

CHAPTER 6

AUDITOR-GENERAL AUDIT FINDINGS

**COMPONENT A: AUDITOR GENERAL OPINION OF FINANCIAL
STATEMENT ON ENT B: AUDITOR GENERAL'S OPINION
2016/2017**



AUDITOR - GENERAL
SOUTH AFRICA

The accounting officer
Elias Motsoaledi Local Municipality
PO Box 48
Groblersdal
0470

30 November 2017

Reference: 02734REG16-17

Dear Madam

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Elias Motsoaledi Local Municipality for the year ended 30 June 2017

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
3. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
6. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Rabelani Muligwe', written over a horizontal line.

Rabelani Muligwe
Senior manager: Limpopo

Enquiries: Pierre de Ru
Telephone: (015) 283 9300
Fax: (015) 283 9400

Auditor's report

Elias Motsoaledi Local Municipality

30 June 2017

Report of the auditor-general to the Limpopo provincial legislature and the council of Elias Motsoaledi Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Elias Motsoaledi Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, and 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 to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Elias Motsoaledi Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

Basis for qualified opinion

Property rates

3. The municipality did not accrue for revenue on all properties in the municipality's jurisdiction. I identified properties indicated as unknown in the underlying accounting records for which the municipality did not fully assess the ownership. I was unable to determine the full extent of the understatement of revenue from property rates stated at R25 814 661 (2015-16: R28 280 202), receivables from non-exchange stated at R19 547 729 (2015-16: R3 990 888) and related disclosures in the annual financial statements as it was impracticable to do so. Additionally, there is a resultant impact on the accumulated surplus and I was unable to determine the effect of the unknown properties on property plant and equipment and/ or investment property.

VAT Receivable

4. The municipality did not review and clear VAT control accounts timeously with SARS assessments, interests and penalties, refunds and journals in accordance with GRAP 1, *Presentation of financial statements*. In addition the municipality did not maintain adequate records of these reconciling items. I could not confirm the balance by alternate means. I was unable to determine whether any adjustments to the VAT Receivable stated at R21 742 970 (2015-16: R11 514 853) in the financial statements were necessary.

Payables from exchanged transaction

5. I was unable to obtain sufficient appropriate audit evidence for payables from exchanged transaction due to the poor status of the accounting records. I was unable to confirm the

payables from exchanged transaction by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to payables from exchanged transaction stated at R65 095 088 in the financial statements.

Lease rentals on operating lease

6. I was unable to obtain sufficient appropriate audit evidence that lease rentals on operating leases for the current period has been correctly classified in terms of GRAP 13 *Leases*. As described in note 36 to the financial statements, the leases could not be substantiated by supporting audit evidence. I was unable to confirm the classification of leases by alternative means. Consequently, I was unable to determine whether any adjustment to lease rentals on operating leases stated at R7 630 970 in the financial statements was necessary.

Receivables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for recognition of receivables relating to the recovery of the fruitless and wasteful expenditure identified in the prior year, as the municipality did not have adequate systems in place to determine the recoverable amount. I was unable to confirm the receivable by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the receivables from exchange transactions stated at R712 382 (2015-16: R1 516 501) in note 10 to the financial statements were necessary. There is a resultant impact on the surplus for the year.

Irregular expenditure

8. The municipality made payments in contravention of the supply chain management requirements, resulting in irregular expenditure of R48 171 383 (2015-16: R64 948 315). As the municipality did not implement and maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective, I was unable to determine the full extent of the understatement by alternative means. Consequently, I was unable to determine whether any further adjustments relating to irregular expenditure disclosed at R199 674 649 (2015-16: R135 139 646) disclosed in note 47 to the financial statements, were necessary.

Context for the opinion

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

Emphasis of matter

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

Restatement of corresponding figures

13. As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered during 2017 in the financial statements of the municipality at, and for the year ended, 30 June 2016.

Material loss– consumer debtors

14. As disclosed in note 33 to the financial statements, material losses to the amount of R43 751 209 were incurred as a result of a write-off of irrecoverable consumer debtors.

Investment property fair value adjustment

15. As disclosed in note 3 to the financial statements, a fair value loss to the amount of R40 411 043 was incurred, as a result of an adjustment to the municipality's investment properties.

Unauthorised expenditure

16. As disclosed in note 45 to the financial statements, unauthorised expenditure to the amount of R80 123 905 was incurred, as the total amount appropriated in the municipality's approved budget has been overspent.

Other matters

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer

19. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (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.

20. In preparing the financial statements, the accounting officer is responsible for assessing the Elias Motsoaledi Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

23. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
24. My procedures address the reported performance information, which must be based on the approved performance planning documents of the Municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
25. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the Municipality for the year ended 30 June 2017:

Objectives	Pages in the annual performance report
Basic service delivery and infrastructure development	29, 30 and 35
Spatial development analysis and rationale	29 – 34
Local Economic Development	30- 31 and 49

26. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

27. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Basic service delivery and infrastructure development

Percentage of (indigents) households with access to free basic electricity services by 30 June 2017 (GKPI)

28. The planned achievement for 2.5% of Percentage of (indigents) households with access to free basic electricity was misstated as the evidence provided indicated 19.37% and not 17% as reported.

Speed calming measures via speed camera law enforcement.

29. The planned achievement of 40 speed calming measures via speed camera law enforcement was misstated as the evidence provided indicated 481 and not 456 as reported.

Percentage of households with access to basic levels of electricity by 30 June 2017

30. I was unable to obtain sufficient appropriate audit evidence for the planned achievement of 100% provision of access to basic level of electricity. This was due to non-submission of the portfolio of evidence. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 99%.

Percentage of INEP funding by 30 June 2017

31. The planned achievement for 100% of Percentage of INEP funding was misstated as the evidence provided indicated 190% and not 99% as reported

Percentage of new capital projects completed for EMLM funded projects

32. The planned achievement for 100% of new capital projects completed for EMLM funded projects was misstated as the evidence provided indicated 95% and not 90% as reported.

Percentage capital budget spend in terms of new IDP identified projects by 30 June 2017

33. The planned achievement for 100% of Percentage capital budget spend in terms of new IDP identified projects by 30 June 2017 was misstated as the evidence provided indicated 92% and not 73% as reported

Percentage of households with access to a minimum level of basic waste removal by 30 June 2017 (Once per week) (GKPI)

34. The planned achievement for 20% of Percentage of (indigents) households with access to free basic electricity was misstated as the evidence provided indicated 9% and not 16.5% as reported.

Percentage of new Capital projects started on time in terms of the appointment of consultants/ contractors for EMLM funded projects as per the Capital implementation plan

35. I was unable to obtain sufficient appropriate audit evidence for the planned achievement of 100% new Capital projects started on time in terms of the appointment of consultants/ contractors for EMLM funded projects as per the Capital implementation plan. This was due to zero weighting (not reporting) the indicator. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 0%.

Number of law enforcement operations at hotspots

36. I was unable to obtain sufficient appropriate audit evidence for the planned achievement of 192 number of law enforcement operations at hotspots. This was due to zero weighting (not reporting) the indicator. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 0%.

Installation of license plate recognition cameras to monitor offenders

37. I was unable to obtain sufficient appropriate audit evidence for the planned achievement of 8 installation of license plate recognition cameras to monitor offenders. This was due to zero weighting (not reporting) the indicator. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 0%

Spatial development analysis and rationale

Percentage of inspections conducted on building construction

38. The planned achievement for 100% of Percentage of inspections conducted on building construction was misstated as the evidence provided indicated 96% and not 100% as reported.

39. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 100% of inspections conducted on building construction. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 100%.

Local economic development

40. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Local economic development

Achievement of planned targets

41. Refer to the annual performance report on pages 29 to 114 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 33 to 45 of this report.

Report on audit of compliance with legislation

Introduction and scope

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

43. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

44. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirement of section 122 of the MFMA. Material misstatements of non-current assets, current assets, revenue, payables, provisions, receivables, VAT receivables, cash and cash equivalents, operating lease, cashflow statement, statement of changes in net assets and disclosure items identified by auditors in the submitted financial statements are not yet corrected resulted in the financial statements receiving a qualified audit opinion.
45. The oversight report adopted by the council on the 2015-16 annual report was not made public, as required by section 129(3) of the MFMA.

Expenditure management

46. Effective steps were not taken to prevent unauthorised as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
47. Effective steps were not taken to prevent irregular expenditure amounting to R64 535 003, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by the evaluation and adjudication criteria applied in evaluating and adjudicating bids, the bid adjudication committee decided to award the bids to someone other than the one recommended by the bid evaluation committee and awards being made to suppliers not receiving the highest points without objectionable and reasonable basis for the deviation.

Liability management

48. The Municipality incurred debt that was denominated in a currency other than the Rand and was affected by fluctuations in the value of the Rand against foreign currencies, in contravention of section 47(a) of the MFMA.

Revenue Management

49. An adequate management, accounting and information system which accounts for revenue and receipts of revenue was not in place, as required by section 64(2)(e) of the MFMA.
50. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

Procurement and contract management

51. Some of the goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.
52. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
53. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Similar non-compliance was also reported in the prior year.
54. Bid specifications for some of the tenders were drafted in a biased manner and did not allow all potential suppliers to offer their goods or services, in contravention of SCM regulation 27(2)(a).

Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the EMLM 20/2016 - Provision of short term insurance & risk services.

55. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations. This non-compliance was identified in the procurement processes for the EMLM 02/2014/PH1D - Kgoshi Rammupudu construction of access road and storm water control and EMLM 13/2015/MSF - The upgrading of Monsterlus stadium.
56. Some of the contracts were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b). This non-compliance was identified in the procurement processes for the EMLM 04/2015 P2 - Construction of Kanaal and Klip street & storm water, EMLM 02/2014/PH1D - Kgoshi Rammupudu construction of access road and storm water control and EMLM 13/2015/MSF - The upgrading of Monsterlus stadium.
57. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations. This non-compliance was identified in the procurement processes for the EMLM 04/2015 P2 - Construction of Kanaal and Klip street & storm water, EMLM 02/2014/PH1D - Kgoshi Rammupudu construction of access road and storm water control and EMLM 13/2015/MSF - The upgrading of Monsterlus stadium.
58. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation 9(1). This non-compliance was identified in the procurement processes for the procurement of protective clothing.
59. Commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by Preferential Procurement Regulation 9(1). This non-compliance was identified in the procurement processes for the procurement of protective clothing.
60. Awards were made to providers who were in the service of the municipality, in contravention of section 112(j) of the MFMA and SCM regulation 44. Furthermore, the provider failed to declare that he/ she was in the service of the municipality, as required by SCM regulation 13(c). Similar non-compliance was reported in the previous year and the municipality did not take disciplinary action against the suppliers/ officials involved.
61. Awards were made to providers who were in the service of other state institutions or whose directors/ principal shareholders were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
62. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e), the code of conduct for councillors issued in terms of the Municipal Systems Act and the code of conduct for staff members issued in terms of the Municipal Systems Act.
63. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in

contravention of SCM regulation 46(2)(e), the code of conduct for councillors issued in terms of the Municipal Systems Act and the code of conduct for staff members issued in terms of the Municipal Systems Act.

Fraud and consequence management

64. Losses resulting from unauthorised expenditure were not recovered from the liable person, as required by section 32(2)(a) of the MFMA.

Other information

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

Internal control deficiencies

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

Leadership

70. Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not exercised.
71. Review and monitoring of the financial and performance reporting by the accounting officer was inadequate. This resulted in the annual financial statements and the annual performance report containing material misstatements.

72. The action plan developed by the municipality did not address internal and external audit findings to ensure that root causes for audit findings are resolved.
73. Instances of unauthorised, irregular and fruitless and wasteful expenditure were not investigated and effective and appropriate disciplinary steps were not taken against officials who made and/ or permitted this expenditure.

Financial and performance management

74. Regular and accurate financial and performance reporting for the prevention and detection of misstatements to the financial statements does not take place.
75. There was a lack of adequate controls over compliance monitoring and information technology systems that is affecting program change, user account service continuity and backups.
76. Controls over daily and monthly processing and reconciling of transactions were not adequately monitored by the accounting officer.
77. The municipality did not have a proper system of record management and an approved record classification system that provides for the maintenance of information that supports the financial statements and reported performance contained in the annual performance report. This includes information that relates to the collection, collation, verification, storing and reporting of actual performance information.
78. The accounting officer did not adequately review and monitor compliance with laws and regulations resulting in numerous non-compliance findings.

Governance

79. Those charged with governance did not provide adequate oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

Auditor General
Polokwane

30 November 2017



AUDITOR GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Elias Motsoaledi Local Municipality’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor’s report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may

reasonably be thought to have a bearing on my independence and here applicable, related safeguards.



AUDITOR - GENERAL
SOUTH AFRICA

The accounting officer
Elias Motsoaledi Local Municipality
PO Box 48
Groblersdal
0470

30 November 2017

Reference: 02734REG16-17

Dear Madam

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Elias Motsoaledi Local Municipality for the year ended 30 June 2017

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
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4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
6. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Rabelani Muligwe', written over a circular stamp or watermark.

Rabelani Muligwe
Senior manager: Limpopo

Enquiries: Pierre de Ru
Telephone: (015) 283 9300
Fax: (015) 283 9400

Auditor's report

Elias Motsoaledi Local Municipality

30 June 2017

Report of the auditor-general to the Limpopo provincial legislature and the council of Elias Motsoaledi Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Elias Motsoaledi Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, and 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 to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Elias Motsoaledi Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

Basis for qualified opinion

Property rates

3. The municipality did not accrue for revenue on all properties in the municipality's jurisdiction. I identified properties indicated as unknown in the underlying accounting records for which the municipality did not fully assess the ownership. I was unable to determine the full extent of the understatement of revenue from property rates stated at R25 814 661 (2015-16: R28 280 202), receivables from non-exchange stated at R19 547 729 (2015-16: R3 990 888) and related disclosures in the annual financial statements as it was impracticable to do so. Additionally, there is a resultant impact on the accumulated surplus and I was unable to determine the effect of the unknown properties on property plant and equipment and/ or investment property.

VAT Receivable

4. The municipality did not review and clear VAT control accounts timeously with SARS assessments, interests and penalties, refunds and journals in accordance with GRAP 1, *Presentation of financial statements*. In addition the municipality did not maintain adequate records of these reconciling items. I could not confirm the balance by alternate means. I was unable to determine whether any adjustments to the VAT Receivable stated at R21 742 970 (2015-16: R11 514 853) in the financial statements were necessary.

Payables from exchanged transaction

5. I was unable to obtain sufficient appropriate audit evidence for payables from exchanged transaction due to the poor status of the accounting records. I was unable to confirm the

payables from exchanged transaction by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to payables from exchanged transaction stated at R65 095 088 in the financial statements.

Lease rentals on operating lease

6. I was unable to obtain sufficient appropriate audit evidence that lease rentals on operating leases for the current period has been correctly classified in terms of GRAP 13 *Leases*. As described in note 36 to the financial statements, the leases could not be substantiated by supporting audit evidence. I was unable to confirm the classification of leases by alternative means. Consequently, I was unable to determine whether any adjustment to lease rentals on operating leases stated at R7 630 970 in the financial statements was necessary.

Receivables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for recognition of receivables relating to the recovery of the fruitless and wasteful expenditure identified in the prior year, as the municipality did not have adequate systems in place to determine the recoverable amount. I was unable to confirm the receivable by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the receivables from exchange transactions stated at R712 382 (2015-16: R1 516 501) in note 10 to the financial statements were necessary. There is a resultant impact on the surplus for the year.

Irregular expenditure

8. The municipality made payments in contravention of the supply chain management requirements, resulting in irregular expenditure of R48 171 383 (2015-16: R64 948 315). As the municipality did not implement and maintain an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost-effective, I was unable to determine the full extent of the understatement by alternative means. Consequently, I was unable to determine whether any further adjustments relating to irregular expenditure disclosed at R199 674 649 (2015-16: R135 139 646) disclosed in note 47 to the financial statements, were necessary.

Context for the opinion

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

Emphasis of matter

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

Restatement of corresponding figures

13. As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered during 2017 in the financial statements of the municipality at, and for the year ended, 30 June 2016.

Material loss– consumer debtors

14. As disclosed in note 33 to the financial statements, material losses to the amount of R43 751 209 were incurred as a result of a write-off of irrecoverable consumer debtors.

Investment property fair value adjustment

15. As disclosed in note 3 to the financial statements, a fair value loss to the amount of R40 411 043 was incurred, as a result of an adjustment to the municipality's investment properties.

Unauthorised expenditure

16. As disclosed in note 45 to the financial statements, unauthorised expenditure to the amount of R80 123 905 was incurred, as the total amount appropriated in the municipality's approved budget has been overspent.

Other matters

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer

19. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (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.
20. In preparing the financial statements, the accounting officer is responsible for assessing the Elias Motsoaledi Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

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

Report on the audit of the annual performance report

Introduction and scope

23. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
24. My procedures address the reported performance information, which must be based on the approved performance planning documents of the Municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
25. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the Municipality for the year ended 30 June 2017:

Objectives	Pages in the annual performance report
Basic service delivery and infrastructure development	29, 30 and 35
Spatial development analysis and rationale	29 - 34
Local Economic Development	30- 31 and 49

26. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

27. The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Basic service delivery and infrastructure development

Percentage of (indigents) households with access to free basic electricity services by 30 June 2017 (GKPI)

28. The planned achievement for 2.5% of Percentage of (indigents) households with access to free basic electricity was misstated as the evidence provided indicated 19.37% and not 17% as reported.

Speed calming measures via speed camera law enforcement.

29. The planned achievement of 40 speed calming measures via speed camera law enforcement was misstated as the evidence provided indicated 481 and not 456 as reported.

Percentage of households with access to basic levels of electricity by 30 June 2017

30. I was unable to obtain sufficient appropriate audit evidence for the planned achievement of 100% provision of access to basic level of electricity. This was due to non-submission of the portfolio of evidence. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 99%.

Percentage of INEP funding by 30 June 2017

31. The planned achievement for 100% of Percentage of INEP funding was misstated as the evidence provided indicated 190% and not 99% as reported

Percentage of new capital projects completed for EMLM funded projects

32. The planned achievement for 100% of new capital projects completed for EMLM funded projects was misstated as the evidence provided indicated 95% and not 90% as reported.

Percentage capital budget spend in terms of new IDP identified projects by 30 June 2017

33. The planned achievement for 100% of Percentage capital budget spend in terms of new IDP identified projects by 30 June 2017 was misstated as the evidence provided indicated 92% and not 73% as reported

Percentage of households with access to a minimum level of basic waste removal by 30 June 2017 (Once per week) (GKPI)

34. The planned achievement for 20% of Percentage of (indigents) households with access to free basic electricity was misstated as the evidence provided indicated 9% and not 16.5% as reported.

Percentage of new Capital projects started on time in terms of the appointment of consultants/ contractors for EMLM funded projects as per the Capital implementation plan

35. I was unable to obtain sufficient appropriate audit evidence for the planned achievement of 100% new Capital projects started on time in terms of the appointment of consultants/ contractors for EMLM funded projects as per the Capital implementation plan. This was due to zero weighting (not reporting) the indicator. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 0%.

Number of law enforcement operations at hotspots

36. I was unable to obtain sufficient appropriate audit evidence for the planned achievement of 192 number of law enforcement operations at hotspots. This was due to zero weighting (not reporting) the indicator. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 0%.

Installation of license plate recognition cameras to monitor offenders

37. I was unable to obtain sufficient appropriate audit evidence for the planned achievement of 8 installation of license plate recognition cameras to monitor offenders. This was due to zero weighting (not reporting) the indicator. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 0%

Spatial development analysis and rationale

Percentage of inspections conducted on building construction

38. The planned achievement for 100% of Percentage of inspections conducted on building construction was misstated as the evidence provided indicated 96% and not 100% as reported.

39. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 100% of inspections conducted on building construction. Consequently, I was unable to determine whether any adjustments were required to the reported achievement of 100%.

Local economic development

40. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Local economic development

Achievement of planned targets

41. Refer to the annual performance report on pages 29 to 114 for information on the achievement of planned targets for the year and explanations provided for the underachievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 33 to 45 of this report.

Report on audit of compliance with legislation

Introduction and scope

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

43. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

44. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirement of section 122 of the MFMA. Material misstatements of non-current assets, current assets, revenue, payables, provisions, receivables, VAT receivables, cash and cash equivalents, operating lease, cashflow statement, statement of changes in net assets and disclosure items identified by auditors in the submitted financial statements are not yet corrected resulted in the financial statements receiving a qualified audit opinion.
45. The oversight report adopted by the council on the 2015-16 annual report was not made public, as required by section 129(3) of the MFMA.

Expenditure management

46. Effective steps were not taken to prevent unauthorised as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
47. Effective steps were not taken to prevent irregular expenditure amounting to R64 535 003, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by the evaluation and adjudication criteria applied in evaluating and adjudicating bids, the bid adjudication committee decided to award the bids to someone other than the one recommended by the bid evaluation committee and awards being made to suppliers not receiving the highest points without objectionable and reasonable basis for the deviation.

Liability management

48. The Municipality incurred debt that was denominated in a currency other than the Rand and was affected by fluctuations in the value of the Rand against foreign currencies, in contravention of section 47(a) of the MFMA.

Revenue Management

49. An adequate management, accounting and information system which accounts for revenue and receipts of revenue was not in place, as required by section 64(2)(e) of the MFMA.
50. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

Procurement and contract management

51. Some of the goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.
52. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
53. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Similar non-compliance was also reported in the prior year.
54. Bid specifications for some of the tenders were drafted in a biased manner and did not allow all potential suppliers to offer their goods or services, in contravention of SCM regulation 27(2)(a).

Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the EMLM 20/2016 - Provision of short term insurance & risk services.

55. Some of the contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding and quotations, in contravention of SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations. This non-compliance was identified in the procurement processes for the EMLM 02/2014/PH1D - Kgoshi Rammupudu construction of access road and storm water control and EMLM 13/2015/MSF - The upgrading of Monsterlus stadium.
56. Some of the contracts were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b). This non-compliance was identified in the procurement processes for the EMLM 04/2015 P2 - Construction of Kanaal and Klip street & storm water, EMLM 02/2014/PH1D - Kgoshi Rammupudu construction of access road and storm water control and EMLM 13/2015/MSF - The upgrading of Monsterlus stadium.
57. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations. This non-compliance was identified in the procurement processes for the EMLM 04/2015 P2 - Construction of Kanaal and Klip street & storm water, EMLM 02/2014/PH1D - Kgoshi Rammupudu construction of access road and storm water control and EMLM 13/2015/MSF - The upgrading of Monsterlus stadium.
58. Bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation 9(1). This non-compliance was identified in the procurement processes for the procurement of protective clothing.
59. Commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by Preferential Procurement Regulation 9(1). This non-compliance was identified in the procurement processes for the procurement of protective clothing.
60. Awards were made to providers who were in the service of the municipality, in contravention of section 112(j) of the MFMA and SCM regulation 44. Furthermore, the provider failed to declare that he/ she was in the service of the municipality, as required by SCM regulation 13(c). Similar non-compliance was reported in the previous year and the municipality did not take disciplinary action against the suppliers/ officials involved.
61. Awards were made to providers who were in the service of other state institutions or whose directors/ principal shareholders were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
62. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e), the code of conduct for councillors issued in terms of the Municipal Systems Act and the code of conduct for staff members issued in terms of the Municipal Systems Act.
63. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in

contravention of SCM regulation 46(2)(e), the code of conduct for councillors issued in terms of the Municipal Systems Act and the code of conduct for staff members issued in terms of the Municipal Systems Act.

Fraud and consequence management

64. Losses resulting from unauthorised expenditure were not recovered from the liable person, as required by section 32(2)(a) of the MFMA.

Other information

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

Internal control deficiencies

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

Leadership

70. Oversight responsibility regarding financial and performance reporting and compliance and related internal controls was not exercised.
71. Review and monitoring of the financial and performance reporting by the accounting officer was inadequate. This resulted in the annual financial statements and the annual performance report containing material misstatements.

72. The action plan developed by the municipality did not address internal and external audit findings to ensure that root causes for audit findings are resolved.
73. Instances of unauthorised, irregular and fruitless and wasteful expenditure were not investigated and effective and appropriate disciplinary steps were not taken against officials who made and/ or permitted this expenditure.

Financial and performance management

74. Regular and accurate financial and performance reporting for the prevention and detection of misstatements to the financial statements does not take place.
75. There was a lack of adequate controls over compliance monitoring and information technology systems that is affecting program change, user account service continuity and backups.
76. Controls over daily and monthly processing and reconciling of transactions were not adequately monitored by the accounting officer.
77. The municipality did not have a proper system of record management and an approved record classification system that provides for the maintenance of information that supports the financial statements and reported performance contained in the annual performance report. This includes information that relates to the collection, collation, verification, storing and reporting of actual performance information.
78. The accounting officer did not adequately review and monitor compliance with laws and regulations resulting in numerous non-compliance findings.

Governance

79. Those charged with governance did not provide adequate oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

Auditor General
Polokwane

30 November 2017



AUDITOR GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Elias Motsoaledi Local Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may

reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

6.2 Auditor General's report 2016/2017

Auditor-General's Report on Financial Performance 2016/2017	
Audit Report Status*:	Qualified Opinion
Non-Compliance Issues	Remedial Action Taken
As stipulated in the AGSA report	Audit action plan developed

Auditor-General's Report on Service Delivery Performance 2016/2017	
Audit Report Status:	Qualified Opinion
Non-Compliance Issues	Remedial Action Taken
As cited in the AGSA report	Audit action plan in place

6.3 MUNICIPAL MANAGER AND CHIEF FINANCIAL OFFICER'S COMMENTS.

AUDITORS REPORT 2016/2017 OF THE AUDITOR GENERAL TO THE ELIAS MOTSOLEDI LOCAL MUNICIPALITY

In terms of Section 126(1) of the MFMA the accounting officer of a municipality must:

"Prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor- General for auditing;"

The financial statement as on 30 June 2017 of the municipality was submitted to the Auditor General on the 31 August 2017.

In terms of section 126(3) (a) (b) of the MFMA the Auditor General must:

" audit those financial statements; and submit an audit report on those statements to the accounting officer of the municipality or entity within three months of receipt of the statements."

The Audit report for 2016-2017 was submitted to the Accounting Officer on the 30 November 2017.

The Financial Statements as on 30 June 2017 of the municipality was submitted within two months of the financial year end to the Auditor General on the 31 August 2017.

Council takes note of the Audited Annual Financial Statements 30 June 2017.

The municipality has received a Qualified Audit Opinion for the financial year ended 30 June 2017.

Council take note of the contents in the Auditor General Report, Audit Action Plan developed to address issues raised by the AGSA and the Audited Financial Statements

6.4 AUDIT COMMITTEE COMMENT

The audit committee of the municipality has considered the Auditor General of South Africa (AGSA) report at a special meeting held with AGSA on 24 November 2017. The report shows an increase in matters that caused the basis for the qualified opinion from four (04) to six (06). The Audit Committee expressed concern that the municipality seems to be regressing and urged management to ensure that the action plan to improve the audit opinion is developed and efficiently implemented. The emphasis was made that management should not only focus on addressing audit report issues, however should give attention to issues in the management report that may cause problems in upcoming audits if not attended to. The audit committee indicated at the ordinary meeting held on the 26 January 2018 when reviewing the draft action plan that it would like the action plan to be part of all audit committee meetings for monitoring progress on implementation. The Municipality does have a chance to obtain an unqualified audit opinion through dedicated attention to addressing root causes of all findings raised by the AGSA.

AUDIT ACTION PLAN

FINANCIAL YEAR	Municipality Name	Audit Opinion	Category of Finding	Sub-Category of Finding	Practising status	Root Cause	Actual Past Description	Start Date	Completion Date	Value	Impact
1		Predetermined Objectives	Matters affecting the auditor's report	The adjustment budget was approved on 28 February 2017 and only placed on the website on 10 April 2017. Furthermore, we noted that the supporting documentation and the related resolutions have not been placed on the website.	New	the adjustment budget was approved on 28 February 2017 and only placed on the website on 10 April 2017. Furthermore, we noted that the supporting documentation and the related resolutions have not been placed on the website.	supporting documentations (resolutions) to be made available for public inspections.	Ongoing		Manager Budget	
2		Predetermined Objectives	Matters affecting the auditor's report	The adopted Integrated Development Plan was not made available to the public on the Municipality's website within 14 working days after approval. The Integrated Development Plan was adopted on 27 May 2016 and only placed on the website on 17 June 2016. Furthermore, we noted that the supporting documentation and the related resolutions have not been placed on the website.	New	the adopted Integrated Development Plan was not made available to the public on the Municipality's website within 14 working days after approval. The Integrated Development Plan was adopted on 27 May 2016 and only placed on the website on 17 June 2016. Furthermore, we noted that the supporting documentation and the related resolutions have not been placed on the website.	supporting documentations (resolutions) to be made available for public inspections.	Ongoing		Manager DP	
3		Predetermined Objectives	Matters affecting the auditor's report	progress made relating to the zero reported indicators, as a result the zero indicators should have been reported as there was progress made.	New	progress made relating to the zero reported indicators, as a result the zero indicators should have been reported as there was progress made.	management to report on all the indicators that are specific, measurable, attainable, realistic and timely.	Ongoing		Manager PMS/MAM	
4		Predetermined Objectives	Matters affecting the auditor's report	Differences between the reported outcome and supporting evidence (Percentage of Indigent) households with access to free basic electricity services by 30 June 2017 (GIVP)	New	Differences between the reported outcome and supporting evidence (Percentage of Indigent) households with access to free basic electricity services by 30 June 2017 (GIVP)	Management and Internal Audit to review the reported outcomes per indicator to ensure that the outcomes correspond to the supporting	Ongoing		Manager PMS	
5		Procurement	Matters affecting the auditor's report	SCM - Awards made to suppliers related to persons in the service of the municipality without valid declarations of interest	Recurring	SCM - Awards made to suppliers related to persons in the service of the municipality without valid declarations of interest	to utilize the services of Cross check for authenticity of the declarations by bidders	Ongoing		Manager SCM	
6		Procurement	Matters affecting the auditor's report	SCM - Misstatement on the annual financial statement disclosures. goods or services were procured from close family members of persons in the service of the state without the proper disclosure being made on the annual financial statements, note 52.	Recurring	SCM - Misstatement on the annual financial statement disclosures. goods or services were procured from close family members of persons in the service of the state without the proper disclosure being made on the annual financial statements, note 52.	To ensure that all required disclosures are made in the annual financial statement.	22-Jan-18	30-Jun-18	Manager SCM/CFO	
7		Procurement	Matters affecting the auditor's report	SCM - Misstatement on the annual financial statement disclosures regarding disclosures	New	SCM - Misstatement on the annual financial statement disclosures regarding disclosures	To ensure that all required disclosures are made in the annual financial statement.	22-Jan-18	30-Jun-18	Manager SCM/CFO	
8		Procurement	Matters affecting the auditor's report	SCM - Bid specifications not drafted in unbiased manner	New	SCM - Bid specifications not drafted in unbiased manner	ensure that fairness is maintained at all times in the procurement process and only include as part of the minimum requirement those ensure that all bid specifications are drafted in an unbiased manner that promotes fair and	Ongoing		Manager SCM	
9		Procurement	Matters affecting the auditor's report	SCM - Unfair disqualification of bidders	New	SCM - Unfair disqualification of bidders	To ensure that fairness is maintained at all times in the procurement process and only disqualify a bidder based on requirements. To ensure that all bid specifications are drafted in an unbiased manner that promotes fair and equitable procurement of goods and services.	Ongoing		Manager SCM	

10	Procurement	Matters affecting the auditor's report	SCM - Bids awarded to supplier who did not meet functionality.	New	To ensure that fairness is maintained at all times in the procurement process and only <u>disqualified</u> a bidder based on requirements. To ensure that all bid specifications are drafted in an unbiased manner that promotes fair and equitable procurement of goods and services.	Ongoing	Manager SCM		
11	Procurement	Matters affecting the auditor's report	SCM - Procurement of goods and services above a transaction value of R200 000 without following a competitive bidding process	New	Management will conduct use of consultants needs analysis in relation to the services needed and based on the outcome ensure that the acquisition of the services is in terms of The expenditures relating to the finding were reported as part of the irregular expenditure in the annual financial statements for 2016/2017	Ongoing	Manager SCM/CFO		
12	Procurement	Matters affecting the auditor's report	Procurement of goods and services classified under designated section.	New	Ensure compliance with the SCM regulations and provisions in order to ensure an effective	Ongoing	Manager SCM		
13	Procurement	Matters affecting the auditor's report	Inconsistencies in the CDB	New	To ensure that fairness is maintained at all times in the procurement process and ensure that proper review is done of the	Ongoing	Manager SCM		
14	Procurement	Matters affecting the auditor's report	Pro-rated error (freshables and Revenue)	Ongoing	prepare and review the drafting and presentation of the annual financial statements to mitigate the risk of presenting the annual financial statements to be material	Ongoing	Manager Revenue/CFO		
15	Other Discrepancies	Matters affecting the auditor's report	VAT - Differences between VAT balance per AFS to VAT reconciliation per auditor's reconciliations	New	establish and maintain proper internal controls to ensure that all schedules, reconciliation performed are sufficiently and appropriately. The information requested (supporting information) will be provided for audit.	Ongoing	CFO/Manager Expenditure		
16	Records	Matters affecting the auditor's report	1. Contracts for each commodity included in the attachment (43 contracts) 2. Termination notice for contracts (9 listed) 3. All relevant supporting documents supporting the amount for revenue (43 items)	New	review the VAT receivable balance and then effect correcting journals	Ongoing	Manager legal/Expenditure and Revenue		
17	Payments	Matters affecting the auditor's report	Expenditure and payables- Differences noted in the extracts presented	New	establish and maintain proper record keeping systems to ensure that complete, relevant and accurate information is accessible and available to support financial and performance	Ongoing	CFO		
18	Payments	Matters affecting the auditor's report	Payments - Foreign currency transactions	New	Proposed Adjustment		CFO		

19	Payments	Matters affecting the auditor's report	Payables - Differences noted between account disclosed	New	The independent auditor's report, if applicable, was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report.	30-Apr-18	CFO	Provide the supporting evidence for the difference of R 722,763.47 between the	
20	Revenue	Matters affecting the auditor's report	Property rates - Prior period error not correctly corrected	Recurring	All fees correctly issued for the period. The auditor's report was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report.	Ongoing	CFO/Manager Revenue	The spreadsheet for identified properties will not be inclusive of duplicates and the municipality will not apply blanket rates. Categories (i.e residential, business) of the property will be	
21	Bank	Other Important matters	Bank reconciliation discrepancies	New	All fees correctly issued for the period. The auditor's report was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report.	Ongoing	Manager Egras@graj.co.za	the reconciling items will be cleared immediately.	
22	Bank	Other Important matters	Bank balances not matched to bank accounts	New	All fees correctly issued for the period. The auditor's report was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report.	Ongoing	CFO/Manager Egras@graj.co.za	To ensure that cash and cash equivalent balances correspond to municipal bank.	
23	Other Disclosure	Other Important matters	Cash flow statement - Cash flow differences	New	All fees correctly issued for the period. The auditor's report was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report.		CFO	Proposed Adjustment	
24	Other Disclosure	Other Important matters	Commitments - Commitments audit difference	New	All fees correctly issued for the period. The auditor's report was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report.	Ongoing	CFO	To ensure that transactions recorded are reviewed against the supporting documentation to ensure that transactions are recorded in the	
25	Other Disclosure	Other Important matters	Commitments - Commitments description	New	All fees correctly issued for the period. The auditor's report was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report.		CFO	management suggest to amend the statement to "Operating lease payments represent rentals"	
26	Other Disclosure	Other Important matters	Commitments - Completeness of commitments disclosure and commitment register	New	All fees correctly issued for the period. The auditor's report was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report.	Ongoing	CFO/Deputy CFO	Indicate which projects have exhausted the funds and evidence of exhaustion. Infrastructure report Amounts used are amounts as per appointment letter provided for audit. Management will provide contract amounts as amounts on the appointment letter are deemed not to be correct. WIP WIP register submitted with management response have commitment column amounts	
27	Liabilities	Other Important matters	Contingent liabilities - Completeness of contingent liabilities note	New	All fees correctly issued for the period. The auditor's report was prepared in accordance with the requirements of the auditor's report. The auditor's report was prepared in accordance with the requirements of the auditor's report.	Ongoing	Manager Iejan@CFO	The contingent liability disclosure will be complete with all allegations to be disclosed	

Liabilities	Other important matters	Contingent liabilities and assets - Cases settled but not recognized as liabilities or assets	None		Management provided the letter from the former employee that states the employee admits to owing to the municipality and thus a debtor exists. A debtor should be recognized for the employee. The matter has been finalized and should not be disclosed as a contingent liability but should	Resolved		Manager Legal/CFO				
Liabilities	Other important matters	Contingent liabilities - Differences between the disclosed amounts and the legal confirmations	None		To ensure that the supporting evidence provided does correspond to the amounts			Manager Legal/CFO				
Liabilities	Other important matters	Contingent liabilities - Quantify liabilities with no supporting documents	None	To provide alternative evidence to support the contingent liability disclosed for Mahhuelis			Manager Legal/CFO					

31	Liabilities	Other important matters	Contingent liabilities and assets - Completeness of contingent liabilities note	New	<p>Did not identify any contingent liabilities disclosed in the supporting schedules. Contingent liabilities are not identified when the probability of their occurrence is remote. Contingent liabilities are not identified when the probability of their occurrence is remote and the amount of the liability is not estimable.</p>	Management will disclose the estimated claims for the cases as a possible obligation arising from these cases being brought to the attention of the Municipality of which it is uncertain when the liability will be incurred.	Manager legal/CFO
32	Payments	Other important matters	Employee cost- Overtime paid exceed 30%	Recurring	<p>Did not identify any contingent liabilities disclosed in the supporting schedules. Contingent liabilities are not identified when the probability of their occurrence is remote. Contingent liabilities are not identified when the probability of their occurrence is remote and the amount of the liability is not estimable.</p>	proper measure will be developed to prevent overtime excess claims from happening going forward.	Manager Expenditure/CFO
33	Payments	Other important matters	Non-compliance with Basic Conditions of Employment Act	Recurring	<p>Did not identify any contingent liabilities disclosed in the supporting schedules. Contingent liabilities are not identified when the probability of their occurrence is remote. Contingent liabilities are not identified when the probability of their occurrence is remote and the amount of the liability is not estimable.</p>	ensure that all overtime paid is in line with the Basic Conditions of Employment Act.	Manager Expenditure/CFO/Senior Manager Infrastructure
34	Human Resources	Other important matters	Employee cost- Overtime worked per approval	Recurring	<p>Did not identify any contingent liabilities disclosed in the supporting schedules. Contingent liabilities are not identified when the probability of their occurrence is remote. Contingent liabilities are not identified when the probability of their occurrence is remote and the amount of the liability is not estimable.</p>	ensure that all overtime paid is in line with the Basic Conditions of Employment Act. ensure that further adequate and appropriate controls over authorisation and accuracy of overtime hours to employees are designed and implemented to avoid risks of not being in compliance to the relevant collective agreement.	senior manager corporate services
35	Payments	Other important matters	Employee cost - Unauthorised expenditure	New	<p>Did not identify any contingent liabilities disclosed in the supporting schedules. Contingent liabilities are not identified when the probability of their occurrence is remote. Contingent liabilities are not identified when the probability of their occurrence is remote and the amount of the liability is not estimable.</p>	prove that indeed the R4 297 589 that relates to employee cost is included in the amount disclosed of R62 598 634 unauthorised	CFO
36	Payments	Other important matters	Employee cost- Overtime paid exceed 30%	Recurring	<p>Did not identify any contingent liabilities disclosed in the supporting schedules. Contingent liabilities are not identified when the probability of their occurrence is remote. Contingent liabilities are not identified when the probability of their occurrence is remote and the amount of the liability is not estimable.</p>	ensure that all overtime paid is in line with the Basic Conditions of Employment Act. ensure that further adequate and appropriate controls over authorisation and accuracy of overtime hours to employees are designed and implemented to avoid risks of not being in compliance to the relevant collective agreement.	CFO/Manager Expenditure/Senior Manager Corporate
37	Payments	Other important matters	Employee cost - Excessive bonus paid	New	<p>Did not identify any contingent liabilities disclosed in the supporting schedules. Contingent liabilities are not identified when the probability of their occurrence is remote. Contingent liabilities are not identified when the probability of their occurrence is remote and the amount of the liability is not estimable.</p>	review bonus payments relating to employees that are terminating their employment to ensure that the amounts paid are apportioned to reflect the number of days/months worked from the beginning of the financial year to the date of termination.	CFO
38	Human Resources	Other important matters	Employee cost - Non compliance	New	<p>Did not identify any contingent liabilities disclosed in the supporting schedules. Contingent liabilities are not identified when the probability of their occurrence is remote. Contingent liabilities are not identified when the probability of their occurrence is remote and the amount of the liability is not estimable.</p>	evidence on the implementation of the framework regarding the evaluation and monitoring of employee performance.	MM/Senior Manager Corporate

<p>39</p> <p>Payments</p> <p>Other important matters</p> <p>Employee cost – section 56(1)(a): remuneration packages</p> <p>New</p>	<p>consider the guidelines provided in line with the upper limits to prevent double accounting for cost of living adjustments. The overpayments</p>	<p>Ongoing</p>	<p>MM/Senior Manager Corporate/CFO</p>				
<p>40</p> <p>Other Disclosure</p> <p>Other important matters</p> <p>Employee cost – Employment benefit obligations accounting policy</p> <p>New</p>	<p>Management has not adjusted the financial statements for the errors in the disclosure. In relation to the finding on the Multi-employer plans, the finding is resolved. In relation the rest of the finding, the finding has not been</p>	<p>Ongoing</p>	<p>CFO</p>				
<p>41</p> <p>Human Resources</p> <p>Other important matters</p> <p>Employee cost – No control in place for the calculation of pay slips</p> <p>New</p>	<p>Implement controls where employees sign for their pay slips when they receive them from the different pay points. The accounting officer should also ensure that a report of employees per division is generated and sent to divisional heads to verify that employees are correctly listed. If not, they will hold for the responsibility</p>	<p>Ongoing</p>	<p>CFO/Senior Manager Corporate</p>				
<p>42</p> <p>Payments</p> <p>Other important matters</p> <p>Employee cost – Employee cost Fringe benefit</p> <p>New</p>	<p>ensure that all taxable fringe benefit are included in the calculation of PAYE to ensure compliance with the Income Tax Act, 1962 (Act)</p>	<p>22-Jan-18</p>	<p>30-Apr-18</p>	<p>CFO/Manager Expenditure</p>			
<p>43</p> <p>Payments</p> <p>Other important matters</p> <p>Employee cost – Termination overpayment</p> <p>New</p>	<p>ensure that there are adequate review and authorisation control procedures before termination leave is paid</p> <p>ensure that further adequate and appropriate controls over authorisation and accuracy of termination leave paid to employees are designed and implemented to avoid risks of not being in compliance to the relevant collective agreements and HR policies and legislations. The overpayment should be recovered from</p>	<p>Ongoing</p>	<p>CFO/Senior Manager Corporate</p>				

Human Resources	Other important matters	Employee cost - Non-compliance with HR policy	New	<p>all policies, procedures, contracts and review procedures to ensure that the policy is compliant with the municipality's HR policy for all employees.</p> <p>There is a list of policies and procedures which apply to employees to do to ensure that the status paid to employees are for the approved pay grade and grade in the employment contract.</p>	Ensure that review and authorisation control procedures are implemented when appointing	Ongoing	Manager: HR Sector Manager: Corporate
Other Disclosure	Other important matters	Employee cost - Presentation and Disclosure	New	<p>All employees are paid correct levels and amounts for their pay grade, the municipality is not in breach of any of the financial statements.</p>	ensure that adequate review processes are implemented while the financial statements are being prepared, to ensure they fairly present	Ongoing	CFO
Payments	Other important matters	Employee cost - Skills development levy	New	<p>All employees are paid correct levels and amounts for their pay grade, the municipality is not in breach of any of the financial statements.</p>	review the system inputs to ensure compliance with the Skills development levies Act	Ongoing	Manager: Expenditure: CFO
Payments	Other important matters	Employee cost - Employee paid above pay grade	New	<p>All employees are paid correct levels and amounts for their pay grade, the municipality is not in breach of any of the financial statements.</p>	ensure that there are adequate review and authorisation control procedures before salary increases are processed and on appointment.	Ongoing	Manager: Expenditure: Manager: HR

48	Payments	Other important matters	Employee cost - Unemployment Insurance Act	New					review the system inputs to ensure compliance with the unemployment insurance Act	Ongoing	Manager Expenditure			
49	Other disclosure matters	Other important matters	Employment benefits obligations disclosed amounts	New					review the disclosure note to ensure that the disclosed note corresponds with the supporting documentation.	Ongoing	Manager Expenditure/CFO			
50	Other disclosure matters	Other important matters	Journals - Differences between the journal and the supporting evidence	New					review the journals against the attached supporting evidence to ensure that all amounts posted through journals correspond to the supporting evidence.	Ongoing	CFO/Deputy CFO			
51	Other disclosure matters	Other important matters	Journals - Journal not posted for the appropriate accounts	New					Proposed adjustment provide a reconciliation of the account to evidence the incorrect debits made to the non-current portion liability. Municipality expense for the difference between the amount written off and the amount approved for write off by Council.		CFO/Deputy CFO			
52	Other disclosure matters	Other important matters	Journals - Reconciliation within oil	New					Proposed adjustment		CFO/Deputy CFO			
53	Payments	Other important matters	Payment certificates listed before supplier contract selection	New					review the payment certificate simultaneously with the invoice from the contractor to evidence the work completed and claimed as per the payment certificate. The payment certificates attached to journal 6553 are dated before the actual invoices.		Manager Expenditure			
54	Other disclosure matters	Other important matters	Journals - Completeness of journals	New					investigate the sequence breaks in the list of journals from the system to ensure completeness of the journals posted		Manager Expenditure			
55	Records	Other important matters	Contract register - incomplete contracts	New					review and update the contract register accordingly to ensure that all the contracts are included in the register.		Manager legal			
56	Other disclosure matters	Other important matters	Budget statements - handwritten reasons provided	New					propose adjustment on the reasons for material variances and correction of notes thereof that were not incorporated in the financial statements.		CFO/Deputy CFO			
57	Other disclosure matters	Other important matters	Deferred Income - Incorrect presentation and description	New					request that the financial statements be adjusted to reflect the corrections. The wording on the note was revised to the original when noting the change in the board on preparation of the current year financials.		CFO/Deputy CFO			
58	Other disclosure matters	Other important matters	Risk management disclosure - incorrect description	New					The error was due to the fact that some notes are not clearly linked to the actual performance and manual updating was not effected on finalization of the financial statements.		CFO/Deputy CFO			
59	Records	Other important matters	Use of consultants - Contract descriptions in the management of consultants	New					will ensure that the consultancy reduction plan is drafted and implemented by the municipality to reduce the engagement of consultants in 2017/2018 financial year going forward.		CFO			
60	Other disclosure matters	Other important matters	Prior period error - Multiplicator noted in the prior period error note	New					to update the Prior period note numbering and make the changes to the note.		CFO/Deputy CFO			
61	Other disclosure matters	Other important matters	Pushed invoice made @ other income on the annual financial statement.	Recurring					The amount was incorrectly classified under other income and therefore requests to make adjustments and reclassify it to the correct line item on the financial statements.		CFO/Deputy CFO			
62	Compliance	Other important matters	Compliance - Annual financial statements non-compliance	New					provide corrective journal for audit there was an omission to publicize the Oversight Report following council adoption process. The omission was subsequently corrected with the publication of the council review the minutes of Council after year end for events that might have an impact on the financial statements and adequately adjust or disclose the events to ensure compliance with SGPAP 14.		MM			
63	Other disclosure matters	Other important matters	Events after the reporting period - Non adjusting events	New							CFO			

64	Immovable assets	Other important matters	PPE - Assets transferred from WPP incorrectly	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	Manager Assets	The dates will be rectified to reflect the actual date of completion and the relating depreciation will be adjusted. All transferred projects will be assessed to ensure that the entire population is tested.
65	Immovable assets	Other important matters	PPE - Additions to WPP	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	Manager Assets	provide the supporting calculations for the valuing of the assets and the recalculation of the depreciation affecting these assets.
66	Other disclosure	Other important matters	Prior period error disclosure differences and differences to supporting schedules	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	Manager Assets/CFO	Management discussed the differences between the auditor's calculation and the audit support submitted with the AG (SA). The total difference amounts to R140 090 and management requests to make adjustments the AFS to reflect the correct value.
67	Other disclosure	Other important matters	PPE - Reconciliation of GL and FAR differences	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	Manager Assets/CFO	to adjust the disclosure on the Annual Financial Statements.
68	Immovable assets	Other important matters	PPE - Assets not verified	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	CFO/Manager Assets	immovable assets that are not found for two consecutive financial years are then removed from the Fixed Asset Register. Therefore, PK 38222 will be written off during the 2017/18 Financial year.
69	Immovable assets	Other important matters	Investment property - Valuation of investment properties	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	Manager Assets	ensure that all the assets recorded in the FAR actually meet the definition of investment property.
70	Other disclosure	Other important matters	Limitation on auditing validity of prior period error calculation	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	CFO/Manager Assets	ensure that all adjustments are sufficiently supported by valid supporting documents before approval. The evidence supporting adjustments will be sufficient and appropriate in light of the circumstances.
71	Immovable assets	Other important matters	PPE - Elected/used Casualty	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	Manager Assets	original scope, and any extensions are approved appropriately. Furthermore, assets not complete should be recorded as WIP and therefore not qualify for depreciation, and the accounting officer should ensure that this requirement is complied with.
72	Other disclosure	Other important matters	Prior period error disclosure differences in depreciation stated in per note 43	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	CFO/Manager Assets	ensure that the annual financial statements are adequately reviewed for consistency and accuracy, and that supporting schedules and calculations agree to the financial statements and underlying accounting records.
73	Other disclosure	Other important matters	Less liability - Disclosure misstatements to lease liability	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	CFO/Deputy CFO	propose to change note 15 and 38 disclosures
74	Movable assets	Other important matters	PPE - Assets carried at excessive carrying amounts	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	CFO/Manager Assets	ensure that information brought into the asset register are adequately supported for completeness, validity and accuracy.
75	Other disclosure	Other important matters	PPE - Assets written off approved with incorrect amounts	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	CFO/Manager Assets	PK Asset ID 12718 was reflected at zero loss and the other four reflected a negative carrying value on the Council write off approved list. The final assets write off list should be reviewed by the CFO as an internal control measure before it is sent to Council management for approval. The system will be updated to ensure the above mentioned columns are compulsory.
76	FAR	Other important matters	PPE - Fixed asset register deficiencies	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	Manager Assets	Provide schedule as proof, furthermore on re-approval of the insurance policy, to identify that inventory is insured adequately.
77	Inventory	Other important matters	Inventories - Substantiating of inventory	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	Manager Assets	requests to make an adjustment to the financial statements by reclassifying donated assets from bursary expense to assets expensed.
78	Immovable assets	Other important matters	Assets donated incorrectly classified as bursary expenses	New	Did not adequately ensure that information transferred from the WPP Register to the FAR is correct, accurate and complete.	Manager assets/CFO	

79	Expenditure	Other important matters	Expenditure - Overpayment to supplier	New		Implement controls over daily and monthly processing of transactions to avoid needless processing of transactions as failures and classify the overpayment as fruitless and wasteful expenditure until the matter is investigated. This overpayment should be recovered from the supplier. Audit should also be furnished with a copy of the receipt where the overpayment was made.	Manager Expenditure/CFO		
80	Expenditure	Other important matters	Expenditure - Misclassification of operating lease	New		Request to correct it during the adjustment to the financials and in addition management to review the lease agreement in place as there is also no lease agreement in place as the municipality only pays for software and license. -G700Management agrees with the finding that we did not submit the contracts requested and below is a list of contracts that we have managed to retrieve: - NETELEK PTY LTD. - NETELEK	Manager Expenditure/CFO		
61	Expenditure	Other important matters	Expenditure - Duplicate transaction	New		Implementation of the proposed adjustment after adjustment approval and a revised general ledger where the transaction no longer appears twice should also be submitted. No adjustment was effected.	Manager Expenditure/CFO		
62	Expenditure	Other important matters	Expenditure - Payment received after 30 days	New		Implemented the invoice register in 2017/2018 that will serve as a monitoring tool to ensure that invoices are paid within 30 days of receipt thereof. We also noted that there were delays in receiving the invoices from Eskom whereas the entity calculating the interest from the date invoice was generated by the system. The matter has been addressed with the entity.	Manager Expenditure/CFO		
83	Payables	Other important matters	Payables - Unrecorded liabilities	New		proposing journals to correct the finding	Manager expenditure/CFO		
84	Payables	Other important matters	Payables - Cleaning accounts	New		propose journal to correct the correctly allocate the accounts clear the account as the payments are made to third parties and keep a reconciliation of the amounts remaining in the account as evidence that the amounts in the account are items that have not been paid. Audit should be furnished with a reconciliation of this remaining amount in Proposed adjustment.	CFO		
85	Payables	Other important matters	Payables - Foreign currency transactions	New		The submission date on the application register cannot be validated to the actual application. As a result, the finding cannot be resolved.	CFO		
86	Predefined objectives	Other important matters	Spatial development analysis and monitoring outcomes between the reported outcomes and supporting evidence	New		The inspection application of the above mentioned applicant (Ikonen) was not provided. As a result, the finding has not been resolved. Management have not provided us with the supporting evidence to evidence the finding.	Senior Manager Planning		
87	Predefined objectives	Other important matters	ACPO - Deliverables document the reported outcomes and supporting evidence (Portfolio capital budget spend in terms of new IPP funded projects by 30 June 2017)	New		POE (i.e. section 71 report for the month of June) used was not the final report for June 2017.	Deputy CFO		
88	Predefined objectives	Other important matters	ACPO - Deliverables: Indicate the reported outcomes and supporting evidence (Percentage of new equal projects completed for EMLM funded projects)	New		review the reported outcomes per indicator to ensure that the outcomes correspond to the supporting evidence (portfolio of evidence). - Consider including a separate indicator to report on the percentage of roll over projects completed for EMLM projects.	Senior Manager Infrastructure		
89	Predefined objectives	Other important matters	Differences between the reported outcomes and supporting evidence (Special auditing assistance via spend camera use performance)	New		review the reported outcomes per indicator to ensure that the outcomes correspond to the supporting evidence (portfolio of evidence).	Senior Manager Community Services		

90	Predetermined objectives	Other important matters	New	AOPO - Differences between the reported outcome and supporting evidence (Percentage spending on INEP funding by the 30 June 2017)	All cost recovery income for reported outcomes by 30 June 2017 is included in the reported supporting evidence	Deputy CFO	review the reported outcomes per indicator to ensure that the outcomes correspond to the supporting evidence (portfolio of evidence).		
91	Predetermined objectives	Other important matters	New	AOPO - Differences between the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017 (Once per week) (GNP))	AOPO - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017 (Once per week) (GNP))	Senior Manager: Community Services	will ensure that the reported outcomes per indicator will be reviewed to ensure that the outcomes correspond to the supporting evidence (portfolio of evidence).		
92	Predetermined objectives	Other important matters	New	Road and Infrastructure plan	AOPO - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017 (Once per week) (GNP))	Senior Manager: Infrastructure	have a roads maintenance plan in place supported by condition assessments performed on all the roads.		
93	Predetermined objectives	Other important matters	New	AOPO - Differences between the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	AOPO - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Deputy CFO	review the reported outcomes per indicator to ensure that the outcomes correspond to the supporting evidence (portfolio of evidence).		
94	Predetermined objectives	Other important matters	New	AOPO - Differences between the section 71 report and the supporting documents	AOPO - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Deputy CFO	review the monthly budget statement against the financial history (Unspent grant liability account) and the Property Plant Equipment reconciliation to ensure that the reported outcome is accurate.		
95	Predetermined objectives	Other important matters	New	AOPO - Non submission of information	AOPO - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Senior Manager: Planning and LED	ensure that supporting evidence is complete, relevant and accurate information and is accessible and available to support financial and performance reporting within agreed timelines.		
96	Procurement	Other important matters	New	SCM - Award made to suppliers who did not submit their declaration of interest forms	SCM - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Manager SCM	will ensure that disclosure forms are part of the requirement for a quotation as the municipality does not have a supplier database it utilizes the National Treasury Central Supplier Database		
97	Procurement	Other important matters	New	SCM - Tenders for consultant and construction advertised as one	SCM - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Manager SCM	will ensure that turn-key projects are properly done		
98	Procurement	Other important matters	New	SCM - Unsuccessful use of municipal resources	SCM - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Manager SCM	Will ensure that tender rates are reasonable as this was done as per the tender rates in the Vision print graphics bid Management will ensure that goods and services are procured at reasonable price		
99	Procurement	Other important matters	New	SCM - Fruitless and wasteful expenditure incurred on Durban conference	SCM - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Manager SCM	ensure that claim properly when doing bookings to avoid paying for the same service twice.		
100	Procurement	Other important matters	New	SCM - Bidders scoring the highest points were not awarded	SCM - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Manager SCM	ensure that fairness is maintained at all times in the procurement process and only disqualify a bidder based on requirements which were pre-determined in the specification.		
101	Procurement	Other important matters	New	SCM - Non-compliance on procurement of banking services	SCM - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Manager SCM/CFO	ensure that contracts are properly managed to ensure that the procurement process is initiated on time for services which the municipality require on a continuous basis.		
102	Procurement	Other important matters	New	SCM - Bid was awarded without specification	SCM - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	Manager SCM	Submit proof that the tender is a transversal contract and also the fact the municipality is participating in the transversal contract		
103	Procurement	Other important matters	New	SCM - Misstatement of the irregular, fruitless and wasteful expenditure	SCM - Accuracy of the reported outcome and supporting evidence (Percentage of households with access to a minimum level of basic waste removal by 30 June 2017)	CFO/Manager SOMMM	changes will be made to the disclosure of the irregular and fruitless and wasteful expenditure to reverse the write-off of the amount pending the approval by the National Treasury. determine liability and the appropriateness of the reported UIFW Procure services of investigative consultant through properly planned SCM channels		

104	Other disclosure	Other important matters	Provision - Misallocation of current service awards relating to long service awards	New		To provide the source document provided for service awards paid-out accompanied by a supporting schedule detailing names and actual long service days awarded per employee. As the source document amounts provided					CFO/Deputy CFO				
105	Other disclosure	Other important matters	Provisions - Long service awards paid out deducted from economic source document	New		To provide the source document provided for service awards paid-out, accompanied by a supporting schedule detailing names and actual long service days awarded per employee. As the source document amounts provided					CFO/Deputy CFO				
106	Other disclosure	Other important matters	Provision for doubtful debts as estimated	New		ensure that any and all system calculations are recalculated manually to ensure accuracy of the amounts calculated.					CFO/Deputy CFO				
107	Receivables	Other important matters	Receivables - Understatement of bad debts written off and bad debts written off against Reserve	New		correct and account for the incorrect classification of bad debts written off against revenue from exchange transaction, and submitted the journals to the auditors for the purpose of testing the recalculation. Propose adjustment to correct errors in the initial adjustment as follows: 1. The adjustment will not be permitted due to the fact that the incorrect line item is being credited instead. (Journal 1) 2. This was the initial incorrect journal that was effected when the first draft of the annual financial statements were submitted, resulting in overstating bad debts. (Journal 2 and 3). 3. The amount proposed is not correct. The						CFO/Deputy CFO			
108	Receivables	Other important matters	Receivables - Overstatement of debt impairment	New		review the financial statements to ensure that all notes correspond and all amounts per the financial statements agree to the supporting evidence and all disclosures have been disclosed					CFO/Deputy CFO				
109	Other disclosures	Other important matters	Related parties - Related parties disclosures	New		ensure that they maintain their monitoring and reviewing processes on a daily basis to mitigate the risk of internal control deficiencies and possible material misstatements					CFO/Deputy CFO				
110	Revenue	Other important matters	Receivables and revenue not accurately accounted for in the annual financial statements	New		Proposed adjustment To revise the entire calculation of distribution classes (Rand and units) and resolve material overstatements using supporting evidence. practical on a day/ weekly/ monthly basis, ensure that the management reviews and approves the records of work performed by Junior officials					CFO/Manager Revenue				
111	Revenue	Other important matters	Revenue - Differences noted relating to distribution classes	New		maintain a constant review of SERVICE BIRTH agreements and maintain a constant level of review of reporting to mitigate the risk of internal control deficiencies and possible material misstatements. This misstatement will be investigated and corrected					CFO/Manager Revenue				
112	Revenue-Internal Control	Other important matters	Lack of senior management review in the budget and licensing department	New		ensure that they maintain their monitoring and reviewing processes on a daily basis to mitigate the risk of internal control deficiencies and possible material misstatements.					CFO/Senior Manager Community Services				
113	Revenue	Other important matters	Understatement of revenue recognized from licenses and permits	New		Proposed adjustment Proposed to adjust and on the financial statements and provide all supporting journals and correct valuation rolls for audit.					CFO/Senior Manager Community				
114	Revenue	Other important matters	Understatement of Free, Paratiles and Funds, and an overstatement of Services Changes	New		appropriate adjustments have been performed on the financial statements and all supporting journals and correct valuation rolls submitted for audit. will make an adjustment in the AFS and submit journal for audit					CFO/Deputy CFO				
115	Revenue	Other important matters	Annual financial statement preparation deficiency	New							CFO/Deputy CFO				
116	Other disclosure	Other important matters	Understatement and overstatement of fair market valuation recorded in the Annual Financial Statement	New							CFO/Deputy CFO				
117	Revenue	Other important matters	Revenue - Overstatement of recognition of Revenue from exchange transaction interest received	New							CFO/Deputy CFO				

118	Revenue	Other important matters	Revenue - Incomplete hard copy of general valuation and supplementary valuation roll	New	The following information was not properly recorded in the general valuation roll: The accounting entries for the supplementary valuation roll were not properly recorded in the general valuation roll.	CFO/Manager Revenue	To identify all the properties which were deemed to be untraceable on the general valuation roll.		
119	Other disclosure	Other important matters	Overstatement of recognition of revenue from non-exchange transactions Government Grant and Subsidies	New	The accounting entries for the supplementary valuation roll were not properly recorded in the general valuation roll.	Deputy CFO/CFO	To make available all the relevant supporting journals pertaining to MIG spent for further audit testing		
120	VAT	Other important matters	VAT 201 differences on the general ledger	New	VAT 201 differences on the general ledger	CFO/Manager Expenditure	request to correct the error during the adjustments to the financials.		
121	VAT	Other important matters	VAT Frauds and wasteful expenditure	New	VAT Frauds and wasteful expenditure	CFO/Manager Expenditure	To provide the notice of objection relating to the id accounts as well as proof that all funds received to the municipality were subsequently received.		
122	Information Technology	Other important matters	Lack of monitoring performance of core services rendering services to the municipality	New	Lack of monitoring performance of core services rendering services to the municipality	Manager ICT/Senior Manager Corporate	VIP Staffline on lack of monthly performance reports, and the meetings to discuss the support services and monitoring will be convened henceforth, noting that the off-line telephonic and e-mail support discussions are not adequate.		
123	Information Technology	Other important matters	133.2 Inadequate IT personnel job descriptions	New	133.2 Inadequate IT personnel job descriptions	Senior Manager Corporate	until SALGBC concludes its job evaluation and subsequently the municipal grading processes the municipality is not in the position to commit in signing the job descriptions on which the current ICT officers have been assigned to following the placement process.		
124	Information Technology	Other important matters	Inadequate IT Risk Assessment	New	Inadequate IT Risk Assessment	Senior Manager Corporate	management will establish measures to monitor the performance of the IT department this could be achieved by embedding IT as a subset of the corporate processes of the municipality, and implement measurable IT responsibilities for established IT processes. Management will ensure that IT risk assessments are performed to evaluate the source, destination and service protocols. Subsequent to the review, source and destination should be limited to users requiring internet access to perform job functions. In this case, a mitigating control (e.g. an application layer filter) should be applied to limit web		
125	Information Technology	Other important matters	Firewall rules inadequately configured (Request finding 2015/16)	New	Firewall rules inadequately configured (Request finding 2015/16)	Manager ICT	management recommends that the password shall be given to the ISO in order to review all user access activities.		
126	Information Technology	Other important matters	User's Identification not adequately designed (Request finding 2015/16)	New	User's Identification not adequately designed (Request finding 2015/16)	Manager ICT	provide council approved Master System Plan (MSP) under Resolution no C15/16-04 and Disaster Recovery Plan (DRP) under Resolution No C15/16-05 during its Ordinary meeting on 30 September 2015.		
127	Information Technology	Other important matters	The DRP policy was not approved	New	The DRP policy was not approved	Manager ICT	ensure that ongoing reliability of backups is tested periodically through disaster recovery testing once the infrastructure and technology for performing backups is fully implemented.		
128	Information Technology	Other important matters	Inadequate implementation of back-up procedure on VIP and the network	New	Inadequate implementation of back-up procedure on VIP and the network	Manager ICT	The report should ensure that: • User's access rights are regularly reviewed to confirm whether their profile is in line with their job responsibilities; • The activities of the system administrators are regularly monitored and reported on by an independent person by comparing such activities of the controller with approved access request forms; • Reports of access and login violations should be requested from relevant parties and regularly reviewed to identify possible unauthorized access to the system; and • Evidence of non-administrators or criminals.		
129	Information Technology	Other important matters	Evidence of review of user access rights, system controller activities, login violations reports on VIP and Active Directory could not be provided. (Repeat finding 2015/16)	New	Evidence of review of user access rights, system controller activities, login violations reports on VIP and Active Directory could not be provided. (Repeat finding 2015/16)	Manager ICT	Discussions are ensured with the banking services to develop the EFT procedure manual.		
130	Information Technology	Other important matters	Electronic Funds Transfer procedure not adequately documented (Repeat finding 2015/16)	Recurring	Electronic Funds Transfer procedure not adequately documented (Repeat finding 2015/16)	Manager ICT			

131	Information Technology	Other important matters	Change management policy and procedure not approved (Request finding 2015/16)	Recurring	To provide evidence of Council Resolution No C13/82	Manager ICT				
132	Information Technology-MSCOA	Administrative Matters	Inadequate MSCOA post-implementation	New	ensure that post implementation process is documented and is formally approved by the relevant approval authority. Furthermore management should ensure that post implementation reviews are done.	Manager ICT/Deputy CFO				
133	Information Technology-MSCOA	Administrative Matters	Inadequate data conversion or migration plans	New	the data conversion and migration planning process will be documented	Manager ICT/Deputy CFO				
134	Information Technology-MSCOA	Administrative Matters	Data cleansing process not performed	New	In view of the partnership programme with the Vendor appointed, the programming is done by the vendor and the segments, data and field cleansing process will be jointly documented as part of the support programme. ensure that data mapping is performed and the project team use the support programme. Data mapping will be performed in detail to assist IT in converting the data and for testers in testing the system by determining if it included the following: <ul style="list-style-type: none"> • Flow chart of data movement • Identification of common data elements • Identification of field mapping between old 	Manager ICT/Deputy CFO				
135	Information Technology-MSCOA	Administrative Matters	1994 field-mapping data mapping	New		Manager ICT/Deputy CFO				

APPENDICES

APPENDIX A- COUNCILLORS, COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Ward number	Surname	Full names	full time/ Part time FT/PT	Committee Allocated	Ward and Party represented	No of meetings held	no. of meetings attended	No. of apologies for non-attendance	No of Absence without leave
01	Mphela	Mojabeng Amelia		Finance. Council		07 11	06 11	00 00	01 00
02	Phatlane	Aifred	PT FT	Corporate Services EXCO Council Meeting Ethics	ward ward	8 12 11 04	07 12 10 03	01 00 01 01	00 00 00 00
03	Mamakoko	Mokgohiwe Lettie	PT	Planning Council	ward	08 11	07 11	00 00	01 00
04	Moima	Lizzy Mahiatse	PT	Community Services Council	ward	07 11	07 11	00 00	00 00
05	Makweoane	Agnes Mapetle	PT	Infrastructure Council	ward	08 11	08 11	00 00	00 00
06	Ndlovu	Raymond Ndumiso	PT	Executive Council	ward	01 11	01 11	00 00	00 00
07	Phala	Magaboile Lucas	PT	MPAC: member Ethics Council	ward	09 04 11	08 04	00 00	01 00

Ward number	Surname	Full names	full time/ Part time FT/PT	Committee Allocated	Ward and Party represented	No of meetings held	no. of meetings attended	No. of apologies for non-attendance	No of Absence without leave
08	Ratlou	Sefako Winter	PT	Community Services Council Rule and petition	ward	07 11 01	07 11 01	00 00 00	00 00 00
09	Ratau	Rose Mmapule	PT	Executive Support Council	ward	01 11	00 11	00 00	00 00
10	Madisa	Kgadi Francinah	PT	Planning Council	ward	08 11	06 11	01 00	01 00
11	Namane	Given Ranyaba	PT	Planning Council	ward	08 11	08 11	00 00	00 00
12	Phorothoe	Thabiso Andries	PT	Finance. Council Rules and petitions	ward	07 11 01	05 01	00 01	02 01
13	Oosthuizen	Willem Saaiman Nicolaas	PT	Council Executive Support	ward	11 01	10 00	01 00	00 00
14	Bogopa	Botha(M)	PT	Community Services Council	ward	07 11	04 10	02 01	01 00
15	Mahlangu	Julia (F)	PT	Ethics Council	ward	04 11	04 11	00 00	00 00

Ward number	Surname	Full names	full time/ Part time FT/PT	Committee Allocated	Ward and Party represented	No of meetings held	no. of meetings attended	No. of apologies for non-attendance	No of Absence without leave
16	Zulu	Ben Madoicombane (M)	PT	Infrastructure Council	ward	08 11	07 10	01 01	00 00
17	Ratau	Tsimisi Thabiso(M)	PT	Corporate Services Council Meeting	ward	08 11	08 11	0 0	0 0
18	Machipa	Toudi Aron (M)	FT	Head Finance. EXCO Council	ward	07 12 11	05 12 11	00 00 00	02 00 00
19	Masimula	Phahiana (M)	PT	Corporate Services Council	ward	08 11	08 11	00 00	00 00
20	Skhosana	Waziwa Jim (M)	PT	Finance. Council	ward	07 11	06 11	00 00	01 00
21	Makeke	George Monnana (M)	PT	Ethics MPAC Member Council	ward	04 09 11	03 08 11	01 00 00	00 01 00
22	Matsepe	Motlaikgomo Maria(F)	PT	Planning council	ward	08 11	08 11	00 00	00 00

Ward number	Surname	Full names	full time/ Part time FT/PT	Committee Allocated	Ward and Party represented	No of meetings held	no. of meetings attended	No. of apologies for non-attendance	No Absence without leave
23	Mahlangu	Nomsa Ndazi (F)	PT	Council Executive Support	ward	11 01	11 01	00 00	00 00
24	Mokganyetji	Thomas Mareme (M)	PT	Infrastructure Rules and Petitions Council	ward	08 01 11	08 01 10	00 00 01	00 00 00
25	Maphopha	Emily Maabele	PT	Community Services Council	ward	07 11	06 10	01 01	00 00
26	Motlale	Manthwaleng Girly	PT	Ethics Council	ward	01 11	01 11	00 00	00 00
27	Mokwane	Magdeline Kubane	PT	Infrastructure Council	ward	08 11	07 11	01 00	00 00
28	Maipushe	Sekina Manku	PT	Rules and Petitions Council	ward	01 11	01 11		
29	Malatji	Meriam Nape	PT	Finance. Council Rule and petition	ward	07 11 01	06 11 01	00 00 00	01 00 00
30	Kgopa	Kgabo Silas	PT	Corporate Services Council	ward	08 11	07 11	01 00	00 00
31	Msiza	Mothibe Rhodes	PT	Corporate Services	ward	08	07	01	00

Ward number	Surname	Full names	full time/ Part time FT/PT	Committee Allocated	Ward and Party represented	No of meetings held	no. of meetings attended	No. of apologies for non-attendance	No of Absence without leave
				Council Rules and petition		11 01	11 01	00 00	00 00
32	Mathebe	Julia Lata	FT	EXCO/Mayor Council	PR	12 11	12 11	00 00	00 00
33	Matjormane	Germinor Delly (F)	FT	Head Infrastructure Council	PR	08 11	08 10	00 01	00 00
34	Tiadi	Magetle David	FT	Speaker		11	11	00	00
35	Phahlamohlak a	Tebogo Mafereke	FT	Ethics Council	PR	04 11	02 11	02 00	00 00
36	Mehlape	Salminah Hlaole	PT	MPAC: member Council	PR	09 11	05 11	01 00	03 00
37	Mmutle	Thabo Nelson	PT	Head Planning Council EXCO		08 11 12	04 10 12	02 01 00	02 00 00
38	Matsepe	Thapelo Stephina	PT	Finance Council	PR	07 11	06 11	00 00	01 00
39	Makunyane	Hlako Justice	PT	MPAC-Chairperson Council	PR	09 11	09 11	00 00	00 00

Ward number	Surname	Full names	full time/ Part time FT/PT	Committee Allocated	Ward and Party represented	No of meetings held	no. of meetings attended	No. of apologies for non-attendance	No of Absence without leave
40	Mashilo	Malope Samaria	PT	Head Services Council EXCO Community Executive		07 11 12	06 10 12	01 01 00	00 00 00
41	Phetla	Mannyana Grace	PT	Head Support Council	PR	01 11	01 11	00 00	00 00
42	Makitla	Ramotlogeli Johannes	PT	Planning Council	PR	08 11	05 10	00 00	03 01
43	Mogotji	Fanie Motshela	PT	Executive Support Council	PR	01 11	01 10	00 01	00 00
44	Madondo	Vernatia-Claudia Philile	PT	Rules and Petitions Council		01 11	01 11	00 00	00 00
45	Mohlala	Moses Themba	PT	MPAC member Council	PR	09 11	09 11	00 00	00 00
46	Alberts	Rots	PT	Infrastructure council	PR	08 11	02 10	00 01	06 00
47	Mathebe	Chipane Norman	PT	Community Services Council Planning		07 11 08	03 10 02	00 01 00	04 00 06
48	Tshivhula	Murathi Pat	PT		PR	08	03	00	05

Ward number	Surname	Full names	full time/ Part time FT/PT	Committee Allocated	Ward and Party represented	No of meetings held	no. of meetings attended	No. of apologies for non-attendance	No of Absence without leave
				Corporate Services Council Ethics		11 04	11 04	00 00	00 00
49	Kotze	Johan Pieter		Finance. Council		07 11	04 11	02 00	01 00
50	Hlathi	Margaret Zodwa	PT	council	PR	11	11	00	00
51	Shai	Kweletsi Collen	PT	EXCO Council	PR	12 11	05 09	02 02	05 00
52	Lecheko	Virginia Morotse	PT	Planning Council	PR	08 11	07 10	01 01	00 00
53	Ngwenya	Zodwa	PT	Council	PR	11	11	00	00
54	Ntuli	Mamotale Brenda	PT	Council Infrastructure	PR	11 08	11 04	00 01	00 03
55	Mosotho	Mooimane Tatane	PT	Council Planning	PR	11 08	10 00	00 00	01 00
56	Ranala	Maselopi	PT	Council	PR	11	10	00	01

Ward number	Surname	Full names	full time/ Part time FT/PT	Committee Allocated	Ward and Party represented	No of meetings held	no. of meetings attended	No. of apologies for non-attendance	No of Absence without leave
				Executive Support		01	00	00	00
57	Ntheko	Tshepo Mkgobo		Council		11	11	00	00
58	Mthombeni	Vensile Lea	PT	Corporate Services Council	PR	08 11 04	02 10 02	05 01 02	01 00 00
59	Maloba	Alpheus Matome	PT	Ethics	PR				
				Community Services Council EXCO Rules and Petitions		07 11 12 01	03 11 07 01	04 00 04 00	00
60	Ramphisa	Motiba William	PT	Council	PR	11	08	03	00
61	Matunyane	Nthabiseng Topsision	PT	Finance. Council Finance	PR	07 11 07	03 10 04	00 01 03	04 00 00

APPENDIX B - COMMITTEE AND COMMITTEE PURPOSE

Committees (other than Mayoral/Executive Committee) and Purposes of Committees	
Municipal Committee	Purpose of Committee
Corporate Services Committee	Addressing relevant issues and reports
Infrastructure Committee	Addressing relevant issues and reports
Finance Committee	Addressing relevant issues and reports
Social Development Committee	Addressing relevant issues and reports
Strategic Management Committee	Addressing relevant issues and reports
Development Planning Committee	Addressing relevant issues and reports
Local labour forum	Address all employer and employee related matters
Municipal public accounts committee	Oversight committee addressing AG report, financial reporting investigating items delegated by council
Executive Committee	Give political direction to executive management and report to council
Rules and ethics	Investigates reports of unethical conduct, formulates rules and principles, and recommends actions on ethical issues
Programming	Deals with all items submitted and determines which items must serve in portfolio committees and which one must serve in council without serving in portfolio committees
Local geographical names change(LGNC):	Deals with changing of street names within the municipal area

APPENDIX C- THIRD TIER ADMINISTRATIVE STRUCTURE

Designation	Initial And Surname	Gender
Municipal Manager	Ms R.M Maredi	Female
Director: Executive Support	Vacant	-
Director: Corporate Services	Mr. A. Mayimele	Male
Director: Infrastructure	Ms N.R Makgata	Female
Chief Financial Officer	Mr. P. G. Mapheto	Male
Director: Community Services	Ms. G. E. Kegopotsemang	Female
Director: Development Planning	Mr. N. W. Phala	Male
Manager: Property Management and Housing	Mr. R Palmer	Male
Deputy Chief Financial Officer	Mr L. Sebelemetja	Male
Manager: Mayor Support	vacant	-
Manager: Assets	Mr. C. Tjiane	Male
Manager: Council Support	Mrs. M Burger	Female
Manager: Supply Chain Management	Mr M Mthimunye	Male
Manager: Revenue	Mr B Mohlamme	Male
Manager: Hlogotlou	Mr. A Madiba	Male
Manager: Roosenekal	Vacant	-
Manager: Motetema	Mr. C Masemola	Male
Manager: Human Resources	Mr. L. Mafiri	Male
Manager: Administration	Mr. G Ditshego	Male
Manager: ICT	Mr T. Mashaba	Male
Manager: Environmental services	Ms M Mokhulwane	Female
Manager: Expenditure	Mr. C Mtsweni	Male
Superintendent Roads Construction Unit	Mr. J Malaka	Male
Manager: Public Safety	Mr. C Coetzee	Male
Manager: Roads	Vacant	-
Manager: Licensing	Mr. M. M. Mokganyetji	Male
Manager: LED	Mr. M Sebei	-
Manager: IDP	Mr. J Motha	Male
Manager: PMU	Mr. F Debeila	Male
Manager: PMS	Ms P Mdluli	Female
Electrical engineer	Mr K.K. Mametsa	Male
Chief Risk Officer	Mr K. Mathebe	Male
Manager: Development and Town Planning	Mr B.O Sethojoa	Male
Manager: Internal Audit	Ms. V. Mokoetele	Female
Manager: Fleet	Mr. V. Masilela	Male

APPENDIX D - FUNCTIONS OF MUNICIPALITY/ENTITY

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

APPENDIX E - WARD REPORTING

WARD BASED MEETINGS

Ward Name (Number)	Name of Ward Councillor and Elected Ward Committee Members	Committee Established (Yes/No)	Number of Monthly Committee Meetings Held During Year	Number of Monthly Reports Submitted to Speakers 'Office on Time	Number of Quarterly Public Ward Meetings Held During Year
Ward No 01	Cllr Mphela M.A	Yes	11	11	4
	Ward Committee				
	Julia Maredi				
	Thereso Maleka				
	Jane Sibiloane				
	Martha Nxumalo				
	junior Thethe				
	Anges Mmotong				
	Innocent Skhosana				
	Samual Phasha				
	Christa kotelo Mabodika				
	Kgati Maepa				
	Ward No 02	Cllr Phatlane A			
Ward Committee					
Mathabathe Mpho					
Monage Tshepo Khama					
Mahlangu Geeilbooi					
Makua Samuel					
Dunge Olgar					
Bafedi Aibiot Moruti					
Mankge Hermans					
Moloi Abednigo					
Phatlane Lucy					
Boroko Kodisang Mathews					
Ward No 03		Cllr Mamakoko M.L	Yes	5	5
	Ward Committee	Yes			
	Mathabathe Mpho				
	Monage Tshepo Khama				
	Mahlangu Geeilbooi				
	Makua Samuel				
	Dunge Olgar				
	Bafedi Aibiot Moruti				
	Mankge Hermans				
	Moloi Abednigo				
	Phatlane Lucy				
	Boroko Kodisang Mathews				
	Ward No 04	Cllr Moima L.M	Yes		
Ward Committee					
Dipuo Mashabela					

Ward Name (Number)	Name of Ward Councillor and Elected Ward Committee Members	Committee Established (Yes/No)	Number of Monthly Committee Meetings Held During Year	Number of Monthly Reports Submitted to Speakers 'Office on Time	Number of Quarterly Public Ward Meetings Held During Year
	Lebogang Dinba Kanyane Mphahlele Lefelane Mokgwajane Fatima Thabethe Selina Matlou Lucas Mathimunyane Kenneth Malapele Anges Ramphisa Israel Malapela				
Ward No 05	Cllr Makweoane Ward Committee Violet Mashigo Fannie Nkambule Lebogang Sefako Sharleen Mphake Mankwe Mokgabudi Petrus Matentshi Mapaseka Mokgabudi Leshate Mashabela Nelson Mogano Thili Lepota	Yes	2	2	1
Ward No 06	Cllr Ndlovu R.N Ward Committee Thethan Mahlangu Ntombi Mahlaba Nokuthula Reginah Winile Ndlangamandla Zakhele Hlathi Sipho Mandlazi Adelaide Limakwe Elizabeth Mpshe Delisa Joseph Popi Mashego	Yes	7	7	2
Ward No 07	Cllr:Phala Lucas Ward Committees: Philimon Moshiga Brenda Phasha Nomsa Sibeko Glass Makatelele Jan Mtshweni Busisiwe Magolego Tebogo Mokgoadi Ericca Makuwa	Yes	7	7	2

Ward Name (Number)	Name of Ward Councillor and Elected Ward Committee Members	Committee Established (Yes/No)	Number of Monthly Committee Meetings Held During Year	Number of Monthly Reports Submitted to Speakers 'Office on Time	Number of Quarterly Public Ward Meetings Held During Year
	Benjamane masweu Simon Thipe				
Ward No 08	Cllr Ratlou S.W Ward committees Charlotte Mogudi Moshingwaneng Ditshego Isaiah Mahlangu Annah Wessels Friedah Phetla Bangiswane Mthombeni Ditsheso Mokotedi Albert Mafa Elias Mamohlale Gloria Rahlogo	Yes	5	5	1
Ward No 09	Cllr Ratau R.M Ward Committees: Elijah Ntombela Isaac Makofane Mafa Mashinini Sebongile Mohlape Coshiwe Nkambule Eric Nkosi Louisa Masilela Fortune Tsholofelo Aaron Mtshweni Joseph Manzini	Yes	1	1	0
Ward No 10	Cllr Madisa K.F Ward Committees: Rita Rahlogo Mathebe Rebbeca Katlego Sifoleshe Madire Modupi Mohlamanyane Ivy Madisa Nkele Zodwa Simon Kgaladi Mathebe Buti .Malefahlo Mokgase mohlamonyane Motsumi	Yes	3	3	0
Ward No 11	Cllr Namane G.R Ward Committees:	Yes	0	0	0

Ward Name (Number)	Name of Ward Councillor and Elected Ward Committee Members	Committee Established (Yes/No)	Number of Monthly Committee Meetings Held During Year	Number of Monthly Reports Submitted to Speakers 'Office on Time	Number of Quarterly Public Ward Meetings Held During Year
	1 Wonderboy Cekhu 2 Delane Mugeru 3 Eleoner Matlou 4 Sepadi Mampuru 5 Malelula leepo 6 Samora Madisa 7 Rina Mutha 8 Moses Mafiri 9 Thobile Mathibedi 10 Anges setoto Magopa				
Ward No 12	Clr Phorothoe Ward Committees Mmadisele Mathebe Moleme Podile Mmalehu Mohlala Mothaku Namane Calvin Mathunyane Elizabeth Monageng Doctor Nakedi Alfred Makitla Betty Mathebe Klass Mathebe	Yes	10	10	3
Ward No 13	Clr Oosthuizen W.N.S Ward Committees: Martin Coetsee Dirk Hessels phochanaD.M Maria D.Fourie J.H Mmakole Dirk Walker T.S Matsomane A.J Schombee Franska Kleinans Shaun A.Mellors	Yes	0	0	0
Ward No 14	Clr: Bogopa B Ward Committees: Bareng Mphahlele Phakwane Mareng Moses Boshielo Chikane Kgorutle Makeke Mantwa Dipou Matlala Stepen Maleka Jaremia Phetla	Yes	10	10	3

Ward Name (Number)	Name of Ward Councillor and Elected Ward Committee Members	Committee Established (Yes/No)	Number of Monthly Committee Meetings Held During Year	Number of Monthly Reports Submitted to Speakers 'Office on Time	Number of Quarterly Public Ward Meetings Held During Year
	Enock Ramoispa Maggie Isa				
Ward No 15	Cllr: Mahlangu J Ward Committees: Lucas Zwane Rinah Mahlangu Job Tshepo Mokwena Sbongile Nkosi Sibongile Masilela Mpho Skosana Johannah Mashiya Malehu Mokoana Jan Masimula Msanomlane Mahlangu	Yes	3	3	1
Ward No 16	Cllr: Zulu B.M Ward Committees Mapule Mokgolokgotho Jabulane Mahlangu Sarah Skosana Fanie Makua December Msitsa Sinah Mahlangu Maria Mthimunyane Nick Mgidi Khomotso Maphosa Kodin Skhosana	Yes	1	0	0
Ward No 17	Cllr: Ratau T.T Ward Committees: Irene Mokwana Moetana Mohlala Rankepile Mabelane Kagiso Mabelane Gabriel Magashula Moeti Mkhondo Motlalepule Madihlaba Freddy Nkadameng Andries Hlabishe Annah Masemola	Yes	6	6	2
Ward No 18	Cllr: Machipa T.A Ward Committees: Martha Mohlahlo Jamis Chego Maria Tshehla	Yes	0	0	0

Ward Name (Number)	Name of Ward Councillor and Elected Ward Committee Members	Committee Established (Yes/No)	Number of Monthly Committee Meetings Held During Year	Number of Monthly Reports Submitted to Speakers 'Office on Time	Number of Quarterly Public Ward Meetings Held During Year
	Mojalefa Rankwe Tumishi Mohlahlo Annah Mnguni Elsa Fenyane Sydney Phetla Shemeng Mtshweni Maria Makuwa				
Ward No 19	Cllr: Masimula P Ward Committees: Sophi Masemola Amos Gabril Sinkie Skosana Ranapo Chigo Rose Mtshweni Sophie Masimula Shabangu Dlalabaphi Getrude Mashiane Mahlangu Khonzepi Nkosinathi Machuka	Yes	5	5	1
Ward No 20	Cllr Skhosana W.J Ward Committees: monica Madihlaba Lina Makaleng Felicia Mokoana Zodwa Mokwena Nteseng Madihlaba Patricia Sekgala Shima Monaledi thabo Skosana Debora Maredi Thapedi letageng	Yes	5	5	1
Ward No 21	Cllr: Makeke G.M Ward Committees: 1 Mavis Theresia Mthimunye 2 David Skhosana 3 Joel Mohlahlo 4 Khoza Dipuo 5 Kate Matenchi 6 Lejatau Seroka 7 Elsie Mamonyane 8 Sonnyboy Sekele 9 Dorcas Makeke 10 Motlapele Nkgudi	Yes	11	11	3

Ward Name (Number)	Name of Ward Councillor and Elected Ward Committee Members	Committee Established (Yes/No)	Number of Monthly Committee Meetings Held During Year	Number of Monthly Reports Submitted to Speakers 'Office on Time	Number of Quarterly Public Ward Meetings Held During Year
Ward No 22	Cllr Matsepe M.M Ward Committees: Mathibela Mashego Annah Radingwana Frans Mdebele Tebogo Tau AB Kgama Thabo Radingwana Leah Tshoma Jan Mashilanwako Patrick Moramaga Iindiwe Maleka	Yes	10	10	3
Ward No 23	Cllr: Mahlangu Nomsa Ward Committees: 	No	0	0	0
Ward No 24	Cllr: M.M Ward Committees: Isaac Maladi Mpotsing Mtshweni Prince Maloma Meshack Thobejane Dorothy Makeke Maputana Moloko Martha Monareng Thabeng Nyalungu Elizabeth Mathunyane Amos Tshoma	Yes	11	11	4
Ward No 25	Cllr: Maphopha E.M Ward Committees: Jane Lekal Makgadi Malatji Sarah Makuwa Victoria Rangwaga	Yes	6	6	1

Ward Name (Number)	Name of Ward Councillor and Elected Ward Committee Members	Committee Established (Yes/No)	Number of Monthly Committee Meetings Held During Year	Number of Monthly Reports Submitted to Speakers 'Office on Time	Number of Quarterly Public Ward Meetings Held During Year
	Lerato Skosane Jack Motsana Reneilwe Rampedi khomotso Ramphisa Francinah Mampuru Thobole Matsepe				
Ward No 26	Cllr: Motlape M. G Ward Committees: Sepedi Mohlala Mmantwe Tagane Matlakala Knowledge Tebogo Magampa Deborah Mashabela Dazie Msiza Amos Chabedi Mapule Mmuledi Karabo Matshingwane 1 Mmabatsheleng Matsepe	Yes	4	4	1
Ward No 27	Cllr: Mokwane M.K Ward Committees: Job Matladi Lebogang Choma Tebatso Sihlangu Morithi Motlafi Dudu Mokadi Frans Tlaka Tshidi Tswaana Thabo Makua Caroline Mantsolo Thandi makuwa	Yes	6	6	1
Ward No 28	Cllr: Maipushe S.M Ward Committees: Klass Maredi Modupi Fenyane Evah Matuludi Prudence Skosana Pratck Tladi Rachel Mohlala Amos Ntobeng Sarah Pheladi Lucas Aphone Victor Seopela	Yes	0	0	0
	Cllr: Malatji M.N	Yes	11	11	3

Ward Name (Number)	Name of Ward Councillor and Elected Ward Committee Members	Committee Established (Yes/No)	Number of Monthly Committee Meetings Held During Year	Number of Monthly Reports Submitted to Speakers 'Office on Time	Number of Quarterly Public Ward Meetings Held During Year
Ward No 29	Ward Committees:				
	Thuso Makuwa				
	Reginah Makuwa				
	Lindiwe Mahlangu				
	Kgaogelo Mashegoane				
	Diale Motla				
	Ngwananoka Nkadimeng				
	Victor Diago				
	Thabang Fenyane				
	Gautana Matsumane				
Lazarus Rakgalakane					
Ward No 30	Cllr: Kgopa K.S	Yes	7	7	2
	Ward Committees:				
	Ammina Magakwe				
	Sebutjwane Maduna				
	Seraki Motstsa				
	Jim Molapo				
	Bongi Maabane				
	Thabiso Matenji				
	Mahlonoko Riba				
	Patricia Mokwena				
	Sinky Kodi				
Lina Masango					
Ward 31	Cllr : Msiza M.R				
	Ward Committee	Yes	7	7	7
	Gladys Maake				
	Kgaogelo Dikotope				
	Alfred Manasoe				
	Moses simpho				
	Peter Tsokela				
	Lombard Mamogobo				
	Lebogang Mpunga				
	Ramosohlo Kgongane				
	Enny Matsepe				
	Prince Thobejane				

APPENDIX F - WARD INFORMATION

Ward Title: Ward Name (Number)				
Capital Projects: Seven Largest in 2016/2017 (Full List in Appendix L)				
R'000				
Ward No	Project Name & Detail	Start Date	End Date	Total Value
13	Karnaal road	July 2015	June 2017	R15,500 000
19	Mathula road	July 2015	June 2017	R20,116,062
22	Mogaung road	July 2015	June 2017	R20,900 000
20	Monsterlos to makgopheng road	July 2015	June 2017	R45,634,830
26	Road to Magoshi: Rammupudu	July 2015	June 2017	R27,297,273
15	JJ Road: Zaaiplaas bus route	July 2015	June 2017	R47,421,210
30	Laersdrift bus route	July 2015	June 2017	R23,593,338

APPENDIX G - RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
29 September 2016	<p>2.1. <u>FINANCIAL MANAGEMENT:</u></p> <p>2.1.1. DRAFT ANNUAL FINANCIAL STATEMENTS 2015/2016:</p> <p>The Audit Committee had an opportunity to review the draft 2015/2016 annual financial statements on the 16th and 29th of August 2016 and recommended as follows:</p> <ul style="list-style-type: none"> ● Review the policies on the financial statements and ensure that they are relevant to the municipality. ● Engage Treasury on write offs ● Take out notes that are not applicable to the municipality ● Review referencing of notes <p><u>Index Page:</u></p> <ul style="list-style-type: none"> ● Audit Committee commented that they noted that "IAS" stated under abbreviations does not find expression in the financial statements, and if it is not used in the document then it should be taken out. ● Audit Committee recommended that it should be stated under the accounting policy that in situations where GRAP is not used, IAS will be used. ● On page 3, abbreviations add the following abbreviations- VAT; PAYE; UIF. ● On page 4, (Accounting Officer's responsibility) remove the word "<u>on its behalf</u>". <p>On page 5 (Audit Committee report) recommendations as follows:</p> <ul style="list-style-type: none"> ● The report of the old Audit Committee should reflect from the 1st of July 2015 to 31 December 2015 and for advocate Kholong the number of meetings attended should be corrected. ● The new Audit Committee members should reflect from the date of 04 January 2016 to 30 June 2016 under the financial year 2015/2016. ● Next to chairperson (Ramutsheli) 1 special meeting attended should be removed as it was a management meeting that was attended and not an Audit Committee meeting. ● A table should be used to indicate number of meetings attended outside case-ware. ● Number of ordinary meetings for Adv Kholong should be added because it's missing. ● Number of meetings attended by Adv Nke should be (2:5) ● Next to Adv Thipe the word "Mr. Adv" should be corrected to be Adv Thipe and remove "Mr." ● Consistency on Mr. Mathabathe the dots should be standardized. 	Yes

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> • The paragraph on internal audit should be separated from risk management. • The wording under risk management committee should read "risk management was partially effective". • Performance management of Audit Committee should be included in the report • The wording on the vacancy of the chief audit executive should be removed. • The bullet should be added as the sixth point on the paragraph that reads "Audit Committee reviewed performance management of the Municipality". • On the new committee member add "S" to be new committee members. • The word "entity" should be reviewed to be "entities". • The paragraph that reads verified should be indicated as "reviewed" <p>On page 7 Accounting Officer's report- the Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> • Sentence on surplus and deficit should be part of a going concern not as a stand-alone paragraph. • The narration on main business and operation should be included and the net surplus should be included. • Paragraph 3 (Events): the inauguration of the new Council was constituted on the 19th August 2016 and it should be added to the AFS under Subsequent Events section as this was an event which occurred after 30 June 2016 financial year date. An indication can be made that it does not have an impact on the changes on the AFS. • Paragraph 6: it should reflect what is being transferred to the Municipality which will form part of the 2016/2017 (financial year) which will be part of Subsequent Events. • The Municipality should state that we are still in a process of finalizing the transfer of ownership of the assets from Nkangala as a work in progress either as subsequent event or place a note on the fixed asset register. • The total value of the assets should be included as part of land and building. • The "S" on the accounting officers should be removed. • The two chairpersons should be included in the report for completeness, and also their names and terms. <p><u>Statement of financial Position:</u></p> <ul style="list-style-type: none"> • Note 09 should be unpacked to list all types of inventory. • Audit Committee requested clarity on the huge drop on VAT receivable. • CFO indicated that it is because of restatements on the statement of financial position. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> • Audit Committee requested clarity on the total value of investment property on page 53 (Land) • CFO indicated that market demand have a system that can reflect the location of the asset of the Municipality. • Note number 9: Accounting policy on page 37 indicated that the accounting policy should be on a cost method not weighted average. • Note number 10: on page 56 consumer and other debtors Audit Committee asked if they are non-exchange or exchange it should be specified. • Note number 11: on page 56, the I-GRAP note should be indicated and be included. • Note number 13: on page 57, the impairment should be reflected • CFO indicated that impairment has a provision and activities that have been undertaken to arrive at the impairment and the notes should reflect how the impairment was arrived at. • Audit Committee requested that on page 60, management should expand what ratio on liquidity was used. • Page 27; add the word "method" to be revaluation method. • Page 53; there is no profit or loss on assets; that should be corrected. • Page 54, the transfer should be zero and the classification of transfers should be reflected. • Note 4 on page 54 (heritage assets) the two GRAP standards should be changed to be either additional or transfer. • CFO indicated that on caseware it was other changes on the last year AFS and it's a default heading. • Audit Committee recommended that the nature of heritage assets should be classified. • Audit Committee recommended that the subsequent measure on the intangible assets should be included. • Note 7 and 8, page 56 note 7 and 8 should have different heading to differentiate and the mini-recon should be done. • Note 11; Audit Committee requested clarity on what type of fines are they. • CFO indicated that it's the traffic fines. • Note 20; page 63, Audit Committee requested clarity on the electricity and what is it reflecting to and that should have a narration. • CFO indicated that is for electricity connections. • Note 28 (page 67) Audit Committee requested clarity on the leave payout. • Municipal Manager indicated that leave payout was for employees who terminated their service with the Municipality and who passed way. • Note 21 (page 63) Audit Committee recommended that the explanation on the interest received – investment should have explanation where it is derived from and be changed to be interest received (revenue). • On page 12, Audit Committee requested explanation on how the finance cost was arrived at. • CFO indicated that the cash flow is still a work in progress and that the final figures of cash flow will result in a correct version of the finance costs. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> • Audit Committee requested that Note 17 (page 62) other financial liabilities should be detailed on how it was arrived at and it should be classified as operating lease assets. • Note 33, Audit Committee recommended that the note be the same on the statements. • Audit Committee recommended that our notes should be detailed on license and permits and rental of facilities and equipment. <p><u>Statement of financial performance (page 10):</u></p> <ul style="list-style-type: none"> • Audit Committee recommended that disclosures on page 72 note be made available on the biological assets. • Audit Committee recommended that contingency liabilities should be included in the AFS and the note should be listed and be detailed. • Note 44, Audit Committee requested explanation on what is related parties. • CFO indicated that Councilors and post employees are our related parties and they are related. • Municipal Manager indicated that GRAP be looked at to check what is meant as related parties. • Page 75, note 44 the referencing is not correct and should be corrected. • Note 44, the wording "overpayment to the Mayor" should be removed. • There is no notes on the contracted services but only general expenses on note 35. • Audit Committee requested clarity on the huge increase on printing and stationery. • Municipal Manager indicated that printing and stationery was combined together and it is one line item. • Audit Committee requested clarity on the huge increase on telephone. • CFO indicated that it includes the amount of cell phones and the amount paid to Telkom. • The repairs and maintenance should have a note on page 10. • Audit Committee requested explanation on the electricity distribution losses on page 78 (note 51). • CFO indicated that the loss is for electricity for Rossenekaal. • Municipal Manager indicated that management and political leadership has engaged the residence of Rossenekaal and that an improvement on this matter is expected. • Audit Committee recommended that an explanation should be made on the increase of electricity distribution loss. • Audit Committee requested an explanation on the car allowance on the salary package of the Mayor as zero for 2016. • Management responded that since the Mayor is provided with the Municipal vehicle, she could not also benefit for the car allowance on the salary package. • Page 64 (note 25) the income forgone the note should be explained/ expanded. • Page 61 (note 30) depreciation and amortization should be removed. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> • Page 73 (note 40) stated as disposal of: a significant asset or a group of assets and liabilities- should be removed • Page 76 (note 46) should state after how long can that be recovered. • For liquidity risk-state recovery period. • The back payment of councilor should have a note / explanation. <p>2.1.2. ASSET REGISTER:</p> <p>The Audit Committee took note of the report on the progress as reported by the CFO on the asset register improvement program for the fourth quarter of 2015/2016 and recommended that:</p> <ul style="list-style-type: none"> • Findings raised by the internal audit independent reviewer be addressed before finalizing the asset register for the financial year of 2015/2016. <p>2.1.3. IRREGULAR/WASTEFUL/UNAUTHORIZED EXPENDITURE 2015/2016:</p> <p>The Audit Committee reviewed the report on the 4th quarter irregular/wasteful/unauthorized expenditure given by management and took note of the report of wasteful and fruitless expenditure amounting to a total of R 5 782.39.</p> <p>2.1.4. DEBT COLLECTION REPORT 2015/2016:</p> <p>The Audit Committee reviewed the report on the 4th quarter 2015/2016 debt collection and recommended that:</p> <ul style="list-style-type: none"> • Discussions should be initiated from the interrelations department for intergovernmental debts. <p>2.1.5. SUPPLY CHAIN MANAGEMENT:</p> <p>Supply Chain Management (SCM) reports for the months April 2016 to June 2016 were reviewed by the Audit Committee and recommended that:</p> <ul style="list-style-type: none"> • The proper description on the reason for deviations be provided. • Audit Committee has a concern with the transactions that do not qualify as deviations yet they are accepted and approved as deviations. • The CFO should advice the Municipal Manager with all deviations/ratifications before they are submitted to Municipal Manager for approval and CFO should assist by declining all deviations that do not fall under the definition of deviations. • Deviation/ratification checklist can be developed and be used going forward as a guide of what actually constitute a deviation. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<p>2.1.6. PROGRESS ON AGSA ACTION PLAN FOR THE 2014/2015 AG REPORT (INCLUDING MANAGEMENT LETTER FINDINGS)</p> <ul style="list-style-type: none"> • Management should expedite the completion of datasheets by the end of July 2016. • Manager PMS should assist respective directorates with the completion of datasheets and a meeting with each senior manager should be arranged to complete the datasheets before the 30th July 2016. • Audit Committee recommended that management report findings should form part of the audit report action plan to ensure that all control weaknesses are given attention by management. <p>2.2. <u>PERFORMANCE INFORMATION:</u></p> <p>2.2.1. 2015/2016 DRAFT ANNUAL PERFORMANCE REPORT:</p> <p>The Audit Committee reviewed the draft 2015/2016 annual performance report and noted report by Internal audit on the 4th quarter performance information and recommended as follows:</p> <ul style="list-style-type: none"> • That challenges on the report should be revised and be based on process, people or finances. • The report should be fully aligned to the budget. • For the AG Action plan-finance should not write that the finding will be resolved retrospectively as they should focus on correcting what has been done • Upgrading of landfill site under community service the progress should be changed to not achieve as they have stated that there is only an appointment and the actual work has not been done yet. • CFO to look at operating expenditure overspent for community services and corporate services departments. <ul style="list-style-type: none"> ○ The Audit Committee was concerned about the under achievement of objectives of 54% by the Community Services department. The main reason for this under achievement of objectives was indicated as delays on the procurement process and budget related issues. ○ The Audit Committee advised that the procurement process should be commenced early in the financial year. ○ The Audit Committee indicated that 54% achievement is not acceptable ○ Projects that need procurement should be identified and start early with the procurement process • For Infrastructure department- <ul style="list-style-type: none"> ○ The Audit Committee congratulated the department for percentage of 100% spent on MIG and for achieving 76% on performance being the 3rd out of all departments. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> ○ The eleven speed humps Projects stated as not applicable should be corrected to state not achieved as they were planned projects and challenge should be stated that the funds were moved. ● The Audit Committee congratulated the finance department for achieving 83% on the performance report being the highest percentage of all departments. <p>2.3. <u>CORPORATE SERVICES:</u></p> <p>The Audit Committee reviewed and took note of the 4th quarter of 2015/2016 Human Resource report and recommended as follows:</p> <ul style="list-style-type: none"> ● That the human resource capacity on the human resource vacancy report should be aligned to the organizational structure of the human resource report submitted. ● Audit Committee asked if Corporate Services will provide the litigation information/report (contingent liability report) to the service provider who is conducting audit on litigation. ● Audit Committee recommended that the council resolution implementation report be submitted to internal audit fully completed. <p>2.4. <u>INFRASTRUCTURE DEPARTMENT REPORT:</u></p> <p>The Audit Committee received the MIG implementation plan and capital projects reports from the Infrastructure Department and recommended as follows:</p> <ul style="list-style-type: none"> ● Audit Committee recommended that management should include a summary on the projects i.e. MIG and INEP projects. ● Audit Committee requested a report on the expenditure paid reflected as 106% paid to the terminated contractor and including expenditure paid to the current contractor and the variation report if it was approved by council be submitted in the next meeting for Moteti "A" project. <p>2.5. <u>INTERNAL AUDIT:</u></p> <p>2.5.1. DRAFT 2016/2017 INTERNAL AUDIT AND AUDIT COMMITTEE CHARTER:</p> <ul style="list-style-type: none"> ● Audit Committee approved the 2016/2017 internal audit charter and recommended the audit committee charter for council approval. <p>2.5.2. DRAFT 2016/2017 INTERNAL AUDIT METHODOLOGY:</p> <ul style="list-style-type: none"> ● Audit Committee approved the 2016/2017 internal audit methodology. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<p>2.5.3. PROGRESS REPORT ON INTERNAL AUDIT ANNUAL PLAN 2015/2016:</p> <p>The report was presented by Manager Internal Audit on the progress on Internal Audit Annual Plan for the year 2015/2016 and the Audit Committee notes that the plan for 2015/2016 will be completed by internal audit with infrastructure department, risk management draft 2015/2016 financial statements and asset management review still in progress on the date of the report.</p> <p>2.5.4. INTERNAL AUDIT REPORTS:</p> <p>Internal Audit reports received for review included reports of work done in the 4th quarter of 2015/2016 as follows:</p> <ul style="list-style-type: none"> • 4th quarter performance report • Supply Chain Management 2015/2016 • Mid-year financial statements review (lease qualification issue and opening balances) • ICT Review 2015/2016 • Development Planning Review 2015/2016 • Internal Audit follow-up review report 2015/2016 • Follow up on external audit findings 2015/2016 <p>2.5.5. 2016/2017 DRAFT THREE YEAR STRATEGIC AND ANNUAL INTERNAL AUDIT PLAN:</p> <p>The Audit Committee reviewed the 2016/2017 draft three year strategic and annual internal audit plan and recommended as follows:</p> <ul style="list-style-type: none"> • Audit Committee approves the 2016/2017 draft three year strategic and annual internal audit plan. Noting that the Infrastructure and the Corporate Services risk registers were not finalized yet. • When all the risk registers have been completed the 2016/2017 draft three year strategic and annual internal audit plan can be adjusted and brought back to the audit committee for review. <p>2.5. <u>QUARTERLY ICT REPORT 2015/2016:</u></p> <p>The Audit Committee reviewed the 3rd quarter ICT report and recommended that:</p> <p>2.6.1. QUARTERLY ICT REPORT 2015/2016</p> <ul style="list-style-type: none"> • Audit Committee requested the ICT steering committee challenges report in the next meeting relating to issues of ICT risk. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> • Audit Committee indicated that the report on the virus that attacked the Municipality be referred back to the ICT steering committee and a report be presented to the audit committee from the ICT steering committee. • Audit Committee recommended that Mr. Mathabathe avail himself to Chair the ICT steering committee until an independent chairperson has been appointed. <p>2.6.2. PROGRESS ON ICT AUDIT ACTION PLAN (2014/2015):</p> <ul style="list-style-type: none"> • Audit Committee expressed concerns on the issues that are not resolved and requested that management resolve the outstanding issues on the AG action plan. • Audit Committee took note of the action plan. 	
20 December 2016	<p>2.1. <u>FINANCIAL MANAGEMENT:</u></p> <p>2.1.1. PROGRESS ON 2015/2016 AGSA AUDIT</p> <p>The Audit Committee received a report from management on the progress of the 2015/2016 audit by AGSA at the meeting held on the 25th of October and at the Audit Steering Committee meeting attended by the members of the Audit Committee on the 21st of November 2016. The Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> • Matters relating to assets should be addressed and the service provider (market demand) should assist to avoid an audit qualification on misstatements on the assets. • The AGSA presented to the Audit Steering Committee the potential draft findings from the 2015/2016 audit process on 21 November 2016 as the audit process was not yet fully completed. The Audit Committee recommended that: <ul style="list-style-type: none"> ➤ The Audit Committee requested that the AGSA should present the draft Audit Report and Management Report for comments or inputs prior finalization by AGSA at least by the 28th November 2016. However, this request was not honored by the AGSA as the Audit Report was concluded and finalized without being presented to the Audit Committee. The Audit Report was therefore concluded without the Audit Committee being consulted. The AGSA will be presenting the Audit Report to the Audit Committee at the meeting scheduled for the 18th of January 2017. Below are the inputs which were made by the Audit Committee to the potential draft findings presented at the Audit Steering Committee meeting: <ul style="list-style-type: none"> ➤ The report should have a breakdown of misclassifications and accounting issues as misclassifications would be easier for management to resolve. ➤ The amounts that are allowed for adjustment should be clear if they are on sample basis for management to be able to pass necessary journals to resolve the misstatements. 	Yes

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> ➤ The qualification matter on property rates should have more context and also AGSA should advise under what circumstances an adjustment will be allowed. Knowing the actual number of unknown properties is the basis to address the issue. ➤ AGSA requested that they will go and consult with other colleagues as to how the unknown property issue is treated and would provide Management and Audit Committee with the feedback. However, the Audit Committee was not provided with the feedback by the AGSA in this regard. ➤ The performance finding on "<i>system to collect, collate, verify and store performance information...</i>" should be clarified as the issue is not that of the system however the issue is turnaround time taken to achieve objectives, there needs to be factual correctness. This issue is also classified under the category that the performance reported by the Municipality is not reliable of which this is not actually the case. AGSA was requested to correct this. ➤ The AGSA was also requested to revisit their statements which states that the Audit Committee did not perform some of its functions of reviewing the strategic and operational reports. The Audit Committee emphasized that this statement is not accurate as all performance reports were presented and reviewed by the Committee in all their quarterly meetings. <ul style="list-style-type: none"> • The Audit Committee requested that support from AGSA and availability of the AGSA when invited to Audit Committee meetings is important and needed. The AGSA should look into performing interim audits to assist the municipality towards preparing for audits. <p>2.1.2. ASSET REGISTER:</p> <p>The Audit Committee took note of the report on the progress as reported by the CFO at the meeting of the 25th October 2016 on the asset register that the service provider Market demand's work on the asset management project is still in progress and that until market demand has finalized there is no formal report. That Market demand has finished with the compilation of the asset register.</p> <p>2.1.3. IRREGULAR/WASTEFUL/UNAUTHORIZED EXPENDITURE 2015/2016:</p> <p>The Audit Committee reviewed the report on the 1st quarter irregular/fruitless and wasteful/unauthorized expenditure given by management and took note of the wasteful and fruitless expenditure amounting to a total of R 780.18 on overdue accounts from Eskom for connection of high mast lights which was not communicated to the municipality on time, the audit committee recommended that:</p> <ul style="list-style-type: none"> • Management should establish when did Eskom charge interest on or before the invoices were received and request that the interests be reversed if the interest was charged before the invoice was received. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> The Audit Committee commended management or the efforts they have taken to prevent unauthorized, irregular and fruitless expenditure. <p>2.1.4. DEBT COLLECTION REPORT 2015/2016:</p> <p>The Audit Committee reviewed the report on the 1st quarter 2016/2017 debt collection report showing collection rate at 90% as at September 2016 and the challenge as reported by the CFO of data cleansing consumer information which is still work in progress.</p> <p>The audit committee raised a concern with regards to continuing purchase of bulk electricity for consumers who are not paying at Roosenekaal. The Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> That the political intervention be taken serious and the help of Chairperson MPAC and Chairperson Budget and Treasury intervene in the matter. That the progressive report on the progress of political intervention be submitted to the Audit Committee by the Executive Support Senior Manager That the debt collector assessment report be submitted to the Audit Committee in the next meeting That Management submit a progress report on the data cleaning project that the Municipality has undertaken which should include the time lines; activities happening and the challenges thereof for monitoring purpose. <p>2.1.5. SUPPLY CHAIN MANAGEMENT:</p> <p>Supply Chain Management (SCM) procurement reports for the 1st quarter months of July 2016 to September 2016 were reviewed by the Audit Committee and noted that the deviations as reported by the CFO amounted to R 323 757.00 for September 2016 and R 377 707.24 for August 2016. The Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> That the reason for deviation for Loskop dam forever resorts of R 316 373.00 appearing in the August 2016 report be revised to be the closest conference facility within the radius of the Municipality that can accommodate 61 councillors. That the reason for deviation for Automotor traffic Signal of R 52 497.00 appearing in the August 2016 report should be revised to be the sole service provider that supply the spares. That the reason for deviation for supa quick R 8 837.24 appearing in the August 2016 report should also be revised to give the right/correct reason and a comprehensive report be submitted to the Audit Committee in the next meeting. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<p>That Management should submit the comprehensive report proving that Sha-Henne's Guest House has complied with the minimum requirements' as stipulated in the tender that was issued to all non-responsive bidders.</p> <ul style="list-style-type: none"> • That the task team be established to look into all compliance issues (Mr Kgware; Adv Thipe and others assist with advices in that process) and also checking with Coghsta for advice. • Audit Committee take note of the 1st quarter procurement report. <p>2.1.6. 1st quarter section 71 report (July to September 2016)</p> <p>The Audit Committee received the section 71 report for the 1st quarter and noted from the report by the CFO that section 52 report was supposed to have been submitted instead of the section 71 monthly reports as submitted and that going forward the Audit Committee recommends that Management should submit section 52 quarterly reports for Audit Committee meetings.</p> <p>2.2. <u>PERFORMANCE INFORMATION:</u></p> <p>2.2.1. 2015/2016 DRAFT ANNUAL PERFORMANCE REPORT:</p> <p>The Audit Committee reviewed the 1st quarter performance report for 2016/2017 and noted report by Internal audit on the 1st quarter performance information and recommended as follows:</p> <ul style="list-style-type: none"> • That the findings of the internal audit of the 1st quarter performance be addressed. • That Management should utilise the standardized performance management reporting template. • That the Audit Committee takes note of the 1st quarter performance report for 2016/2017 and the Internal Audit report on the 1st quarter performance report. <p>2.3. <u>CORPORATE SERVICES:</u></p> <p>The Audit Committee reviewed and took note of the 1st quarter of 2016/2017 Human Resource report. Council resolution register and litigation report and recommended as follows:</p> <ul style="list-style-type: none"> • That Management should expedite the appointment of the legal services manager to allow Adv Thipe to play an oversight role on legal matters. • That Internal Audit should engage with management in completing the council resolution register in order to have a fruitful discussion on the register at Audit Committee meetings. 	

Municipal Audit Committee Recommendations		
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	<p>2.4. <u>INFRASTRUCTURE DEPARTMENT REPORT:</u></p> <p>The Audit Committee received the Infrastructure report (including initial plan, budget, progress report on spending, actual work done, variances and reasons) for the 1st quarter of 2016/2017 from the Infrastructure Department. The Audit Committee took note of the projects that are behind schedule reported by Acting Director Infrastructure at the meeting of the 25th October 2016 as follows:</p> <ul style="list-style-type: none"> • Construction of JJ/Zaaiplaas access road which was disturbed by community protest and the expenditure to date is 9% as at end September 2016 and with spending the project is behind. • Construction of Laersdrift access road and the expenditure was 0% as at end of September 2016, the challenged was that the tender amount was more than the available budget and the contractor is busy establishing the site after several meetings were held to negotiate with the contractor regard the available budget • Construction of Naganeng access road and the project was funded for R1M for designs only and the construction will be in the next financial year. • Upgrading of Hlogotlou Stadium, the budget was R2M and the expenditure is at 0% due to budget constraints. • Upgrading of Rossenekaal road and streets and the budget is R2M the expenditure to date is 16%. • Upgrading of Hlogotlou / Monsterlus stadium, the budget approved was R10M and the implementation plan was compiled under the impression that the R10M will be included in the total approved MIG of R52M was later discovered that the R52M already includes the R10M. • Electrification of various villages and the projects are at bid evaluation committee stage. <p>The Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> • That a comprehensive report detailing the challenges of the above projects be submitted and should have suggested recommendations for proper monitoring. • That a correction be made to the start date of the projects that reflect after the completion date on the projects. • That management come up with a way that will be accessible by the entire community members in the appointment of CLO and a database which is ward based be developed to assist in the appointment of CLO which is fair and transparent to assist in addressing community protest when appointing the CLO. • That the Municipality should allow the contractor to include the wages/salary of the CLO on the bill of quantity and be appointed direct by main contractor no longer the Municipality going forward. • That Municipality should engage all the business and SMME in that particular ward before the commencement of the project and identify how they can benefit out of the project in a form of sub-contracting for the success of the project. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> • That Management should indicate the specific reasons behind the project disruption in order to address the real issues raised by the community. • That Management should take it serious to engage the local SMME to benefit in the projects to eliminate unnecessary disruptions from the community. • That the reporting template be revised to indicate the work done for the expenditure to speak to the progress on work done i.e.16% spending on Rosenekaal roads and street project. • That management provide a comprehensive report of the over expenditure of 106% on the Moteti "A" project in the next meeting. • That the report be update to indicate the budgets for all the electrification projects that are indicated as zeros. • That the targeted completion date be indicated on the projects that are indicated as "TBA". • That the report should indicate the MIG projects for proper monitoring by the Audit Committee. • The Audit Committee take note of the Infrastructure report. <p>2.5. INTERNAL AUDIT:</p> <p>2.5.3. PROGRESS REPORT ON INTERNAL AUDIT ANNUAL PLAN 2016/2017:</p> <p>The report was presented by Senior Internal Audit on the progress on Internal Audit Annual Plan for the year 2016/2017 and the Audit Committee notes that the progress on the plan for the 1st quarter of 2016/2017 as follows:</p> <ul style="list-style-type: none"> • Zero (0) completed (0%) • Three (3) in progress (14%) • Nineteen (19) not performed yet (86%) <p>The Audit Committee recommends that:</p> <ul style="list-style-type: none"> • Management should expedite the process of capacitating the internal audit unit as soon as possible. <p>2.5.4. INTERNAL AUDIT REPORTS:</p> <p>Internal Audit reports received for review included reports of work done in the 1st quarter of 2016/2017 as follows:</p>	

Municipal Audit Committee Recommendations													
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	<p>The Audit Committee recommends:</p> <ul style="list-style-type: none"> • That Management should respond to the finding of Internal Audit and indicate the mitigation strategies that will be employed to address the root causes. • That Management take a close look and come up with the action plan addressing the control weaknesses that are highlighted by the internal audit findings in order to address the findings e.g. Infrastructure report. • That Management should meet to discuss operational issues to address the findings of Internal Audit and Internal Audit lead that meeting. <p>2.5. <u>RISK MANAGEMENT:</u></p> <p>The Audit Committee received the items for noting as considered by the Risk Management Committee for the 1st quarter of 2016/2017 as follows:</p> <ul style="list-style-type: none"> • Strategic risk register 2016/2017 • Operational risk registers 2016/2017 												

Municipal Audit Committee Recommendations		
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	<ul style="list-style-type: none"> • 1st quarter risk management committee report <p>The Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> • That Management should provide the Audit Committee with a report indicating the progress on the establishment of customer stakeholder help desk. • That Management submit a progress report on the appointment of an independent Risk Committee Chairperson in the next meeting • That the statement that read accounting officer is Responsible for oversight be revised to read that the accounting officer is responsible for risk management not the oversight. • That on paragraph 2a include the Audit Committee as one of the stakeholders of the risk management • That the high level of risk management tolerance levels should be included in the report and indicating steps management is implementing to address the risks • Audit Committee take note of the risk management reports. <p>2.6. <u>QUARTERLY ICT STEERING COMMITTEE REPORT 2016/2017:</u></p> <p>The Audit Committee reviewed the 1st quarter ICT report and recommended as follows:</p> <ul style="list-style-type: none"> • That the provision be made to budget for procurement of working tools in the adjustment budget in February 2017. • That Management submit the progress report of the implementation of IT governance framework which cover IT disaster recovery plan in the next meeting. • That Management should look into the top internet users' job description if they are accessing what is in line with their work and cost containment measures should be taken into consideration in that regard and the report be submitted in the next meeting. • That the ICT policy should be reviewed to indicate who should have the internet access to be for operational reasons of the Municipality. • That the contents of the report of the top internet users be deferred to the ICT steering committee to deal with it and send a report to Audit Committee to indicate that the matter has been dealt with which should indicate if there is alignment with the individual employee's job description and what action will be taken to address the findings. • That all aspects of ICT should be in one document and all other documents can be sent separately. <p>Audit Committee takes note of the ICT 1st quarter report.</p>	
29 July 2017	<p>2.1. <u>FINANCIAL MANAGEMENT:</u></p>	Yes

Municipal Audit Committee Recommendations		
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	<p>2.1.1. AGSA MANAGEMENT REPORT AND AUDIT REPORT 2015/2016</p> <p>The Audit Committee received a report from AGSA at the meeting held on the 18th January 2017 that the Municipality obtained a qualified opinion and the issues that formed the basis of qualification opinion were explained. The Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> • There should be a good working relationship and coordination between the Auditor General and the Audit Committee for the 2016/2017 audit and going forward before the audit reports are finalized. • The coordination should not only be at the time of the audit but if possible it should be per quarter to discuss and analyze any possible risks and potential qualification factors. • The Audit Committee advised that the Municipality should identify the unknown properties and apply the law to start billing the properties. Management should engage COGTA and National Treasury for further consultation. • Management should identify the real root causes and control deficiency of the qualification matters to ensure that they are addressed to prevent the findings recurring in future. • Management should go back and reconcile the asset registers of the two financial years with the current asset register to identify differences that may have caused misstatements in the financial statements. • Management should do an extensive review of the fixed assets register and make necessary correction for the purpose of addressing audit report and management report issues. • Management should ensure that the procurement procedure manual is developed describing systematic approach that will be followed to deal with rotation and selection criteria of panel of suppliers to comply with the SCM regulations and prescripts. • Chief Financial Officer should identify all irregular expenditures and report to the relevant stakeholders and be tabled to Council for MPAC investigation. • Management should have an effective system that will assist in collecting, verifying and to store reliable information to be readily available for audit. • Management should take strict actions against the service provider who prepared the annual financial statements that are not in line with the accounting standards. In the future service level agreements entered into with the service providers assisting with preparation of financial statements and asset management, management should consider including clauses which allows the Municipality to retain certain percentage of the contract amount which can only be released after the Auditor General has confirmed that the financial statements comply with relevant accounting standards and that there are no audit issues on asset management. • Management should comply with all SCM prescripts in the procurement of goods and services. 	

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> • Management should inform the Government departments and municipalities of employees that are doing business with the Municipality for further action on their side and blacklist the suppliers from the database. • Management should develop an action plan that will assist in implementing the performance management system for employees lower than managers. <p>2.1.2. PROGRESS ON 2015/2016 AGSA AUDIT ACTION PLAN:</p> <p>The Audit Committee received a report from Management on the progress of the 2015/2016 audit action plan at the meeting held on the 26th January 2017 for performance management issues and on the 23rd March 2017 and 26 April 2017 for all audit report and management report issues. The Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> • Management to ensure implementation of action plan on all performance management issues. • Management should develop a system that will monitor accounts handed over to the debt collector and ensure that payments to the debt collector are in line with the agreement and review options on how the additional costs of the debt collector can be charged to customers by benchmarking with other municipalities. • Management should engage with the assets management service provider (Market Demand) to ensure that all asset management issues raised by AGSA are resolved. <p>2.1.3. ASSET REGISTER:</p> <p>The Audit Committee took note of the report on the progress as reported by the CFO at the meeting of the 23rd March 2017 on the asset register that management has developed an action plan to address asset management issues raised by AGSA.</p> <p>At the meeting held on the 26th April 2017, the Audit Committee advised that there should be timelines in place for Market Demand (service provider) to complete the project and also timelines for Infrastructure assets verification.</p> <p>2.1.4. IRREGULAR/WASTEFUL/UNAUTHORIZED EXPENDITURE 2015/2016:</p> <p>The Audit Committee reviewed the report on the 2nd quarter irregular/fruitless and wasteful/unauthorized expenditure given by management and took note of the wasteful and fruitless expenditure amounting to a total of R 31 341.13 which constitutes 86% on overdue accounts from Eskom and 14% on account that could not be paid on time due to financial constraints. The Audit Committee recommended that:</p>	

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	<ul style="list-style-type: none"> Management should provide the root cause analysis report of Eskom interest charged and actions taken to address the root cause to prevent it from recurring. Documented progress made on irregular expenditure should be provided to the Audit Committee. <p>The 3rd quarter irregular/fruitless and wasteful/unauthorized expenditure was noted at the meeting held on 26 April 2017 and took note as reported by the CFO that an arrangement has been made with Eskom to debit the account for the bulk purchases directly from the Nedbank account to prevent any fruitless expenditure for late payments.</p> <p>2.1.5. DEBT COLLECTION REPORT 2015/2016:</p> <p>The Audit Committee reviewed and took note of the 2nd quarter 2016/2017 debt collection report reviewed at the meeting held on 23 March 2017. The report contained information as follows:</p> <p>Hand Over Amount: R 51 681 772.25.</p> <p>Total amount collected on behalf of the municipality from KMINC ATTORNEYS: R 100 222 755.62.</p> <p>1. COLLECTABLE ACCOUNTS:</p> <p>1.1. The report provided to the Audit Committee indicated accounts that are still 60 days in arrears and which accounts are still in the process of being collected on behalf of the Municipality.</p> <p>1.2. The Total value of the collectable accounts on the report to be collected were indicated as a total amount of R10, 372, 447.98.</p> <p>2. UNCOLLECTABLE ACCOUNTS:</p> <table border="1"> <thead> <tr> <th>AREA</th> <th>NUMBER OF ACC</th> <th>AMOUNT</th> </tr> </thead> <tbody> <tr> <td>MOTETEMA (all accounts)</td> <td>1638</td> <td>R 4,316,153.16</td> </tr> <tr> <td>ELANDSDORING (all accounts)</td> <td>3238</td> <td>R 4,605,821.45</td> </tr> <tr> <td>HLOGOTLOU (all accounts)</td> <td>2321</td> <td>R 6,338,883.66</td> </tr> <tr> <td>UITSPANNING (all accounts)</td> <td>39</td> <td>R 182,567.84</td> </tr> </tbody> </table>	AREA	NUMBER OF ACC	AMOUNT	MOTETEMA (all accounts)	1638	R 4,316,153.16	ELANDSDORING (all accounts)	3238	R 4,605,821.45	HLOGOTLOU (all accounts)	2321	R 6,338,883.66	UITSPANNING (all accounts)	39	R 182,567.84	
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Municipal Audit Committee Recommendations				
Date of Council	Committee Recommendations During 2016/2017			Recommendations Adopted (enter Yes);
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	KIKVORSFONTEIN (all accounts)	191	R 146,262.86	
	TRIBAL (all accounts)	174	R 3,447,174.48	
	RENTAL DISPUTES (all accounts)	305	R 2,295,178.91	
	TOTAL		R 21,332,042.36	
	<p>2.1. The following are accounts that are currently uncollectable as reported to the Audit Committee:</p> <p>On the 3rd quarter report on debt collection provided by Management at the meeting held on 26 April 2017, the Audit Committee expressed a concern on the way management has calculated the percentage of collection and advised that it should be total expected revenue divided by the revenue collected for that month. The CFO indicated challenges on the report as follows:</p> <ol style="list-style-type: none"> 1) Roosenekal community are resisting restoration of electricity connection to allow for the payment of electricity consumption through the prepaid electricity vending. 2) The community in Roosenekal currently illegally connected to the municipal electricity infrastructure resulting in the distribution loss of approximately R 500,000 per month for the municipality. 3) The Motetema community is paying R50 for all services and it difficult to implement Credit and Debt Collection Policy. <p>2.1.6. SUPPLY CHAIN MANAGEMENT:</p> <p>Supply Chain Management (SCM) procurement reports for the 2nd quarter months of October 2016 to December 2016 were reviewed by the Audit Committee and noted that the deviations as reported by the CFO amounted to R 284 433.49.</p> <p>The Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> • That the deviation report should have a provision for explaining the transactions that appear not to be reasonable and also indicating what management is doing in terms of resolving the deviations that recur such as strip and quote. • SCM should benchmark to establish if goods and services are within the market related prices to ensure value for money with reasonable profit margins. • Management should at all times comply with the regulatory reasons that qualify for deviation. <p>The Audit Committee at the meeting held on 26 April 2017 expressed a concern emanating from reports that have been requested from management as part of the resolution register of Audit Committee about the number of deviation transactions processed by the municipality. The report of all services that were rendered and</p>			

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	<p>approved after being rendered for the financial year 2016/2017 was requested from Management and was provided on 05 May 2017.</p> <p>The Audit Committee recommended as follows after review of the 3rd quarter supply chain report at the meeting held on 26 April 2017 with deviation amount reported as R 303 262.55.</p> <ul style="list-style-type: none"> • The deviation memorandum should be drafted and be recommended by the CFO and be approved by Municipal Manager before any service is rendered. • Management should consider the processes of implementation to outsource the event management services. <p>2.1.7. MID YEAR FINANCIAL STATEMENTS 2016/2017:</p> <p>The Audit Committee at the meeting held on 26 April 2017 reviewed and took note of the mid-year financial statements for the financial year 2016/2017, and after seeking clarity on whether the AGSA issues and internal control issues have been resolved it appeared that Management was in progress of resolving most of the issues and the Audit Committee advised as follows:</p> <ul style="list-style-type: none"> • Chief Risk Officer should analyze the audit outcome and identify risks that are behind the audit outcome which informs the risk register which will inform internal audit plan that deals with root causes. • Risks should be assessed at a process level not only at the organisational level. • The Audit Committee took note of the report. <p>2.2. <u>PERFORMANCE INFORMATION:</u></p> <p>2.2.1. 2016/2017 MID-YEAR PERFORMANCE REPORT:</p> <p>The Audit Committee reviewed the Mid-year performance report on 26 January 2017 and recommended as follows:</p> <ul style="list-style-type: none"> • Management should ensure that during the planning of targets all internal and external factors which might negatively affect the achievement of indicators are taken into consideration to ensure that the targets are realistic and there are measures in place to deal with such factors. • Management should ensure adequate and effective monitoring of performance of service providers and appropriate steps are taken in case of non-compliance. • Management should ensure that all KPI's are supported by a datasheet that adequately defines all KPI's to avoid various interpretations of KPI's. • Remedial actions should be specific on steps to be taken to address non-achievement of KPI's. 	

Municipal Audit Committee Recommendations		
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	<ul style="list-style-type: none"> Management should ensure that the progress to date reported is aligned to the portfolio of evidence in place. <p>2.2.2. DRAFT 2015/2016 ANNUALREPORT:</p> <p>The Audit Committee was also afforded the opportunity to review and took note of the Draft 2015/2016 Annual report at the meeting held on 23 March 2017, the Audit Committee committed to provide comments to be included as part of the 2015/2016 annual report. The Audit committee comments on the annual report were sent to the PMS Manager through email for implementation.</p> <p>2.2.3. 3RD QUARTER PERFORMANCE REPORT:</p> <p>The Audit Committee reviewed and took note of the 3rd quarter performance report at the meeting held on 26 April 2017 after seeking clarity from Management with regards to the following:</p> <ul style="list-style-type: none"> Reasons behind zero-weighting of key performance indicators. Progress on Infrastructure projects not achieved. Delay in year-end processes for financial viability. <p>2.2.4. DRAFT 2017/2018 IDP, BUDGET AND SDBIP:</p> <p>The Audit Committee at the meeting held on 23 March 2017 and 26 April 2017 received and reviewed the draft 2017/2018 IDP, Budget and SDBIP, and advised as follows:</p> <ul style="list-style-type: none"> Audit Committee is available to come and do the extensive review of the IDP; Budget and SDBIP and supported evidence on the datasheets and CFO as acting municipal manager for the day should communicate with the committee about the final decision regarding the review. Audit Committee members compiled and sent their inputs/commerits to manager PMS with regards to the draft 2017/2018 SDBIP. Audit Committee requested that management advice on the possibility of looking of doing extensive review of datasheets and draft 2017/2018 SDBIP before it gets adopted by Council. <p>2.3. <u>CORPORATE SERVICES:</u></p> <p>The Audit Committee reviewed and took note of the 2nd quarter of 2016/2017 Human Resource report, Council resolution register and litigation report. The Audit Committee requested to be privileged with the employment equity report.</p>	

Municipal Audit Committee Recommendations						
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	<p>At the meeting held on 26 April 2017 the Audit Committee received a report that most of the Senior Management contracts are coming to an end and the Audit Committee recommended as follows:</p> <ul style="list-style-type: none"> Human Resource should conduct the exit interview for senior managers whose contracts are coming to an end and a hand over report should be submitted along with tools of trade to assets before the employee vacate the office. <p>2.4. INTERNAL AUDIT:</p> <p>2.4.1. PROGRESS REPORT ON INTERNAL AUDIT ANNUAL PLAN 2016/2017:</p> <p>The report was presented by Manager Internal Audit on the progress on Internal Audit Annual Plan for the year 2016/2017 and the Audit Committee noted that the progress on the plan for the 2nd quarter of 2016/2017 as follows:</p> <ul style="list-style-type: none"> Five (5) completed (22.7%) Three (3) in progress (13.6%) Fourteen (14) not performed yet (63.6%) <p>At the meeting held on 26 April 2016 Internal Audit reported progress on the Internal Audit plan as for 3rd quarter that 10 audits have been completed out of 20 which is 50%; 4 audits are in progress and 6 audits are not performed yet which is 30%.</p> <p>2.4.2. INTERNAL AUDIT STRATEGIC AND ANNUAL PLAN 2016/2017-REVISED:</p> <p>The Audit Committee reviewed and approved revision of the Internal Audit 2016/2017 plan at the meeting of 23 March 2017 and recommended that more hours should be budgeted for ad-hoc audits as the nature of reviews done under this category are pro-active auditing and will assist the Municipality to identify issues before they are processed.</p> <p>2.4.3. INTERNAL AUDIT REPORTS:</p> <p>Internal Audit reports received for review included reports of work done in the 2nd and 3rd quarter of 2016/2017 as follows:</p> <table border="1"> <thead> <tr> <th>Report included in the audit committee pack</th> <th>Findings raised as High risk areas</th> </tr> </thead> <tbody> <tr> <td>2nd quarter performance report</td> <td> <ul style="list-style-type: none"> Reported progress supported by irrelevant evidence Evidence not submitted for verification purposes Progress stated not as per verified evidence </td> </tr> </tbody> </table>	Report included in the audit committee pack	Findings raised as High risk areas	2 nd quarter performance report	<ul style="list-style-type: none"> Reported progress supported by irrelevant evidence Evidence not submitted for verification purposes Progress stated not as per verified evidence 	
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Municipal Audit Committee Recommendations		
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		- Over/understatement of reported statistics
	Corporate Services Department Review 2016/2017	<ul style="list-style-type: none"> - Lack of awareness and training on records management policy at the Municipality - Records not centrally housed at the municipality - No records management procedure manual, file plan and disposal authority - Overtime payments not compliant to regulatory requirements - Non-compliance to Occupational Health and Safety Act and policy - OHS: No emergency plan and personal protective clothing
	Community Services Department Review 2016/2017	<ul style="list-style-type: none"> - Integrated Waste Management Plan not endorsed by MEC - No Waste Management contract (SLA) in place - Solid waste possibility of overspending
	Follow up report on Internal Audit findings for 2016/2017	- Internal Audit Findings noted to be at 45% resolved during the 2 nd quarter of 2016/2017
	Development Planning Department Review	<ul style="list-style-type: none"> - Inadequate implementation of the National Building Regulation and Building Standards Act - Inability to validate adherence to building plans timeframe - No standard operating procedure manuals in place - Records of Land Use Application not adequately kept
	Infrastructure Department Review	<ul style="list-style-type: none"> - Lack of review of Fleet policy and no policy on fuel management - Lack of policies, maintenance plans and standard operating procedure in the electric unit - Internal control deficiency over substation inspections and key management - Internal controls deficiency with mini substation inspection reports - Internal controls deficiency with metering kiosk inspections - No SLA for appointed panel of contractors and consultants service providers

Municipal Audit Committee Recommendations		
Date of Council	Committee Recommendations During 2016/2017	Recommendations Adopted (enter Yes); not adopted (provide explanation)
	<ul style="list-style-type: none"> - Slow progressing projects-risk of withholding allocations - Service providers not appointed as per SCM regulations - Lack of policies, standard operating procedure and roads maintenance plan <p>2.5. <u>RISK MANAGEMENT:</u></p> <p>The Audit Committee received and noted the 2nd and 3rd quarter risk management committee report for 2016/2017 and recommended as follows:</p> <ul style="list-style-type: none"> • A calendar/schedule for risk management workshops/ awareness campaigns should be developed and be implemented. • Senior Managers should start taking the risk management committee meetings seriously and attend scheduled meetings effectively. • Risk champions should be trained in order to know their roles and responsibilities. • Management should start the process of recruiting an independent risk management committee chairperson • Emerging risks should be included in the risk reports <p>2.6. <u>QUARTERLY ICT STEERING COMMITTEE REPORT 2016/2017:</u></p> <p>The Audit Committee recommended that the ICT steering Committee report should be provided for Audit Committee meetings and not the resolution register as provided at the meeting. The Audit Committee took note of the ICT 2nd quarter on 23 March 2017 and 3rd quarter report on 26 April 2017.</p>	

APPENDIX H – LONG-TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIP

Long-Term Contracts (20 Largest Contracts Entered into 2016/2017)						
number	Description of services rendered by service provider	Name of service provider (entity of municipal department)	Contract value	PERIOD		END USER DEPT
				Start date of contract	Expiry date of contract	
1	Professional consultants for land surveyor and town planners	Pfukani-Kusile consulting	As per rates	13/07/2016	12/07/2018	Development Planning
2	Professional consultants for land surveyor and town planners	Mok Development	As per rates	13/07/2016	12/07/2018	Development Planning
3	Professional consultants for land surveyor and town planners	Black Dot Properties	As per rates	13/07/2016	12/07/2018	Development Planning
4	Professional consultants for land surveyor and town planners	Nhlatsi Consulting Planning	As per rates	13/07/2016	12/07/2018	Development Planning
5	Panel of Contractors for Construction of Various Roads	Betsekgadi Community Projects	As per rates	02/09/2015	02/09/2017	Infrastructure
6	Panel of Contractors for Construction of Various Roads	Big Rock JV Kgwadi Ya Madiba	As per rates	02/09/2015	02/09/2017	Infrastructure
7	Panel of Contractors for Construction of Various Roads	Casnan Civils	As per rates	02/09/2015	02/09/2017	Infrastructure
8	Panel of Consultants	Dikgabo Consulting Engineer	As per rates	07/09/2015	07/09/2017	Infrastructure
9	Panel of Consultants	Dolmen Engineers	As per rates	07/09/2015	07/09/2017	Infrastructure

Long-Term Contracts (20 Largest Contracts Entered into 2016/2017)

number	Description of services rendered by service provider	Name of service provider (entity of municipal department)	Contract value	PERIOD		END USER DEPT
				Start date of contract	Expiry date of contract	
10	Panel of Consultants	Element Consulting Engineers	As per rates	02/09/2015	02/09/2017	Infrastructure
11	Panel of Contractors for Construction of Various Roads	HM Eyethu/AL	As per rates	02/09/2015	02/09/2017	Infrastructure
12	Panel of Contractors for Construction of Various Roads	Mphago Ibawula Enterprise Trading	As per rates	02/09/2015	02/09/2017	Infrastructure
13	Panel of Contractors for Construction of Various Roads	Masekwameng Traders	As per rates	02/09/2015	02/09/2017	Infrastructure
14	Panel of Contractors for Construction of Various Roads	Moleleki A Tlala Transport and Projects	As per rates	02/09/2015	02/09/2017	Infrastructure
15	Panel of Consultants	Monwa Consulting Engineers	As per rates	07/09/2015	07/09/2017	Infrastructure
16	Panel of Contractors for Construction of Various Roads	Patrick Makgoka Construction	As per rates	02/09/2015	02/09/2017	Infrastructure
17	Panel of Contractors for Construction of Various Roads	Rekhuditse Construction and Cleaning Services	As per rates	02/09/2015	02/09/2017	Infrastructure
18	Panel of Contractors for Construction of Various Roads	Servimode 62	As per rates	02/09/2015	02/09/2017	Infrastructure
19	Panel of Contractors for Construction of Various Roads	Shatadi Developers	As per rates	02/09/2015	02/09/2017	Infrastructure
20	Panel of Contractors for Construction of Various Roads	Shirdo Trading	As per rates	02/09/2015	02/09/2017	Infrastructure
21	Panel of Contractors for Construction of Various Roads	Shonisani Rambau Construction	As per rates	02/09/2015	02/09/2017	Infrastructure

Long-Term Contracts (20 Largest Contracts Entered into 2016/2017)						
number	Description of services rendered by service provider	Name of service provider (entity of municipal department)	Contract value	PERIOD		END USER DEPT
				Start date of contract	Expiry date of contract	
22	Panel of Consultants	Sky High Jv Low Flow Consulting Engineers	As per rates	07/09/2015	07/09/2017	Infrastructure
23	Panel of Consultants	Tlou Integrated Tech	As per rates	07/09/2015	07/09/2017	Infrastructure
24	Panel of Consultants	Tumber Fourie Consulting Engineers	As per rates	07/09/2015	07/09/2017	Infrastructure
25	Panel of Consultants	Vuka Africa Consulting Engineers	As per rates	07/09/2015	07/09/2017	Infrastructure

APPENDIX I - MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

Not applicable

APPENDIX J - DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July 2016 - 30 June 2017		
Position	Name	Description of Financial Interest* (Nil/or details)
(Mayor)	Cllr: Mathebe L.J	Nil
Speaker	Cllr: Machipa T.A	Nil
EXCO members	Cllr:Matjomane G.D	Nil
	Cllr: Phatlane A	Nil
	Cllr: Mmutle T.N	Nil
	Cllr: Mashilo M.S	Nil
	Cllr: Phetla M.G	Nil
	Cllr: Maloba A.M	Nil
	Cllr: Shai K.C	Nil
	Cllr: Kotze J.P	Nil
		Nil
Councillors	51 councillors	
Municipal Manager	Maredi R.M	Nil
Chief Financial Officer	Mapheto P.G	Nil
Other S57 Officials		
Director Community Services	Kegopotsemang	Nil
Director Infrastructure	Makgata R	Nil
Director Corporate services	Mayimele A	Nil
Director Development Planning	Phala N.W	Phuthumanathi Shares Welkom Yizani Shares

APPENDIX K – REVENUE COLLECTION PERFORMANCE

Description	2014/15	Budget Year 2015/16			2015/16 Variance	
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Original Budget	Adjusted Budget
Revenue By Source						
Property rates	19,271	26,182	24,797	22,395	14.5%	9.7%
Service charges	59,877	67,601	66,337	69,588	-2.9%	-4.9%
Interest earned - external investments	3,965	4,600	3,300	4,290	6.7%	-30.0%
Transfers recognised - operational	170,641	216,652	216,652	216,652	0.0%	0.0%
Other revenue	22,264	16,188	13,960	17,378	-7.3%	-24.5%
Total Revenue (excluding capital transfers)	276,019	331,224	325,046	330,303	0.3%	-1.6%
Expenditure By Type						
Employee related costs	102,669	115,256	106,109	112,151	2.7%	-5.7%
Remuneration of councillors	18,844	18,543	17,659	19,061	-2.8%	-7.9%
Depreciation & asset impairment	32,042	35,000	35,000	49,728	-42.1%	-42.1%
Finance charges	-	-	-	2,141	0.0%	0.0%
Materials and Bulk Purchase	53,540	65,430	67,759	69,966	-6.9%	-3.3%
Transfers and grants	1,832	3,300	1,900	313	90.5%	83.5%
Other expenditure	128,686	102,901	120,195	114,765	-11.5%	4.5%
Total Expenditure	337,613	340,430	348,622	368,125	-8.1%	-5.6%
Surplus/(Deficit)	(61,594)	(9,206)	(23,576)	(37,822)	-310.8%	-60.4%
Transfers recognised - capital	58,967	63,102	77,739	77,188	-22.3%	0.7%
Contributions recognised - capital	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers	(2,627)	53,896	54,163	39,366		
Taxation	-	-	-	-		
Surplus/(Deficit) after taxation	(2,627)	53,896	54,163	39,366		
Attributable to minorities	-	-	-	-		
Surplus/(Deficit) attributable to municipality	(2,627)	53,896	54,163	39,366		
Share of surplus/ (deficit) of associate	-	-	-	-		
Surplus/ (Deficit) for the year	(2,627)	53,896	54,163	39,366		

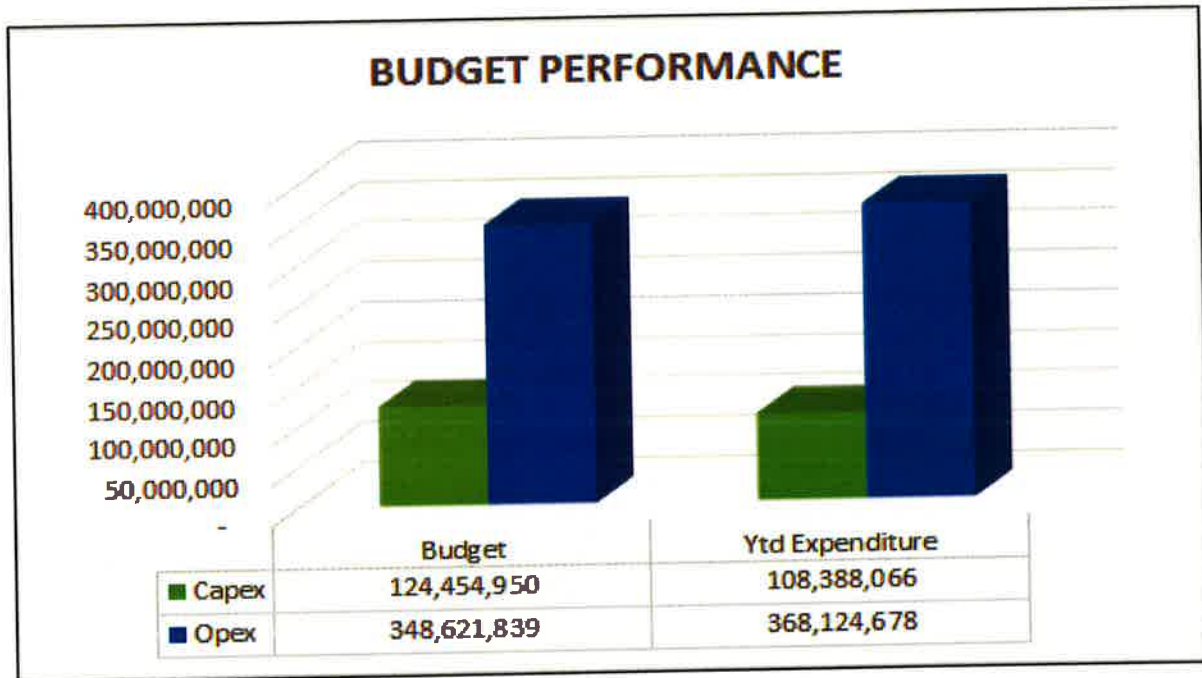
APPENDIX L - CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: Excluding MIG						
R'000						
Details	Budget	Adjustment Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustment Budget	
Neighbourhood development				%	%	
Partnership grant						
INEP	R 13 million	R 13 million	R 13 million	0%	0%	Electrification
FMG	R1,6 million	R1,6 million	R1,6 million	0%	0%	Capacity building
MSIG	R 0.0	R 0.0	R 0.0	0%	0%	Systems improvement
Other: EPWP	R 1,163 m	R1,163 m	R 1.163 m	0%	0%	Job creation
Total	R15,763,000	R15,763,000	R15,763,000	0%	0%	

APPENDIX M CAPITAL EXPENDITURE NEW AND UPGRADE /RENEWAL PROGRAMMES INCLUDING MIG

CAPITAL EXPENDITURE

GRAPH 5: CAPITAL EXPENDITURE 2016/17



APPENDIX N – CAPITAL PROGRAMME BY PROJECT YEAR 2016/2017

Capital Programme by Project 2016/2017 (,000)					
Capital Project	Original Budget	Adjustment Budget	Actual Expenditure	Variance (Act-Adj) %	Variance (Act-OB) %
Water					
District function					
Sanitation/Sewerage					
District function					
Electricity					
Electrification of Makaepa	1 500 000	1 754 400	1 311 952	25,22%	25,22%
Electrification of Tambo village	1 000 000	877 200	877 193	0%	0%
Electrification of Masakaneng	2 000 000	1 754 400	1 754 386	0%	0%
Electrification of Jabulani D3	2 000 000	1 754 400	1 754 386	0%	0%
Electrification of Waalkraal A	1 500 000	1 316 000	1 499 575	-13,95%	-13,95%

Capital Programme by Project 2016/2017 (,000)					
Capital Project	Original Budget	Adjustment Budget	Actual Expenditure	Variance (Act-Adj) %	Variance (Act-OB) %
Electrification of Elandsdoorn A	1 000 000	877 200	871 754	0,62%	0,62%
Electrification of Tshehla Trust	1 000 000	877 200	736 315	16,06%	16,06%
Electrification of Dipakapakeng	1 500 000	877 200	1 311 952	-49,56%	-49,56%
Electrification of Matsitsi	500 000	438 600	483 395	0,05%	0,05%

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2016/2017

Capital Programme by Project by Ward 2016/2017		
R`000		
Capital Project	Ward(s) affected	Works completed (Yes/No)
Water		
District function		
Sanitation/sewerage		
District function		
Electricity		
Electrification of Matsitsi	18	Yes
Electrification of Makaepa	25	Yes
Electrification of Dipakapakeng	28	yes
Electrification of Tambo	09	Yes
Electrification of Jabulani D3	09	yes
Electrification of Waalkraal A	04	Yes
Electrification of Elandsdoorn A	11	Yes
Electrification of Masakaneng	14	Yes
Electrification of Tshehla Trust	30	Yes
Housing		
Cemeteries		
Roads & stormwater		
Development of Workshop	13	No
Marapong Bridge	09	Yes
Kanaal Street	13	Yes
Kgaphamadi Bus Road	21	Yes

Capital Programme by Project by Ward 2016/2017		
R'000		
Capital Project	Ward(s) affected	Works completed (Yes/No)
Kgoshi Matlala	14	Yes
Kgoshi Rammupudu	26	Yes
Kgoshi Mathebe	10	Yes
Kgoshi Matspe	25	Yes
Laersdrift Bus Route	30	No
Mathula road	19	Yes
Mogaung Upgrade	22	Yes
Monsterlos to Makgopeng Phase 2	18	Yes
Naganeng Construction of Bus Road	14	Yes
Mpheleng Construction of Bus Road	05	Yes
Rehabilitation Roosenekal Roads & Streets	30	No
JJ Road: Zaaiplaas Bus route	15	Yes
Upgrading of Hlogotlou Stadium	20	No

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Service Backlogs: Schools & Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (Names, Locations)				
Not applicable	0	0	0	0
Not applicable	0	0	0	0

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

Service Backlogs Experienced by Community Where Another Sphere of Government is the Service Provider (Whether or Not Municipality Acts on Agency Basis)		
Services and locations	Scale of backlogs	Impact of backlogs
Clinics	none	
Housing	none	
Licensing and testing centre	none	
Reservoirs	none	
Schools (primary & high)	none	
Sports fields	none	

APPENDIX R - DECLARATION OF LOANS AND GRANTS MADE BY MUNICIPALITY

Declaration of Loans And Grants Made by Municipality 2016/2017				
All organisations or persons in receipt of loans*/Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2016/2017 R'000	Total amount committed over previous and future years
No grants and loans granted during the year under review				

APPENDIX S - DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

MFMA Section 71 Returns Not Made During 2016/2017 According to Reporting Requirements	
Return	Reason return not properly made on due date
All MFMA Section 71 returns were made according to reporting requirements, and submitted in time	

APPENDIX S - DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71

Not applicable: all information is addressed in the annual report

**OVERSIGHT REPORT FOR THE 2016/2017
ANNUAL REPORT**

**VOLUME II: AUDITED ANNUAL
FINANCIAL STATEMENTS**



ELIAS MOTSOALEDI LOCAL MUNICIPALITY
(Registration number LIM 472)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Office of the Auditor General (Polokwane) - Auditors
Published 31 August 2017

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	Elias Motsoaledi Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)
Nature of business and principal activities	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Councillors List for the period ended 02 August 2016	
Mayor	Cllr JL Mathebe
Chief Whip	Cllr TM Phahlamohlaka (Chief Whip)
Speaker	Cllr TS Mahlangu
Councillors	Cllr JL Mathebe (Mayor) Cllr R Alberts (Exco Member) Cllr TJ Lepota (Exco Member) Cllr NN Mahlangu (Exco Member) Cllr EM Masemola (Exco Member) Cllr GD Matjomane (Exco Member) Cllr FM Mogotji (Exco Member) Cllr MJ Mohlala (Exco Member) Cllr JJ Skosana (Exco Member) Cllr MD Tladi (Exco Member) Cllr MZ Buta Cllr NA Motong Cllr MT Mokganyetsi Cllr RSA Kabinie Cllr JP Kotze Cllr MF Madihlaba Cllr MM Maepa Cllr MK Tshoshane Cllr AB Mahlangu Cllr J Mahlangu Cllr MD Mahlangu Cllr KS Mahlase Cllr MN Malatji Cllr MS Malekane Cllr AM Maloba Cllr DS Mamaila Cllr MS Marapi Cllr MS Maselela Cllr HS Mashifane Cllr MS Mashilo Cllr WM Matemane Cllr SM Mathale Cllr MS Matlala Cllr TS Matsepe Cllr MP Matshipa Cllr ST Matsomane Cllr SH Mehlaphe Cllr CT Mhlanga Cllr I Mkhali Cllr TN Mmutle Cllr VV Moganedi

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

General Information

Cllr MP Mokgabudi

Cllr MP Mokone

Cllr OE Motau

Cllr MG Motlape

Cllr DM Mzinyane

Cllr ME Nduli

Cllr SF Nkosi

Cllr TJ Ntuli

Cllr ML Phala

Cllr A Phatlane

Cllr RJ Podile

Cllr MF Rakoena

Cllr MW Ramphisa

Cllr SL Skosana

Cllr LH Tshoma

Cllr MS Tshoma

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

General Information

Councillors List for the period starting 03 August 2016

Mayor

Cllr JL Mathebe

Chief Whip

Cllr TM Phahlamohlaka

Speaker

Cllr MD Tladi

Councillors

Cllr JL Mathebe (Mayor)
Cllr TM Phahlamohlaka (Chief Whip)
Cllr MD Tladi (Speaker)
Cllr A Phatlane (Exco Member)
Cllr AM Maloba (Exco Member)
Cllr GD Matjomane (Exco Member)
Cllr JP Kotze (Exco Member)
Cllr KC Shai (Exco Member)
Cllr MG Phetla (Exco Member)
Cllr MS Mashilo (Exco Member)
Cllr TA Machipa (Exco Member)
Cllr TN Mmutle (Exco Member)
Cllr AM Makweoane
Cllr B Bogopa
Cllr BM Zulu
Cllr CN Mathebe
Cllr EM Maphopha
Cllr FM Mogotji
Cllr GM Makeke
Cllr GR Namane
Cllr HJ Makunyane
Cllr J Mahlangu
Cllr KF Madisa
Cllr KS Kgopa
Cllr LM Moima
Cllr M Ranala
Cllr MA Mphela
Cllr MB Ntuli
Cllr MG Motlape
Cllr MK Mokwane
Cllr ML Mamakoko
Cllr ML Phala
Cllr MM Matsepe
Cllr MN Malatji
Cllr MP Tshivhula
Cllr MR Msiza
Cllr MT Mohlala
Cllr MT Mosotho
Cllr MW Ramphisa
Cllr MZ Hlathi
Cllr NN Mahlangu
Cllr NT Matunyane
Cllr P Masimula
Cllr R Alberts
Cllr RJ Makitla
Cllr RM Ratau
Cllr RN Ndlovu
Cllr SH Mehlaphe

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

General Information

Cllr SM Maipushe
Cllr SW Ratlou
Cllr TA Phorothoe
Cllr TM Mokganyetji
Cllr TM Ntheke
Cllr TS Matsepe
Cllr TT Ratau
Cllr VL Mthombeni
Cllr VM Lecheke
Cllr VP Madondo
Cllr WJ Skhosana
Cllr WN Oosthuizen
Cllr Z Ngwenya

Accounting Officer

Mrs RM Maredi

Business address

2nd Grobler Avenue - Civic Centre
Groblerdal
0470

Postal address

PO Box 48
Groblerdal
0470

Bankers

Nedbank

Auditors

Office of the Auditor General (Polokwane)

Grading of the Municipality

Grade 3

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Index

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

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Abbreviations

GRAP	Generally Recognised Accounting Practice
PAYE	Pay As You Earn
IAS	International Accounting Standards
INEP	Integrated National Electrification Programme
EPWP	Expanded Public works programme
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grants

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

Mrs RM Maredi
Municipal Manager

Thursday, 31 August 2017

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 ordinary and 4 special meetings were held.

Audit committee members	Number of meetings attended
Mrs M.P Ramutsheli (Chairperson)	4 Normal - 4 Special - 8 Total
Mr V.K Chuene	4 Normal - 4 Special - 8 Total
Mr M.O Mojapelo	4 Normal - 4 Special - 8 Total
Mr M.M Thipe	4 Normal - 4 Special - 8 Total
Mr M.G Mathabathe	3 Normal - 4 Special - 7 Total

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter.

It has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The content and the quality of the yearly management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act have been reviewed by the audit committee.

The internal control environment was partially effective.

The Audit Committee is satisfied with Management's action to address deficiencies identified.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.
- reviewed the performance of the institution.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Audit Committee Report

Internal audit

The Audit Committee engaged and supported management team during the review of performance management information.

The municipality's Operating, Compliance, Performance and Risk Management controls are assessed by the internal audit function which is overseen by Audit and Risk committee.

For the year under review the Internal Audit performed their responsibility in terms of the approved internal audit plan and reported their findings on regular basis to the Audit and Risk committee and management for implementation.

In the quest for maintaining a sound control environment, the audit committee continues to build the necessary capacity within the municipality.

Risk management

Every year the Council reviews the critical strategy risks facing the municipality and approves the municipality's risk approach.

The identification and assessment of those risks are informed amongst other things, by and understanding of our operational model including trends and interests of relevant stakeholders. The audit and risk committee has overseen the process of developing risk strategy, risk register including mitigating factors for consideration by council.

The risk assessment was conducted quarterly during the year under review. The municipality had a full time Chief Risk Officer during the financial year.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee : Mrs M.P Ramutsheli

Date: _____

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: rates and general services - all types of services rendered by the municipality.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and fully elaborated in the Statement of Comparison of Budget and Actual Amounts.

Net deficit of the municipality was R 36 060 149 (2016: surplus R 40 207 860).

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period which resulted in an adjusting subsequent event.

The following non-adjusting subsequent event was noted after the reporting period:

A claim from Le Roux Inc dated 03 July 2017 on behalf of Koebill (Pty) Ltd for the transfer of property bought from the Municipality at an auction on 17 September 2014. The company is claiming for all damages suffered due to the failure to transfer the ownership to them.

4. Accounting Officer's interest in contracts

The accounting officers' declare not to have any interest in contracts of the Municipality.

5. Accounting policies

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

6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year is set out in the notes to the financial statements.

7. Accounting Officer

The Accounting Officer of the municipality during the financial year and to the date of this report is as follows:

Name	Nationality
Mrs RM Maredi	South African

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Councillors

The councillors:

- retains full control over the municipality, its plans and strategy;

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
 - Mayor
 - Speaker
 - Executive committee councillors, and
 - Councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

The audit committee met during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipal entity onto the audit committee.

Internal audit

The municipality had four full time internal auditors for the year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

9. Bankers

The municipality banks primarily with Nedbank.

10. Auditors

The Office of the Auditor General (Polokwane) will continue in office for the next financial period.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position

Figures in Rand	Note(s)	2017	2016 Restated
Assets			
Current Assets			
Inventories	9	3 202 151	3 397 502
Receivables from exchange transactions	10	1 544 578	3 598 008
Receivables from non-exchange transactions	11	19 547 729	3 990 888
VAT receivable	12	21 742 970	11 514 853
Consumer debtors	13	20 636 049	34 981 906
Cash and cash equivalents	14	20 944 077	11 965 225
		87 617 554	69 448 382
Non-Current Assets			
Investment property	3	55 728 304	96 139 347
Property Plant and Equipment	4	938 355 745	929 085 799
Heritage Assets	5	463 363	463 463
Intangible assets	6	290 674	496 001
Deposit (Security held in advance)	8	11 932 253	11 403 658
		1 006 770 339	1 037 588 268
Total Assets		1 094 387 893	1 107 036 650
Liabilities			
Current Liabilities			
Deferred income	17	192 982	192 982
Finance lease obligation	15	6 899 877	8 169 707
Landfill Site Provision	18	2 947 231	930 456
Payables from exchange transactions	19	65 095 088	53 061 164
Consumer deposits	20	5 633 383	5 612 611
Employee benefit obligation	7	1 622 867	1 241 088
Unspent conditional grants and receipts	16	16 955 569	1 574 723
Provisions	18	333 471	533 048
		99 680 468	71 315 779
Non-Current Liabilities			
Deferred income	17	3 859 649	4 052 632
Finance lease obligation	15	-	6 899 877
Landfill Site Provision	18	44 516 214	45 592 332
Employee benefit obligation	7	37 217 238	34 243 239
Provisions	18	4 218 110	3 976 430
		89 811 211	94 764 510
Total Liabilities		189 491 679	166 080 289
Net Assets		904 896 214	940 956 361
Net Assets			
Accumulated surplus		904 896 214	940 956 361

* See Note 41

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated
Revenue			
Revenue from exchange transactions			
Interest received	24	9 358 203	10 162 645
Licences and permits	21	5 255 414	4 256 501
Other income	23	6 976 694	745 883
Recoveries	23	1 121 410	855 425
Rental of facilities and equipment	35	1 318 716	1 412 843
Service charges	22	77 250 735	69 587 523
Total revenue from exchange transactions		101 281 172	87 020 820
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	25 814 661	28 280 202
Transfer revenue			
Government grants & subsidies	27	282 035 154	293 840 422
Fines, Penalties and Forfeits	21	50 884 525	2 412 594
Total revenue from non-exchange transactions		358 734 340	324 533 218
Total revenue	21	460 015 512	411 554 038
Expenditure			
Administration	32	(186 673)	(958 595)
Bulk purchases	31	(65 729 402)	(60 439 478)
Debt Impairment	31	(21 128 019)	(8 130 056)
Depreciation and amortisation	4&5&6	(47 997 651)	(53 859 408)
Employee related costs	28	(117 780 736)	(108 305 606)
Finance costs	30	(1 426 148)	(2 268 424)
General Expenses	33	(152 927 587)	(92 166 830)
Impairment loss/ Reversal of impairments	36	(4 041 316)	(402 926)
Lease rentals on operating lease	36	(7 630 970)	(8 375 807)
Remuneration of councillors	29	(20 297 858)	(19 060 569)
Repairs and maintenance	29	(12 873 172)	(10 048 875)
Transfers and Subsidies	26	(707 968)	(313 378)
Total expenditure		(452 727 500)	(364 329 952)
Operating surplus/(deficit)	36	7 288 012	47 224 086
Additional service cost landfill rehabilitation	18	(10 202)	(3 885 575)
Fair value adjustments - actuarial gains/(losses)	7&18	433 499	(2 012 059)
Investment property fair value adjustment	3	(40 411 043)	2 671 345
Loss on disposal of assets	4	(3 360 415)	(3 789 937)
		(43 348 161)	(7 016 226)
Surplus/(deficit) for the year		(36 060 149)	40 207 860

* See Note 41

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	832 921 123	832 921 123
Adjustments		
Prior year adjustments (refer Note 41)	67 827 378	67 827 378
Balance at 01 July 2015 as restated	900 748 501	900 748 501
Changes in net assets		
Surplus for the year	40 207 860	40 207 860
Total changes	40 207 860	40 207 860
Opening balance as previously reported	872 287 508	872 287 508
Adjustments		
Correction of errors (refer note 41)	68 668 855	68 668 855
Balance at 01 July 2016 as restated	940 956 363	940 956 363
Changes in net assets		
Surplus for the year	(36 060 149)	(36 060 149)
Total changes	(36 060 149)	(36 060 149)
Balance at 30 June 2017	904 896 214	904 896 214
Note(s)	41	

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Fines		2 718 886	1 155 098
Sale of goods and services		100 255 312	102 074 489
Grants		282 035 154	293 840 422
Interest		9 358 204	10 162 645
Other receipts		9 223 836	3 014 151
Licences and Permits		5 255 414	4 256 501
		<u>408 846 806</u>	<u>414 503 306</u>
Payments			
Employee costs		(134 680 713)	(122 210 092)
Suppliers		(174 398 107)	(187 284 365)
Finance cost		(1 426 149)	(2 268 420)
		<u>(310 504 969)</u>	<u>(311 762 877)</u>
Net cash flows from operating activities	37	<u>98 341 837</u>	<u>102 740 429</u>
Cash flows from investing activities			
Purchase of property plant and equipment	4	(80 664 683)	(108 388 066)
Proceeds from sale of property plant and equipment	4	-	654 036
Purchase of Intangible assets		-	(173 684)
Increase in Deposit (Security held in advance)		(528 595)	(753 397)
		<u>(81 193 278)</u>	<u>(108 661 111)</u>
Cash flows from financing activities			
Finance lease payments		(8 169 707)	(7 271 813)
		<u>8 978 852</u>	<u>(13 192 495)</u>
Net increase/(decrease) in cash and cash equivalents		<u>11 965 225</u>	<u>25 157 720</u>
Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year	14	<u>20 944 077</u>	<u>11 965 225</u>

* See Note 41

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	81 101 633	(2 141 423)	78 960 210	77 250 735	(1 709 475)	1
Rental of facilities and equipment	912 129	1 500 000	2 412 129	1 318 716	(1 093 413)	2
Licences and permits	5 059 764	(200 000)	4 859 764	5 255 414	395 650	3
Recoveries	-	-	-	1 121 410	1 121 410	3.1
Other income	2 151 924	(953 098)	1 198 826	6 976 694	5 777 868	4
Interest earned	9 952 066	350 000	10 302 066	9 358 203	(943 863)	5
Total revenue from exchange transactions	99 177 516	(1 444 521)	97 732 995	101 281 172	3 548 177	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	23 981 147	(201 369)	23 779 778	25 814 661	2 034 883	6
Transfer revenue						
Government grants & subsidies	288 524 000	10 000 000	298 524 000	282 035 154	(16 488 846)	7
Fines, Penalties and Forfeits	1 341 847	5 658 153	7 000 000	50 884 525	43 884 525	8
Total revenue from non-exchange transactions	313 848 994	15 456 784	329 305 778	358 734 340	29 430 562	
Total revenue	413 026 510	14 012 263	427 038 773	460 015 512	32 978 739	
Expenditure						
Personnel	(109 053 195)	(3 443 080)	(112 496 275)	(117 780 736)	(5 284 461)	9
Remuneration of councillors	(18 908 378)	(1 383 648)	(20 292 026)	(20 297 858)	(5 832)	10
Administration	-	-	-	(186 673)	(186 673)	11
Depreciation and amortisation	(35 796 473)	(14 203 526)	(49 999 999)	(47 997 651)	2 002 348	12
Impairment loss/ Reversal of impairments	-	-	-	(4 041 316)	(4 041 316)	12.1
Finance costs	(60 000)	(2 700 000)	(2 760 000)	(1 426 148)	1 333 852	13
Lease rentals on operating lease	-	-	-	(7 630 970)	(7 630 970)	14

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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
Figures in Rand						
Debt Impairment	(12 687 580)	2 000 000	(10 687 580)	(21 128 019)	(10 440 439)	15
Repairs and maintenance	(3 945 000)	(6 553 066)	(10 498 066)	(12 873 172)	(2 375 106)	16
Bulk purchases	(64 960 810)	2 055 290	(62 905 520)	(65 729 402)	(2 823 882)	17
Transfers and Subsidies	(2 128 000)	(120 000)	(2 248 000)	(707 968)	1 540 032	18
General Expenses	(81 375 593)	(15 098 136)	(96 473 729)	(152 927 587)	(56 453 858)	19
Total expenditure	(328 915 029)	(39 446 166)	(368 361 195)	(462 727 500)	(84 366 306)	
Operating surplus	84 109 481	(25 433 903)	58 675 578	7 288 012	65 963 590	
Loss on disposal of assets and liabilities	-	-	-	(3 360 415)	(3 360 415)	19.1
Additional contribution landfill rehabilitation	-	-	-	(10 202)	(10 202)	19.1
Fair value adjustments	-	-	-	433 499	433 499	19.1
Investment property fair value adjustment	-	-	-	(40 411 043)	(40 411 043)	19.1
	-	-	-	(43 348 161)	(43 348 161)	
Surplus/(Deficit) before taxation	84 109 481	(25 433 903)	58 675 578	(36 060 149)	(94 735 727)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	84 109 481	(25 433 903)	58 675 578	(36 060 149)	(94 735 727)	

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	3 000 000	(14 000)	2 986 000	3 202 151	216 151	20
Receivables from exchange transactions	13 854 663	13 100 000	26 954 663	1 544 578	(25 410 085)	21
Receivables from non-exchange transactions	-	-	-	19 547 729	19 547 729	22
VAT receivable	-	-	-	21 742 970	21 742 970	23
Consumer debtors	18 947 246	13 135 000	32 082 246	20 636 049	(11 446 197)	24
Cash and cash equivalents	36 615 867	(10 952 496)	25 663 371	20 944 077	(4 719 294)	25
	72 417 776	15 268 504	87 686 280	87 617 554	(68 726)	
Non-Current Assets						
Investment property	89 472 000	3 996 001	93 468 001	55 728 304	(37 739 697)	26
Property Plant and Equipment	891 662 963	42 753 991	934 416 954	938 355 745	3 938 791	27
Heritage Assets	-	-	-	463 363	463 363	28
Intangible assets	640 009	(461 700)	178 309	290 674	112 365	29
Deposit (Security held in advance)	11 697 891	362 871	12 060 762	11 932 253	(128 509)	30
Long term lease Debtor - restated	-	-	-	-	-	
	993 472 863	46 651 163	1 040 124 026	1 006 770 339	(33 353 687)	
Total Assets	1 065 890 639	61 919 667	1 127 810 306	1 094 387 893	(33 422 413)	
Liabilities						
Current Liabilities						
Deferred income	-	-	-	192 982	192 982	31
Finance lease obligation	-	10 100 000	10 100 000	6 899 877	(3 200 123)	32
Landfill Rehabilitation Provision	-	-	-	2 947 231	2 947 231	33
Payables from exchange transactions	25 000 473	37 252 527	62 253 000	65 095 087	2 842 087	33.1
Consumer deposits	5 443 954	456 046	5 900 000	5 633 383	(266 617)	34
Employee benefit obligation	-	-	-	1 622 867	1 622 867	35

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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
Figures in Rand						
Unspent conditional grants and receipts	-	-	-	16 955 569	16 955 569	36
Provisions	1 451 524	-	1 451 524	333 471	(1 118 053)	37
	31 895 951	47 808 573	79 704 524	99 680 467	19 975 943	
Non-Current Liabilities						
Deferred income	-	-	-	3 859 649	3 859 649	38
Finance lease obligation	6 263 967	(6 263 967)	-	44 516 214	44 516 214	39
Landfill Site Rehabilitation provision	-	-	-	37 217 238	37 217 238	40
Employee benefit obligation	84 249 344	935 686	85 185 030	4 218 110	(80 966 920)	40
Provisions						
	90 513 311	(5 328 281)	85 185 030	89 811 211	4 626 181	
Total Liabilities	122 409 262	42 480 292	164 889 554	189 491 678	24 602 124	
Net Assets	943 481 377	19 439 375	962 920 752	904 896 215	(58 024 537)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	943 481 377	19 439 375	962 920 752	904 896 215	(58 024 537)	41

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved budget Adjustments Final Bu

Figures in Rand

Budget and Actual Amounts variance explanation

1. Variance as a result of slight reduction in consumption of the municipal service charge than anticipated in budgeted compilation.
2. The rate at which the stadium was rented was lower than the projected rate.
3. The variance is positively correlated to the general increase in new and second hand cars during the year. The increase was more than anticipated at budget process.
- 3.1 The incident that led to recoveries was not known when both original and adjusted budget were approved and as a result, there was no budget provision for this line item.
4. Increase is due to retention's that were written off during the year, this was not anticipated at the budget process due to the transaction being non-recurring.
5. The reduction in interest is mainly due to a lower investment balance during the year compared to previous year resulting in less interest earned on investments.
6. The variance is due to the increase in revenue forgone to indigent users resulting in slightly less net revenue from property rates.
7. The variance is attributed to unspent conditional grants
8. The variance is attributed to procurement of speed cameras that resulted in significant increase in the traffic fines.
9. Excess due to remuneration of Ward committee members budgeted under general expenses
10. The variance is due to salaries adjustment from grade 3 upper limits to those of grade 4
11. Administration is budgeted under general expenses.
12. Variance due to revised useful lives of assets in terms of GRAP 17.
- 12.1 The impairment loss was not budgeted for since during budget preparation stage there was no expectation that there will be impairment loss or reversal..
13. The budget was overstated to cover the increase in repo rate and possible new lease contracts that did not materialise during the year.
14. The operating lease was budgeted under general expenses.
15. The increase in debt impairment is attributed to increased revenue for traffic fines emanating from the speed cameras.
16. Increased due to unexpected repairs and maintenance to municipal assets.
17. The actual expenditure was adjusted to match the demand and consumption of electricity.
18. The budget figure was made up of external bursaries, free basic electricity and Council contribution on medical aid for pensioner, yet the actual expenditure only relate to free basic electricity .
19. The actual expenditure include bad debts written off and landfill – additional interest that were not taken into account in the approved budget. In addition, the overspending was mainly on contracted services
- 19.1 The gain/(loss) on disposal of assets is a non-recurring transaction, and the municipality did not have plans in place to dispose assets at the time of finalizing the budget for approval.
20. The variance is attributed to increased number of store items on hand at year end
21. Budget is includes allocation for receivables from non-exchange transactions
22. Budget is allocated under receivables from exchange transactions
23. Budget is allocated under other debtors
24. The variance as a result of bad debts written off during the year as approved by Council.
25. The variance is a result of the municipality early payment of creditors.
26. The variance is caused by fair value adjustment that was reclassified after approval of the budget
27. Variance due to new found assets during the year.
28. The projected amortisation for Intangible asset was more than the actual amortisation
29. Variance due to additions during the year.
30. The variance is due to less interest earned on movements in Eskom deposits held as a security.
31. The budget allocation has been made under trade and other payables
32. The budget included provision for leasing of additional vehicles that were procured under operating lease as opposed to finance lease
33. The budget allocation has been made under current provision
- 33.1 The variance is attributed to early payment of creditors before year end.
34. The consumer deposit figure at year end is lower than it was projected due to deposit refunded to consumers
35. The budget allocation for the year has been made under current provision
36. The variance relates to the unspent conditional grants which was not anticipated on budget compilation.
37. The actuarial valuation of the obligation was more than the estimated amount.s.
38. In terms of National Treasury schedules or template the budget for this line item is included in trade and other payables.
39. There is no longer any non current finance lease obligations due to lease period coming to an end within the next 12 months.
40. The actuarial valuation of the obligation was less than the estimated amount.
41. The variance is attributed to the bad debts written off and debt impairment resulting in reduced surplus for the year.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. In situations where the application of GRAP is not practicable, the International Accounting Standards will apply.

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

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

1.3 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:

Useful lives and residual values of property plant and equipment and other assets

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

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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. .

Provisions

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

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

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows.

Provision for landfill sites

The provision for rehabilitation site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the related asset are charged to the Statement of Financial Performance.

Provision of rehabilitation of landfill site is determined by :

- Calculating the cost of rehabilitation of landfill sites and assessing the useful life of each land fill site as done by an Actuary/Specialist
- The effect of time value of money is calculated using interest rates (investment rate) linked to the prime rate.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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 for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, 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 at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

Fair value

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

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

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

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

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 of the item can be measured reliably.

Property Plant and Equipment is initially measured at cost.

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Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

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

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.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	Average useful life
Land	Indefinite
Buildings	30 years
Plant and machinery	5 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	3 - 20 years
Office equipment	3 - 5 years
IT equipment	3 - 6 years
Infrastructure	5 - 30 years
Other property, plant and equipment	5 - 30 years
Other equipment	5 - 25 years
Specialised vehicles	10 years
Tools and loose gear	5 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 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.

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Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

Item	Useful life
Computer Software	3-5 years

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

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

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

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

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

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

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Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

An impairment loss of a heritage asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of the heritage asset's net selling price and its value in use.

Value in use of the heritage asset is the present value of the asset's remaining service potential.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Derecognition

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

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

1.8 Financial instruments

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

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

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

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

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

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

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Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

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

Classification

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

Class	Category
Deposits	Financial asset measured at amortised cost
Investments - Call accounts	Financial asset measured at cost
Consumer Debtors	Financial asset measured at amortised cost
VAT	Financial asset measured at cost
Sundry debtors	Financial asset measured at amortised cost

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

Class	Category
Deposits	Financial liability measured at amortised cost
Trade Payables	Financial asset measured at cost
Accruals	Financial asset measured at cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Presentation

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

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

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

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

1.9 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.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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 this Standard) for a statutory receivable 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 the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the 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 entity 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.

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; or

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

- the municipality, 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 entity:
 - derecognise the receivable; and
 - recognise 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 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.

1.10 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, 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.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

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

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 test 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

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Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

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.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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.

Cash-generating units

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

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

- 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.

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Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

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

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

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

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

Useful life is either:

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

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

- Buildings (Public buildings)
- Infrastructure (Roads)
- Stormwater

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 entity also test a 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 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 an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

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Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized 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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

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

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

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

1.14 Employee benefits

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

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

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
 - the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.
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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

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

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

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

Short-term employee benefits

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

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity 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, an 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 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 is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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 entity shall recognise 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, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

1.15 Provisions and Contingent Liabilities

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 deficits.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

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

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

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

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

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

1.16 Commitments

Items are classified as commitments when an 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 should be 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 entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest

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

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

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

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

1.18 Revenue from non-exchange transactions

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

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

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

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

Transfers

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

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

Fines

Fines are recognised when it is probable that future economic benefits will flow to the entity; the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued.

The amount due by a particular offender is specified on the notice, summons or equivalent document. The municipality issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken.

Fines reductions are not within the Elias Motsoaledi Municipality's discretion, they are subject to a further judicial process which is outside the municipality's control, then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information.

The municipality is able to reliably measure the fair value of fines issued. The value of the fine that can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued. In these instances, the asset (receivable) can be measured reliably.

The basis of a receivables provision for fines outstanding as at year end in Elias Motsoaledi Municipality is based on a percentage of fines settled which already has accounted for the discretion applied by court to reduce or withdraw fines requested for review by public members divided by the total fines issued for the current year.

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

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

Levies

Levies are recognised as revenue 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.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- Internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised on receipt probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

Commitments

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

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

If the municipality enters into any significant contractual commitments that will result in the outflow of financial sources after the balance sheet date, it must be disclosed in the notes to the annual financial statements as a non-adjusting event.

Commitments include:

- Capital commitments (to acquire PPE and intangible assets)
- Lease commitments
- Other financial commitments

The value of the planned outflow of financial resources shall be disclosed per category of commitments

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

Property rates - revenue

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Other grants and donations

Other grants and donations are recognised as revenue when:

- > it is probably that the economic benefits or service potential associated with the transaction will flow to the municipality;
- > the amount of the revenue can be measured reliably; and
- >to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

- >to the extent that there has been compliance with any restrictions associated with the grant.

1.19 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.20 Investment income

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

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

1.21 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.22 Comparative figures

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

1.23 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.

1.24 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.

1.25 Irregular expenditure

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

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

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

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

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

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

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

1.26 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.27 Conditional grants and receipts

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

1.28 Budget information

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

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

The annual financial statements and the budget are not compiled on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not compiled on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

Comparative information is not required.

1.29 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

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

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

1.30 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

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.31 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un-utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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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 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

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

The municipality has adopted the standard for the first time in the 2017 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

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

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

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

The municipality has adopted the standard for the first time in the 2017 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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3. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and Buildings	55 728 304	-	55 728 304	96 139 347	-	96 139 347

Reconciliation of investment property - June 2017

	Opening balance	Fair value adjustments	Total
Land and Buildings	96 139 347	(40 411 043)	55 728 304

Reconciliation of investment property - June 2016

	Opening balance	Fair value adjustments	Total
Investment property	93 468 002	2 671 345	96 139 347

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. None of the assets of the Municipality has been pledged as security for any purposes.

The valuation of the Investment properties was performed by an independent valuator, Pierre Rynners valuers. Sales research was conducted for property transactions taking place in the period starting July 2015 to June 2017. Year-on-year increases were calculated based on the average sales data collected for each township within the larger municipal area. The property market in the greater Elias Motsoaledi area was very quiet, overall little if any increases took place.

4. Property Plant and Equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	181 738 948	(9 026 900)	172 712 048	181 779 048	(9 026 900)	172 752 148
Buildings	67 817 421	(27 343 077)	40 474 344	60 576 651	(23 792 835)	36 783 816
Leased assets capitalised	21 083 725	(4 112 588)	16 971 137	21 083 725	(2 285 466)	18 798 259
Infrastructure	897 130 567	(297 646 448)	599 484 119	821 582 213	(264 200 956)	557 381 257
Community	59 503 580	(22 288 160)	37 215 420	57 937 690	(14 733 843)	43 203 847
Other property, plant and equipment	74 388 803	(49 979 441)	24 409 362	93 224 544	(61 327 301)	31 897 243
Capital - Work in Progress	47 089 315	-	47 089 315	68 269 229	-	68 269 229
Total	1 348 752 359	(410 396 614)	938 355 745	1 304 453 100	(375 367 301)	929 085 799

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Reconciliation of property plant and equipment - June 2017

	Opening balance	Additions	Disposals	Transfers received	Donations	Depreciation	Impairment loss	Total
Land	172 752 148	-	(40 100)	-	-	(2 977 542)	(27 994)	172 712 048
Buildings	36 783 816	-	-	6 696 064	-	(1 827 122)	-	40 474 344
Leased assets capitalised	18 798 259	-	-	-	-	(34 551 908)	(376)	16 971 137
Infrastructure	557 381 257	-	-	76 655 146	-	(2 057 200)	(3 931 227)	599 484 119
Community	43 203 847	-	-	-	-	(6 378 554)	(81 721)	37 215 420
Other property, plant and equipment	31 897 243	2 292 609	(3 320 215)	-	-	-	-	24 409 362
Capital - Work in Progress	68 269 229	78 372 074	-	(83 351 210)	(16 200 778)	-	-	47 089 315
	929 085 799	80 664 683	(3 360 316)	-	(16 200 778)	(47 792 326)	(4 041 318)	938 355 745

Reconciliation of property plant and equipment - June 2016

	Opening balance	Additions	Disposals	Transfers	Derecognised	Depreciation	Impairment loss	Total
Land	172 752 148	-	-	-	-	(3 164 789)	-	172 752 148
Buildings	39 948 605	-	-	-	-	(1 828 372)	-	36 783 816
Leased assets capitalised	20 626 631	-	-	-	-	(36 714 110)	(248 447)	18 798 259
Infrastructure	517 175 466	-	-	77 168 348	-	(2 373 244)	(154 478)	557 381 257
Community	45 731 569	-	-	-	-	(9 461 942)	-	43 203 847
Other property, plant and equipment	39 200 529	6 602 629	(4 443 973)	-	-	-	-	31 897 243
Capital - Work in Progress	44 537 717	101 785 438	-	(77 168 348)	(885 578)	-	-	68 269 229
	879 972 665	108 388 067	(4 443 973)	-	(885 578)	(53 542 457)	(402 925)	929 085 799

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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. None of the assets of the Municipality has been pledged as security for any purposes.

Certain assets were impaired during the year, based on physical verification that were performed during the 2017 financial year. The fair value less costs to sell method was used.

The impairment review was limited to review of the possible "Physical impairment" of the assets. This impairment review is therefore directly linked to the high-level condition assessment carried out on the assets that have been physically verified. Impairment was raised in cases where the carrying amount at yearend (Including accumulated impairment in prior years but before current year impairment losses) exceeded the recoverable service amount calculated. The additional impairment will be equal to the difference between the carrying value and the recoverable service amount.

Once the condition of an asset is determined the condition rating is applied in order to ensure that the value of the asset is correctly reflected, this is done by reducing the carrying value of the asset based on its condition, as per the table below:

Description	Rating
Very Good	95%
Good	70%
Fair	45%
Poor	25%
Very Poor	10%
Broken	0%

During the 2017 financial year the Tafelkop Sport stadium was impaired with R3 931 227 due to it being vandalised.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

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5. Heritage Assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Heritage Assets	463 363	-	463 363	463 463	-	463 463

Reconciliation of heritage assets - June 2017

	Opening balance	Disposals	Total
Heritage Assets	463 463	(100)	463 363

Reconciliation of heritage assets - June 2016

	Opening balance	Disposals	Total
Heritage Assets	463 463	-	463 463

6. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 554 591	(1 263 917)	290 674	1 554 591	(1 058 590)	496 001

Reconciliation of intangible assets - June 2017

	Opening balance	Additions	Amortisation	Total
Computer software	496 001	-	(205 327)	290 674

Reconciliation of intangible assets - June 2016

	Opening balance	Additions	Amortisation	Total
Computer software	640 009	173 684	(317 692)	496 001

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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7. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the Post Employment Medical Health Care obligation -	(35 484 327)	(30 763 711)
Opening balance		
Interest charge	(3 143 476)	(2 680 553)
Net actuarial gains or losses recognised	155 761	(1 427 756)
Current Service Cost	(1 410 336)	(1 556 236)
Benefits paid out of the fund	1 042 273	943 929
	(38 840 105)	(35 484 327)
Non-current liabilities	(37 217 238)	(34 243 239)
Current liabilities	(1 622 867)	(1 241 088)
	(38 840 105)	(35 484 327)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	35 484 327	30 763 711
Net expense recognised in the statement of financial performance	3 355 778	4 720 616
	38 840 105	35 484 327

Net expense recognised in the statement of financial performance

Current service cost	1 410 336	1 556 236
Interest cost	3 143 476	2 680 553
Actuarial (gains)/losses	(155 761)	1 427 756
Paid out to current members	(1 042 273)	(943 929)
	3 355 778	4 720 616

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(155 761)	1 427 756
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Long service awards	8.52 %	8.64 %
General salary inflation (Long Term)	6.34 %	7.29 %
Net effective discount rate - Long service awards	2.05 %	1.26 %
Discount rate used: Post employment benefits	9.57 %	9.01 %
Health care inflation rate	7.85 %	8.13 %
Net effective discount rate - Post employment benefits	1.59 %	0.82 %

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Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	5 430 700	5 034 600

Amounts disclosed span the total information available as the municipality applied the GRAP standard only from 2012 annual financial statements. Future periods will include all further information as it ages.

	June 2017 R	June 2016 R	June 2015 R	June 2014 R	June 2013 R
Defined benefit obligation	38 840 103	35 484 327	30 763 371	28 168 340	24 917 233
Experience adjustments on plan liabilities	(4 795 000)	(1 933 000)	(363 000)	(1 258 817)	(1 444 000)

8. Deposit (Security held in advance)

A security deposit is held by Eskom who is the bulk electricity supplier to the municipality. The Municipality occasionally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance. The amount equals approximately twice the monthly account and will be held until the service is no longer required.

Eskom Deposits

Account payable security

11 932 253

11 403 658

9. Inventories

Consumables

3 202 151

3 397 502

9.1 Consumables expenses

Statement of Financial Position

Opening stock

3 397 502

2 636 339

Add: Purchases

8 229 582

8 577 485

Less: Consumed

(8 424 933)

(7 816 322)

Closing stock

3 202 151

3 397 502

Statement of Financial Performance

Consumables used

5 080 508

4 658 855

(Gains)/losses on inventory

5 139

(20 853)

Inventories recognised as an expense during the year

5 085 647

4 638 003

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
10. Receivables from exchange transactions		
Trade debtors	832 196	1 872 629
Housing debtors	-	208 878
Recoverable fruitless and wasteful expenditure	712 382	1 516 501
	1 544 578	3 598 008
Reconciliation of provision for impairment of trade and other receivables		
The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.		
The maximum exposure to credit risk at the reporting date is the fair value of each class of debtors above. The municipality does not hold any collateral as security.		
11. Receivables from non-exchange transactions		
Fines	69 371 820	21 206 181
Less: Provision for irrecoverable debt and fair value adjustment	(49 824 091)	(17 215 293)
	19 547 729	3 990 888
12. VAT receivable		
VAT	21 742 970	11 514 853
The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.		
Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.		
13. Consumer debtors		
Gross balances		
Rates	20 827 726	45 761 999
Electricity	11 991 487	11 404 957
Refuse	2 570 683	1 938 718
Other	12 791 592	14 902 449
	48 181 488	74 008 123
Less: Allowance for impairment		
Rates	(11 432 623)	(21 177 108)
Electricity	(3 437 521)	(3 030 334)
Refuse	(1 327 999)	(1 155 499)
Other	(11 347 296)	(13 663 276)
	(27 545 439)	(39 026 217)
Net balance		
Rates	9 395 103	24 584 891
Electricity	8 553 966	8 374 623
Refuse	1 242 684	783 219
Other	1 444 296	1 239 173
	20 636 049	34 981 906

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Rates - Consisting of Non Exchange Transactions		
Current (0 -30 days)	3 985 933	19 105 176
31 - 60 days	792 950	981 604
61 - 90 days	555 189	774 547
91 - 120 days	522 094	683 555
121 - 365 days	3 455 791	7 197 142
> 365 days	11 515 768	17 019 975
	20 827 725	45 761 999
Electricity - Consisting of Exchange Transactions		
Current (0 -30 days)	5 582 773	5 026 791
31 - 60 days	1 984 050	1 483 975
61 - 90 days	412 297	722 236
91 - 120 days	281 062	349 069
121 - 365 days	1 982 889	2 001 571
> 365 days	1 748 416	1 821 315
	11 991 487	11 404 957
Refuse - Consisting of Exchange Transactions		
Current (0 -30 days)	477 313	296 742
31 - 60 days	167 466	126 636
61 - 90 days	93 592	54 800
91 - 120 days	78 382	42 734
121 - 365 days	451 286	260 496
> 365 days	1 302 644	1 157 310
	2 570 683	1 938 718
Other - Consisting of Non Exchange Transactions		
Current (0 -30 days)	3 888 163	1 292 646
31 - 60 days	592 311	973 789
61 - 90 days	416 180	568 676
91 - 120 days	444 203	648 777
121 - 365 days	2 173 560	5 299 997
> 365 days	5 277 174	6 118 564
	12 791 592	14 902 449

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	11 019 345	13 379 729
31 - 60 days	2 820 708	1 650 852
61 - 90 days	1 065 243	928 858
91 - 120 days	928 807	755 340
121 - 365 days	4 909 043	5 393 386
> 365 days	13 990 090	16 659 741
	<u>34 733 236</u>	<u>38 767 906</u>
Less: Allowance for impairment	(16 002 995)	(17 972 789)
	18 730 241	20 795 117
Industrial/ commercial / agricultural		
Current (0 -30 days)	2 467 146	4 116 583
31 - 60 days	436 560	1 316 671
61 - 90 days	408 367	814 716
91 - 120 days	405 772	630 682
121 - 365 days	2 651 601	5 284 293
> 365 days	5 465 459	7 337 092
	<u>11 834 905</u>	<u>19 500 037</u>
Less: Allowance for impairment	(11 048 854)	(13 853 677)
	786 051	5 646 360
National, provincial and other government organisations		
Current (0 -30 days)	447 690	981 727
31 - 60 days	279 510	598 481
61 - 90 days	3 649	376 684
91 - 120 days	(8 838)	338 114
121 - 365 days	502 882	1 727 272
> 365 days	388 454	1 978 604
	<u>1 613 347</u>	<u>6 000 882</u>
Less: Allowance for impairment	(493 590)	(3 067 095)
	1 119 757	2 933 787
Total		
Residential and Other	36 617 037	42 900 565
Commercial / industrial / agricultural	9 951 104	19 500 037
National, Provincial and other government organisations	1 613 348	6 000 882
In Advance	-	5 606 639
	<u>48 181 489</u>	<u>74 008 123</u>
Less: Allowance for impairment	(27 545 440)	(39 026 217)
	20 636 049	34 981 906
Reconciliation of allowance for impairment		
Balance at beginning of the year	(39 026 218)	(31 172 771)
Contributions to provision	11 480 779	(7 853 446)
	<u>(27 545 439)</u>	<u>(39 026 217)</u>

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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Consumer debtors impaired

As of 30 June 2017, consumer debtors of R 48 181 499 (2016: R 74 008 123) were impaired and provided for.

During the year consumer debtors amounting to **R 23 082 118.9** was written off as bad debts.

The amount of the provision was R 27 545 439 as of 30 June 2017 (2016: R 39 026 217). The basis of the calculation of debt impairment is based on the risk assessment required in terms of GRAP 19.

Consumer debtors breakdown

During the year it was decided that consumer debtors be consolidated in the Statement of Financial Position and a breakdown to show Consumer debtors - From Exchange Transactions and Consumer debtors - From Non- Exchange Transactions be disclosed in the note below.

The carrying amount of consumer debtors consist of the following:

Consumer debtors from non-exchange transactions	9 395 103	25 824 067
Consumer debtors from exchange transactions	11 240 946	9 157 839
Total	<u>20 636 049</u>	<u>34 981 906</u>

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	(125)	(215)
Bank balances	20 944 202	11 965 440
	<u>20 944 077</u>	<u>11 965 225</u>

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
ABSA Bank Limited Call Account (Acc no 4068316809)	-	632 032	-	635 377
ABSA Bank Limited MIG Call Account (Acc no 4087013143)	-	740 519	-	744 375
ABSA BANK - Cheque Account (Acc no 900000049)	-	4 917 116	-	4 683 308
Nedbank Limited: 90 Day Notice Deposit (Acc No 03/7881068264)	-	5 519 626	-	5 506 696
VBS Mutual Bank - 32 Day Notice Group - 100-6277-2004	15 631 027	-	15 432 763	-
Nedbank Limited: Cheque Account (Acc no 1137278765)	4 175 411	-	5 287 700	-
Total	<u>19 806 438</u>	<u>11 809 293</u>	<u>20 720 463</u>	<u>11 569 756</u>

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
15. Finance lease obligation		
Minimum lease payments due		
- within one year	7 267 085	9 595 855
- in second to fifth year inclusive	-	7 267 085
	<u>7 267 085</u>	<u>16 862 940</u>
less: future finance charges	(367 208)	(1 793 356)
Present value of minimum lease payments	<u>6 899 877</u>	<u>15 069 584</u>
Non-current liabilities	-	6 899 877
Current liabilities	6 899 877	8 169 707
	<u>6 899 877</u>	<u>15 069 584</u>

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The lease term is 3 years and the average effective borrowing rate was linked to prime rates. The lease commenced on the 30th April 2015.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Land Affairs Grant	466 250	466 250
Integrated National Electrification Programme (Municipal Grant)	189 434	1 108 473
Municipal Infrastructure Grant	16 299 885	-
	<u>16 955 569</u>	<u>1 574 723</u>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

ELIAS MOTSOALEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
17. Deferred income		
Designated at amortised cost		
Deferred income	3 859 649	4 052 632
Designated at amortised cost		
Deferred income	192 982	192 982
<p>The municipality received R 5 500 000 in advance for the market related lease of a business property. As part of the lease agreement these payments are amortised over the period of the lease agreement. No escalation is applicable on the lease and the lease payments are amortised utilising the straight line method. The lease amounts to R 192 982 per annum excluding VAT (value added tax).</p>		
Non-current liabilities		
Deferred income	3 859 649	4 052 632
Current liabilities		
Deferred income	192 982	192 982

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

18. Provisions

Reconciliation of provisions - June 2017

	Opening Balance	Current Service Cost	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation - Landfill	46 522 788	10 202	-	930 455	-	47 463 445
Provision for Long Service Leave Bonus	4 509 478	571 500	(618 551)	366 892	(277 738)	4 551 581
	51 032 266	581 702	(618 551)	1 297 347	(277 738)	52 015 026

Reconciliation of provisions - June 2016

	Opening Balance	Current Service Cost Restated	Benefit Vested	Interest Cost	Actuarial Loss / (Gain) Restated	Total
Environmental rehabilitation - Landfill	41 863 989	3 885 575	-	773 224	-	46 522 788
Provision for Long Service Leave Bonus	4 074 011	489 934	(503 953)	302 676	146 810	4 509 478
	45 938 000	4 375 509	(503 953)	1 075 900	146 810	51 032 266

Non Current Portion Landfill site provision	44 516 214	45 592 332
Current Portion Landfill site provision	2 947 231	930 456
Non-current portion of long service leave provision	4 218 110	3 976 430
Current portion of long service leave provision	333 471	533 048
	52 015 026	51 032 266

Employee benefit cost provision

An actuarial valuation was performed on the long service bonus awards - current and non current - liability for the purpose of reporting under the statement of Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standards 19 (IAS 19) was performed.

In terms of the basic conditions of employment long service accumulated leave must be wholly or partially converted to payment on the date on which the employee qualifies for it or at any stage thereafter subject to budget provisions.

Detailed assumptions are disclosed under note 7

Environmental rehabilitation provision

An actuarial valuation was performed on the environmental rehabilitation - current and non current - liability. The municipality appointed Messers One Pangaea Financial as actuaries to perform the rehabilitation review and estimation for the 2017 financial year. The appropriate procedures were followed to ensure that the provision is appropriate for the landfill sites operated.

19. Payables from exchange transactions

Trade payables	34 760 097	19 595 399
Payments received in advanced Consumer Accounts	6 446 403	5 606 039
Accrued leave pay	11 875 952	11 047 962
Accrued bonus	3 419 662	2 747 112
Retention Creditors	8 592 974	14 064 652
	65 095 088	53 061 164

20. Consumer deposits

Electricity	5 633 383	5 612 611
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The deposit relates to the guarantees or amounts paid by consumers on initial connection to municipal services. The deposit will be used to settle the debt in case of disconnection of services or payment default by the customer.

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
21. Revenue		
Fines, Penalties and Forfeits	50 884 525	2 412 594
Government grants & subsidies	282 035 154	293 840 422
Interest received	9 358 203	10 162 645
Licences and permits	5 255 414	4 256 501
Other income	6 976 694	745 883
Property rates	25 814 661	28 280 202
Recoveries	1 121 410	855 425
Rental of facilities and equipment	1 318 716	1 412 843
Service charges	77 250 735	69 587 523
	460 015 512	411 554 038
Interest received - investment	9 358 203	10 162 645
Licences and permits	5 255 414	4 256 501
Other income	6 976 694	745 883
Recoveries	1 121 410	855 425
Rental of facilities and equipment	1 318 716	1 412 843
Service charges	77 250 735	69 587 523
The amount included in revenue arising from exchanges of goods or services are shown above:	101 281 172	87 020 820
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	25 814 661	28 280 202
Transfer revenue		
Government grants & subsidies	282 035 154	293 840 422
Fines, Penalties and Forfeits	50 884 525	2 412 594
	358 734 340	324 533 218
22. Service charges		
Sale of electricity	70 744 781	65 903 934
Refuse removal	6 505 954	3 683 589
	77 250 735	69 587 523
23. Other revenue		
Recovery of fruitless and wasteful expenditure	1 121 410	855 425
Other income	6 976 694	745 883
	8 098 104	1 601 308
24. Investment revenue		
Interest revenue		
Bank and investments	2 889 230	3 633 200
Interest charged on trade and other receivables	6 468 973	5 872 341
Interest received on Eskom deposits	-	657 104
	9 358 203	10 162 645

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

25. Property rates

Rates received

Rates levied	34 382 559	34 546 732
Less: Income forgone (Property rates rebates)	(8 567 898)	(6 266 530)
	25 814 661	28 280 202

Valuations

Residential	2 079 180 990	1 979 249 192
Commercial	870 856 000	850 751 264
State	86 949 000	56 245 045
Municipal	1 458 710 780	1 202 538 134
Small holdings and farms	3 363 006 440	3 194 309 145
Social	57 468 100	33 257 240
	7 916 171 310	7 316 350 020

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general Supplementary roll was implemented on 1 July 2014.

The municipality is billing 11430 properties at zero tariff, the properties are classified as per attached Annexure A. The 8828 properties are unknown according to the Windeed records and the municipality Valuation Roll therefore the municipality will not bill such properties according to the Municipal Property Rates Act. The municipality is charging 156 properties at zero rate as they correctly belong EMLM. The 1385 and 7 properties in Elandooring B and A respectively comprise of the RDP houses build on the National public work ERF which is awaiting transfer to the rightful beneficiaries. The note should be taken that Elandsdoring B is not yet proclaimed as such charging the property rates will still be expted by the MPRA. Noting that Hlogotlou and Motetema are proclaimed and under normal circumstances the municipality is expected to charged property rates, the municipality will undertake the investigation and eventually correct the ownership thereof.

Notes:

- 1 Mpumalanga Province, Nkangala District
- 2 Land belongs to Magoshi
- 3 National Public Works and the property is under Mpumalanga Province
- 4 Land belongs to Magoshi
- 5 Land belongs to Magoshi
- 6 Land belongs to Magoshi
- 7 Land belongs to Magoshi
- 8 The properties are in old Township area were no Title Deeds are never issued
- 9 Land belongs to Magoshi

Area	Total properties	Total Search	Owner identified	Owners not identified	Notes
Dennilton	30.00	30.00	30.00		
Motetema	76.00	74.00		76.00	
Elandsdoring A	106.00	106.00		106.00	
Elandsdoring B	1337.00	22.00	1315.00	22.00	
Elandsdoring E	75.00	75.00		75.00	
Elandsdoring C	196.00	196.00		196.00	
Total	1714.00	399.00	1315.00	399.00	

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand 2017 2016

Hlogotlou 1		188.00		188.00	
Hlogotlou 2		201.00	106.00	95.00	
Hlogotlou 3		199.00		199.00	
Total	1504.00	588.00	106.00	482.00	
Laersdrift	198.00	198.00	198.00		1
Uitspanning 1	46.00				2
Uitspanning 2	187.00	188.00			
Total	431.00	386.00	198.00		
Waterval 1		195.00	195.00		
Waterval 2		215.00	215.00		
Waterval 3		196.00	196.00		
Waterval 4		198.00	198.00		
Waterval 5		164.00	164.00		
Total	968.00	968.00	968.00		3
Groblersdal	46.00	1.00	45.00	1.00	
Zaaiplaas_85	934.00				4
Zondasfontein_86	1493.00				5
Kwa Ngolovane_35	1372.00				6
Farms_90	3.00	3.00	1.00	2.00	
Phucukani	1026.00				7
Roosenekal	12.00	12.00	7.00	5.00	
Elandoorn	902.00				8
Elanddorn B	761.00				9
Total	1663.00				
Summary					
	4 886.00	16.00	53.00	8.00	
	106.00	104.00	30.00	76.00	
	6 280.00	2 341.00	2 587.00	881.00	
Total	11 272.00	2 461.00	2 670.00	965.00	

TOTAL NUMBER OF PROPERTIES	11 272
OWNERS IDENTIFIED	2 670
UNREGISTERED OWNERS	965
PROPERTIES/LAND BELOGING TO MAKGOSHI	5632
R26 TOWNSHIP, TITLE DEED N/A BY LAW	902
MPUMALANGA PROPERTIES	1103

26. Grants and subsidies paid

Expenditure on specific conditional grants received
Electricity Subsidies

707 968

313 378

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand 2017 2016

27. Government grants and subsidies

Operating grants

Equitable share	210 385 000	212 959 000
Local Government Financial Management Grant	1 625 000	1 600 000
Municipal Systems Improvement Grant	-	930 000
Expanded Public Works Programme Integrated Grant for Municipalities	1 095 000	1 163 000
	213 105 000	216 652 000

Capital grants

Municipal Infrastructure Grant (MIG)	56 119 115	67 188 422
Integrated National Electrification Programme Grant (INEP)	12 811 039	10 000 000
	68 930 154	77 188 422
	282 035 154	293 840 422

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	14 637 422
Current-year receipts	72 419 000	53 102 000
Conditions met - transferred to revenue	(56 119 115)	(67 188 422)
Amount paid back to NRF	-	(551 000)
Conditions still to be met - transferred to liabilities	(16 299 885)	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

Financial Management Grant (FMG)

Current-year receipts	1 625 000	1 600 000
Conditions met - transferred to revenue	(1 625 000)	(1 600 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

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

Municipal Systems Improvement Grant

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

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

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Land Affairs Grant		
Balance unspent at beginning of year	466 250	466 250
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
DME-Integrated national Electrification Programme Grant		
Balance unspent at beginning of year	1 108 473	1 108 473
Current-year receipts	13 000 000	10 000 000
Conditions met - transferred to revenue	(12 811 512)	(10 000 000)
Amount paid back to NRF	(1 108 473)	-
Conditions still to be met - transferred to liabilities	189 434	(1 108 473)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)		
Current-year receipts	1 095 000	1 163 000
Conditions met - transferred to revenue	(1 095 000)	(1 163 000)
	-	-
Conditions still to be met - remain liabilities (see note 16).		

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
28. Employee related costs		
Acting allowances	413 672	140 494
Basic	67 261 174	62 896 989
Bonus	5 316 590	4 882 719
Defined contribution plans	13 335 828	11 708 117
Housing benefits and allowances	151 996	136 931
Provision for Leave and bonus pay	2 520 763	2 891 857
Long-term benefits - incentive scheme	3 143 476	1 039 124
Medical aid - company contributions	4 097 808	3 477 681
Directors' remuneration as disclosed below	6 806 505	6 709 582
Overtime payments	3 362 096	3 085 191
Post Employment Medical Aid Benefits and Long Service Leave - Current Service Charge	1 737 520	1 542 217
Post Employment Medical Aid Benefits and Long Service Leave - Interest Charge	366 892	2 983 229
SDL	901 068	818 213
Travel, motor car, accommodation, subsistence and other allowances	7 778 720	5 437 455
UIF	554 034	524 917
WCA	32 594	30 890
	117 780 736	108 305 606

Not Included in the above balances is (unless stated otherwise) the remuneration for the following S55 and S56 municipal employees:

ELIAS MOTSOLEDI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Remuneration of Municipal Manager (Ms RM Maredi)		
Annual Remuneration	958 307	44 667
Backpay	22 113	821 675
Car Allowance	120 000	120 000
Cell Phone Allowance	4 800	-
Contributions to Medical and Pension	71 686	61 626
Contribution to UIF and SDL	12 993	11 749
Annual Bonus	81 364	65 718
Contribution to Bargaining Council	92	87
NPA	30 000	30 000
	1 301 355	1 155 522
Director Planning and Development (Mr NW Phala)		
Annual Remuneration	892 166	872 126
Car Allowance	120 000	120 000
MGF	66 912	-
Contributions to Pension Funds	-	65 410
Annual Bonus	18 640	-
Contribution to Bargaining Council	92	87
Contribution to UIF and SDL	11 192	10 812
Back Pay	924	-
	-	110
	1 109 926	1 068 545
Remuneration of Chief Financial officer from (Mr PG Mapheto)		
Annual Remuneration	821 004	320 486
Car Allowance	120 000	60 000
Contributions to Medical and Pension Funds	16 342	9 416
Contribution to UIF and SDL	10 881	4 429
Backpay	28 106	-
Contribution to Bargaining Council	92	44
MGF	61 635	24 279
Acting Allowance	9 893	-
	1 067 953	418 654
Remuneration of Acting Chief Financial Officer		
Mr MP Mthimunye (30 May 2016 - 7 June 2016)	-	160 921
Mr ML Sebelemetja (22 May 2017 - 2 June 2017)	26 655	-
Mr B Mohlamme (7 December 2015 - 23 December 2015)	-	17 869
	26 655	178 790

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Notes to the Annual Financial Statements

Figures in Rand	2017	2016
Remuneration of Director of Community Services (Ms GE Kegopotsemang)		
Annual Remuneration	781 117	608 367
Backpay	17 312	81 716
Car Allowance	60 000	60 000
Contributions to Medical and Pension Funds	35 857	31 745
Other	42 951	440
Contribution to UIF and SDL	10 427	9 090
Contribution to Bargaining Council	92	87
NFMW	38 954	42 233
	986 710	833 678
Remuneration of Acting Directors Community Services		
Mr MM Mokganyetji (01 March 2016 - 28 May 2016)	-	4 004
Mr C Coetzee (12 June 2017 - 30 June 2017)	5 825	-
	5 825	4 004
Remuneration of Director of Corporate Services (Mr A Mayimele)		
Annual Remuneration	756 288	559 528
Backpay	19 477	76 607
Car Allowance	145 452	133 331
Contributions to Medical and Pension	38 167	32 319
Travelling and Subsistence	-	1 350
Contribution to UIF and SDL	10 520	9 071
Contribution to Bargaining Council	92	80
NFMW	56 721	48 228
	1 026 717	860 514
Remuneration of Acting Directors Corporate Services		
Mr L Mafiri (01 March 2016 - 28 May 2016)	-	29 365
Director Infrastructure from July 2015 to January 2016 (Ms. RF Morudu)		
Annual Remuneration	-	391 628
Car Allowance	-	116 632
Termination pmt - leave	-	70 199
Contribution to UIF and SDL	-	6 770
Annual Bonus	-	47 178
Contribution to Bargaining Council	-	51
MEPF	-	70 493
	-	702 951
Remuneration of Acting Director Infrastructure		
Mr KK Mametsa (28 February 2017 - 28 May 2017) and (01 February 2016 - 30 April 2016)	55 634	90 859
Mr FM Debeila (1 September 2016 - 30 November 2016)	222 251	-
	277 885	90 859

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Director Strategic Management (Mr MM Kgware)		
Annual Remuneration	752 396	831 156
Car Allowance	91 661	108 000
Travel and subsistence	-	2 020
Backpay	33 124	-
Annual Bonus	100 567	69 263
MGF	55 183	62 337
Contributions to UIF and SDL	10 886	11 029
Other	20 785	-
Contribution to Bargaining Council	77	87
	1 064 679	1 083 892

Remuneration of Acting Director Planning and Development

Mr BO Sethojoa (7 December 2015 - 23 December 2015)	-	30 793
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29. Remuneration of councillors

Mayor	813 396	792 807
Speaker	715 996	659 629
Executive Committee Councillors	4 371 408	3 967 522
Ordinary Councillors	13 791 123	13 463 861
Chief Whip	625 440	602 860
Cellphone allowances - To be recovered	-	(426 110)
	20 317 363	19 060 569

In-kind benefits

The Mayor, Speaker, Chief Whip and three full time Exco councillors and seven part time Exco councillors. The three are provided with an office and secretarial support at the cost of the Council

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The additional disclosures as required by the Municipal Finance Management Act of 2004 as part of the MFMA disclosure note 51

Remuneration of Mayor

Public Office Remuneration	90 000	120 000
Car Allowance	160 945	-
Basic Salary	403 945	496 691
Contributions to Medical and Pension Funds	135 318	130 504
Backpay	8 604	20 045
SDL	5 906	6 121
Other - Data, cellphone, adjustments, parking and subscriptions	8 676	19 446
	813 394	792 807

Remuneration of Speaker

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Public Office Remuneration	90 000	120 000
Car Allowance	149 746	146 992
Basic Salary	359 882	250 416
Contributions to Medical and Pension Funds	58 929	82 795
Backpay	6 946	16 637
Subsistence Allowance	2 310	2 220
SDL	4 859	4 695
Other - Data, cellphone, adjustments, parking, subsistence allowance and subscriptions	43 322	35 874
	715 994	659 629
Remuneration of Executive Committee		
Public Office Remuneration	898 169	1 080 000
Car Allowance	1 029 036	869 094
Basic Salary	1 808 504	1 290 611
Contributions to Medical and Pension Funds	385 914	306 067
Subsistence Allowance	12 850	10 120
Other - Data, cellphone, adjustments, parking, subsistence allowance and subscriptions	158 633	279 167
Backpay	48 886	104 994
SDL	29 414	27 470
	4 371 406	3 967 523
Remuneration of Chief Whip		
Public Office Remuneration	90 000	120 000
Car Allowance	147 675	137 801
Basic Salary	266 486	221 654
Contributions to Medical and Pension Funds	89 146	83 999
Backpay	8 288	15 598
Subsistence Allowance	2 400	4 362
Other - Data, cell phone, adjustments, parking and subscriptions	21 442	19 446
	625 437	602 860
Remuneration of Ordinary Councillors		
Public Office Remuneration	3 909 589	5 742 292
Car Allowance	3 044 830	2 829 269
Basic Salary	4 195 277	2 673 652
Contributions to Medical and Pension Funds	1 231 059	770 883
Back pay	290 680	351 918
Other - Data, cell phone, adjustments, parking and subscriptions	989 345	1 000 490
Subsistence Allowance	30 090	5 390
SDL	87 583	89 968
	13 778 453	13 463 862
30. Finance costs		
Finance leases	1 426 148	2 268 424
Total interest expense, calculated using the effective interest rate of 11.25% on finance leases amounted to R 1 426 148 for June 2017 and (June 2016: R 2 268 424).		
31. Debt impairment		
Contributions to debt impairment consumers	(11 480 779)	5 689 355
Contributions to debt impairment trade and other receivables including fines	32 608 798	2 440 701
	21 128 019	8 130 056

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32. Bulk purchases		
Electricity	65 729 402	60 439 478
33. General expenses		
Advertising	735 577	507 316
Assets expensed	16 436 553	3 404 587
Auditing - Internal audit fee	693 051	1 023 948
Auditors remuneration - Office of AG	3 107 740	2 706 835
Bad debt - Sundry debtors from exchange transactions written off	43 751 209	(501 523)
Bank charges	386 363	349 165
Bursaries	18 500	181 201
Community services - developmental and outreach programmes	1 147 869	2 204 875
Conferences and seminars	1 014 171	6 195 974
Consulting and professional fees	24 628 996	23 200 560
Consumables	5 085 647	4 617 150
Electricity Water and Refuse - Municipal Consumption	6 986 393	879 125
Entertainment	1 326 651	397 191
Foreign exchange differences	22 830	-
IT expenses	5 113 289	6 504 491
Insurance	4 197 170	2 684 716
Landfill site - additional interest landfill rehabilitation provision	930 455	773 224
Motor vehicle expenses	484 775	1 206 618
Operation of landfill site	2 745 469	4 180 897
Postage and courier	177 751	244 067
Printing and stationery	2 385 849	5 141 024
Remuneration to Ward Committees	2 427 400	3 528 000
Security (Guarding of municipal property)	10 217 743	8 939 657
Staff welfare	2 289 294	2 023 367
Subscriptions and membership fees	1 934 940	1 268 769
Telephone and fax	5 662 824	3 755 778
Town planning - Valuation costs	3 411 645	1 649 200
Training	872 373	652 171
Travel - Subsistence reimbursement	4 185 999	4 426 877
Uniforms	549 061	21 570
	152 927 587	92 166 830
34. Auditors' remuneration		
Audit Fees as disclosed under General Expenses	3 107 740	2 706 835
35. Operating lease Income		
Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	679 819	805 917
- in second to fifth year inclusive	1 591 736	2 304 911
- later than five years	300 327	183 093
	2 571 882	3 293 921
Revenue for the year included Rental income from facilities and equipment	1 318 716	1 412 843.74

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36. Operating (deficit)/surplus

Operating (deficit)/surplus for the year is stated after accounting for the following:

Operating lease charges

Plant and equipment		
• Contractual amounts	3 686 367	2 406 284
Lease rentals on operating lease - Other		
• Contractual amounts	3 944 603	5 969 523
	7 630 970	8 375 807

Loss on sale of property plant and equipment	(3 360 415)	(3 789 937)
Impairment on property, plant and equipment	4 041 316	402 926
Depreciation on property, plant and equipment	47 997 651	53 859 408
Employee costs	138 078 594	127 366 175

37. Cash generated from operations

Surplus/(deficit)	(36 060 149)	40 207 860
Adjustments for:		
Depreciation and amortisation	47 997 651	53 859 408
Loss/(Gain) on sale of assets and liabilities	3 360 415	3 789 937
Movements Landfill provision	10 202	3 885 575
Investment property fair value adjustment	40 411 043	(2 671 345)
Fair value adjustments - actuarial gains and losses	(433 499)	2 012 059
Bad Debts	41 785 403	(501 523)
Assets expensed - non cash donations	16 200 778	-
Impairment deficit	4 041 316	402 926
Debt impairment	21 128 019	8 152 350
Landfill site - additional interest landfill rehabilitation provision	930 455	773 224
Movements in retirement benefit assets and liabilities	3 511 539	3 292 860
Movements in provisions	319 842	(148 836)
Deferred Income movement	(192 983)	(192 983)
Changes in working capital:		
Inventories	195 351	(761 860)
Receivables from exchange transactions	2 053 437	(397 826)
Consumer debtors	(15 958 768)	(19 530 852)
Receivables from non-exchange transactions	(48 165 639)	(1 257 496)
Payables from exchange transactions	12 033 923	9 638 156
VAT	(10 228 117)	16 744 952
Unspent conditional grants and receipts	15 380 846	(14 637 422)
Consumer deposits	20 772	81 265
	98 341 837	102 740 429

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	2017	2016
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38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	28 242 196	20 389 781
---------------------------------	------------	------------

Total capital commitments

Already contracted for but not provided for	28 242 196	20 389 781
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Total commitments

Total commitments

Authorised capital expenditure	28 242 196	20 389 781
--------------------------------	------------	------------

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Finance leases - as lessee (expense)

Finance lease payments represent rentals payable by the municipality for its fleet. These rentals are negotiated for a three year term. No contingent rent is payable.

Minimum lease payments due

- within one year	7 267 085	9 595 855
- in second to fifth year inclusive	-	7 267 085
	7 267 085	16 862 940

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	3 213 476	7 610 120
- in second to fifth year inclusive	-	2 348 223
- later than five years	-	587 056
	3 213 476	10 545 399

Operating lease payments represent rentals payable by the municipality for leased assets used in the day to day operations of the municipality. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

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2016

39. Contingent Liabilities

Litigation is in the process against the municipality relating to disputes with employees, members of the public and contractors/suppliers rendered services and goods to the municipality and is seeking damages of R 23 364 508.17 (2017), R11 601 217 (2016), R0 (2015), R4 476 429 (2014) and R 3 454 434 (2013).

The litigation matters for the year under review are detailed below as follows:

Maboe Rachidi

Claim for damages for contumelies, assault and loss of dignity. Total estimated claim is : R 191 399.00

EMS Envirotel Energy Management (Pty) Ltd

The plaintiff is suing the municipality for damages as a result of breach of contract, the total estimated claim is : R 19 170 143

Oupa Nkosi

The plaintiff claim for damages caused on his motor vehicle during the impounding, the total estimated claim is : R 81 887.85

Mtema Mashao Consulting Engineers (Pty) Ltd

The plaintiff is suing the municipality for loss of income and unpaid invoices for services rendered, the total estimated claim is : R198 000

Mogotleng Kgaphane vs the Municipality and Department of Water and Sanitation

The plaintiff is suing the municipality for injuries sustained after he fell into an unprotected pit hole left by the municipality, the total estimated claim is : R 500 000

Rekhuditse Construction and Cleaning Services (Pty) Ltd

The plaintiff is suing the municipality for loss of income and unpaid invoices for services rendered, the total estimated claim is : R1 632 252

S.A Thekiso Investment, Ezikapaul Construction and Sekunjalo Electric and Building (pty) Ltd and Project Manager

The plaintiff is suing the municipality for unpaid invoices for services rendered, the total estimated claim is : R968 172

Naspoti J and M Security Solutions (Pty) Ltd

The plaintiff is suing the municipality for unpaid invoices for services rendered, the total estimated claim is : R59 405.32

Civil/Sekhukhune tvet college

In the matter the parties are EMLM vs SEKHUKHUNE TVET COLLEGE. The matter was heard and postponed to 11th of OCTOBER 2017 : R 243 413

Civil / Nurse Sibande // Bathabile Mahlangu

In the mater the parties are EMLM vs NURSE SIBANDE // BATHABILE MAHLANGU : R 59 836

Mokgotso and others

Alleged irregular procedures, waiting for hearing date. No amount has been claimed : R 260 000.

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Contingent assets

Litigation is in progress in favour of the municipality relating to disputes with employees, members of the public and contractors/suppliers. The municipality is likely to receive an amount of R 48 358. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain.

Contingent asset for the year under review are detailed below as follows:

Thipakgolo Isaac Maditsi

The Plaintiff withdrew the action against the Municipality. Proceeding to bring Application for costs against the Plaintiff. Total estimated claim is still uncertain.

40. Related parties

Relationships
Remuneration of Councilors

Refer to Remuneration of Councilors note 29

Related party transactions

Councillors - Councillor remuneration		20 317 363	19 060 569
Post employment benefit plan for employees and/or other related parties	7	38 840 105	35 484 327
S55 and S57 Employees remuneration	28	6 867 705	6 709 582

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41. Prior period errors

The following prior year error was identified and adjusted retrospectively:

1. Audit adjustments were omitted in the June 2016 financial statements, these adjustments are adjusted in the current year as prior period error.
2. Unauthorised, irregular, fruitless and wasteful expenditure was recovered during the year from service provider, as a result the financial statements were restated to account for the recovery.
3. Inventory was reconciled and recalculated, the resulting differences are adjusted as prior period error.
4. Assets were adjusted as a result of prior period errors as follows:

Investment Properties:

The 2015/16 fair value adjustment has been reduced with R6 245

Land:

Channel of R888 256 that does not belong to the municipality has been removed.

Buildings:

New assets were found upon verification and added to buildings. This resulted in an increase in the opening carry value of the 2015/16 year of R799 442 Accumulated surplus was decreased with R544 708 and the 2015/16 depreciation was increased with R44 834

Infrastructure:

Channel of R9311.00 has been removed as the asset does not belong to the municipality

Bridges and the relating roads were included in the Asset register. This resulted in an increase of R667 103 in the closing carry value of the 2015/16 financial year. The accumulated surplus was increased with R667 103. The 2015/16 depreciation increased with R154 230

New assets were found upon field verification and added to infrastructure. This resulted in an increase in the opening carry value of the 2015/16 year of R 16 474 455. Accumulated surplus was decreased with R11 674 092.23 and the 2015/16 depreciation was increased with R1 745 042.97

New assets were found upon GIS verification and added to infrastructure. This resulted in an increase in the opening carry value of the 2016/17 year of R40 998 125. Accumulated surplus was decreased with R43 617 144 and the 2015/16 depreciation was increased with R2 629 019.

Community property:

A portion of the Elandsdoorn project that has not been completed were moved back to Work in Progress which resulted in a decrease in the carry value of the 2016/17 year of R719 663

Machinery and Equipment:

New assets were found upon verification. This resulted in an increase in the opening carry value of the 2016/17 year of R 138 002. Accumulated surplus was decreased with R180 019 and the 2015/16 depreciation was increased with R44 044
An asset that was previously incorrectly accounted for were corrected. This resulted in a decrease in depreciation of R430 773

Furniture and Fittings:

New assets were found upon verification. This resulted in an increase in the opening carry value of the 2016/17 year of R65 669 . Accumulated surplus was decreased with R82 364 and the 2015/16 depreciation was increased with R16 665

Computer Equipment:

New assets were found upon verification. This resulted in an increase in the opening carry value of the 2016/17 year of R24 156 . Accumulated surplus was decreased with R31 589 and the 2015/16 depreciation was increased with R7 433

Transport Assets:

New assets were found upon verification. This resulted in an increase in the opening carry value of the 2016/17 year of R2 792 . Accumulated surplus was decreased with R3 651 and the 2015/16 depreciation was increased with R859

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Work in Progress:

Repairs and maintenance done on Chego to Dikgalopeng stormwater of R443 328 and project planning for a transfer station of R 442 250 was incorrectly capitalised to work in progress but should have been classified to the income statement under repairs and maintenance and Town planning respectively in the in the 2015/16 financial year.

5. During the 2016/17 financial year Stipend Ward Committee - Temp Employees was reclassified from employee costs to general expenses Remuneration to Ward Committees.

6. During the 2015/16 financial year, adjustments to bonus provision of R158 501 was captured incorrectly to long service awards bonus and Salaries bonus provision. This resulted in the balance for Long service awards provision, leave bonus provision and Salaries bonus provision expense being overstated by R 158 501.60. The current portion of the long service awards of R 533 048 was incorrectly classified under non-current portion of long service awards.

7. Repairs and maintenance done on Chego to Dikgalopeng stormwater and project planning for a transfer station was incorrectly capitalised to work in progress but should have been classified to the income statement under repairs and maintenance in the 2015/16 financial year.
The effects of correcting the errors are stated below.

8. When deferred revenue was received in cash, the Vat portion was accounted for on accrual basis. The error was corrected in the current year as a prior period adjustment with the effect of increasing output Vat payable and reducing the Value of the deferred income.

9. The municipality was billing 11430 properties at zero tariff. The 8828 properties are unknown according to the Windeed records and the municipality Valuation Roll therefore the municipality was not billing such properties according to the Municipal Property Rates Act. The municipality investigated further and and billing was done and some of the related debt was written off, The recognition of the revenue was accounted as a prior period error.

(The correction number is indicated in brackets next to the item adjusted.)

	2017	2016
Statement of financial position		
Accumulated surplus (1) + (2) + (4) +(9)	-	(68 668 855)
Property Plant and Equipment (4) + (7)	-	58 302 700
Payables from exchange transactions - Accrued bonus (6)	-	158 502
Provision for Long Service Leave Bonus (6)	-	158 502
Non-current portion of long service leave provision (6)	-	533 048
Current portion of long service leave provision (6)	-	(533 048)
Investment Property (4)	-	(6 245)
Vat receivable (1)+ (2) + (8)	-	(638 345)
Receivables from exchange transactions (2)	-	1 516 502
Inventory (3)	-	9 631
Deferred income (8)	-	594 386
Payables from exchange transactions (1)	-	(529 387)
Consumer debtors Electricity (1)	-	492 805
Consumer Deposits (1)	-	(492 805)
Consumer debtors (9)	-	9 944 084
	-	841 475

Statement of Financial Performance		
General Expenses - Inventory consumed (3)	-	(9 631)
Stipend Ward Committee - Temp Employees (5)	-	(3 528 000)
Remuneration to Ward Committees (5)	-	3 528 000
Property rates (9)	-	(5 885 140)
Recoveries (2)	-	(855 425)
Depreciation (4)	-	4 131 392
Repairs and maintainance (7)	-	443 328
Consulting and professional fees (1)	-	1 123 679
Bulk purchases (1)	-	78 830
Investment property fair value adjustment (1)	-	6 245
Town planning - Valuation costs (7)	-	442 250
Employees related cost - Provision for bonuses (6)	-	(317 003)
	-	(841 475)

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As a result of prior period errors, the cash flow June 2016 was restated to reflect accurate figures.

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42. Risk management

Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 14, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying requirements for service delivery funding, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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 municipality is able to cover the current and future commitments from available funds at a ratio of 0.76 times from the accumulated investment balances.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality analyses the municipality's financial liabilities and net-settled derivative 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 are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

Interest rate risk

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. 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. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	June 2017	June 2016
Receivables - From Exchange Transactions	1 619 232	3 810 318
Receivables - From Non Exchange Transactions	19 547 729	3 990 888
Consumer Debtors - From Exchange Transactions	10 218 774	19 101 923
Consumer Debtors - From Non Exchange Transactions	9 303 846	15 879 980

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43. Going concern

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

44. Events after the reporting date

There were no material non-adjusting events after the reporting period.

45. Unauthorised expenditure

Opening balance	53 997 955	-
Condoned by Council resolution no BT17/18-09	(53 997 955)	53 997 955
Incurred during the year	80 123 905	-
	80 123 905	53 997 955

The above June 2016 unauthorised expenditure is due to the misclassification of the depreciation to the amount of R 35 million in the appropriation statement and the difference of R 19 million is also due misclassification of expenditures per vote. The overall municipal budget is not overspent however the expenditures will be reported to Council in terms of the MFMA.

The unauthorised expenditure incurred in the current financial year relates to the bad debts impairment on consumer debtors and Traffic fines provisions which was not adequately provided for during budget allocations. The balance will be provided to Council for consideration in terms of MFMA in 2017/2018 financial year.

46. Fruitless and wasteful expenditure

Opening balance	11 839 600	11 614 706
Incurred during the year	625 089	224 894
	12 464 689	11 839 600

During the financial year the Council resolved in its Special Council Meeting held on the 31 August 2017 resolution number MPAC 17/18-01 to write-off the fruitless and wasteful expenditures amounting to R 9 203 570 as reported for the year ending 30 June 2016, in view of recommendations from MPAC committee in terms of Circular 68 of the MFMA. The expenditures will be removed from the financial statements on condonation by the National Treasury.

Analysis of expenditure awaiting condonation per age classification

Current year	625 089	209 049
Prior years	11 788 480	11 578 286
	12 413 569	11 787 335

Details of fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Interest paid on late payments	To be submitted to Council in 2017/2018	31 945
Compensation Fund Commission penalty	To be submitted to Council in 2017/2018	284 008
Legal fees paid on settlement of former CFO case	Matter still under judicial process	2 583 765
		2 899 718

47. Irregular expenditure

Opening balance - Adjusted and restated (7)	135 139 646	69 990 685
Add: Irregular Expenditure - current year (Recurring from the contractual commitments from the previous years)	64 535 003	65 148 961
	199 674 649	135 139 646

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During the financial year the Council resolved in its Special Council Meeting held on the 31 August 2017 resolution number MPAC 17/18-01 to write-off irregular expenditures amounting to R 134 939 000 as reported for the year ending 30 June 2016, in view of recommendations from MPAC committee in terms of Circular 68 of the MFMA. The expenditures will be removed from the financial statements on condonation by the National Treasury.

Analysis of expenditure awaiting condonation per age classification

Current year	64 535 003	65 148 961
Prior years	135 139 646	69 990 685
	199 674 649	135 139 646

Details of irregular expenditure current year

Opening balance		69 911 908.00	
2012 Payment on Security Services	Expenditure recoverable		811 376
2012 Excess payment on Internal Audit	Under investigation		893 149
2012 Excess payment on Electronic filling system	Under investigation		591 415
2013 Payment on Repairs and Maintenance	Under investigation		356 575
2013 Excess overtime paid	Under investigation - Restatement		44 187
2013 Excess payment on Internal Audit	Under Investigation		173 947
2013 SCM procedures not followed	Under investigation		17 939 970
2013 SCM procedures not followed	Under investigation		3 245 709
2014 SCM procedures not followed	Under investigation		25 224 038
2015 SCM procedures not followed	Under investigation		15 633 819
2015 Overpayment of Councilors cellphone	Under investigation		432 720
2015 SCM Payments made to connected persons or companies - conflict of interest	Investigated		6 603 496
SCM procedures not followed condoned by Council	Condoned during the year	(69 911 908)	(2 038 493)
2017 SCM procedures not followed	Awaiting council consideration	64 535 003	
		64 535 003	69 911 908

48. Additional disclosure in terms of Municipal Finance Management Act

Electricity distribution losses

Losses incurred - units		16 148 505	9 915 702
% loss incurred		23.000 %	14.030 %
Purchased units		(70 124 717)	(70 676 711)
Sold units		53 976 212	60 760 768
Losses incurred - Rand value	-	21 199 619	8 330 222
% loss incurred	-	44.000 %	14.030 %
Purchased units Rand value	-	(47 450 775)	(59 374 357)
Sold units Rand value	-	68 650 395	58 541 335
	-		

The above losses are as a result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non-technical losses, e.g. theft and vandalism, as a result the losses are not recoverable. The illegal electricity connection in Roosenekal contributed to the significant losses incurred in electricity distribution in 2016/2017 financial year.

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SALGA Fees

Current year subscription / fee	1 100 233	1 162 269
Amount paid - current year	(1 100 233)	(1 162 269)
	-	-

PAYE and UIF

Current year subscription / fee	17 817 919	15 758 609
Amount paid - current year	(17 817 919)	(15 758 609)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	30 762 233	27 461 512
Amount paid - current year	(30 762 233)	(27 461 512)
	-	-

VAT

VAT receivable	21 742 970	11 514 853
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VAT output payables and VAT input receivables are shown in note 12.

All VAT returns have been submitted by the due date throughout the year. The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

The following Councilors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Non Current - Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Mahlangu MD	42	372	414
Cllr Mahlangu AB	174	1 772	1 946
Cllr Maloba AM	106	1 006	1 112
Cllr Mahlase KS	68	687	755
	390	3 837	4 227

49. Deferred income

Operating lease payments received in advance	4 052 631	4 245 614
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Operating lease payment received in advance have been utilized in accordance with the Municipal Finance Management Act. Sufficient resources are set aside to ensure that the liability can be serviced in the future.

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50. 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.

Goods and services were procured through quotations totaling **R1 439 730.70** during the financial year under review and the process followed in procuring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The table below reflects deviations for the year.

Service Provider	Description of Goods and/or Services	Reason for Deviation	Legislation	Amount
Automotor Traffic Signal Co. (Pty) Ltd	Poles and traffic apparatus	Emergency	Section 36 of Supply Chain Management Regulations	52 497.00
Plant Machinery King	250 ah deepcycle solar batteries	Emergency	Section 36 of Supply Chain Management Regulations	47 252.80
Supa Quick	Repair of 13 tyres punctures for a grader and 2 tubes for tlb	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	8 837.24
Sollys	Repair of engine for overheating for CKJ 492 L	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	25 489.18
Supa Quick	Repair of 5 tyres punctures for a grader and consumables	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	4 213.06
Marutlwa Trading	Water bottles for the community meeting	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	45 000.00
T.M Auto Nissan	Repair of clutch and diff for BYH 674 L	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	24 727.40
Forest and Garden	Repair of lammower	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	74 138.00
Phil-Modi Enterprise	Unblocking of ablution block	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	30 000.00
Supa Quick	Repair of three tractor tyres and consumables	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	3 023.80
Forest and Garden	Repair of chainsaw	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	2 333.99
Forest and Garden	Replacement of tyres for lawnmower	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	1 759.92
Tamarayi Transport	Water bottles for the mayoral outreach	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	13 500.00
Mmn Engineering	Repair of vehicle engine	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	32 262.00
Mmn Engineering	Repair of vehicle engine	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	26 334.00
Mmn Engineering	Repair of vehicle diff and radiator	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	42 636.00
Digital Voice Processing	Provision for communication system at chamber	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	297 592.44
Supa Quick	Tyre repair and consumables	Ratification Approved by the Accounting Officer	Section 36 of Supply Chain Management Regulations	5 670.11

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Sha-Hennes Guesthouse	Accommodation bookings for fifty five officials attending saimsa sports at Mahikeng	Impractical or impossible to follow the official procurement processes	Section 36 of Supply Chain Management Regulations	232 155.00
Kdm Travel Express	Accommodation	Impractical or impossible to follow the official procurement processes	Section 36 of Supply Chain Management Regulations	8 940.00
Institute Of Municipal Finance Officers	Conference	Goods and services available from a single provider	Section 36 of Supply Chain Management Regulations	91 602.00
Chartered Institute Of Government Finance, Audit & Risk Officers	Conference	Goods and services available from a single provider	Section 36 of Supply Chain Management Regulations	28 077.25
Truvello Manufacturers	Calibration of pro lazer speed machine	Goods or services are available from a single source	Section 36 of Supply Chain Management Regulations	3 563.79
Van Schaik Bookstore	Study materials / textbook for the library	Goods or services are available from a single source	Section 36 of Supply Chain Management Regulations	3 425.40
Rotex Motor Cycles	Service of motor cycle	Goods or services are available from a single source	Section 36 of Supply Chain Management Regulations	2 251.14
Loskop Dam Forever Resort	Accommodation and two conference room for Sixty One councillors	Goods or services are available from a single provider	Section 36 of Supply Chain Management Regulations	316 373.00
Forest and Garden	Repair of lawnmower	Goods and services available from a single provider	Section 36 of Supply Chain Management Regulations	16 076.18
Cheap Cheap travel	Travel and Accommodation	Impractical or impossible to follow the official procurement proces	Section 36 of Supply Chain Management Regulations	92 263
Hlaudi Consulting	Forensic Investigation	Impractical or impossible to follow the official procurement proces	Section 36 of Supply Chain Management Regulation	686 000
Mme O Mphile Construction Services	Catering	Impractical or impossible to follow the official procurement process	Section 36 of Supply Chain Management Regulations	81 880

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51. Public Office Holders Remuneration

All Public Officers	Basic Salary	Backpay	Public Office Allowance	Travel Allowance	Other Receipts	Pension Fund and Medical Aid	Skills Contribution	Grand Total
Cllr JL MATHEBE (MAYOR)	403 945.35	8 604.29	90 000.00	4 236.31	165 385.22	135 318.79	5 906.38	813 396.34
Cllr MD TLADI (SPEAKER)	359 881.27	6 945.84	90 000.00	2 662.57	192 716.73	58 929.34	4 859.79	715 995.54
Cllr TM PHAHLAMOHLAKA (CHIEF WHIP)	266 486.12	8 288.15	90 000.00	3 177.13	164 038.91	89 146.88	4 302.86	625 440.05
Cllr HJ MAKUNYANE (MPAC)	250 396.24	12 665.24	70 000.00	4 855.01	152 593.34	51 208.55	3 665.12	545 383.50
Cllr R ALBERTS (EXCO MEMBER)	51 993.96	5 453.37	78 169.36	2 090.46	117 205.47	24 310.44	1 805.80	281 028.86
Cllr JP KOTZE (EXCO MEMBER)	166 484.65	4 136.34	90 000.00	1 378.78	87 926.92	-	2 856.58	352 783.27
Cllr TJ LEPOTA (EXCO MEMBER)	38 899.58	-	10 000.00	-	16 269.64	4 634.59	547.19	70 351.00
Cllr TA MACHIPA (EXCO MEMBER)	263 080.52	6 512.12	70 000.00	2 496.31	156 973.26	52 845.36	3 771.31	555 678.88
Cllr AM MALOBA (EXCO MEMBER)	111 281.01	3 596.82	90 000.00	1 378.78	87 925.90	55 204.66	2 293.84	351 681.01
Cllr EM MASEMOLA (EXCO MEMBER)	37 124.01	-	10 000.00	-	16 270.60	6 409.20	551.69	70 355.50
Cllr MS MASHILO (EXCO MEMBER)	135 208.60	3 596.82	90 000.00	1 378.78	97 721.46	31 276.11	2 260.56	361 442.33
Cllr KC SHAI (EXCO MEMBER)	120 545.47	-	80 000.00	1 378.78	86 059.68	31 276.11	2 039.90	324 896.76
Cllr GD MATJOMANE (EXCO MEMBER)	297 885.88	8 288.12	90 000.00	3 177.13	163 331.58	57 746.35	4 215.45	624 644.51
Cllr TN MMUTLE (EXCO MEMBER)	133 346.05	3 596.82	90 000.00	1 378.78	93 408.42	33 138.66	2 232.62	357 101.35
Cllr MJ MOHLALA (EXCO MEMBER)	18 229.10	-	10 000.00	-	9 260.45	2 561.15	294.77	40 345.47
Cllr A PHATLANE (EXCO MEMBER)	278 426.72	6 512.12	90 000.00	2 496.31	152 416.57	55 235.72	3 956.76	589 044.20
Cllr JJ SKOSANA (EXCO MEMBER)	20 790.25	-	10 000.00	-	9 260.45	-	333.18	40 383.88
Cllr MG PHETLA (EXCO MEMBER)	135 208.40	3 596.82	90 000.00	1 378.78	87 956.06	31 276.11	2 254.55	351 670.72
Cllr MA MPHELA	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr MZ BUTA	16 661.76	-	10 000.00	-	8 682.99	2 255.06	276.01	37 875.82
Cllr ML MAMAKOKO	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr LM MOIMA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.80	22 050.48	1 462.98	238 531.73
Cllr AM MAKWEOANE	66 119.39	5 453.37	70 000.00	2 090.46	71 355.50	22 049.73	1 462.99	238 531.44
Cllr RSA KABINIE	18 916.82	-	10 000.00	-	8 682.99	-	309.83	37 909.64
Cllr SW RATLOU	102 712.55	6 999.05	70 000.00	2 682.97	98 382.72	28 298.22	1 905.92	310 981.43
Cllr RM RATAU	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr KF MADISA	98 956.28	12 393.72	70 000.00	2 682.97	84 272.18	27 242.74	1 886.73	297 434.62
Cllr GR NAMANE	66 118.64	5 453.37	70 000.00	2 090.46	71 597.38	22 050.48	1 462.97	238 773.30
Cllr TA PHOROTLHOE	102 712.55	6 999.05	70 000.00	2 682.97	86 533.84	28 298.22	1 905.92	299 132.55
Cllr B BOGOPA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr BM ZULU	66 118.64	5 453.37	70 000.00	2 090.46	70 725.50	22 050.48	1 462.97	237 901.42
Cllr TT RATAU	66 118.64	5 453.37	70 000.00	2 090.46	72 086.90	22 050.48	1 462.97	239 262.82
Cllr MF MADIHLABA	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr P MASIMULA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr WJ SKHOSANA	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr MM MAEPA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr AB MAHLANGU	18 916.82	-	10 000.00	-	8 682.99	-	309.83	37 909.64
Cllr J MAHLANGU	69 483.26	6 940.65	90 000.00	2 660.58	76 072.66	24 136.19	1 607.14	270 900.48
Cllr GM MAKEKE	66 118.64	5 453.37	70 000.00	2 090.46	72 759.38	22 050.48	1 462.97	239 935.30
Cllr MM MATSEPE	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr EM MAPHOPHA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.01	22 050.48	1 462.97	238 530.93
Cllr MD MAHLANGU	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr NN MAHLANGU	115 720.23	6 999.05	90 000.00	2 682.97	89 574.14	30 859.37	2 132.91	337 968.67
Cllr MK MOKWANE	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr TS MAHLANGU	39 783.87	-	10 000.00	-	17 315.54	7 138.33	589.44	74 827.18
Cllr SM MAIPUSHE	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr KS MAHLASE	16 526.46	-	10 000.00	-	8 682.99	2 390.36	273.98	37 873.79
Cllr KS KGOPA	66 118.64	5 453.37	70 000.00	2 090.46	72 105.98	22 050.48	1 462.97	239 281.90
Cllr MR MSIZA	102 712.55	6 999.05	70 000.00	2 682.97	86 293.84	28 298.22	1 905.92	298 892.55
Cllr MN MALATJI	109 580.51	6 999.05	90 000.00	2 682.97	99 245.28	30 160.84	2 135.70	340 804.35
Cllr MS MALEKANE	41 364.36	-	10 000.00	-	6 898.64	1 862.62	510.72	60 636.34
Cllr DS MAMAILA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr VCP MADONDO	66 118.64	5 453.37	70 000.00	2 090.46	71 201.50	22 050.48	1 462.97	238 377.42
Cllr MS MARAPI	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MS MASELELA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr HS MASHIFANE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr WM MATEMANE	6 809.12	-	10 378.38	-	6 898.64	5 940.68	215.90	30 242.72
Cllr MT MOHLALA	65 756.29	5 453.37	70 000.00	2 090.46	73 412.42	21 996.13	1 459.85	240 168.52
Cllr SM MATHALE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr MNS OOSTHUIZEN	66 118.64	5 453.37	70 000.00	2 090.46	70 725.50	22 050.48	1 462.97	237 901.42
Cllr MP TSHIVHULA	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr MZ HLATHI	66 118.64	5 453.37	70 000.00	2 090.45	71 698.94	22 050.48	1 462.97	238 874.85
Cllr VM LECHEKO	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr SZ NGWENYA	58 314.04	5 453.37	70 000.00	2 090.46	68 133.10	20 187.86	1 375.91	225 554.74
Cllr MS MATLALA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MB NTULI	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr MT MOSOTHO	66 118.64	5 453.37	70 000.00	2 090.46	70 725.50	22 050.48	1 462.97	237 901.42
Cllr M RANALA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42

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Cllr TM NTHEKO	66 118.64	5 453.37	70 000.00	2 090.46	70 725.50	22 050.48	1 462.97	237 901.42
Cllr VL MTHOMBENI	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr RJ MAKITLA	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr RN NDLOVU	66 118.64	5 453.37	70 000.00	2 090.46	71 597.18	22 050.48	1 462.97	238 773.10
Cllr NT MATUNYANE	66 118.64	5 453.37	70 000.00	2 090.46	71 355.50	22 050.48	1 462.97	238 531.42
Cllr TS MATSEPE	71 345.88	6 940.65	90 000.00	2 660.58	73 904.82	22 273.57	1 635.09	268 760.59
Cllr MP MATSHIPA	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr ST MATSOMANE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr SH MEHLAPE	85 431.39	12 393.72	78 614.66	2 682.97	108 457.53	75 564.10	2 489.55	365 633.92
Cllr CT MHLANGA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr VV MOGANEDI	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr FM MOGOTJI	78 407.22	5 453.37	90 000.00	2 090.46	75 071.07	22 050.48	1 709.52	274 782.12
Cllr MP MOKGABUDI	11 265.55	-	10 000.00	-	6 898.65	1 862.62	209.73	30 236.55
Cllr MT MOKGANYETSI	110 336.41	6 999.05	90 000.00	2 682.97	86 153.59	28 298.22	2 071.49	326 541.73
Cllr OE MOTAU	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MG MOTLAPE	51 734.41	6 940.65	90 000.00	2 660.58	82 789.52	41 885.04	1 718.01	277 728.21
Cllr DM MZINYANE	18 916.82	-	10 000.00	-	8 682.99	-	309.83	37 909.64
Cllr ME NDULI	16 526.46	-	10 000.00	-	8 682.99	2 390.36	273.98	37 873.79
Cllr SF NKOSI	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr TJ NTULI	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr ML PHALA	93 619.45	7 411.63	90 000.00	2 470.54	73 868.84	-	2 051.87	269 422.33
Cllr RJ PODILE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr SL SKOSANA	6 809.12	-	10 595.69	-	6 898.64	5 723.37	214.82	30 241.64
Cllr LH TSHOMA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MS TSHOMA	11 265.56	-	10 000.00	-	6 898.64	1 862.62	209.73	30 236.55
Cllr MF RAKOENA	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr MW RAMPHISA	71 568.97	5 453.37	90 000.00	2 090.46	72 791.64	22 050.48	1 622.91	265 577.83
Cllr MP MOKONE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr I MOKGOMOGANE	13 128.18	-	10 000.00	-	6 898.64	-	237.68	30 264.50
Cllr NA MOTONG	13 128.18	-	10 000.00	-	6 297.64	-	231.67	29 657.49
Cllr CN MATHEBE	77 110.12	6 940.65	90 000.00	2 660.58	71 773.48	18 548.33	1 739.92	268 773.08
	7 034 094.34	372 760.24	5 077 758.09	139 116.16	5 661 197.39	1 900 369.28	132 067.04	20 317 362.54