following entries relate to water and sewer transactions and not to equitable shares.

Other income	-	(6 722 159)
Bulk purchases	-	6 722 159
	-	-

49. Risk management

Financial risk

management

The municipality's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

This note presents information about the municipality's exposure to each of the above risks and the municipality's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout the annual financial statements.

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.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2years	Between 2 and 5 years	Over 5 years
Other financial liabilities	2 750 272	7 123 250	-	-

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Payables from exchange transactions	1 693 993 493	-	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	3 617 406	1 978 565	7 098 516	
Payables from exchange transactions	1 174 176 023	-	-	-

Credit risk

Credit risk is managed on a group

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

	2016	2015
Cash and cash equivalent	7 895 386	6 728 773
Other receivables from exchange transactions	9 257 832	6 861 562
Receivables from non-exchange transactions	13 832 575	177 071
Receivables from exchange transactions	92 955 150	334 012

49. Risk management

(continued) Market risk

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.

50. Going concern

We draw attention to the fact that at 30 June 2016, the municipality incurred a net loss of R 880 681 939 during the year ended 30 June 2016 and, as for that date, the municipality's current liabilities exceed its current assets by R 1 430 323 863.

The municipality is experience some financial dificulties, indicators are as follows:

- the municipality owed Eskom R 1 345 396 146 (2015: R 877 907 052) as at 30 June 2016;
- The municipality has been deducting pension, medical aid and pay as you earn from employee’s salaries, but has been unable to pay over R 12 887 729 (2015:R 8 298 635) of these amounts deducted to the relevant third parties as disclosed in note 55.

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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. Government did not announce that it intends to cease funding to Maluti-a-Phofung.

51. Events after the reporting date

On the 02 September 2016 a robbery took place at the municipality, and an amount of R105 641.55 was stolen from the municipality cashiers.

52. Unauthorised expenditure

Opening balance	1 524 870	571 320
Financial services	499 150 [illegible]	654 782 562
Municipal infrastructure	-	280 984 [illegible]
Municipal manager	-	8 653 403
Legislative authority	34 049 918	-
Corporate services	-	9 129 669
Housing sparial development planning	3 648 292	-
Electricity department	209 626 412	-
	2 271 345	**1 524 870**

Figures in Rand

Incidents regarding 2015/2016		
Overspending by legislative authority	34 049 918	-
Overspending by housing and sparial development planning	3 648 292	-
Overspending by electricity department	209 626 413	-
Overspending financial services	499 150 016	-
	746 474	**-**

The incidents relating to 2015/2016 for unauthorised still needs to be investigated. No diciplinary actions has been taken up to date. There were no unauthorised capital expenditure in the financial year 2015/2016.

52. Unauthorised expenditure (continued)

Incidents regarding 2014/2015		
Overspending by office of the municipal manager		8 652 403
Overspending by municipal infracstucture	-	280 984 356
Overspending by financial services	-	654 782 560
Overspending by corporate service	-	9 129 669
	-	**953 549 988**

The incidents relating to 2014/2015 for unauthorised still needs to be investigated. No diciplinary actions has been taken up to date. There were no unauthorised capital expenditure in the financial year 2014/2015.

53. Fruitless and wasteful expenditure

Opening balance	105 116	31 557
Incurred in the current year	143 935	73 558
	032	891
	249 051	**105 116**

Analysis of expenditure		
Interest paid to Eskom due to late payment		
Interest paid to Auditor general due to late payment	99 794	140 172
Interest paid to Telkom due to late payment	10 962	23 618
Interest paid to SARS due to late payment	2 286 688	-
Interest paid to Compensation Commissioner due to late payment	345 840	438 630
Interest paid to Wesbank (Petrol cards) due to late payment	-	29 908
	143 935	**73 558**

54. Irregular expenditure

Opening balance	97 646 574	66 884
Add: Irregular Expenditure - current year	117 547	30 761
	638	895
	215 194	**97 646**

Details of irregular expenditure – current year

- Details of irregular expenditure is available on request.
- All irregular expenditure pertains to the supply chain management policy of the municipality not being follow.
- For details on the irregular report for the financial year 2015/2016, For more details refer to Appendix H.
- Details of irregular expenditure is available on request.
- All irregular expenditure pertains to the supply chain management policy of the municipality not being follow.
- For details on the irregular report for the financial year 2014/2015, For more details refer to Appendix H.

- Disciplinary steps taken/criminal proceedings
Irregular expenditure is currently under investigation.

- Irregular expenditure is currently under investigation.		117 547 638
	97 646 574	
		215 194 212

The irregular expenditure as at year end is under investigation.

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	(3 237 560)	(1 253 069)
	173 294	**1 984 491**

Contributions to SALGA mainly comprise of annual membership fees

Audit fees

Opening balance	(3 013 037)	4 347 856
Current year subscription / fee	5 532 248	5 629 657
Amount paid - current year	(8 732 736)	(7 524 646)
Amount paid - previous years	5 913 032	(5 465 904)
	(300 493)	**(3 013 037)**

PAYE and UIF

Opening balance	3 387 002	2 910 292
Current year subscription / fee	46 452 070	38 477 973
Amount paid - current year	(39 072 498)	(35 090 971)
Amount paid - previous years	(3 013 372)	(2 910 292)
	7 753 202	**3 387 002**

Pension and medical aid deductions

Opening balance	4 911 633	3 980 814
Current year subscription / fee	58 779 207	56 080 521
Amount paid - current year	(53 644 680)	(51 168 888)
Amount paid - previous years	(4 911 633)	(3 980 814)
	5 134 527	**4 911 633**

55. Additional disclosure in terms of Municipal Finance Management Act (continued) Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

2016	30 June Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mokoena LE	-	6 600	6 600
Ntamane VM	-	11 694	11 694
Motaung PM	-	17 954	17 954
Ntamane VM	-	3 504	3 504
Mohlekwa TR	-	116	116
Mokoena LE	207	2 451	2 658
Motaung PM	-	294	294
Mositi MC	1 152	6 948	8 100
Lebesana PJ	2 026	2 297	4 323
Mosikidi TJ	868	1 482	2 350
Motinyane T	563	4 867	5 430
Khoapa NA	-	434	434
Mpakathe TS	1 745	49 712	51 457
Thebe PI	203	451	654
Mboso LA	3 146	4 275	7 421
Letooane SG	390	1 955	2 345
Komako A	632	52 536	53 168
Mahlambi N	4 850	21 228	26 078
Ntamane VM	3 008	119 692	122 700
	18 790	**308 490**	**327 280**

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Gamede BF	-	1 308	1 308
Khoapa NA	913	-	913
Komako A	7 163	43 477	50 640
Letooane SG	521	1 412	1 933
Mahlambi N	2 545	14 108	16 653
Mohlekwa TR	408	-	408
Motaung PM	769	2 074	2 843
Mosikidi TJ	1 764	3 992	5 756
Mositi MC	127	20 954	21 081
Motinyane T	590	6 742	7 332
Mpakhathe TS	874	43 595	44 469
Thebe PI	338	-	338
	16 012	**137 662**	**153 674**

During the year the following Councillors' had arrear accounts

Figures in Rand	Highest outstanding amount	Aging (in days)
Mokoena LE	6 599	9
Ntamane VM	11 694	9
Motaung PM	17 954	9
Ntamane VM	3 504	9
Mohlekwa TR	116	9
Mokoena LE	2 658	9

55. Additional disclosure in terms of Municipal Finance

Motaung PM	294	90
Mositi MC	8 100	90
Lebesana PJ	4 324	90
Mosikidi TJ	2 350	90
Motinyane T	5 431	90
Khoapa NA	434	90
Mpakathe TS	51 457	90
Thebe PI	655	90
Mboso LA	7 420	90
Letooane SG	2 345	90
Komako A	53 168	90
Mahlambi N	26 078	90
Ntamane VM	122 700	90
	327 281	**1 710**

- June 2015 t	30 Highes - outsta nding amoun t	- A ging (in days)
Gamede BF	1 308	90
Khoapa NA	913	30
Komako A	42 477	90
Letooane SG	1 412	90
Mahlambi N	14 108	90
Mohlekwa TR	408	30
Motaung PM	2 074	90
Mosikidi TJ	3 992	90
Mositi MC	20 954	90
Motinyane T	6 742	90
Mpakhathe TS	43 595	90
Thebe PI	338	30
	138 321	**900**

56. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

57. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Classification of deviation	Number	Rand value
Emergency	2	22 976 584
Impractical / impossible to follow procurement process	1	17 142 058
Sole provider	3	460 335
	3	**40 578**

58. Non-compliance with the MFMA

During the current financial year the following non-compliance matters were identified: Section *69 of the MFMA*
Expenditure occurred and disclosed within the financial statements for the year ending 30 June 2016 which were more than the allocated amount per the approved adjustment budget 2015/2016.

Section 126(1)(a) of the MFMA
The annual financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
The consolidated financial statements were not submitted for auditing, within three months after the end of the financial year, as required by section 126(1)(b) of the MFMA.

Section 65 (2)(e) of the MFMA
Invoices were not paid within 30 days of receiving them.

Secion *64 (2)(a) of the MFMA*
The municipality does not have the necessary capacity and resources to implement sufficient controls over the collection of outstanding debt.

Section *63 of the MFMA*
The municipality had not maintained a management, accounting and information system that accounted for liabilities.
The creditors listing indicated that all deductions on behalf of third parties is recognised against the SARS liability and not the individual beneficiaries, thus evident that a system of internal control of liabilities were not applied.
The creditors ledger on E-venus (IT system) is not kept in order to compile the creditors listing as on year end.

Section 62(1)(d) of the MFMA
The municipality did not take the necessary steps to ensure that reasonable measures are in place to prevent fruitless and wasteful expenditure that was incurred in relation to overdue Eskom accounts in the current and prior year.

Division of Revenue Act section 12(5)
The municipality did not evaluate the financial and non-financial performance of the municipality in respect of programmes partially or fully funded by a Schedule 5 allocation and submit such evaluation to the transferring officer and the relevant provincial treasury within one month.

Division of Revenue Act section 12 (2)(c)
The municipality did not submit a quarterly non-financial performance report within 30 days after the end of each quarter to the transferring officer and the relevant provincial treasury.

59. Inventories losses/write-downs

RDP houses	-	(189 915 292)

Management distributed RDP houses to the beneficiaries, therefore inventory of R189 915 292 was written off.

60. Budget differences

Material differences between budget and actual amounts

Service charges: There are still a lot of illegal connections and tempering on electricity meters. The municipality has however appointed two service providers to deal with the physical verification of meters around MAP both conventional and prepaid meters.

Rental income: Rental income depends on the demand from the community to rent out municipal facilities.

Interest received: Interest received on outstanding debtor's arrears was budgeted separately from the interest received on investment at 25 000 000. The difference will be due to a month that was not billed interest because of late billing which is covered in our credit control policy. Interest received on investment depends on the municipal cash flow, the more the funds the more possibilities of investing but if there is no money there will be nothing to invest.

Traffic fines: The municipality emplemented a new system for traffic fines, that resulted in the municipalities income for traffic fines to increase.

Property rates: Property rates are properties still under municipal name which in the process of being transferred to the rightful owners and the ongoing property verification between the municipality and public works.

Government grants and subsidies: The municipality was allocated a lot of grants but was adjusted with the adjustment DORA. Also see 43.21.3. MAP water equitable share allocation was reduced, the budget was adjusted due to cashflow problems.

60. Budget differences (continued)

Employee related costs:There was an increase in wage employees. This was a year of elections so contract workers that helped with service delivery issues increased.

Community projects expenditure: Some projects were not

budgeted for and they has to be funded by own source.

Finance costs:The municipality paid some of its liabilities late

due to cashflow problems.

Bad debts written off: Bad debts written off includes indigent book written off and incentives offered to consumers.

Repairs and maintenance: Not a lot of municipal assets needed to be repaired and it will also depend on the municipal cash flow.

Bulk purchases: Bulk purchases depends on the municipal cash flow and financials are based on accruals so the municipality tried to pay according to the repayment plan which was around R194 million for the financial year 2015/ 2016.

Depreciation and armortisation: The municipality under budgeted for depreciation. They based the budget on the prior year depreciation figure.

Contracted services: Contracted services depends on the cash flow of the municipality. The compilation of the creditor's age analysis will help the municipality in prioritising when funds are available.

Transfers and subsidies: Transfer and subsidies includes payments to map water and free basic services to registered indigent, the difference is contributed to the three months that free basic electricity couldn't be provided for wrong meters provided by applicants during registrations so a service provider had to trace and validate meters.

General expenditure: General expenditure includes many items like bursaries, specials programmes which payments to small projects contracts like Epwps, food for waste ect. was not budgeted for.

Other income: The municipality over budgeted for other income. The municipality was supposed to receive a sponsorship amount to the value of R13 500 000 but only R2 790 000 was received.

APPENDIX C: Maluti-a-Phofung Water Annual Financial Statements for the year ended 30 June 2016

Maluti-a-Phofung Water SOC Ltd (Registration number 2005/033425/07)

Annual Financial Statements for the year ended 30 June 2016

Maluti-a-Phofung Water SOC Ltd

(Registration number 2005/033425/07)

General Information

Legal form of entity	Municipal entity
Nature of business and principal activities	Municipal entity providing basic water and sanitation services
Accounting officer	Khiba M
Chief Finance Officer (CFO)	(acting) Khiba MN
Directors	Mofokeng HR Mokhesi N Mokoena FO Mthombeni-Moller BNetshivhodza MT (Chairperson)
Registered office	Old Government Building 2nd Industrial Area Phuthaditjhaba 9870
Business address	5 Andries Pretorius Street Harrismith 9880
Postal address	PO Box 666 Harrismith, 9880 or Private Bag X874 Phuthaditjhaba, 9870
Parent municipality	Maluti-a-Phofung Local Municipality
Bankers	First National Bank
Auditors	Auditor-General of South Africa
Secretary	Companies House Secretarial Services (Pty) Ltd
Attorneys	Sunhil Narian Incorporated

Index

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

Index Page

Abbreviations

GRAP	Generally Recognised Accounting Practice
ME's	Municipal Entities
MFMA	Municipal Finance Management Act

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The external auditors are responsible for auditing and reporting on the municipal entity's annual financial statements. The annual financial statements have been examined by the municipal entity's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 44, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed by:

Acting CEO

Khiba MN

31 August 2016

Accounting Officer's Report

The accounting officer submit her report for the year ended 30 June 2016.

1. Incorporation

The entity was incorporated on 20 September 2005 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The company entity is a municipal entity and a wholly owned subsidiary of Maluti-a-Phofung Local Municipality. The municipal entity is engaged in supply of basic water, sanitation and revenue collection services in the Maluti-a-Phofung district namely: Phuthaditjhaba, Harrismith and Kestell.

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

3. Going concern

I draw attention to the fact that at 30 June 2016, the entity had accumulated deficits of R (189 978 299) and that the entity's total liabilities exceed its assets by R (189 977 999).

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

4. Directors

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality
Mofokeng HR	South African

Mokhesi N	South African
Mokoena FO	South African
Mthombeni-Moller B	South African
Netshivhodza MT (Chairperson)	South African

5. Secretary

The secretary of the entity is Companies House Secretarial Services (Pty) Ltd.

6. Parent municipality

The entity's parent municipality is Maluti-a-Phofung Local Municipality.

Maluti-a-Phofung Water SOC Ltd

(Registration number 2005/033425/07)

Statement of Financial Position as at 30 June 2016

	Note(s)	2016 R	2015 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	156 279	4 958
Inventories	4	3 040 535	3 022
Other financial assets	5	-	12 572
Receivables from exchange transactions	6	12 950	15 378
Receivables from non-exchange transactions	7	1 507 566	22 599
VAT receivable	8	8 382 543	8 727
		26 037	**49 745**
Non-Current Assets			
Property, plant and equipment	9	12 656	13 641
Total Assets		**38 693**	**63 386**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	228 671	204 768
Bank overdraft	3	-	17 095
		228 671	**204 785**
Total Liabilities		**228 671**	**204 785**
Net Assets		**(189 977**	**(141 398**
Share capital	11	300	300
Accumulated deficit		(189 978	(141 398
Total Net Assets		**(189 977**	**(141 398**

* See Note 28

Maluti-a-Phofung Water SOC Ltd

(Registration number 2005/033425/07)

Statement of Financial Performance

	Note(s)	2016 R	2015 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	12	44 816	39 317
Other income	13	131 182	832 590
Total revenue from exchange transactions		**44 947**	**40 149**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	14	95 000	88 500
Total revenue		**139 947**	**128 649**
Expenditure			
Employee related costs	15	[illegible]	[illegible]
Remuneration of directors	16	(226 814)	(99 128)
Depreciation and amortisation	17	(794 559)	(1 052 638)
Impairment loss / Reversal of impairments	18	(449 071)	(22 191)
Finance costs and penalties	19	(16 555	(221 284)
Debt Impairment	20	(29 680	(13 025
Repairs and maintenance		(5 818 036)	(5 626 166)
Bulk purchases	21	(10 232	(13 493
Contracted services	22	(6 354 849)	(5 327 480)
General expenses	23	(19 547	(16 836
Total expenditure		**(188 527**	**(136 670**
Deficit for the year		**(48 579**	**(8 020 801)**

* See Note 28

Maluti-a-Phofung Water SOC Ltd

(Registration number 2005/033425/07)

Statement of Changes in Net Assets

	Share capital	Accumulated deficit R	Total net assets
Opening balance as previously reported Adjustments Prior year adjustments (note 29)	300	(139 959 075)	(139 958 775)
Balance at 01 July 2014 as restated*	**300**	**(133 378 054)**	**(133 377 754)**
Changes in net assets Deficit for			
Total changes	-	(8 020 801)	(8 020 801)
Restated* Balance at 01 July 2015	**300**	**(141 398 855)**	**(141 398 555)**
Changes in net assets Deficit for			
Total changes	-	(48 579	(48 579
Balance at 30 June 2016	**300**	**(189 978**	**(189 977**
Note(s)	11		

* See Note 28

Maluti-a-Phofung Water SOC Ltd

(Registration number 2005/033425/07)

Cash Flow Statement

	Note(s)	2016 R	2015 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		23 042	23 703
Grants		110 614	83 275
Other receipts		143 754	344 291
		133 800	107 323
Payments			
Employee costs		(98 868	(80 966
Remuneration of directors		(226 814)	(99 128)
Finance costs		(14 628	(221 284)
Suppliers		(9 688 189)	(12 694
Bulk purchases		(9 962 246)	(13 493
		(133 373	(107 474
Net cash flows from operating activities	25	**426 936**	**(151 623)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(258 523)	(339 907)
Proceeds from sale of property, plant and	9	-	536 602
Net cash flows from investing activities		**(258 523)**	**196 695**
Net increase/(decrease) in cash and cash		**168 413**	**45 072**
Cash and cash equivalents at the beginning of the		(12 137)	(57 209)
Cash and cash equivalents at the end of the	3	**156 276**	**(12 137)**

* See Note 28

Maluti-a-Phofung Water SOC Ltd

(Registration number 2005/033425/07)

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	65 180	(4 835	60 345	44 816	(15 528	36
Other income - (rollup)	-	-	-	131 182	131 182	
Total revenue from exchange	**65 180 282**	**(4 835 000)**	**60 345 282**	**44 947 888**	**(15 397 394)**	
Revenue from non-exchange						
Transfer revenue						
Government grants Subsidies	115 440	(20 440	**95 000**	95 000	**-**	
Total revenue	**180 620**	**(25 275**	**155 345**	**139 947**	**(15 397**	
Expenditure						
Employee related			**(96 112**		**(2 755**	
Remuneration of	(271 000)	-	**(271 000)**	(226 814)	**44 186**	
Depreciation and	(4 110 000)	-	**(4 110**	(794 559)	**3 315 441**	
Impairment loss/ Reversal of impairments	-	-	**-**	(449 071)	**(449 071)**	
			-		**(16 555**	
Debt Impairment	-	-	**-**	(29 680	**(29 680**	
Bulk purchases	(24 657	15 753	**(8 903**	(10 232	**(1 328**	36
General expenses	(61 306	15 359	**(45 947**	(31 720	**14 226 932**	36
Total expenditure	**(180 620**	**25 275**	**(155 345**	**(188 527**	**(33 182**	
Deficit before taxation	**186**	**81**	**267**	**(48 579**	**(48 579**	

* See Note 28

Actual Amount on Comparable Basis as Presented in the	**186**	**81**	**267**	**(48 579 444)**	**(48 579 711)**

* See Note 28

Maluti-a-Phofung Water SOC Ltd

(Registration number 2005/033425/07)
Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Shifting funds (i.t.o. s31 of MFMA)	Virement (i.t.o. approved policy)	Final	Actual outcome	Unauthorised expenditure		Actual outco as % final budget	Actual outco as % origin budge
	R	R	R	R	R	R	R	R	R	R	R
2016											
Service charges	65 180	(4 835	60 345	-		60 345 282	44 816		(15 528 576)	74 %	69 %
Transfers Operational	115 440	(20 440	95 000	-		95 000 000	95 000		-	100 %	82 %
Other own revenue	-	-	-		-	-	131 182		131 182	100 %	100 %
Total revenue (excluding capital transfers and contributions)	**180 620**	**(25 275**	**155 345**	**-**		**155 345 282**	**139 947**		**(15 397 394)**	**90 %**	**77 %**
Employee costs	(90 275	(5 836	(96 112	-	-	(96 112 890)	(98 868	-	(2 755 268)	103 %	110 %
Remuneration of	-	(271 000)	(271 000)	-	-	(271 000)	(226 814)	-	44 186	84 %	100 %
Debt impairment	-	-	-			-	(29 680	-	(29 680 402)	100 %	100 %
Depreciation and Impairment	-	(4 110	(4 110			(4 110 000)	(1 243	-	2 866 370	30 %	10 %
Finance charges	-	-	-	-	-	-	(16 555	-	(16 555 293)	10 %	100 %
Materials and bulk Purchases	(11 223	2 319 798	(8 903	-	-	(8 903 809)	(10 232	-	(1 328 842)	115 %	91 %
Repairs and	(7 401 557)	7 401 557	-	-	-	-	-	-	-	100 %	- %
Other expenditure	(71 719	25 772	(45 947	-	-	(45 947 583)	(31 720	-	14 227 199	69 %	44 %
Total expenditure	**(180 620**	**25 275**	**(155 345**	**-**	**-**	**(155 345 282)**	**(188 527**	**-**	**(33 182 050)**	**121 %**	**104 %**
Surplus/(Deficit)	**(2)**	**2**	**-**	**-**		**-**	**(48 579 444)**		**(48 579 444)**	**100 %**	**972 200 %**
Surplus/(Deficit)	**(2)**	**2**	**-**	**-**		**-**	**(48 579 444)**		**(48 579 444)**	**100 %**	**972 200 %**

Year

Maluti-a-Phofung Water SOC Ltd

(Registration number 2005/033425/07)
Annual Financial Statements for the year ended 30 June 2016

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Shifting of funds (i.t.o. s31 of MFMA)	Virement (i.t.o. approved policy)	Final	Actual outcome	Unauthorised expenditure		Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R

Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	94 077		94 077	100 %	100 %
Sources of capital funds											
Transfers recognised - capital	-	-	-	-		-	94 077		94 077	100 %	100 %

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003) and the Companies Act (Act 71 of 2008).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below. These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

The municipal entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipal entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a receivable.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipal entity, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipal entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

1.2 Significant judgements and sources of estimation

uncertainty (continued) Impairment testing

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

Value in use of cash generating assets:

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

Value in use of non-cash generating assets:

The municipal entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Useful lives of property, plant and equipment and other assets

The municipal entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipal entity.

Allowance for impairment

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

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

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

1.3 Property, plant and equipment (continued)

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 municipal entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Depreciation	Average useful life

Plant and machinery	Straight line	6 - 10
Other property, plant and equipment	Straight line	3

The residual value, and the 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.

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

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

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Financial instruments

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

1.4 Financial instruments

(continued) Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

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

Initial recognition

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

The municipal entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipal entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipal 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 municipal 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, the municipal 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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

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 collectability of financial assets

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

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

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 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 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.

1.4 Financial instruments (continued)

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

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.

Derecognition

Financial assets

The municipal entity derecognises financial assets using trade date accounting.

The municipal entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipal entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipal 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 municipal entity:
  - derecognises the asset; and
  - recognises 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.

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

Financial liabilities

The municipal 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, expired 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 municipal 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).

1.5 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

1.5 Statutory receivables (continued)

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipal entity recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the accounting policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipal entity and the transaction amount can be measured reliably.

Initial measurement

The municipal entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipal entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);

- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipal entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipal entity is required or entitled to levy additional charges in terms of legislation, supporting regulations, by- laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipal entity's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

The municipal entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipal entity considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

1.5 Statutory receivables (continued)

- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipal entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipal entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipal entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipal entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 municipal entity:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipal entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.6 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula with the exception of water which is measured in accordance with weighted average cost. The same cost formula is used for all inventories having a similar nature and use to the municipal entity.

1.6 Inventories (continued)

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

1.7 Value-added Tax (VAT)

The municipal entity is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.8 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipal entity. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.9 Share capital

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

1.10 Employee benefits

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

The municipal entity recognises the expected cost of bonus, incentive and performance related payments when the municipal 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 municipal entity has no realistic alternative but to make the payments.

1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when the municipal entity:

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

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

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipal entity.

1.12 Revenue from exchange transactions

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

An exchange transaction is one in which the municipal entity 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.

1.12 Revenue from exchange transactions (continued) Measurement

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

Sale of goods

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

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

Rendering of services

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

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

When 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.

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipal entity; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipal entity's right to receive payment has been established.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipal entity, 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.

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

1.13 Revenue from non-exchange transactions (continued)

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 municipal entity.

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

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

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

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 municipal entity 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.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipal entity 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.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipal entity.

When, as a result of a non-exchange transaction, the municipal entity 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.

1.14 Commitments

Items are classified as commitments when the municipal entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipal entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 28 for detail.

1.16 Fruitless and wasteful expenditure

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

1.16 Fruitless and wasteful expenditure (continued)

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

1.17 Irregular expenditure

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

All expenditure relating to irregular 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.

1.18 Budget information

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

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

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

1.19 Related parties

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

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

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.20 Events after reporting date

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

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

The municipal entity adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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

1. New standards and interpretations

1.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 21 (as amended 2015): Impairment of Non-cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 2011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life has been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity has adopted the standard for the first time in the 2016 annual

financial statements. The impact of the standard is not material.

GRAP 26 (as amended 2015): Impairment of Cash-generating Assets 2016 2015

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets and cash generating unit;
- in line with the amendments made to IPSAS 26 on Impairment of Cash-generating Assets (IPSAS 26) in 2010, an amendment has been made to include another indicator of impairment in relation to the internal sources of information;
- where the recoverable amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity has adopted the standard for the first time in the 2016 annual

financial statements. The impact of the standard is not material.

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2. New standards and interpretations

(continued) Improvements to the

Standards of GRAP (2013)

Amendments were made to the following standards of GRAP:

- GRAP 1 - Presentation of Financial Statements;
- GRAP 2 - Cash Flow Statements;
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors;
- GRAP 7 - Investments in Associates;
- GRAP 10 - Financial Reporting in Hyperinflationary Economies;
- GRAP 11 - Construction Contracts;
- GRAP 13 - Leases;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21 - Impairment of Non-cash-generating Assets (refer to separate note);
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash-generating Assets (refer to separate note);
- GRAP 31 - Intangible Assets;
- GRAP 103 - Heritage Assets; and
- GRAP 104 - Financial Instruments.

The amendments relate mainly to editorial and other changes to the original text to ensure consistency with other Standards of GRAP and deletion of the appendices with illustrative guidance and examples from the standards, as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the improvements is for years beginning on or after 01 April 2015.

The entity has adopted the improvements for the first time in the 2016 annual financial statements. The impact of the improvements is not material.

GRAP 23 (as amended 2015): Revenue from Non-exchange Transactions

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure

2016 2015

consistency with other Standards of GRAP;

- the scope paragraph has been amended to exclude non-exchange revenue from construction contracts from this Standard;
- commentary has been added to clarify that discounts, volume rebates or other reductions in the quoted price of assets are exchange transactions that should be treated in accordance with the Standard of GRAP on Revenue from Exchange Transactions;
- the Standard was amended to make it mandatory for entities to recognise services in-kind to the extent that the services in-kind are significant to an entity's operations and/or service delivery objectives and to the extent that the recognition criteria have been met;
- commentary has been added to clarify that services in-kind are not limited to the provision of services by individuals but also include the right to use assets. Examples have been added to illustrate this amendment; and
- the appendix with illustrative examples has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The entity has adopted the standard for the first time in the 2016 annual

financial statements. The impact of the standard is not material.

1.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been

published and are mandatory for the entity's accounting periods beginning on or after 01 July 2016 or later periods:

	2016	2015

2. New standards and interpretations

(continued) GRAP 18: Segment

Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipal entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which the municipal entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipal entity that provides specific outputs or achieves particular operating objectives that are in line with the municipal entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipal entity within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipal entity, but may result in more presentation and disclosure than is currently provided in the annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting municipal entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

	2016	2015

A municipal entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipal entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipal entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the municipal entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

	2016	2015

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipal entity, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipal entity to undertake the transactions, such as outlining who should be taxed and at what rates and amounts

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables, because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and

	2016	2015

2. New standards and interpretations (continued)

- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipal entity, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipal entity's annual financial statements.

	2016	2015

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 459	4 958
Bank balances	153 820	-
Bank overdraft	-	(17 095)
	156 279	**(12 137)**

Current assets	156 279	4 958
Current liabilities	-	(17 095)
	156 279	**(12 137)**

The entity had the following bank accounts

`

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
First National Bank Ltd - operating account - 6203842667	153 811	(17 095)	(59 712)	153 820	(17 095)	(59 712)

4. Inventories

Consumable stores	2 870 228	2 803 780

	2016	2015
Fuel (diesel, petrol)	60 221	40 686
Water	110 086	177 753
	3 040 535	**3 022 219**

Due to the water drought experienced in the current year, this has resulted in a significant decline in water inventory.

5. Other financial assets

Other loans and receivables	-	12 572
At amortised cost	-	12 572

6. Receivables from exchange transactions

Gross balances		
Water	47 118 163	44 068
Less: Allowance for impairment		
Water	(34 167 658)	(28 689
Net balances		
Water	12 950 505	15 378

	2016	2015

6. Receivables from exchange transactions (continued)

Current (0 -30 days)	7 214	5 582
31 - 60 days	5 735	5 651
61 - 90 days	1 775	766 952
> 91 days	32 392	32 067
Less: Allowance for impairment	(34 167	(28 689
	12 950 505	**15 378**

Summary of debtors by customer classification

Parent municipality		
Current (0 -30 days)	7 214	5 582
31 - 60 days	5 735	5 651
61 - 90 days	1 775	766 952
> 91 days	32 392	32 067
	47 118 164	44 068
Less: Allowance for impairment	(34 167	(28 689
	12 950 505	**15 378**

Total		
Current (0 -30 days)	7 214	5 582
31 - 60 days	5 735	5 651
61 - 90 days	1 775	766 952
> 91 days	32 392	32 067
	47 118 164	44 068
Less: Allowance for impairment	(34 167	(28 689
	12 950 505	**15 378**

Less: Allowance for impairment		
> 365 days	(34 167	(28 689

Reconciliation of allowance for impairment		
Balance at beginning of the year	(28 689	(20 215
Contributions to allowance	(5 478	(8 474 507)
	(34 167 658)	**(28 689**

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 12 950 505 (2015: R 15 378 986)

The ageing of amounts past due but not impaired is as follows:

Less than 90 days	14 725	12 001

	2016	2015

7. Receivables from non-exchange transactions

	46 303	40 170
Finance management grant	-	3 031
Other debtors	262 392	254 104
Duplicate payments	30 139	30 139
Provision for impairment on receivables from non - exchange transaction	(45 088 611)	(20 886 267)
	1 507 566	**22 599**

Receivables from non-exchange transactions past due but not

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 1 507 566 (2015: R 21 971 667) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

		6 971 667
1 months past due	1 507	13 333
3 months past due	-	1 666 667

Reconciliation of provision for impairment of receivables from non-

Opening balance	20 886	16 335
Contributions to impairment	24 202	4 551 119
347		
	45 088 614	**20 886**

8. VAT receivable

VAT		8 727 003

9. Property, plant and equipment

	2016					
	Cost / Valuation	Accumulated depreciation and	Carrying value	Cost / Valuation	Accumulated depreciation and	Carrying value
Other property, plant and	3 537 681	(1 715 336)	1 822 345	3 607 169	(1 278 766)	2 328 403
Plant and machinery	8 160 831	(2 897 936)	5 262 895	8 186 646	(2 564 764)	5 621 882
Total	**19 032**	**(6 376 770)**	**12 656**	**19 223**	**(5 582**	**13 641 322**

	2016	2015

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Impairmen	Depreciatio	Total
Other property, plant and equipment	2 328 403	195 391	(360 124)	(341 325)	1 822
Motor vehicles	5 691 037	-	-	(120 062)	5 570
Plant and machinery	5 621 882	63 132	(88 947)	(333 172)	5 262
	13 641	**258 523**	**(449 071)**	**(794 559)**	**12 656**

	2016	2015

9. Property, plant and equipment

(continued) Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Impairment	Depreciation	Total
Other property, plant and equipment	2 450 038	197 539	(81 940)	(15 263)	(221 971)	2 328 403
Motor vehicles	6 112 321	-	-	-	(421 284)	5 691 037
Plant and machinery	5 872 785	142 368	-	(6 928)	(386 343)	5 621 882
	14 435 144	**339 907**	**(81 940)**	**(22 191)**	**(1 029 598)**	**13 641 322**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

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

10. Payables from exchange transactions

	2016	2015
[illegible]	10 002	8 785 655
Department of water affairs	177 596	151 504
Maluti - a - Phofung Local Municipality	21 389	18 754
Retention	14 304	-
Accrued overtime and other allowances	1 209 954	953 863
Payroll control account	6 637 686	6 461 772
Purchases accrual	4 101 529	13 835
Trade payables	7 718 798	4 472 074
	228 671	**204 768**

11. Share capital

	2016	2015
Authorised		
1000 Ordinary shares of R1 each	1 000	1 000
Reconciliation of number of shares issued:		
Issue of shares – ordinary shares	300	300
Issued		
300 Ordinary shares of R1 each	300	300

	2016	2015
12. Service charges		
Management fee - Water	27 789	27 063
Management fee - Sewerage and sanitation charges	17 026 711	12 253 702
	44 816	**39 317**

There is a service level agreement between the municipality and Maluti water, that MAP water will get 51% of the water billed and 47% of sewerage and sanitation charges.

	2016	2015

13. Other income

Other income	131 182	832 590

Other income consist of interest received from bank, income insurance

14. Government grants and subsidies

Operating grants

Equitable share	95 000 000	80 000
Water service operating subsidy grant	-	8 500 000
	95 000 000	**88 500**

Conditional and Unconditional

Included in above are the following grants and subsidies

Equitable share	95 000 000	80 000
Water service operating subsidy grant	-	8 500 000
	95 000 000	**88 500**

Equitable Share

In terms of the service delivery agreement with Maluti - a - Phofung local Municipality, this grant is used for services in particular for delivery of free services to low income households and all in infrastructure development of the water services systems.

Water service operating subsidy grant

Current-year receipts	-	8 500 000
Conditions met - transferred to revenue	-	(8 500 000)
	-	**-**

All conditions were achieved and all the amounts were transferred.

	2016	2015

15. Employee related costs

[illegible]	196 490	424 137
Basic	54 306	40 533
Bonus and leave paid out	6 593 170	11 292
Housing benefits and allowances	1 819 982	1 196 320
Medical aid - company contributions	5 587 034	4 645 169
Overtime payments	10 993	6 972 024
Pension and group life - company contribution	9 190 351	8 098 816
Shift and standby allowance	2 006 861	1 940 322
Skills development levy	848 196	710 682
Travel, motor car, accommodation, subsistence and other allowances	6 780 619	4 637 877
UIF - company contributions	545 460	515 377
	98 868	**80 966**

Remuneration of MN Khiba - Acting Chief Executive Officer

Acting allowance	33 652	14 514

Ms MN Khiba has been acting since 17 December 2015.

Remuneration of MN Khiba - Chief Finance Officer

Annual remuneration	657 395	359 432
Car allowance	186 732	91 843
Contributions to UIF, medical and pension funds	116 143	67 382
Housing allowance	7 688	3 654
Back pay	36 991	-
	1 004 949	**522 311**

Remuneration of CJ Malungani - Director Operations

Annual remuneration	646 574	311 192
Back pay	5 600	-
Car allowance	135 480	67 740
Contributions to UIF, medical and pension funds	113 202	56 853
Housing allowance	7 688	3 132
	908 544	**438 917**

Remuneration of MD Skefu - Director Human Resource

Annual remuneration	673 832	481 771
Back pay	5 600	-
Car allowance	135 480	101 610
Contributions to UIF, medical and pension funds	113 202	83 927
Housing allowance	7 332	4 698
	935 446	**672 006**

16. Remuneration of directors

Sitting fees for non - executive directors	226 814	99 128

The directors' costs includes sitting fees and the related travel costs.

	2016	2015

17. Depreciation and amortisation

Property, plant and equipment	794 559	1 052 638

18. Impairment of assets

Impairments		
Property, plant and equipment	449 071	22 191

19. Finance costs

Interest paid	16 555	221 284

20. Debt impairment

Debt impairment	29 680	13 025

21. Bulk purchases

Water purchases and treatment	10 232	13 493

22. Contracted services

Information technology services	3 672 260	2 547 909
Security services	1 554 456	1 128 629
Meter reading contractors	1 128 133	1 650 942
	6 354 849	**5 327 480**

	2016	2015

23. General expenses

	39 488	172 799
Assets expensed	19 186	114
Auditors remuneration	3 287 473	3 187
Bank charges	60 209	61 198
Cleaning	50 408	59 900
Community development and training	488 388	348 481
Computer software usage	4 950	35 933
Consumables	490	-
Emergency plan	6 743 870	-
Entertainment	31 051	17 655
Insurance	277 155	1 686
Legal fees	32 411	105 000
Litigation settlement	-	1 315
Plant hire	3 017 923	3 840
Printing and stationery	302 646	209 626
Professional fees	85 187	5 454
Professional services	111 686	687 323
Promotions	-	89 888
Recruitment cost	28 654	44 027
Staff welfare	7 583	70 000
Stock write off	80 697	90 429
Sundry expenses	11 811	14 145
Telephone and fax	1 577 896	1 490
Training	65 976	146 716
Transport and freight	3 151 425	3 036
Uniforms	70 936	120 733
	19 547 499	**16 836**

Emergency plan costs are cost that relate to the hiring of water community with

24. Auditors' remuneration

Fees	3 287 473	3 187

25. Cash generated from (used in) operations

Deficit	(48 579 444)	(8 020 801)
Adjustments for:		
Depreciation and amortisation		
Impairment deficit	449 070	22 191
Debt impairment	29 680 402	13 025
Gain on sale of assets	-	(477 917)
Changes in working		
Receivables from exchange transactions	12 571	(10 380)
Consumer debtors	(21 773 867)	(20 165
Receivables from non-exchange transactions	15 614 169	(673 000)
Payables from exchange transactions	23 903 332	14 180
VAT	344 460	472 912
	426 936	**(151 623)**

	2016	2015

26. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	23 829 398
• Other financial assets	-	928 630
	-	**24 758 028**
Total capital commitments		
Already contracted for but not provided for	-	24 758 028
Total commitments		
Total commitments		
Authorised capital expenditure	-	24 758 028

The entity had only one running contract as at 30 June 2016 with Tah-hilal Trading and Projects (Pty) Ltd for supply and delivery of protective clothing and security uniforms. The tender price will be based on quote average price per quantity required therefore it is not possible to disclose a Rand amount for the above commitment as at year end.

27. Related parties

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Relationships	
Directors	Refer to note 16
Controlling entity	Maluti-a-Phofung Local Municipality
Members of key management	Section 57 managers (Refer note16)

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
Maluti - a - Phofung Municipality	90 786 647	87 370
Maluti - a - Phofung Municipality (Insurance)	(8 039 590)	(8 039
Maluti - a - Phofung Municipality (Municipal services)	(10 714 984)	(10 714 984)

Related party transactions

	2016	2015
Total service charges		
Maluti - a - Phofung Municipality (Water and sewer)	(44 816 706)	(30 317
Maluti - a - Phofung Municipality (Rates and taxes)	8 039 590	8 039 590
Equitable share and DWA received		
Maluti - a - Phofung Municipality	95 000 000	88 500
Sitting fees paid to non - executive directors (refer to note 17)		
Mokhesi N	5 000	10 000
Netshivhodza MT	52 184	50 000
Mokena FO	39 220	5 000
Mofokeng HR	55 762	7 993
Mthombeni - Moller B	74 648	13 310

The transactions that took place between the related parties are within the and thus intercompany transactions and balances have been disclosed for the users of the financial statements.

Notes to the Annual Financial Statements

28. Prior period errors

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial performance	Balance previousl reported	Prior err	Total
Revenue			
Service charges	39 317	-	39 317
Other income	832 590	-	832 590
Government grants and subsidies	88 500 000	-	88 500 000
	128 649	**-**	**128 649**
Expenses			
Employee related cost	(80 966	-	(80 966
Remuneration of directors	(99 128)	-	(99 128)
Depreciation and amortization	(2 092 988)	1 040 350	(1 052 638)
Impairment loss	(22 191)	-	(22 191)
Finance cost	(221 284)	-	(221 284)
Debt impairment	(13 025	-	(13 025
Repairs and maintenance	(5 626 166)	-	(5 626 166)
Bulk purchases	(13 493	-	(13 493
Contracted services	(5 327 480)	-	(5 327 480)
General expenses	(16 836 502)	-	(16 836 502)
	(137 710	**1 040 350**	**(136 670**
Operating (deficit) / surplus	(9 061 149)	1 040 348	(8 020 801)

Statement of financial position	Balance previousl reported	Prior err	Total
Current assets			
Inventory	3 022 219	-	3 022 219
Receivables from exchange transactions	15 378	-	15 378
VAT receivable	8 727 003	-	8 727 003
Receivables from non-exchange transactions	22 599	-	22 599
Cash and cash equivalents	4 958	-	4 958
Other financial assets	12 572	-	12 572
	49 745	**-**	**49 745**
Non-current assets			
Property, plant and equipment	6 019 952	7 621 371	13 641 323
Current liabilities			
Payables from exchange transactions	204 768	-	204 768
Bank overdraft	17 095	-	17 095

Notes to the Annual Financial Statements

	204 785	**-**	**204 785**
Net assets			
Share capital	300	-	300
Deficit for the year	149 020 225	(7 621 371)	141 398 854
	149 020	**(7 621 371)**	**141 399**

28. Prior period errors (continued)

1. Property, plant and equipment

The remaining useful live of property, plant and equipment was never re-assessed as required by GRAP17. The impact of this error is that there were fully depreciated assets still in use. The impact of this error is indicated below:

Statement of financial position		
Increase in accumulated surplus	-	(6 581 023)
Increase in property, plant and equipment	-	7 621 371
	-	**1 040 348**
Statement of financial performance		
Decrease in depreciation	-	(1 040 348)

29. Risk management

Financial risk

The municipal entity's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

The municipal entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipal entity's financial performance. The municipal entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the municipal entity's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

The municipal entity's risk to liquidity is a result of the funds available to cover future commitments. The municipal entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipal entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	234 120 478	-	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	204 768 310	-	-	-
Bank overdraft	17 095	-	-	-

Notes to the Annual Financial Statements

29. Risk management

(continued) Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipal entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non- performance by these counterparties.

Financial assets exposed to credit risk at year end were as follows:

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Financial instrument	2016	2015
Receivables from exchange transactions	12 950 505	15 378 986
Receivables from non-exchange transactions	1 507 556	22 599 790
Cash and cash equivalents	156 279	4 958
Other financial assets	-	12 572

Market risk

Interest rate

risk

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

30. Going concern

Notes to the Annual Financial Statements

We draw attention to the fact that at 30 June 2016, the municipal entity had accumulated deficits of R (189 978 299) and that the municipal entity's total liabilities exceed its assets by R (189 977 999).

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.

The ability of the municipal entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the parent municipality continue to provide funding for the ongoing operations for the municipal entity.

31. Events after the reporting date

There was no adjusting events after year end.

Opening balance	2 486 394	2 064 363
Incurred in the current year	16 555 292	422 031
	19 041	**2 486 394**

Fruitless and wasteful expenditure incurred is still under investigation and a report is in the process of being finalised.

Current year fruitless expenditure includes an interest payable to DWA of R 14 123 240, interest paid to Sanlam pension fund R14 135, Interest paid to SAMWU national provident fund R435, interest paid to SARS R169, interest paid to Eskom R1 315, Interest paid on behalf of employees as a result of late payment of salaries by MAP Water R5 500, SARS fines and penalties R 2 061 991 and interest due to the AGSA R348 507.

33. Irregular expenditure

	4 949 345	3 776 360
Add: Irregular Expenditure Year	38 392	1 172 985
Add: Irregular prior year	3 200 384	-
	46 542	**4 949 345**

Analysis of expenditure condonation per age

Irregular expenditure	46 542	4 949 345

Details of irregular current year

	Disciplinary steps	
Hi-sense security service	Under	246 240
Mirco mega revenue	Under investigation	1 445 672
Two bells security	Under investigation	411 585
Plant Hire	Under investigation	2 756 922
Overspending of budget *	To be condoned	33 182
Tah-Hilal Trading and	Under investigation	38 638
Talbot & Talbot (Pty) ltd	Under investigation	250 118
Prohibited awards	Under investigation	19 892
Non compliance	Under investigation	41 408
Plant Hire - prior year adjustment	Under investigation	3 200 384
		41 593

* Irregular spending resulting from over spending of the budget resulted due to the parent municipality decreasing the budget of the entity by almost 25 million and the spending on hiring of water tankers due to the water drought.

34. Additional disclosure in terms of Municipal Finance Management Act

Opening balance	18 919	75 716
Current year subscription / fee	337 406	224 038
Amount paid - current year	(309 624)	(205 119)
Amount paid - previous years	(18 919)	(75 716)
	27 782	**18 919**

Audit fees

Opening balance	2 448 871	1 710
Current year subscription / fee	3 679 527	3 187
Amount paid - current year	(3 535 979)	(2 448 871)
	2 592 419	**2 448**

PAYE and UIF

Notes to the Annual Financial Statements

Opening balance	3 617 693	1 602
Current year subscription / fee	14 273	10 553
Amount paid - current year	(11 818	(6 935 937)
Amount paid - previous years	(1 651 433)	(1 602 671)
	4 420 533	**3 617**

Notes to the Annual Financial Statements

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

Opening balance	3 571 092	1 571
Current year subscription / fee	22 381	12 743
Amount paid - current year	(20 596	(9 172 893)
Amount paid - previous years	(2 595 891)	(1 571 929)
	2 760 202	**3 571**

VAT

VAT receivable	8 382 543	8 727

VAT output payables and VAT input receivables are shown in note 8

All VAT returns have been submitted by the due date throughout the

35. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved:

Deviations

Emergency	87	5 798 857
Other	17	934 857
	104	**6 733 714**

36. Budget differences

Material differences between budget and actual amounts

1. Service Charge: The lack of water supply in communities in the current year resulted in less chargers being billed.

Notes to the Annual Financial Statements

2. Personnel: More resources where acquired to assist with the emergency plan and this resulted in an increase of employee related cost to be consistent

3. Bulk purchases: Less purchases of water where made due to the water storage and this resulted in less spending than budgeted.

4. General expenditure: Cost containment measures were implemented to mitigate the cash flow constraints experienced by the entity.

5. Depreciation and amortisation: During the period under review assets useful lives were reassessed. The reassessment exercise resulted in an increase in assets useful lives and consequently reduction in depreciation.

6. Finance costs: These emanated from late payments to third parties and employees due to cash flow constraints that the entity is currently experiencing. This amounts to fruitless and wasteful expenditure hence not budgeted for.

36. Budget differences (continued)

7. Debt impairment: The entity's main debtor is the parent municipality 'Maluti- A- Phofung Municipality'. Management expects that they will service their debts hence not budgeted for.

8. Repair and maintenance: The entity did not disclose repairs and maintenance separately as it was included in the total general expenditure.

Changes from the approved budget to the final budget

Government grants and subsidies: The grant as originally declared by the parent municipality was decreased due to cash flow constraints at the parent municipality.

37. Contingencies

South African Revenue Services (SARS)

Based on guidance from the VAT 419 Guide for municipalities, Output VAT should be declared at a standard rate by the entity on the grants received from the municipality to the extent that the payments relate to taxable supplies made by the municipal entity. Total grants received was R95 000 000 and of that amount R 23 954 854.67 was utilised for zero rated supply therefore municipal entity will be liable for Output VAT amounts to R9 975 000.

Appendix B

Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation Accumulated depreciation

	Ope Bala Rand	Addi Rand	Disp Rand	Tran Rand	Revalu Rand	Other movem Rand	Clasi Bala Rand	Ope Bala Rand	Disp Rand	Tran Rand	Depre Rand	Impairm Rand	Clo Bal Rand	Carr valu Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sports fields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation **Accumulated depreciation**

	Ope Bala Rand	Addi Rand	Disp Rand	Tran Rand	Revalu Rand	Other movem Rand	Clasi Bala Rand	Ope Bala Rand	Disp Rand	Tran Rand	Depre Rand	Impairm Rand	Clo Bal Rand	Carr valu Rand
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other property, plant and equipment	8 562 360	197 539	(81 940)	-	-	**(15 263)**	**8 662 696**	-	-	-	(643 255)	-	**(643 255)**	8 019 441
Computer Equipment	-	-	-	-	-	**-**	**-**	-	-	-	-	**-**	-	
Computer Software (part of computer equipment)														

Appendix B

-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant and machinery	5 872 785	142 368		-	-	- **(6 928)**	**6 008 225**		-	-	- (386 343)	-	**(386 343)**	5 621 882
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	14 435 145		**339 907**	**(81 940)**	**-**	**-**	**(22 191)**	**14 670 921**		**-**	**-**	**-**	**(1 029 598)**	**-**
		(1 029 598)		**13 641 323**										

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	Ope Bala Rand	Addi Rand	Disp Rand	Tran Rand	Revalu Rand	Other movem Rand	Closi Bala Rand	Ope Bala Rand	Disp Rand	Tran Rand	Depre Rand	Impairm Rand	Clo Bal Rand	Carr valu Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	14 435	339 807	(81 940)	-	-	(22 191)	14 670 921	-	-	-	(1 029 598)	-	(1 029 598)	13 641
	14	**339**	**(81**	-	-	**(22**	**14 670**	-	-	-	**(1 029**	-	**(1 029**	**13**
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Appendix B

Investment properties

Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Total

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	14 435 145	339 907	(81 940)	-	-	(22 191)	14 670 921	-	-	-	(1 029 598)	-	(1 029 598)	13 641 323
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
	14 435 145	339	(81	-	-	(22	14 670	-	-	-	(1 029	-	(1 029	13

Appendix B

Analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation Accumulated depreciation

	Ope Bala Rand	Addi Rand	Disp Rand	Tran Rand	Reval Rand	Assets Rand	Clasi Bala Rand	Ope Bala Rand	Disp Rand	Tran Rand	Depre Rand	Impairm Rand	Clo Bal Rand	Carr Valu Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sports fields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Appendix B

	Ope Bala Rand	Addi Rand	Disp Rand	Tran Rand	Reval Rand	Assets Rand	Clasi Bala Rand	Ope Bala Rand	Disp Rand	Tran Rand	Depre Rand	Impairm Rand	Clo Bal Rand	Carr Valu Rand
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	8 019 441	195 391		-	-	-	**(360 124)**	**7 854 708**		-	- -	(495 643)	-	
	(495 643)	7 359 065												
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)														

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Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	5 621 882	63 132	-	-	-	**(88 947)**	**5 596 067**		-	-	- (347 302)	-	**(347 302)**	5 248 765
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	13 641 323	**(842 945)**	**258 523** -	**(842 945)**	**-**	**12 607 830** -	**-**		**(449 071)**		**13 450 775**	**-**	**-**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation Accumulated depreciation

	Open Bala Rand	Additi Rand	Dispo Rand	Trans Rand	Revalua Rand	Asset Rand	Classi Bala Rand	Ope Bala Rand	Dispo Rand	Trans Rand	Depreci Rand	Impair Rand	Clos Bala Rand	Carr value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	13 641	439 572	-	-	-	(449 071)	13 450 775	945)	-	-	(842	-	(842 945)	12 607
	13	258	-	-	-	(449	13 450	-	-	-	(842	-	(842	12
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Intangible assets

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Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	13 641	258	-	-	-	(449	13 450	-	-	-	(842	-	(842	12
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
	13 641 323	**258**	-	-	-	**(449**	**13 450**	-	-	-	**(842**	-	**(842**	**12**