



2013/2014

ANNUAL REPORT

Volume III

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Contents

REVISED ANNUAL REPORT TEMPLATE

The purpose of this revised Annual Report template is to address the need expressed by a number of municipalities for assistance in the preparation and development of improved content and quality of Municipal Annual Reports. This template provides an update to the MFMA Circular No. 11, issued in January 2005.

This template gives effect to the legal framework requirement, concepts and principals espoused in the White Paper on Local Government and Improving Government Performance. It reflects the ethos of public accountability. The content gives effect to information required for better monitoring and evaluation of government programmes in support of policy decision making. The template provides an improved overview of municipal affairs by combining the performance report data required under Municipal Systems Act Section 46 with annual report data referred to in that Act and in the MFMA.

The revised template makes its contribution by forging linkages with the Integrated Development Plan, Service Delivery and Budget Implementation Plan, Budget Reforms, In-year Reports, Annual Financial Statements and Performance Management information in municipalities. This coverage and coherence is achieved by the use of interlocking processes and formats.

The revised template relates to the Medium Term Strategic Framework particularly through the IDP strategic objectives; cross cutting nature of services offered by different spheres of government, municipal service outcome indicators; and the contextual material as set out in Chapters 3, 4 & 5. It also provides information on good management practice in Chapter 4; risk management in Chapter 2; and Supply Chain Management in Chapter 5; and addresses the Auditor-General's Report, dealing with Financial and Performance Management arrangements in Chapter 6. This opens up greater possibilities for financial and non financial comparisons between municipalities and improved value for money.

The revised template provides information on probity, including: anti-corruption strategies; disclosure of financial interests by officials and councillors; disclosure of grants by external parties, disclosure of loans and grants by municipalities. The appendices talk to greater detail including disaggregated information on municipal wards, among others. Notes are included throughout the format to assist the compiler to understand the various information requirements.

The financial years contained in this template are explained as follows:

- Year -1: The previous financial year;
- Year 0: The financial year of reporting;
- Year 1: The following year, mostly requires future targets; and
- The other financial years will follow a similar sequence as explained above.

We wish to express our gratitude to the members of the Annual Report Reference Group, consisting of national, provincial and municipal officials for their inputs and support throughout the development of this document.

MFMA Implementation Unit, National Treasury

July 2012

CHAPTER 1: EXECUTIVE MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: EXECUTIVE MAYOR'S FOREWORD

EXECUTIVE MAYOR'S FOREWORD



Cllr Sebenzile Ngangelizwe

2013/2014 financial year has been in many respects a year of rebuilding our municipality so that its citizens/residents can be proud of. This demonstrates the working together of both political and administration. The consistent provision of services of course with some challenges and infrastructure development especially in the traditional townships has been our strength despite challenges of non-payment of services.

Launching and handing over of projects has been the highlights of 2013/2014. This involves the appointment of adhoc committee on quality assurance to monitor the implementation of these projects and evaluation thereof. The role of which would be to check the quality and the performance of all the projects, thus helping us to spend the whole allocation by the end of the financial 2013/2014 year especially on MIG funding.

In terms of core service delivery, the municipality continued to maintain and expand the reach of water reticulation and sanitation, electricity, refuse collection as well as roads maintenance. Key infrastructure development projects are at various stages of progress enabled through our capital budget allocations to improve the quality of life of our communities.

Of critical importance our successes have not been without challenges but we are glad to share the information with you that we are on the right course.

The journey ahead to achieve our vision is still long. But together, we can do more.

I thank you

T 1.0.1

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW



Mr. German Ramathebane

This 2013/14 Annual Report was compiled in line with the Local Government:

Municipal Systems Act No. 32 of 2000, the Local Government: Municipal Finance Management Act 56 No. of 2003, the National Treasury Circular No. 11, as well as the customized template and guidelines for municipal annual reports.

This Annual Report serves as a record of and accounting mechanism to communities on the Municipality's achievements and challenges, as well as the mitigation and remedial measures implemented to address the latter. While it reflects that progress has been made in service delivery, there are undeniable challenges. To strengthen and streamline the institution and its operations to enable the institution to expand and expedite service delivery to the residents of Matjhabeng Local municipality, *inter alia* the following interventions/actions will be prioritized in the year ahead:

- (a) Coordinated call centers to enable quicker and more targeted responses to community needs and complaints.
- (b) Review of Supply Chain Management structures, systems and processes.
- (c) Re-commitment to IGR Forums to strengthen intergovernmental relations.
- (d) Strengthening the Ward Committee System by providing administrative support.
- (e) Address the issue of the disclaimer audit opinion received from the Auditor-General and introducing corrective measures towards obtaining a better audit opinion.
- (f) Vigorously instilling a culture of performance within the institution.
- (g) Promoting financial discipline and management.

(h) Addressing fraud and corruption in the institution through control systems and communication.

The municipality has to emerge as a model city and therefore needs a conglomeration of capabilities approach to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Our focus will be on developing the following five specific capabilities and the current institutional restructuring is a first step to achieving this objective.

1. A capability to think strategically so as to develop a foresight for the city, its spaces and peoples;
2. Performance Capability to execute strategy and perform specific actions on time, within scope, budget and based on high levels of quality through established processes, standards and systems;
3. Human capital Capability to develop, nurture and attract new talent and capability to motivate people to take actions that result in significant impact;
4. Integrated city development Capability to plan for a city and be responsive to citizens' needs and to manage the municipal area on a holistic basis; and
5. Utility Management Capability to manage trading services and corporatize these services.

As Accounting Officer of the institution, I would like to extend my heartfelt appreciation to the political leadership and staff of the Matjhabeng Local Municipality for their hard work and dedication, which culminated in the progress made by the institution during the 2013/14 financial year.

T 1.1.1

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

Amongst others, the Matjhabeng Local Municipality carries functions related to water, sanitation, electricity, refuse, housing, local economic development, roads, storm water drainage and cemeteries, and eminently local planning approvals. The municipality does not have entities that assist it in the execution of these functions with the exception of water and electricity, where parastatals such as Sedibeng Water and Eskom do play a role.

T 1.2.1

TOTAL POPULATION AND HOUSEHOLDS

	CENSUS 2011	CENSUS 2001
POPULATION	406 461	408 170
HOUSEHOLDS	123 195	120 289

Source: STATS SA 2011

T.1.2.2

POPULATION BY RACE AND GENDER

	MALE	FEMALE	TOTAL
BLACK	181 946	182 716	364 662
COLOURED	2 669	2 728	5 397
INDIAN / ASIAN	766	470	1 236
WHITE	17 674	17 492	35 166
TOTAL	203 055	203 406	406 461

Source: STATS SA 2011

T.1.2.3

EMPLOYMENT STATUS		
ECONOMIC STATUS	% CENSUS 2001	% CENSUS 2011
EMPLOYED	34.4%	36.1%
UNEMPLOYED	29.9%	21.2%
NOT ECONOMICALLY ACTIVE	35.7%	42.8%
EMPLOYMENT BY SECTOR		
INDUSTRY TYPE	2007	2011
AGRICULTURE, HUNTING, FORESTRY, FISHING	5 035	4 943
MINING AND QUARRYING	30 581	30 144
MANUFACTURING	4 133	9 556
ELECTRICITY, GAS, WATER SUPPLY	465	573
CONSTRUCTION	2 778	5 260
WHOLESALE AND TRADE, REPAIRS, HOTELS AND RESTAURANTS	11 795	17 813
TRANSPORT, STORAGE AND COMMUNICATION	3 262	3 581
FINANCIAL INTERMEDIATION, INSURANCE, REAL ESTATE AND BUSINESS	4 793	7 330
COMMUNITY, SOCIAL AND PERSONAL SERVICE	14 313	17 991
		T 1.2.4

Source: STATS SA 2011

HISTORICAL OVERVIEW OF TOWNS WITHIN MATJHABENG

The municipality is made of six towns, namely:

WELKOM (THABONG)

Welkom has been the centre of the Free State Goldfields, serving several gold and uranium mines, since 1947. Following the discovery of gold in 1946, Welkom was founded in 1947 on the farm Welkom, with the word “Welkom” meaning welcome.

Welkom received municipal status in 1968. It was planned as a model town, with a horseshoe-shaped shopping and administrative district surrounding a park of 11ha. More than one million trees were planted in the town.

Centrally situated, Welkom is place within comfortable distance from other major cities. Johannesburg is only 280 km away, while Bloemfontein is 175 km away. The traffic flow in the city has attracted much attention and experts from all over the world come to study the clever use of traffic circles and the minimal number of stop streets.

The absence of traffic lights in the centre of the city contributes to an effortless flow of traffic – the envy of many cities and the reason Welkom is known as the “*circle city*”. Welkom has also earned itself the reputation of being a “*city within a garden*” due to the number of parks and gardens that lend it an extraordinary number of shady trees and pleasant surroundings.

VIRGINIA (MELODING)

Virginia is situated on the banks of the Sand River. The town originated around the railway station, which was named after the hometown of two American railway surveyors from Virginia in the USA.

The town was established in 1954 and became the second largest town in the Goldfields area within three years. The name was retained when the town mushroomed in the 1950's following the discovery of gold. The farm's name, Merriespruit, was given to a suburb of Virginia.

Virginia is surrounded by some of the largest gold fields in the Free State, and mining, gold-extraction, plants, and the manufacture of sulphuric acid from gold ore dominates its economy. It is also known for having the world's deepest pipe-mine into the earth. Commercial farms in the surrounding area primarily grow maize and raise livestock.

VENTERSBURG (MAMAHABANE)

Ventersburg was named after a pioneer, PA Venter, of the farm Kromfontein, who died in 1857. Ventersburg's early history is closely connected to the history of the Reformed Church, as Ventersburg was Reformed Church congregation established in 1864.

The House of Assembly, on 6 May 1873, declared Ventersburg a town in the Winburg District. The Dutch Reformed Church was built in 1891 and GOT burnt down in 1900 with the occupation of the British of Ventersburg. A new Dutch Reformed Church was built in 1912. In 1903, Ventersburg Municipality was established. In 1939, Ventersburg was electrified.

ODENDAALSRUS (KUTLWANONG)

Odendaalsrus was the first town to be established in the Goldfields in 1912. By 1946, this small farming community had only 40 houses and three shops. However, the town exploded into life after the confirmed discovery of the richest gold reef in the world in April 1946 on the farm Geduld.

Situated between Kroonstad, Allanridge and Welkom, Odendaalsrus once formed the centre of mining activities in the area. Today a tranquil town with its own unique pulse, Odendaalsrus and Kutlwanong together boast a population of approximately 63 743.

HENNENMAN (PHOMOLONG)

Hennenman is unusual within Matjhabeng's economics make-up in that it has a well-balanced economy based mainly on agriculture, an anomaly in an area in which most income is derived from mining and industry.

Before the town was officially established, it was birthed as a railway station, Ventersdorp. This name was changed to Hennenman Station in 1927, after a prominent local farmer. The town began to grow in earnest after the discovery of gold between Hennenman and Odendaalsrus in 1946 and was proclaimed a municipality in 1947.

Hennenman and Phomolong have a population of approximately 25 000. Phomolong Township emerged from the forcefully removed old location near Hennenman town, which was then used as Ventersburg station.

ALLANRIDGE (NYAKALLONG)

Named in honour of the late Alan Roberts, whose pioneering geological and prospecting work was key in the eventual discovery of gold and the development of the Goldfields, Allanridge was founded as a settlement in 1947, although it was only proclaimed as a town in 1956.

Home of the Lorraine Gold Mine, one of the biggest in the Goldfields, Allanridge is a town of sunshine, and the thousands of flamingos who make the area their home provide natural beauty. Nyakallong location was established by the mineworkers working at Lorraine mine and started as a dwelling place only to have their permanent homes where they came from.

T 1.2.5

Overview of Neighbourhoods within 'Matjhabeng Municipality'		
Settlement Type	Households	Population
Towns		
ALLANRIDGE	663	3,315
HENNENMAN	958	4,311
ODENDAALSRUS	2,213	9,959
RIEBEECKSTAD	3,092	15,460
VENTERSBURG	359	1,616
VIRGINIA	4,454	22,270
WELKOM	9,708	48,540
Sub-Total	21,447	105,471
Townships		
BRONVILLE	2,159	12,306
KUTLWANONG	11,966	70,599
MELODING	10,482	60,796
MMAMAHABANE	2,345	14,070
NYAKALLONG	4,010	24,060
PHOMOLONG	4,871	29,226
THABONG	27,637	157,531
WHITES	55	314
Sub-Total	36,573	368, 102
Rural settlements		
FARMS IN MATJHABENG	0	2,502
Sub-Total	0	2,502
Informal settlements		
NYAKALLONG	177	974
KUTLWANONG	1,505	8,278
THABONG/BRONVILLE	3,762	20,691
MELODING	821	4,516
PHOMOLONG	539	2,965
MMAMAHABANE	379	2,085
Sub-Total	1,739	39, 509
Total	59,759	513, 882
		T 1.2.6

Source: STATS SA 2011

SETTLEMENT TYPE	POPULATION
THERE ARE 21 INFORMAL SETTLEMENTS IN MATJHABENG	3,997

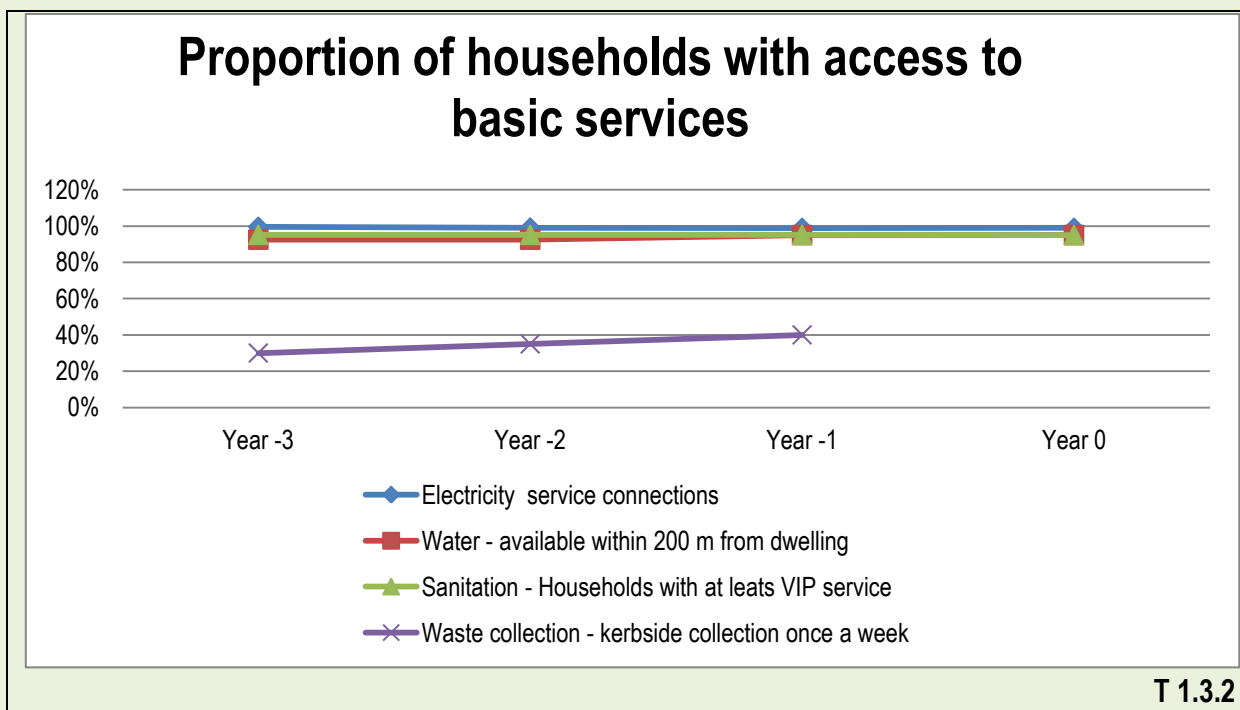
Source: Matjhabeng Data - List attached on page 306

NATURAL RESOURCES	
MAJOR NATURAL RESOURCE	BENEFIT TO THE COMMUNITY
GOLD	There are a number of active mines which employ residents of Matjhabeng
URANIUM	Uranium and gold cannot be separated even though the region has not explored the uranium mining.
T 1.2.7	

COMMENT ON BACKGROUND DATA:
<p>The data clearly shows the municipality faces a number of challenges such as high levels of unemployment and consequently indigence. Amongst others this means the municipality's revenue base is likely to remain low, thus posing a threat on the municipality's ability to expand and improve the quality of services to its citizens.</p>
T 1.2.8

1.3 SERVICE DELIVERY OVERVIEW

Proportion of Households with minimum level of Basic services				
	Year -3	Year -2	Year -1	Year 0
Electricity service connections	100%	99%	99%	99%
Water - available within 200 m from dwelling	92%	92%	95%	95%
Sanitation - Households with at least VIP service	95%	95%	95%	95%
Waste collection - kerbside collection once a week	30%	35%	40%	



COMMENT ON ACCESS TO BASIC SERVICES:

Diagram not included – access to basic services handicapped by shortage of personnel, fleet, materials and tedious procurement processes.

T 1.3.3

1.4 FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The Matjhabeng Local Municipality has received a disclaimer audit opinion for the year under review as well as the past financial years of which the major qualifications were on property plant and equipment, investment property, service charges, trade and other payables, provisions, leases, consumer debtor, non-current debtors and expenditure. The municipality developed an Audit Query Action Plan to address the matters raised but still experienced challenges in order to achieve an improvement in the Audit outcome. However it must be noted that the municipality submitted the Annual Financial Statements on 31 August 2014 together with an Asset Register. The Asset Register was audited with the Annual Financial Statements by the Auditor-General.

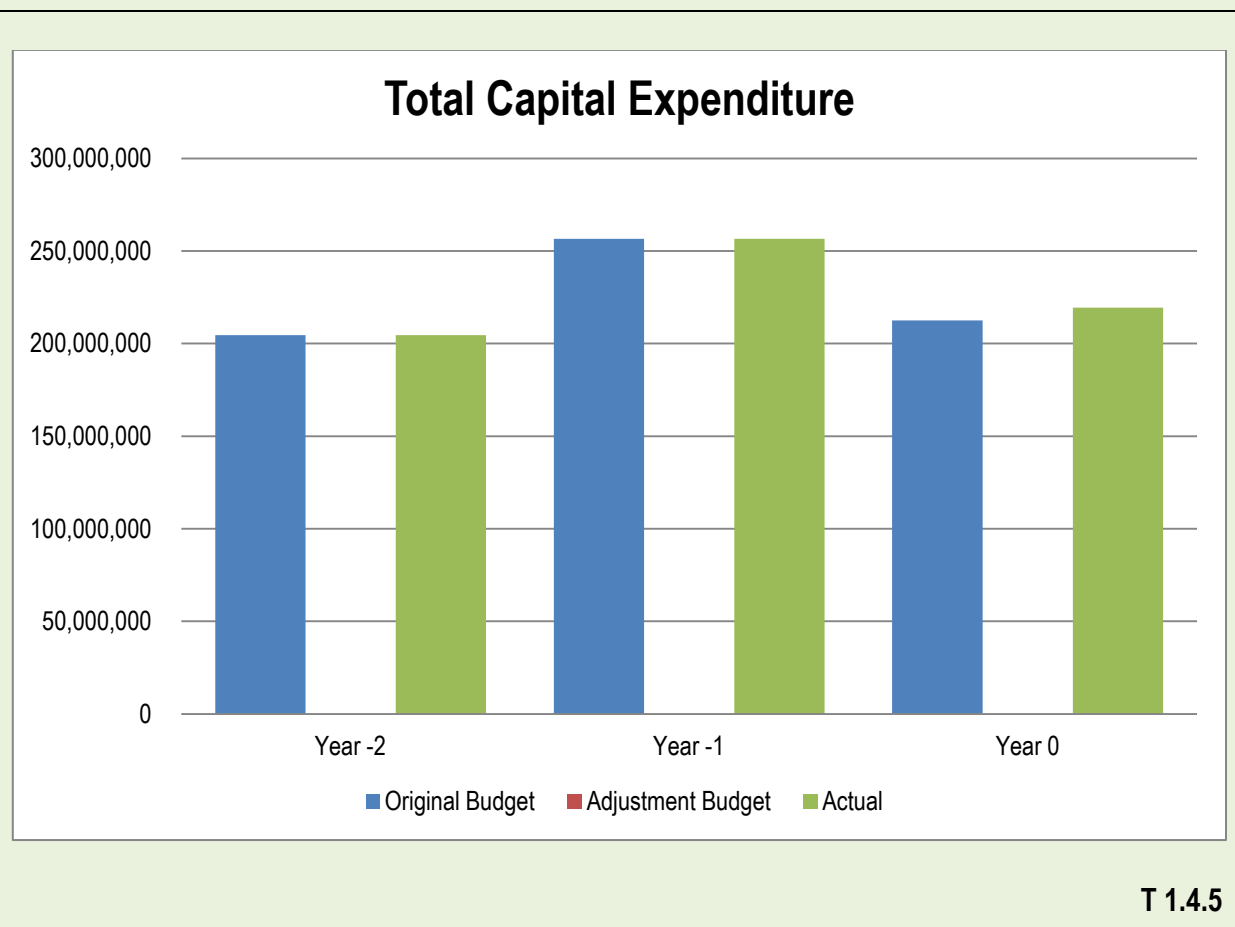
The budget of the municipality has been compiled in compliance with Chapter 4 of the Municipal Finance Management Act 56 of 2003 as well as the Local Government Budget Regulations. The operating budget for the 2013/2014 financial year was R 1 688 706 367 and capital budget R 200 030 000. The revenue as per the statement of financial performance was R 1 834 153 849 and the expenditure at R 1 986 704 423, which recorded an operating deficit of R138 998 288.

T 1.4.1

Financial Overview: Year 0			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	428,360,000	0	428,512,177
Taxes, Levies and tariffs	1,140,393,857	0	1,047,666,353
Other	119,952,511	0	168,845,727
Sub Total	1,688,706,368	0	1,645,024,257
Less: Expenditure	1,688,706,368	0	1,986,704,423
Net Total*	0	0	-341,680,166
* Note: surplus/(defecit)			T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	31%
Repairs & Maintenance	9%
Finance Charges & Impairment	19%
T 1.4.3	

Total Capital Expenditure: Year -2 to Year 0			
Detail	Year -2	Year -1	Year 0
Original Budget	204,637,000	256,627,000	212,482,000
Adjustment Budget	0	0	0
Actual	204,637,000	256,627,000	219,481,713
T 1.4.4			



1.7 STATUTORY ANNUAL REPORT PROCESS

No	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	January
T 1.7.1		

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE

POLITICAL STRUCTURE



EXECUTIVE MAYOR

Cllr Sebenzile Ngangelizwe



SPEAKER

Cllr C Stofile



CHIEF WHIP

Cllr M Twala

MAYORAL COMMITTEE / EXECUTIVE COMMITTEE



MMC COMMUNITY SERVICES

Cllr P Motshabi



MMC FINANCE

Cllr MA Mbana



MMC HUMAN SETTLEMENTS

Cllr MH Ntsebeng



MMC TECHNICAL SERVICES

Cllr MK Menyatso



MMC CORPORATE SERVICES
Cllr MSE Mfebe



MMC SOCIAL SERVICES
Cllr ML Radebe



MMC POLICY DEVELOPMENT & MONITORING
Cllr FE Taliwe



MMC SPECIAL PROGRAMMES
Cllr ML Thlone



MMC LED & PLANNING
Cllr L Rubulana



MMC PUBLIC SAFETY & TRANSPORT
Cllr MJ Sephiri

T 2.1.1

COUNCILLORS

PR Councillors



Cllr Banyane



Cllr Badenhorst



Cllr Mafa



Cllr Stofile



Cllr Vanga



Cllr Ngangelizwe



Cllr Styger



Cllr Motshabi



Cllr Mhola



Cllr Mafongosi



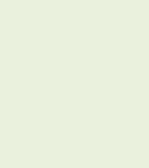
Cllr Taljaard



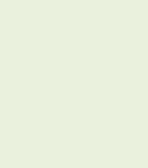
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Cllr Chaka



Cllr Marais



Cllr Kockera



Cllr Malefane



Cllr Mlangeni



Cllr Matlebe



Cllr Botha



Cllr Pina



Cllr Fourie



Cllr Mokotedi



Cllr Radebe



Cllr Tsubane



Cllr Petleki



Cllr Fanie



Cllr Rubulana



Cllr Mbana



Cllr Menyatso



Cllr Radebe



Cllr Sephiri



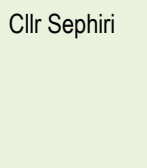
Cllr Speelman



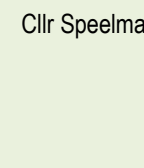
Cllr Tlhono



Cllr Twala



Cllr Van Rooyen



Cllr Kabi

Ward Councillors



Cllr Mabote
Ward 1



Cllr Tsubella
Ward 2



Cllr Mothege
Ward 3



Cllr PMI Molelekoa
Ward 4



Cllr PA Molelekoa
Ward 5



Cllr Molete
Ward 6



Cllr Monjovo
Ward 7



Cllr Masienyane
Ward 8



Cllr Smit
Ward 9



Cllr Mfebe
Ward 10



Cllr Morris
Ward 11



Cllr Tlake
Ward 12



Cllr Thelingoane
Ward 13



Cllr Mosala
Ward 14



Cllr Ntlele
Ward 15



Cllr Mokausi
Ward 16



Cllr Khalipha
Ward 17



Cllr Makgowe
Ward 18



Cllr Mbambo
Ward 19



Cllr Molupe
Ward 20



Cllr Phetise
Ward 21



Cllr Sifatya
Ward 22



Cllr Dali
Ward 23



Cllr Mphikeleli
Ward 24



Cllr Qwesha
Ward 25



Cllr Tsatsa
Ward 26



Cllr V. Rooyen
Ward 27



Cllr Taliwe
Ward 28



Cllr Madumise
Ward 29



Cllr Thateng
Ward 30



Cllr Mokhomomo
Ward 31



Cllr V. Schalkwyk
Ward 32



Cllr Beneke
Ward 33



Cllr Naude
Ward 34



Cllr Riet
Ward 35



Cllr De Villiers
Ward 36

T 2.1.2

POLITICAL DECISION-TAKING PROCESS

Council is the ultimate authority and/or decision-maker as per the provisions of the Constitution of the Republic of South Africa and other applicable laws governing the local government sector. A typical political decision-taking process usually begins with the Administrative Wing of the municipality which after having processed items will submit such to the Section 80 Committees for further processing.

Arising from the meetings of various Section 80 Committees will be an agenda that will be table before the Honorable Executive Mayor's advisory committee, namely, the Mayoral Committee, which will then submit its recommendations to Council for final decisions.

Depending upon the nature of a Council recommendation and/or decision, the general public will be consulted for inputs on the matters at hand before Council finally ratifies a matter under discussion. Public consultation assumes different forms, for example, it can be face to face meetings with the general public; or a platform can be created for the public to make inputs (written or verbal); or can be through the sittings of the Ward Committees; or even through formal stakeholder engagements. Either way, whatever emerges from consultations with the general public must still find a way back into Council for consideration and final ratification.

In the event Council decisions need further action from the side of the administration of political office (in the form of the Executive Mayor's Office), progress report(s) are submitted to Council as part of the tracking of the efforts aimed at implementing the decisions of Council.

T 2.1.3

TOP ADMINISTRATIVE STRUCTURE



MUNICIPAL MANAGER
Mr. German Ramathebane



EXECUTIVE DIRECTOR: Strategic Support Services
Mr. Sam Makhubu



ACTING EXECUTIVE DIRECTOR: Infrastructure
Mr. Jan Blom



EXECUTIVE DIRECTOR: Corporate Support Services
Adv. Mothusi Lepheana



EXECUTIVE DIRECTOR: LED & Spatial Planning
Mr. Xolela Msweli



CHIEF FINANCIAL OFFICER
Mr. Thabiso Tsoaeli



EXECUTIVE DIRECTOR: Community Services & Law Enforcement
Me. Matiro Mogopodi

T2.2.2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Cooperative Governance and Intergovernmental Relations (IGR) are important in that they foster relationships among the three spheres of government within the context of a unitary state, and the mechanisms to manage these relationships are legislated (see the Constitution of the Republic of South Africa of 1996, The Intergovernmental Relations Act, and other applicable laws.

The municipality is an active participant in various fora aimed at advancing cooperative governance and intergovernmental relations especially at the levels of both the District Municipality and Provincial Government (see T2.3.4 below for some specific references and details)

T 2.3.0

2.3 INTERGOVERNMENTAL RELATIONS

RELATIONSHIPS WITH MUNICIPAL ENTITIES

N/A

T 2.3.3

DISTRICT INTERGOVERNMENTAL STRUCTURES

The office of the Speaker participates in the District Public Participation Forum that sits quarterly. The forum allows the Speakers in the district to discuss a range of issues, including demarcation, public participation and governance. The forum has helped to eliminate tensions and disagreements over municipal outer boundaries as consensus was reached at this level.

At a technical level, the office participated in quarterly district and provincial public participation steering committees. These forums help service delivery through sharing of best public participation strategies implemented by other municipalities. Administratively, the municipality participates in a District Forum aimed at driving the Municipal Turn-Around Strategy (MTAS) as well as a similar forum managed by the Provincial COGTA.

Needless to say, the municipality is an active participant in the District and Provincial Integrated Development Plan (IDP) where social developmental agenda is being driven and the programs of the three spheres of government are being coordinated and a platform is created to incorporate national and provincial plans.

Lastly, the municipality participates in the Premier's Coordinating Forum where the province's developmental agenda and coordination are points of emphasis

T 2.3.4

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The law provides that public representatives must convene ward constituency meetings quarterly to give feedback on the progress and challenges in the municipality. All the wards convened their constituency meetings in the last financial year, although some did fall short of the legal requirement of four meetings a year, while others exceeded the target. Sector departments continue to consult the community on the drafting and implementation of policies. The Office of the Executive Mayor has a program of imbizos, which reinforce the system of ward committee participation.

In addition, with a view to enhancing accountability, the municipality continues to place important documents like the IDP, Budget and the annual report at key strategic points for accessibility. During the year under review, a comprehensive public participation program was undertaken across the thirty-six municipal wards, and this was complimented by the sittings of the IDP/Budget Stakeholder Forum where interest groupings and sector departments were afforded an opportunity to make an input into the IDP and Budget development processes.

The planning on public participation still has to improve in the next financial year especially in the lights of serious resource constraints. The staffing in the Office of the Speaker is grossly inadequate. There is a need for additional vehicles in order to satisfactorily service all 36 wards, including improving the municipal ability to cater for policy consultations and the programs from the office of the Executive Mayor. Lastly, the general public was consulted on policy-making processes as required by the laws of the land.

T 2.4.0

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The municipality regularly advertises Council meetings in the local newspapers in order for the public to attend. The attendance to meetings by the public is not really satisfactory but there is no single meeting that has sat without members of the public present. The Offices of the Executive Mayor and the Speaker have each established forums in which service delivery issues are discussed.

The Executive Mayor heads the IDP Representative Forum, which consists of the ward committees, sector departments and the business. The Office of the Speaker chairs the Stakeholders' Forum, which consists of all public sector line departments within jurisdiction of the municipality.

The website of the municipality is functional even though it has some information challenges. Nevertheless, where possible, relevant information as required by the law is posted. The municipality also has notice boards at all its buildings which serve as important channels of communication. In this financial year, the municipality is also using the community radio station, *The Rock*, where the leadership of the municipality has unmediated communication with the community on development plans, progress and challenges. The municipality continues to publish *Matjhabeng News* on a monthly basis.

T 2.4.1

WARD COMMITTEES

The Municipality has 36 wards each with a well functioning Ward Committee. Ward Committees are correctly constituted, sit regularly as per the approved schedule and report timely on activities undertaken (see T2.4.3 below) . The office of The Speaker has attempted to performance-manages Ward Committees and assess their performance consistently.

T 2.4.2

Public Meetings						
Nature and purpose of meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Launching of Projects	Feb-14	30 Councillors	30	5000	Launching	Address
Handing Over of Projects	May-14	30	30	2000	Hand-Over	Addressed
Youth Celebration	16 Jun-14	40	25	10000	Yes	
Budget Meetings	30 March - 10 April 2014	70	25	5000	Budget	Participatory
Imbizo	Nov-13	40	20	1000	Services	Participatory
T 2.4.3						

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

As it has been already reported in one of the foregone passages that a comprehensive public participation program was developed and executed during the year under review, its success and impact varied from issue to issue and from ward to ward. As it is the case with meetings of this nature, and despite the amount of energy, time and other resources mobilized for such meetings, it is unlikely that attendance and inputs would be uniform.

Nevertheless, apart from meeting a legal requirement in as far as consulting the public is concerned, meetings held yielded positive outcomes. The general public was able to input into programs where such was needed, and these contributed significantly to improving the Council decisions. For example, the IDP and Budget together with other policies approved have public ownership.

T 2.4.3.1

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Y
Does the IDP have priorities, objectives, KPIs, development strategies?	Y
Does the IDP have multi-year targets?	Y
Are the above aligned and can they calculate into a score?	Y
Does the budget align directly to the KPIs in the strategic plan?	Y
Do the IDP KPIs align to the section 57 Managers	Y
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Y
Were the indicators communicated to the public?	Y
Were the four quarter aligned reports submitted within stipulated time frames?	Y
NB: Whereas all of the responses above are correct, it is important to note that there has been an unevenness in the manner in which these (KPIs, outcomes, inputs, strategies, etc.) were captured in the IDP and SDBIP during the year under review	
T 2.5.1	

COMPONENT D: CORPORATE GOVERNANCE

2.6 RISK MANAGEMENT

RISK MANAGEMENT

Risk Management is a management process, through which the municipality identifies, evaluates and control significant risks that can result in failure, to attain strategic objectives. The main responsibility of Risk Management is to support the development of an overall Municipal Risk Management plan, aligned to Municipal Strategy. A reviewed risk management policy was approved during the Council sitting dated 26th of September 2013. The following are the responsibilities of Risk Management.

1. Conducting Risk Assessment within the Municipality.
2. Advising and Guiding the Municipality in terms of Institutional Risk Matters.
3. Developing a Risk Management Strategy and Implementation Plan.
4. Coordinating Risk Management Activities.
5. Facilitating identification and assessment of risks.
6. Recommending Risk Responses to Management.

T 2.6.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The SCM policy of the municipality is aligned with the SCM regulations. The SCM policy was also reviewed to take into account the revised PPPF regulations. The primary goal of the Municipality's supply chain management system is to find reliable, cost effective suppliers for the Municipality, this means that acceptable norms and standards of quality, expected service delivery and technical performance will not be relaxed or compromised, while ensuring the promotion of HDI's in the process.

It is clear that the local economy is declining. For this purpose the Municipality has incorporated a number of local economic development initiatives and projects in the integrated development plan. The Municipality also realises that its supply chain management policy and practices can play an important role in stimulating local economic growth and development. This policy is therefore designed to contribute to the achievement by the Municipality of its objectives regarding local economic growth and development.

As stated earlier the technical capabilities and expertise of service providers are not compromised in the awarding of contracts, therefore projects are completed according to the required standards. This in turn contributes to effective service delivery. Challenges experienced to attain the standards set out in Section 112 of the MFMA are as follows:

The appointment of permanent SCM staff; the training strategy for SCM practitioners has not been developed

The remedial action taken is that the revised organogram will serve before Council and once this is approved by Council, appointment of permanent staff will follow.

T 2.8.1

2.9 BY-LAWS

By-laws Introduced during Year 0					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Cemeteries and Crematoria	2008	Yes		Yes	07/12/2012
Credit Control and Debt Collection	2010	Yes		Yes	07/12/2012
Culture and Recreation	2008	Yes		Yes	07/12/2012
Dumping and Littering	2008	Yes		Yes	07/12/2012
Health for home for the aged	2010	Yes		Yes	07/12/2012
Market	2010	Yes		Yes	07/12/2012
Parking meter	2008	Yes		Yes	07/12/2012
Property Rates	2011	Yes		Yes	07/12/2012
Public Amenities	2008	Yes		Yes	07/12/2012
Public Health	2008	Yes		Yes	07/12/2012
Public Roads and Miscellaneous	2008	Yes		Yes	07/12/2012
Refuse (Solid Waste) and Sanitary	2008	Yes		Yes	07/12/2012
Streets and Public Places	2008	Yes		Yes	07/12/2012
Street Trading	2008	Yes		Yes	07/12/2012
Waste Management	2010	Yes		Yes	07/12/2012
Water Services	2010	Yes		Yes	07/12/2012
*Note: See MSA section 13.					T 2.9.1

2.10 WEBSITES

Municipal Website: Content and Currency of Material			
Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date	Reason
Current annual and adjustments budgets and all budget-related documents	Yes	September 2012	
All current budget-related policies	Yes	October 2014	
The previous annual report (Year -1)	Yes	22-May-12	
The annual report (Year 0) published/to be published	No	N/A	It will only be available after the Council sitting
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes	August 2012	
All service delivery agreements (Year 0)	No	N/A	Never providedby the relevant department. It is said that the municipality doesn't have it.
All long-term borrowing contracts (Year 0)	No	N/A	Never providedby the relevant department. It is said that the municipality doesn't have it.
All supply chain management contracts above a prescribed value (give value) for Year 0	No	No	Never providedby the relevant department. It is said that the municipality doesn't have it.
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	No	Never providedby the relevant department.
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	No	Never providedby the relevant department.
Public-private partnership agreements referred to in section 120 made in Year 0	No	No	Never providedby the relevant department.
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	No	No	Never providedby the relevant department.
			T 2.10.1

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

Matjhabeng Local Municipality's Website is currently receiving support from the office of the Premier, regarding the development and maintenance or updating of the website. The support is at its full operating stage and it is more accessible and user friendly. There's reasonable information on the website as required by the law and the hit rate is promising as well.

T 2.10.1.1

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

COMPONENT A: BASIC SERVICES

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services.

INTRODUCTION TO BASIC SERVICES

According to Stats SA's Census 2011, Matjhabeng Local Municipality has an overall population size of 406 461 with 123 195 households (with 97.7% being found in urban areas, and 2.3% living on farms). Of these, 78.5% constitutes formal dwellings, whereas 81.1% is connected to waterborne sanitation, 54.8% are households with piped water inside dwellings. The municipality provides refuse removal services weekly to 86.3% of the total households. The percentage of households that uses electricity is 91.1.

During the previous year under review, the Municipality had approximately 8500 informal dwellings. In Tandanai/2010 area about 1400 households were formalised. It is unknown how many new informal dwellings were erected.

T 3.1.0

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

Matjhabeng Municipality is the Water Service Authority and Sedibeng Water the Water Service Provider. Due to the down scaling of the mines in the area, the current bulk water supply capacity is more than adequate in all the towns in the area of authority. Due to growth and bucket eradication in some areas some bulk lines capacities become challenging. Sedibeng water in the the process of investigating upgrading of such. Due to aging of some of the water networks and challenges to manage and meter all households the water loss is unacceptably high.

The Municipality was assessed for Blue Drop Status again in 2013. The outcome of this assessment is however still not available. The Municipality renders basic assistance to poor communities within its resource constraints.

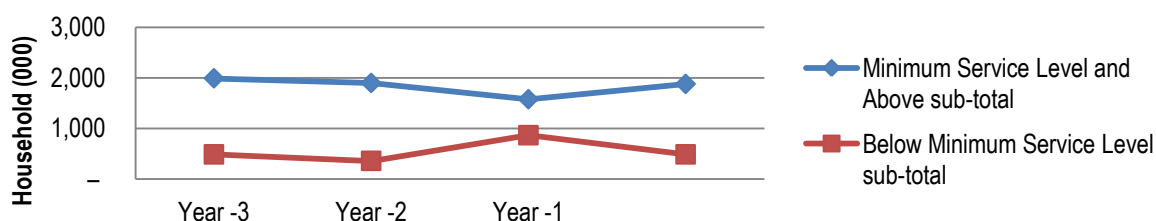
T 3.1.1

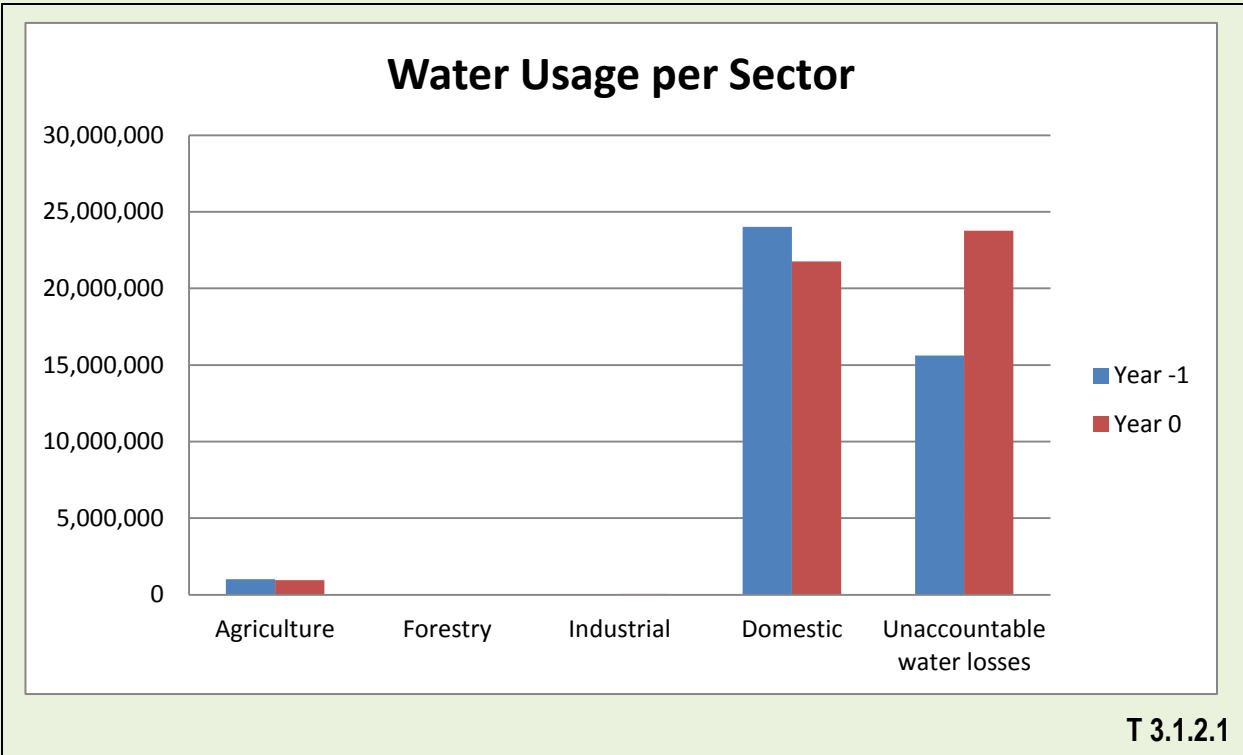
Total Use of Water by Sector (cubic meters)

	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
Year -1	1,009,420	0	37,110	24,021,794	15,627,005
Year 0	955,598	0	48,082	21,759,685	23,765,243

T 3.1.2

Water: (above min level)





COMMENT ON WATER USE BY SECTOR:

Due to excessive water losses, the Municipality embarked on a project to reduce water losses. Detail investigations on existing water meters were done to determine reason why meters are not functional and associated repair thereof. Faulty valves were identified and replaced to minimise water loss during maintenance actions. Indigent households with the highest water usage were identified and leakages of taps and toilet cisterns were repaired.

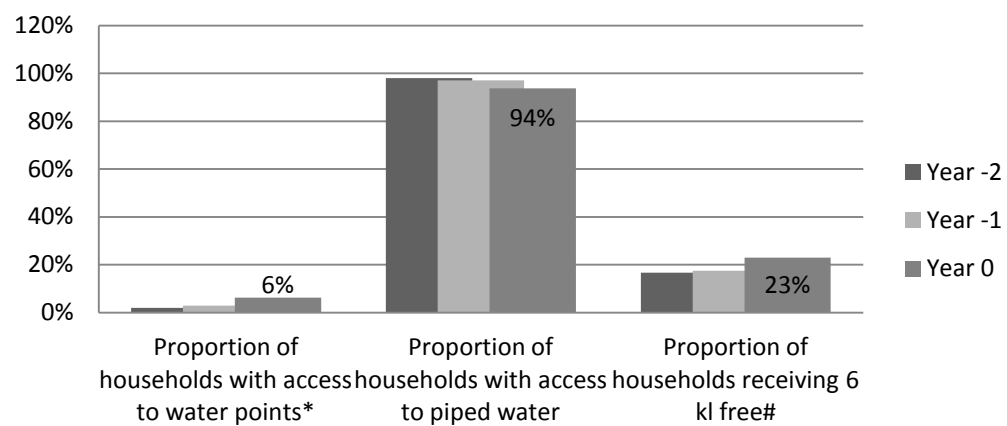
Maintenance of water networks in old high income areas becomes difficult as little funding is available to maintain and upgrade such. All governmental actions are focussed on PDI areas.

T 3.1.2.2

Water Service Delivery Levels				
Description	Households			
	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
<u>Water: (above min level)</u>				
Piped water inside dwelling	49,315	49,315	49,315	49,315
Piped water inside yard (but not in dwelling)	46,997	46,997	46,997	48,426
Using public tap (within 200m from dwelling)	1,916	2,916	1,916	487
Other water supply (within 200m)				
<i>Minimum Service Level and Above sub-total</i>	98,228	99,228	98,228	98,228
<i>Minimum Service Level and Above Percentage</i>	97%	96%	97%	96%
<u>Water: (below min level)</u>				
Using public tap (more than 200m from dwelling)	4,467	3,467	4,467	4,467
Other water supply (more than 200m from dwelling)				
No water supply				
<i>Below Minimum Service Level sub-total</i>	4,467	3,467	4,467	4,467
<i>Below Minimum Service Level Percentage</i>	3%	4%	3%	4%
Total number of households*	100,795	102,695	102,695	102,695
* - To include informal settlements				T 3.1.3

Households - Water Service Delivery Levels below the minimum						
Description	Households					
	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	84,972	84,972	84,855	86,284	84,855	84,855
Households below minimum service level	4,140	4,140	1,916	487	487	487
Proportion of households below minimum service level	5%	5%	2%	1%	1%	1%
Informal Settlements						
Total households	7,629	7,183	7,183	7,183	7,183	7,034
Households ts below minimum service level	4,467	4,467	4,387	4,387	4,307	4,227
Proportion of households ts below minimum service level	59%	62%	61%	61%	60%	60%
						T 3.1.4

Access to Water



Access to Water			
	Proportion of households with access to water points*	Proportion of households with access to piped water	Proportion of households receiving 6 kl free#
Year -2	2%	98%	17%
Year -1	3%	97%	18%
Year 0	6%	94%	23%
T 3.1.5			

Water Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Compile a replacement plan for worn out water pipes to reduce water loss	Repair and maintenance of water related infrastructure	1,800	3,710	3500	2,000	5,607	4200	4200	4200
	Service all hydrants and Valves once a year	2,140	167	1500	130	271	190	190	190
	Implement the water meter repair program	15,700	6,518	6000	2,500	8,311	9800	9800	9800
<i>Note: This statement should include no more than the top four priority service objectives, including milestones that relate to the blue water drop status as set out by the Water Affairs department. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. **Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i>									
T 3.1.6									

T 3.1.6

Employees: Water Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	1	0	0%
4 - 6	1	7	1	6	86%
7 - 9	15	25	18	7	28%
10 - 12	5	27	18	9	33%
13 - 15	18	41	3	38	93%
16 - 18	31	143	42	101	71%
19 - 20	0	0	0	0	0%
Total	70	244	83	161	66%
					T3.1.7

Financial Performance Year 0: Water Services					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	198 537	188 642	188 642	228 019	-21%
Expenditure:					
Employees	18 851	26 564	26 564	25 515	4%
Repairs and Maintenance	19 632	22 700	22 700	6 703	70%
Other	8 373	10 111	10 111	3 456	66%
Total Operational Expenditure	46 856	59 375	59 375	35 674	40%
Net Operational Expenditure	-151 681	-129 267	-129 267	-192 345	-49%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.1.8

Capital Expenditure Year 0: Water Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	6448	6448	5774	-12%	
Kutlwanong (Stadium Area): Upgrading of water network for 215 stands (MIS:214244)	6,098	6098	5,591	-9%	5,591
Meloding (Ext10): Installation of water network for 34 stands (MIS:214233)	350	350	184	-91%	350
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.1.9

COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The proposed water projects as listed in the IDP should mostly be completed within the set timeframe. The replacement of asbestos water lines as well as water demand projects will not be completed.

Projects according to IDP are:-

Thabong X21 (Hani Park)	R1,3m	2016
Thabong T6	R8,4m	2014
Servicing of 500 stands with water connections in Kutlwanong	R1m	2016
Analyse and upgrade Meloding water network	R30m	2016

The servicing of Thabong T12 already started.

Some portions of Meloding water network were upgraded, making a big difference on the quality of the service.

T 3.1.10

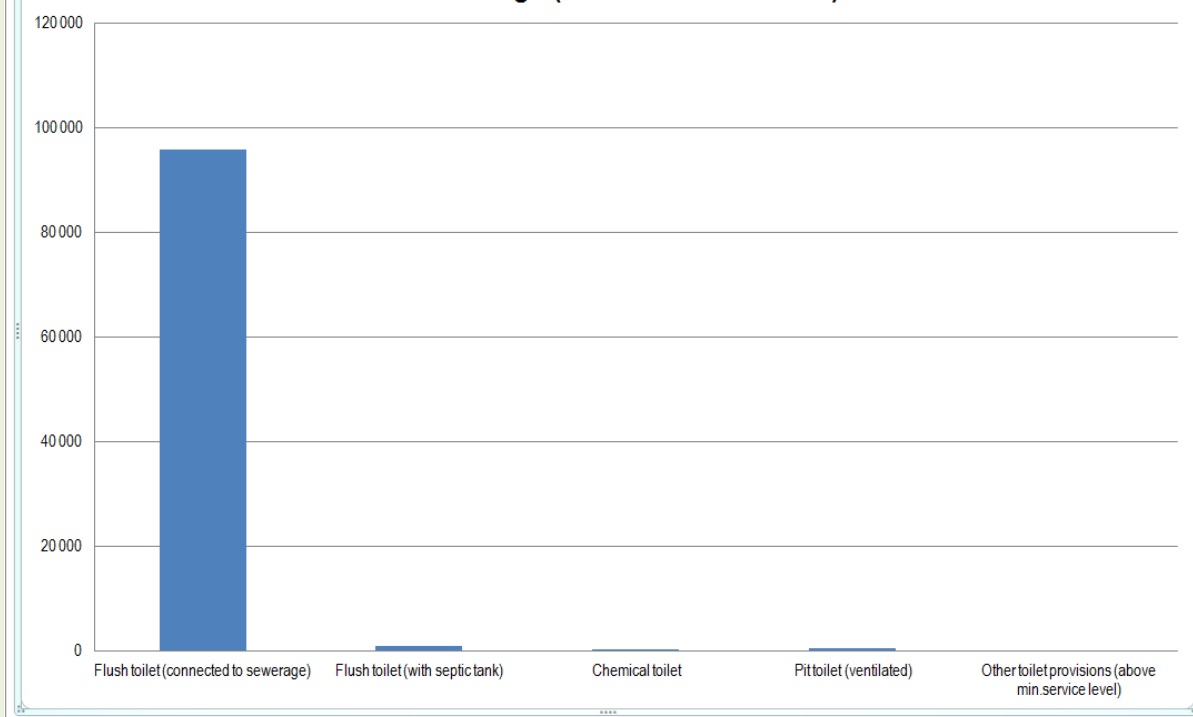
3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

Due to environmental requirements associated with sewerage, the Municipality spend a major portion of its budget on upgrading these services. However, several challenges still exist. The upgrading of the Waste Water Treatment Works (WWTW) especially gets high priority. Some radical improvements can be seen in the Green Drop scoring, which more than doubled since the previous assessment. According to EIA, new proclaimed areas, only new developments (new houses) can be allowed after upgrading of Thabong WWTW. Funding to upgrade this works should be a priority.

T 3.2.1

Sanitation/Sewerage (above minimum level): Year 0

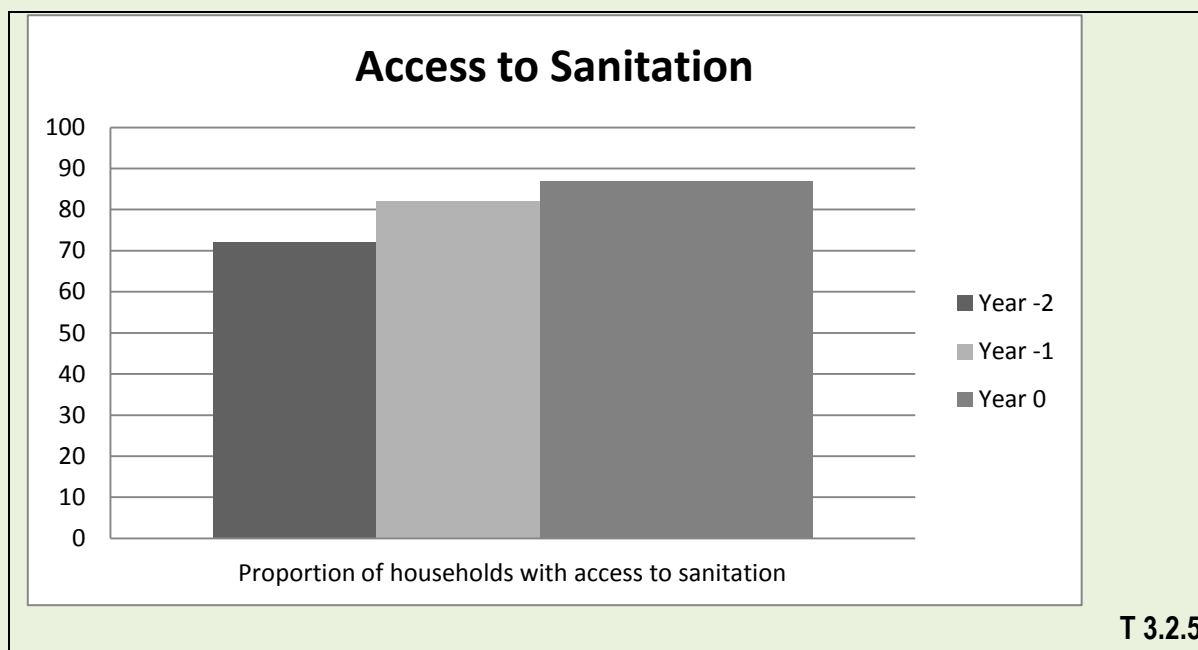


T 3.2.2

Sanitation Service Delivery Levels						
*Households						
Description	Year -3	Year -2	Year -1	Year 0		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Sanitation/sewerage: (above minimum level)						
Flush toilet (connected to sewerage)	78,568	78,568	95,278	95,708	95,708	95,708
Flush toilet (with septic tank)	-	-	956	956	956	956
Chemical toilet	-	-	111	111	111	111
Pit toilet (ventilated)	-	-	512	512	512	512
Other toilet provisions (above min.service level)	-	-	-	0	0	
<i>Minimum Service Level and Above sub-total</i>	78,568	78,568	96,857	97,287	97,287	97,287
<i>Minimum Service Level and Above Percentage</i>	66.6%	70.2%	90.0%	90.4%	90.4%	90.4%
Sanitation/sewerage: (below minimum level)						
Bucket toilet	15,198	6,698	5,195	5,195	5,195	5,195
Other toilet provisions (below min.service level)	11,273	11,273	2,600	2,170	2,170	2,170
No toilet provisions	13,000	15,455	2,930	2,930	2,930	2,930
<i>Below Minimum Service Level sub-total</i>	39,471	33,426	10,725	10,295	10,295	10,295
<i>Below Minimum Service Level Percentage</i>	33.4%	29.8%	10.0%	9.6%	9.6%	9.6%
Total households	118,039.00	111,994.00	107,582.00	107,582.00	107,582.00	107,582.00
*Total number of households including informal settlements Note: Year 0 updated with Stats SA info for rural area.						T 3.2.3

Households - Sanitation Service Delivery Levels below the minimum						
Households						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	84,972	84,972	107,582	107,582	107,582	107,582
Households below minimum service level	6,000	4,140	10,725	10,295	10,295	10,295
Proportion of households below minimum service level	7%	5%	10%	10%	10%	10%
Informal Settlements						
Total households	5,383	2,692	4,467	4,467	4,467	4,467

Households ts below minimum service level	4,467	4,467	4,313	4,313	4,313	4,313
Proportion of households ts below minimum service level	83%	166%	97%	97%	97%	97%
					T 3.2.4	



Waste Water (Sanitation) Service Policy Objectives Taken From IDP									
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	 (iv)	*Previous Year (v)	*Current Year (vi)	 (vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Maintenance of sewer related infrastructure	Repair broken lines: Manage sewage flow, excavate, replace broken portion & backfill per meter	800	522		90	444	380	1500	1500
	Open blockages	4000	10224		6080	11349	9000	4500	4500
	Preventive cleaning of sewer lines 1368km per meter	200	453		215	1877	8500	8500	8500
<i>Note: This statement should include no more than the top four priority service objectives, including milestones that relate to the green drop status as set out by the Water Affairs department. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. **Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i>									T 3.2.6

Employees: Sanitation Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	100%
4 - 6	2	5	2	3	60%
7 - 9	13	20	8	12	60%
10 - 12	8	22	6	16	73%
13 - 15	11	45	12	33	73%
16 - 18	59	188	87	101	54%
19 - 20	0	0	0	0	0%
Total	93	281	115	166	59%
T 3.2.7					

Financial Performance Year 0: Sanitation Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-98 380	-103 733	-103 733	-109 367	-5%
Expenditure:					
Employees	23 101	25 838	25 838	24 675	4%
Repairs and Maintenance	6 783	23 778	23 778	7 836	67%
Other	6 633	10 645	10 645	7 554	29%
Total Operational Expenditure	36 516	60 261	60 261	40 065	34%
Net Operational Expenditure	134 896	163 993	163 993	149 431	9%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.2.8					

Capital Expenditure Year 0: Sanitation Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	36,775	900%	
Kutlwanong: Upgrading of sewerage works phase 2			21,146	100%	30,210
Odendaalsrus, Kutlwanong, Welkom: Relining of worn-out sewer lines			596	100%	14,893
Matjhabeng (Bronville Ext 9): Construction of waterborne sanitation (MIS:185958)			161	100%	4,815
Nyakalong: Upgrading and rehabilitation of waste water treatment works (MIS:214157)			31	100%	52,300
Mmamahabane: Construction of 60 sewer house connections (MIS:208863)			798	100%	995
Meloding: Ext 10 Sewer network (MIS:208886)			797	100%	986
Phomolong: Construction of a new outfall sewer for 4871 stands (MIS:215125)			913	100%	10,143
Virginia: Upgrading of waste water treatment works (MIS:215450)			10,920	100%	41,656
Thabong (T12 Phase 4 Jerusalem Park): Upgrading of waterborne sanitation network for 316 erven (MIS:216524)			1,413	100%	2,144
Thabong T16: Provision of waterborne sanitation for 1300 stands (MIS:216509)			992	100%	37,948
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T 3.2.9

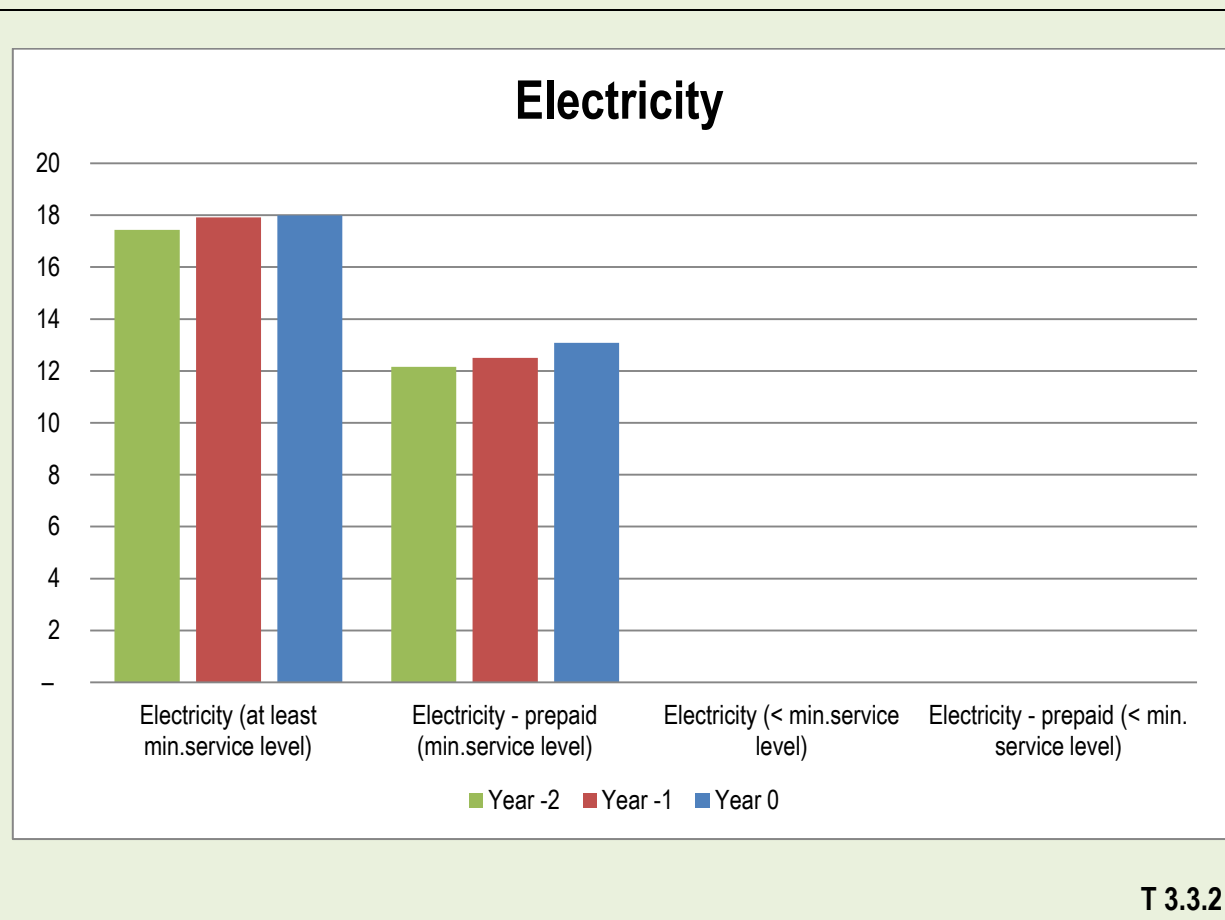
COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

Sewer networks jets were extended and maintained but due to shortage of funding and resources some major challenges exist. With the support of DWAS though Bloemwater old bucket eradication challenges are in the process to be addressed. The outfall sewer in Koppie Alleen Road is still a major concern.

Cognisance must also be taken of an increase in water usage due to developments and high living standards. This results in higher flows to WWTW. In areas where the outflow of the WWTW's are to pans flooding thereof becomes a challenge.

T 3.2.10

3.3 ELECTRICITY



Electricity Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Year 0
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Energy: (above minimum level)				
Electricity (at least min.service level)	21,145	17,439	17,915	17,984
Electricity - prepaid (min.service level)	10,400	12,155	12,500	13,076
<i>Minimum Service Level and Above sub-total</i>	31,545	29,594	30,415	31,060
<i>Minimum Service Level and Above Percentage</i>	100%	99%	99%	100%
Energy: (below minimum level)				
Electricity (< min.service level)	0	0	0	0
Electricity - prepaid (< min. service level)	0	0	0	0
Other energy sources	300	320	584	872
<i>Below Minimum Service Level sub-total</i>	150	300	320	0
<i>Below Minimum Service Level Percentage</i>	0.5%	1.0%	1.0%	0.0%
Total number of households	31,695	29,894	30,735	31,060
			T 3.3.3	

Households - Electricity Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Households		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	31545	32103	32103	31303	31303	31303
Households below minimum service level	300	155	285	0	0	0
Proportion of households below minimum service level	1%	0%	1%	0%	0%	0%
Informal Settlements						
Total households	400	155	285	285	285	285
Households ts below minimum service level	300	155	285	0	0	0
Proportion of households ts below minimum service level	75%	100%	100%	0%	0%	0%
					T 3.3.4	

Electricity Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1	Year 3		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Maintain distribution losses under 10%	% Losses	10%	6%	10%	10%	8%	10%	10%	10%
Annual maintenance of 808 substations	Substations maintained	564	357	564	564	462	450	450	450
Maintenance of 29558 street lights Annual maintenance ratio is 30%.	Streetlights repaired	8 674	1 978	8 674	8 674	1 710	8 674	8 674	8 674
Electrical breakdown responses	Reaction on break down situations	2 158	3 861	2 158	2 158	3 840	2 158	2 158	2 158
Scrutinizing of consumer accounts regarding tampering	500 theft cases handled annually	500	155	500	500	148	500	500	500
<p><i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i></p>									T 3.3.5

Employees: Electricity Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	3	1	2	67%
4 - 6	8	15	6	9	60%
7 - 9	17	41	22	19	46%
10 - 12	5	13	8	5	38%
13 - 15	19	56	1	55	98%
16 - 18	18	50	43	7	14%
19 - 20	0	0	0	0	0%
Total	69	178	81	97	54%
T 3.3.6					

Financial Performance Year 0: Electricity Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	475 291	619 150	0	440 055	29%
Expenditure:					
Employees	22 043	26 372	0	25 345	4%
Repairs and Maintenance	3 171	34 517	0	6,664	81%
Other	352 731	265 717	0	83 776	68%
Total Operational Expenditure	377 945	326 606	0	115 785	65%
Net Operational Expenditure	-97 346	-292 544	0	-324 270	-11%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.3.7					

Capital Expenditure Year 0: Electricity Services					
					R' 000
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	20 058	18 443	7 758	12 300	
EEDSM energy efficient streetlighting project	6,158	6,158	6,158	0	6.16
Energy efficiency residential load management	2,300	2,300	0	2 300	0.00
Electrification X 15 (phase 5)	1,600	1,600	1 600	0	1.60
Urania substation	8,000	8,000	0	8 000	0.00
CBD electrical upgrade	2,000	385	0	2 000	0.00
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</i>					T 3.3.8

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

INTRODUCTION TO WASTE MANAGEMENT
<p>Matjhabeng Municipality is poised to adhere to the legislative mandate which address the Waste Minimization Strategy and in particular the Polokwane Declaration that sets the ambitions target of a reduction of waste disposal by landfill, refuse removal and recycling as part of Green Economy as resolved at COP17 Climate Change Conference held in Durban. The Waste Management service is carried out in compliance to the National Waste Management Strategy, National Environmental Management Act (Act 107 of 1998), National Environmental Management Waste Act (Act 59 of 2008) and National Health Act (Act 61 of 2003)</p>
T 3.4.1

Solid Waste Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Households Year 0
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<u>Solid Waste Removal: (Minimum level)</u>				
Removed at least once a week	121 024	121 024	121 024	121 024
<i>Minimum Service Level and Above sub-total</i>	107 000	107 000	107 000	107 000
<i>Minimum Service Level and Above percentage</i>	77.2%	77.2%	77.2%	77.2%
<u>Solid Waste Removal: (Below minimum level)</u>				
Removed less frequently than once a week	1.10%	1.10%	1.10%	1.10%
Using communal refuse dump	1.20%	1.20%	1.20%	1.20%
Using own refuse dump	6.70%	6.70%	6.70%	6.70%
Other rubbish disposal	0.80%	0.80%	0.80%	0.80%
No rubbish disposal	4.00%	4.00%	4.00%	4.00%
<i>Below Minimum Service Level sub-total</i>	0.00%	0.00%	0.00%	0.00%
<i>Below Minimum Service Level percentage</i>	10.0%	10.0%	10.0%	10.0%
Total number of households	123 905	123 905	123 905	123 905
T 3.4.2				

Households - Solid Waste Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Households Year 0		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	107,000	107,000	107,000	107,000	107,000	107,000
Households below minimum service level	25,000	25,000	25,000	25,000	25,000	25,000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
Informal Settlements						
Total households	100,000	100,000	100,000	100,000	100,000	100,000
Households below minimum service level	25,000	25,000	25,000	25,000	25,000	25,000
Proportion of households below minimum service level	25%	25%	25%	25%	25%	25%
T 3.4.3						

Employees: Solid Waste Management Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	1	100%
4 - 6	1	2	0	2	100%
7 - 9	11	16	2	14	88%
10 - 12	12	26	22	4	15%
13 - 15	19	46	11	35	76%
16 - 18	255	402	290	112	28%
19 - 20	0	0	0	0	0%
Total	299	493	325	168	34%
T3.4.5					

Employees: Waste Disposal and Other Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%
T3.4.6					

Financial Performance Year 0: Solid Waste Management Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-67991	-61527	0	-71164	14%
Expenditure:					
Employees	48679	52922	0	50854	-4%
Repairs and Maintenance	5	8311	0	69	-11945%
Other	13899	22216	0	15163	-47%
Total Operational Expenditure	62583	83449	0	66086	-26%
Net Operational Expenditure	130574	144976	0	137250	-6%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.4.7					

Capital Expenditure Year 0: Waste Management Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
N/A					
Project A					
Project B					
Project C					
Project D					
NB: There was no capital budget for the department during the year under review					
T 3.4.9					

COMMENT ON WASTE MANAGEMENT SERVICE PERFORMANCE OVERALL
<p>The Directorate provides Waste Management Services to 5 264 service points of which constitute 107 000 households. The service provision to households is once a week collected from kerb stone, the industries are serviced twice a week and commercial is serviced three times a week. Other services include street cleaning, paper picking and rubble removal. The cleaning services are carried out on a daily basis whilst the rubble removal is carried out as per request.</p>
T 3.4.10

3.5 HOUSING

INTRODUCTION TO HOUSING	
<p>The department constitutes of the following sections:</p> <ol style="list-style-type: none"> 1. Land Affairs; 2. Housing Development; 3. Administration; 4. Rental Accommodation <p>The sections have objectives and annual targets that are to be implemented according to the departmental SDBIP and IDP.</p> <p>Land Affairs Responsible for the management administration and distribution of land through disposal allocation and with the eradication of informal settlements in Matjhabeng, de-registration of abandoned sites in Matjhabeng.</p> <p>Housing Development Address housing backlog by facilitating the construction of low, middle and high income groups through applicable national legislation.</p> <p>Administration Deals with the promotion of security of tenure through extended enhanced discount benefit scheme and conversions, data maintenance by updating housing waiting list.</p> <p>Rental Accommodation Deals with the management and administration of residential rental accommodation</p>	
T 3.5.1.	

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
Year -3	560,000	350,000	62.50%
Year -2	654000	450,000	68.80%
Year -1	654000	500,000	76.50%
Year 0	684,000	540,000	78.90%
T 3.5.2			

Housing Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year 0-		Year 1 - 10/11			Year 2-11/12	Year 3-12/13	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators									
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Provision for housing for all households	Additional houses provided during the year (Houses required at year end)	4 000 units		6 000 units	2 550units	no allocation	rectification	2 000units	1 700
NB: Our report is limited to houses constructed under Breaking New Ground (BNG) houses.									
T3.5.3									

T3.5.3

Employees: Housing Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	4	1	3	75%
4 - 6	3	5	9	-4	-80%
7 - 9	6	16	2	14	88%
10 - 12	7	9	9	0	0%
13 - 15	9	9	0	9	0%
16 - 18	11	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	37	34	21	13	38%
					T 3.5.4

Financial Performance Year 0: Housing Services					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.5.5

Capital Expenditure Year 0: Housing Services-Taken from IDP					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	10710000				
Project F	1000000				
Project L	50000				
Project M	40000				
Project N	500000	765525			
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					
T 3.5.6					

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:	
Priority A- Hennenman Land Restitution (100 sites)	
PROGRESS	
1.	Gibb Consultants have been appointed by Provincial Human Settlements to oversee the installation of Infrastructure on 100 sites in Hennenman
2.	Nucon contractor has been appointed for the installation of infrastructure in Hennenman.
3.	In Phomolong 35 Houses are built and beneficiaries have taken occupation thereof.
4.	The remaining 9 houses in Phomolong are in various levels of construction.
Priority B- Phomolong Putswastene (90 Sites)	
1.	18 houses have been completed and beneficiaries have taken occupation thereof.
2.	Old 11 dilapidated structures have been demolished.
Priority C- Phomolong School Area (90 sites)	
1.	Gibb Consultants have been appointed by Provincial Human Settlements to oversee the installation of Infrastructure.
2.	Nucon contractor have been appointed for the installation of infrastructure.
3.	Laubscher Slabbert and Brink have been appointed for the opening of the township register establishment.
4.	The general plan has been approved and the area is pegged.
5.	Registration with the Surveyor General and opening of township register is in progress.
Priority D Redevelopment of G Hostel	
1.	The intention for the demolition of G hostel is to curb criminal activity due to gold smuggling by the non-occupants of the hostel. The demolition has been encouraged by the joint structures especially SAPS.
2.	Awaiting the go ahead from the Council regarding the existing land on 8177 G hostel after relocation.

3. LTE Consulting as well as the Project Manager have been appointed for redevelopment of G Hostel
4. LTE consulting have submitted all technical documents to Matjhabeng technical task team

T 3.5.7

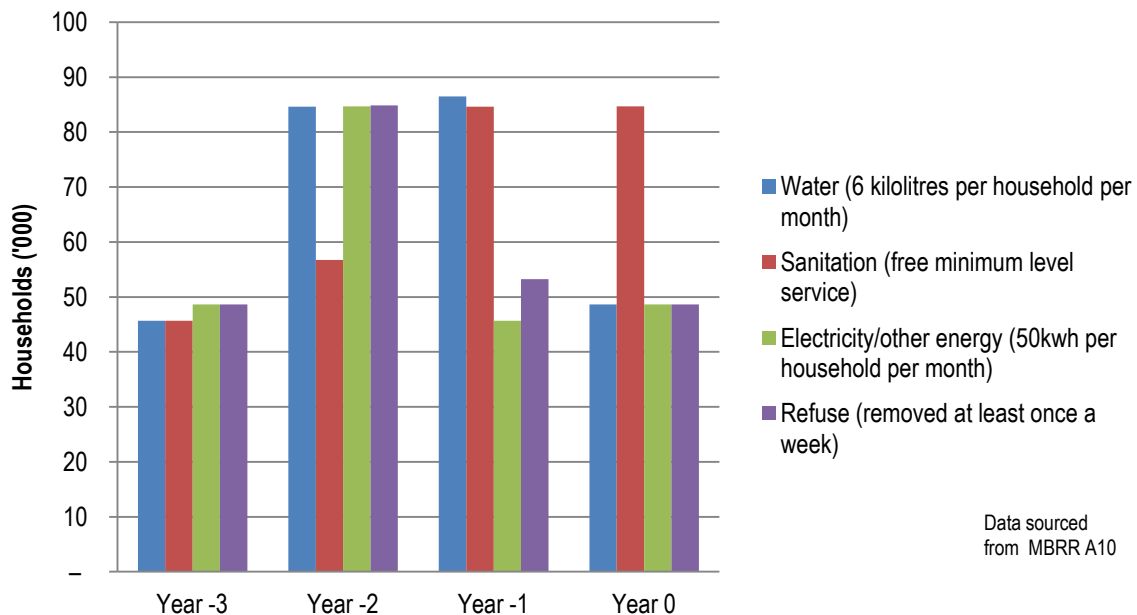
3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Section 96 of the Local Government Municipal Systems Act states that a municipality must adopt a Credit Control and Debt Collection Policy, the act further states in Section 97 that a municipality must also adopt an Indigent Policy. The municipality has adopted both policies. The tables overleaf gives an indication of the number of households receiving free basic services.

T 3.6.1

Free Basic Household Services



T 3.6.2

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than R1,100 per month								
		Free Basic Water			Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse	
		Total	Access	%	Access	%	Access	%	Access	%
Year -2	20,339	20,339	20,339	100%	20,339	100%	20,339	100%	20,339	100%
Year -1	25,186	25,186	25,186	100%	25,186	100%	25,186	100%	25,186	100%
Year 0	27,844	27,844	27,844	100%	27,844	100%	27,844	100%	27,844	100%
T 3.6.3										

Financial Performance Year 0: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	Year -1	Year 0			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	200	244	250	248	2%
Waste Water (Sanitation)	220	240	250	245	2%
Electricity	100	120	130	135	11%
Waste Management (Solid Waste)	105	110	120	125	12%
Total	625	714	750	753	5%
T 3.6.4					

Free Basic Service Policy Objectives Taken From IDP									
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	 (iv)	*Previous Year (v)	*Current Year (vi)	 (vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Objective xxx									
To develop roads, water, sewerage, electricity and stormwater infrastructure	23045	Service 1000 new stands per year		Service 1000 new stands per year	Service 1000 new stands per year			Service 1000 new stands per year	

To replace 25% of worn out sewer pipelines in a five-year cycle.		Replace 450mm rising main line between Major pump station and Theronia sewerage works and enlarge sump of Major pump station		Replace 450mm rising main line between Major pump station and Theronia sewerage works and enlarge sump of Major pump station	Replace 5% of worn out sewer pipelines annually			Replace 5% of worn out sewer pipelines annually	
Construction and Extension of purified Water sewerage network		Use 50% of purified water sales to extend the purified sewer effluent network each year to reduce the usage of potable water for irrigation purposes		Use 50% of purified water sales to extend the purified sewer effluent network each year to reduce the usage of potable water for irrigation purposes	Use 50% of purified water sales to extend the purified sewer effluent network each year to reduce the usage of potable water for irrigation purposes			Use 50% of purified water sales to extend the purified sewer effluent network each year to reduce the usage of potable water for irrigation purposes	
To develop gravel roads		Construct sealed gravel roads at 15Km per annum		Construct sealed gravel roads at 15Km per annum	Construct un-designed Gravel roads to give residents access to stands in rainy season at 15Km per annum				
T 3.6.5									

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality provided free basic services to 25 186 indigents.

T 3.6.6

COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (stormwater drainage).

INTRODUCTION TO ROAD TRANSPORT

Due to high construction costs of roads, the Municipality Policy is to construct roads according to the road hierarchy unless there are serious storm water challenges. The idea is to get a person on a formal road as near as possible to his house. Most of the high order roads are formalised, but some needed to be upgraded to higher order roads. A detailed transportation analysis is however required to determine priorities and standards.

The area is fairly flat and therefore gravitating services like storm water are more challenging. This also has the effect that construction costs of roads and storm water systems are higher than in many other towns.

T 3.7

3.7 ROADS

INTRODUCTION TO ROADS

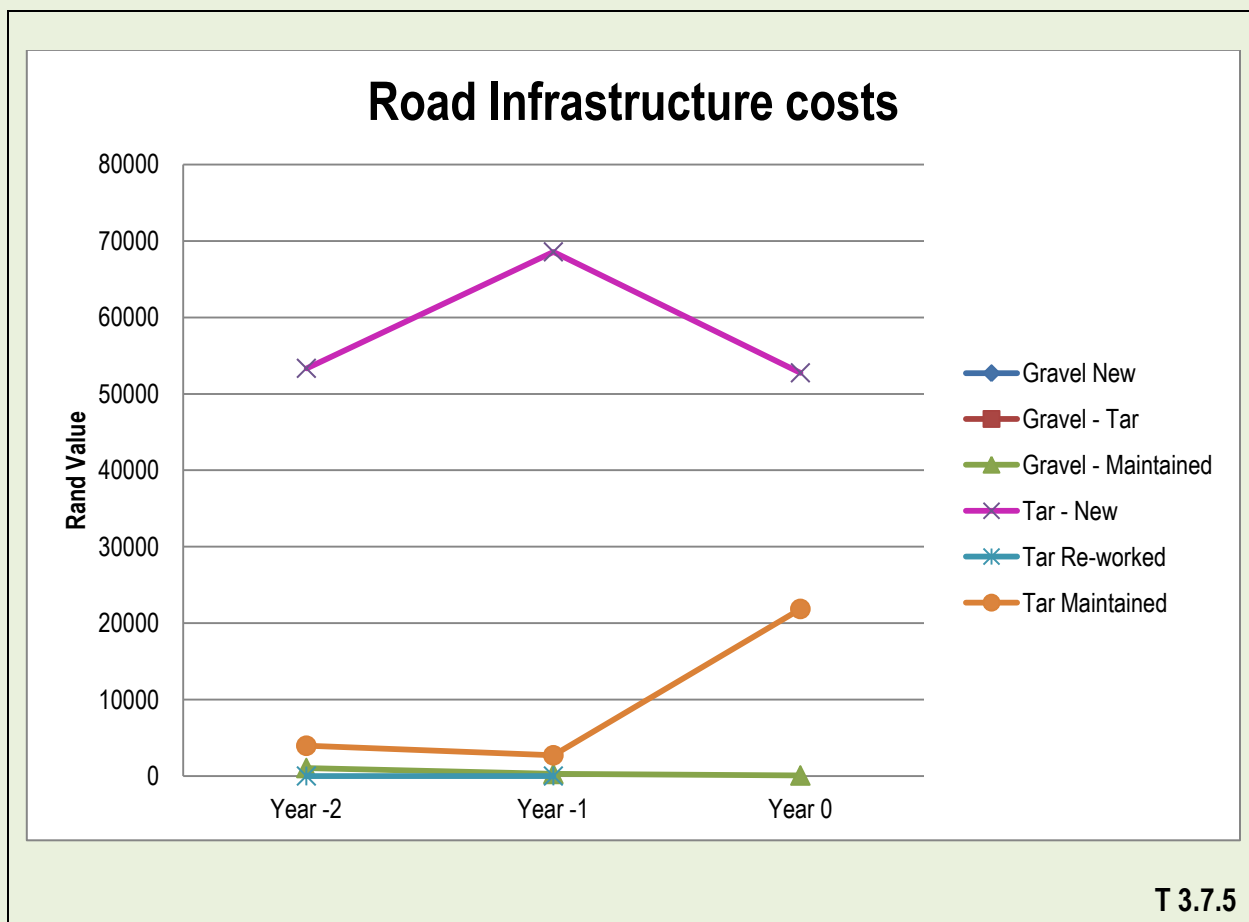
More than 10km of roads, to an amount of R53m, were constructed during the MTREF period. A tender of R60m was approved for road maintenance over the last 2 years. This does not include patching, which is done with internal personnel and operational budget funding. A large backlog however still exists on the maintenance of road infrastructure.

T 3.7.1

Gravel Road Infrastructure				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Kilometers Gravel roads graded/maintained
Year -2	640	0	18	121
Year -1	573	0	15	245
Year 0	558	0	10	245
				T 3.7.2

Tarred Road Infrastructure					
	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Kilometers Tar roads maintained
Year -2	1,192	14	0	0	0
Year -1	1,210	18	27	0	28
Year 0	1,220	10	18	0	8
					T 3.7.3

Cost of Construction/Maintenance						
						R' 000
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
Year -2			1,042	53,333	0	3,960
Year -1			272	68,571	0	2,705
Year 0			69	52,749		21,856
						T 3.7.4



Road Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1	Year 3		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Construction of new roads.	Construct 50km new distributor roads/ bus/ taxi roads to improve traffic flow and improve stormwater management.	14	14	18	18	10	10	10	10
Repair potholes (1 036 km of tarred roads)	Clean, shape, prime, tar and compaction of pothole per m²	18670	14210	1900	16800	17930	16000	16800	16800
Maintenance of Gravel Roads (701 km)	Water, transport gravel, blade, water and roll gravel road per Km	200	121	190	195	195	190	195	195
<p><i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i></p>									T 3.7.6

Employees: Road Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	2	1	33%
7 - 9	3	14	3	11	79%
10 - 12	9	39	9	30	77%
13 - 15	21	78	19	59	76%
16 - 18	43	214	35	179	84%
19 - 20	0	0		0	0%
Total	80	349	69	280	80%
T3.7.7					

Financial Performance Year 0: Road Services					
R'000					
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	16 330	18 675	18 675	16 963	9%
Repairs and Maintenance	5 681	37 405	37 405	22 096	41%
Other	6 336	10 800	10 800	5 829	46%
Total Operational Expenditure	28 346	66 880	66 880	44 888	33%
Net Operational Expenditure	28 346	66 880	66 880	44 888	33%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					
T 3.7.8					

Capital Expenditure Year 0: Road Services					
					R' 000
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	59 933	-	52 749	-14%	
Hani Park: Construction of 8.2km Road network and storm water drainage (MIS:159992)	3300	0	3272	-8%	29 997
Openheimer Park: 1.5km roads and stormwater (Ward 12)	615	0	615	0%	7 865
Thabong T14: Investigate Runoff and Upgrading Existing System	26 594	0	20 900	0	26 594
Mmamahabane: Upgrading of 0,84 ring road phase 3	377	0	212	-33%	5 871
Thabong: Construction of road 142 & 295	244	0	131	-84%	3 110
Thabong: Construction of road 300 and storm water in T14 & T16	10 000	0	14 184	-27%	57 286
Thabong: Connecting Nkoane road to Pambili road (MIS:209879)	2 853	0	3 476	-27%	57 286
Kutlwanong: Construction of 2.7km paved road with storm water drainage (MIS:208995)	10 999	0	10 918	12%	18 668
Thabong: Construction of 3.6km paved road (MIS:209872)	8 733	0	11 789	-19%	23 499
Phomolong: Construction of 1.24km paved road (MIS:209821)	4 853	0	3 159	-27%	6 767
Bronville: Upgrading of 2.645km gravel roads to paved roads and provision of storm water (MIS:214141)	11 810	0	4 994	100%	12 873
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.7.9

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

Formalisation of roads in areas where formal houses are constructed, especially where storm water challenges exists, should also be considered. With the available resources and taking cognisance of the urgency of other critical services, the performance on the roads was above expectations.

T 3.7.10

3.8 TRANSPORT (INCLUDING VEHICLE LICENSING & PUBLIC BUS OPERATION)

INTRODUCTION TO TRANSPORT

No official public transport systems other than taxis exist in Matjhabeng Municipality. Some companies like the mines, however, do have their own private bus services.

The Municipality is committed to ensure that high standards of taxi rank facilities are created in each township. A lot of focus and funding are therefore allocated in the annual budget to realise this initiative in the next four (4) years.

T 3.8.1

Employees: Transport Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%
T3.8.4					

COMMENT ON THE PERFORMANCE OF TRANSPORT OVERALL

It is envisaged that within the Directorate Infrastructure Services a division will be established for Transport planning operations and management within the near future.

Nevertheless, the municipality was able to establish a number of taxi ranks during the year under review. Taxi's are an important element of the public transport system and are used by the majority of the citizens of Matjhabeng Local Municipality. Kutlwanong and Phomolong Taxi Rank were completed and Bronville and Melong Taxi Ranks are already under construction. New Taxi Ranks for Thabong, Mmamahabane and Nyakallong already planned.

T 3.8.7

3.9 WASTE WATER (STORMWATER DRAINAGE)

INTRODUCTION TO STORMWATER DRAINAGE

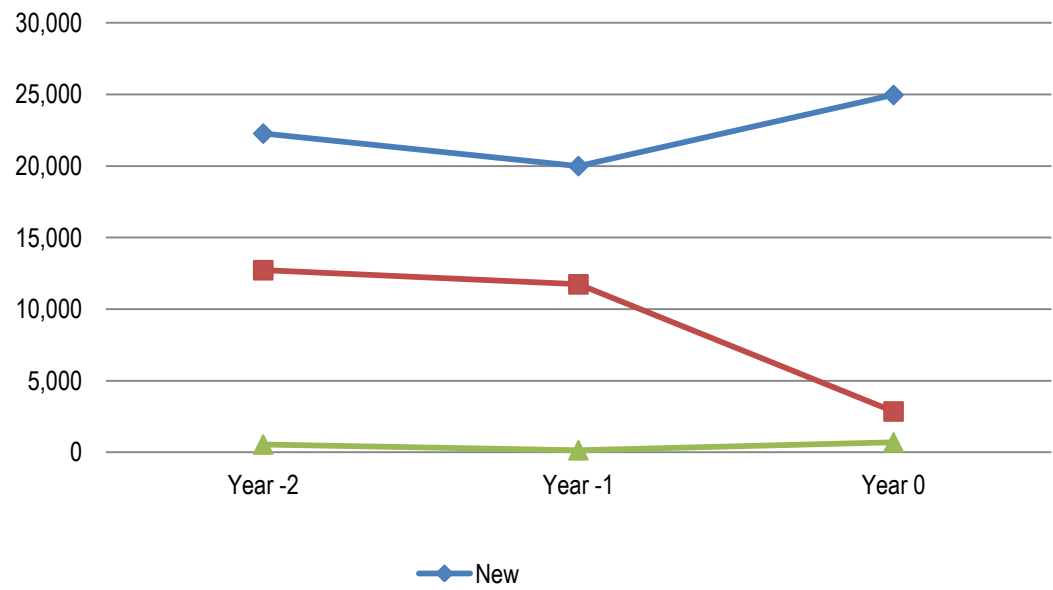
Due to the low gradients of the Matjhabeng Municipal area, stormwater is a challenging and expensive service. During the development of some towns, especially the townships, little emphasis was given to create major stormwater systems. When roads are designed the drainage thereof becomes problematic. It must also be mentioned that due to this low gradients of the area, the stormwater systems are designed at minimum velocity. This results in channels silting up regularly with the accompanying flooding problems and regular maintenance actions needed. Misuse of open storm water system by residents, e.g. using it as dumping area for their garden and house refuse, creates maintenance challenges. Residents should be educated on the dangers that are associated with this practice.

T 3.9.1

Stormwater Infrastructure				Kilometers
	Total Stormwater measures	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
Year -2	421	7	4	40
Year -1	495	11	0	13
Year 0	506	6	1	16
				T 3.9.2

Cost of Construction/Maintenance				R' 000
	Stormwater Measures			
	New	Upgraded	Maintained	
Year -2	22,273	12,727	552	
Year -1	20,000	11,740	149	
Year 0	24,969	2,858	696	
				T 3.9.3

Stormwater infrastructure costs



T 3.9.4

Stormwater Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1	Year 3		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Construction of new storm water canals	Construct new Storm water canals in new developed or underdeveloped areas.	3	3	11	7	7	5	5	5
Clean and upgrade all stormwater Canals.	Cleaning of lined storm water canals in the whole of Matjhabeng once a year.	127	14.7	17	7.1	2.9	5.6	5.6	5.6
	Cleaning of unlined storm water canals in Matjhabeng twice a year.	84	13.4	14	5.6	13.6	6.8	6.8	6.8
Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.									T 3.9.5

Employees: Stormwater Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	3	6	0	6	100%
7 - 9	0	14	3	11	79%
10 - 12	0	11	7	4	36%
13 - 15	1	14	18	-4	-29%
16 - 18	1	62	48	14	23%
19 - 20	0	0	0	0	0%
Total	5	107	76	31	29%
T 3.9.6					

Financial Performance Year 0: Stormwater Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees	Included in Roads				
Repairs and Maintenance	149	9 007	9 007	696	92%
Other	Included in Roads				
Total Operational Expenditure	149	9 007	9 007	696	92%
Net Operational Expenditure	149	9 007	9 007	696	92%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					
T 3.9.7					

Capital Expenditure Year 0: Stormwater Services					
					R' 000
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	10,200		4,068	-60%	
Mmamahabane Provision of 3.72km stormwater drainage	1,500		1,766	18%	10,674
Meloding: Provision of 3.5km stormwater drainage	500			-100%	16,199
Phomolong: Provision of 3.9km stormwater drainage	500		2,303	361%	14,506
Kutlwanong: Construction of Stormwater and Pedestrian Bridges for section K2	7,700			-100%	
Thabong T14: Investigate runoff and upgrade existing storm water system			20,901	100%	26,594
Thabong T14: Rehabilitation of the Lusaba 1.26km storm water channel (MIS:214241)			2,858	100%	5,707
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.9.8

COMMENT ON THE PERFORMANCE OF STORMWATER DRAINAGE OVERALL:

Some storm water challenges were addressed in three townships with a view to making a difference in their living conditions. Maintenance of storm water, is however lacking and need more attention. This is hampered due to availability of personnel and equipment.

T3.9.9

COMPONENT C: PLANNING AND DEVELOPMENT

INTRODUCTION TO PLANNING AND DEVELOPMENT

Spatial Planning deals with the methods used by the public sector to influence the distribution of people and activities in spaces of various scales, its a discrete professional discipline which involves spatial planning, land use, urban, regional, transport and environmental planning. Other related areas of importance, include spatial and economic planning and community planning. Spatial planning takes place on local, regional, national and inter-national levels and results in the creation of a spatial plan.

Spatial planning gives geographical expression to the economic, social, cultural and ecological policies of the society. It is at the same time a scientific discipline, an administrative technique and a policy instrument developed as an interdisciplinary and comprehensive approach directed towards a balanced regional development and the physical organization of space according to an overall strategy.

Spatial planning focus on the orderly spatial development of the city relating to the location and distribution of all land use activities.

Development Control is about making decisions relating to the way in which different activities, land uses and buildings are located in relation to each other, in terms of distance between them, proximity to each other and the way in which spatial considerations are influenced by economic, social, political, infrastructural and environmental considerations.

Development Planning is about making decisions relating to the way in which different activities will be positioned in space associated with future urban growth and expansion and will be influenced by current and future economic, social, political, infrastructural and environmental considerations.

T3.10.1

3.10 PLANNING

Employees: Planning Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	2	4	1	3	75%
7 - 9	0	4	1	3	75%
10 - 12	2	2	2	0	0%
13 - 15	3	7	0	7	100%
16 - 18	0	0	2	-2	0%
19 - 20	0	0	0	0	0%
Total	8	18	7	11	61%
T 3.10.4					

Financial Performance Year 0: Planning Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	-214000	0	0	
Expenditure:					
Employees	2384109	3271182	0	2774384	-18%
Repairs and Maintenance	0	125000	0	0	
Other	121609	608037	0	33078	-1738%
Total Operational Expenditure	2505718	4004219	0	2807462	-43%
Net Operational Expenditure	2505718	4218219	0	2807462	-50%
T 3.10.5					

Capital Expenditure Year 0: Planning Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
Project A				0	
Project B				0	
Project C				0	
Project D				0	
NB: There were no capital projects planned for the year under review					
T 3.10.6					

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL

Due to the limited funding from within the Municipality most of the planned projects such as:

1. Open space master plan
2. Development strategy
3. Township establishment projects in various areas
4. Present plans for high priority development areas e.g. Bongani Hospital area

could not be implemented during the year under review. Consequently, these projects had to be deferred to the 14/15 Financial Year. It is important to note that funding has since been sourced from the provincial government. As part of the plan for the year under review, it was envisaged that consolidated town planning scheme for Matjhabeng was going to be

approved by COGTA. However due to the promulgation of the land use management act, a directive was issued by the department of rural development that processes on the review and development of the town planning scheme, be suspended until the town planning regulations are finalized to align these schemes with the provision of this act.

T3.10.7

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

The following aspects constitute the scope and mandate of the LED- Tourism, SMME support and development, Agriculture support and promotion, Development Planning and Control, Investment Promotion, Attraction and Retention, etc. During the period under review our focus was more on the development of the essential plans as well as policy instruments to enable the Department to systematically execute its obligations.

Accordingly, the implementations plans were developed by all the Divisions of the Department as encapsulated in the Service Delivery and Budget Implementation Plan(SDBIP). Noteworthy, is the fact that some of the targets were reliant on the funding from the Municipality for their implementation whilst other were funded and were suppose to be funded by the other spheres of government. Safe to say that some targets were funded by other spheres timely whereas others were funded later on in the year. This reality adversely impacted on the implementation and realization of the said targets on time.

Some of these targets were dependent on the internal funding that was not enough to cater for the planned programs of the municipality as expected. It is in this regard that the Department has deem it necessary to optimize measures of creating the conducive environment for SMME as the key measure in contributing for the strengthening of the local economy, this was done through a consultation process with the relevant stakeholders that share the similar responsibility with us as well as improving on the support measures provided to this sector of our economy.

Numerous projects were funded by other spheres of government, e.g.

1. Tourism Strategy funded by ILO,
2. Agriculture Support Project funded by Rural development in the Province.

In our SDBIP as an example we planned to develop/review LED strategy as well as the City Development strategies and the Spatial Development Framework but as a consequence of limited funding these could not be done as a result these targets had to be deferred to the subsequent Financial year. As a result of collaboration these plans will be done with funding from other spheres of government.

It is envisaged that the LED Strategy will be completed and adopted by Council in May 2015

T 3.11.1

Economic Activity by Sector			
R '000			
Sector	Year -2	Year -1	Year 0
Agric, forestry and fishing	2	1.5	1.5
Mining and quarrying	6	5	2
Manufacturing	56	58	63
Wholesale and retail trade	45	51	52
Finance, property, etc.	51	48	52
Govt, community and social services	23	25	25
Infrastructure services	34	38	41
Total	217	226.5	236.5
T 3.11.2			

Source: Refer to 2012/2013 Annual Report

Economic Employment by Sector			
Jobs			
Sector	Year 1 No.	Year -1 No.	Year 0 No.
Agric, forestry and fishing	20,000	25,000	30,000
Mining and quarrying	400,000	435,000	372,000
Manufacturing	320,000	300,000	270,000
Wholesale and retail trade	190,000	200,000	210,000
Finance, property, etc.	275,000	255,000	235,000
Govt, community and social services	300,000	310,000	320,000
Infrastructure services	400,000	430,000	450,000
Total	1905000	1955000	1887000
T 3.11.3			

Source: Refer to 2012/2013 Annual Report

COMMENT ON LOCAL JOB OPPORTUNITIES

Owing to the decline of the mining operation in the area, job opportunities associated with this industry have decreased. The unemployment rate remain high as a direct result of this. Nevertheless, opportunities still exist in the small scale mining, agriculture, tourism and manufacturing sectors. As the Municipality we need to develop a mechanism to quantify the effect of new programmes envisaged by the Municipality towards SMME development and support. This will be done as key priorities for the 2014/2015 Financial Year.

T 3.11.4

Jobs Created during Year 0 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created	Jobs lost/displaced by other initiatives	Net total jobs created in year	Method of validating jobs created/lost
	No.	No.	No.	
Total (all initiatives)				
Year -2				
Year -1				
Year 0				
Initiative A (Year 0)				
Initiative B (Year 0)				
Initiative C (Year 0)				
				T 3.11.5

Job creation through EPWP* projects		
	EPWP Projects	Jobs created through EPWP projects
Details	No.	No.
Year -2	40	2,000
Year -1	50	2,900
Year 0	66	4,500
* - Extended Public Works Programme	T 3.11.6	

Local Economic Development Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1	Year 3		
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators									
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Our strategic objective: Provide an enabling environment to support job creation initiatives, promotion and stimulation of small businesses, poverty alleviation programmes. with particular focus on youth and women thorough capacity building programme	Number of trainings to be conducted in different sectors = 10								
- Basic business skills (yr 11/12)		20	40						
- National credit Act		50	18						
- Basic business skills Ventersburg (yr 12/13)				15	20				
- Business plan training				25	25				
- BBSDP grant				150	200				
- Basic business skills				120	180				
- SMME Semminar (yr 13/14)				200	205				
- SMME Semminar				100	110				
- SMME Semminar				100	91				
- Youth in Agriculture () Phomolong				70	85				
- Youth in Tourism(Meloding)				70	47				
- Youth in Sports Arts and Culture (Hani Park)				70	40				
- Youth in Mining (Nyakallong)				70	60				
- On the money (Nyakallong)				70	75				
- On the money (Phomolong)				50	75				
- Business plan training (Phomolong)				100	120				
- CIDB training (Welkom)				100	80				
T 3.11.7									

Employees: Local Economic Development Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	4	7	5	2	28%
4 - 6	5	7	2	5	71%
7 - 9	3	16	5	11	68%
10 - 12	2	4	2	2	50%
13 - 15	0	0	0	0	0%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
Total	15	35	15	20	36%
T 3.11.8					

Financial Performance Year 0: Local Economic Development Services						R'000
Details	Year -1	Year 0				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	116000	0	0	0		
Expenditure:						
Employees	10001	7758	0	7094	-9%	
Repairs and Maintenance	44	125	0	26	-381%	
Other	1126	3239	250	2826	-15%	
Total Operational Expenditure	11171	11122	250	9946	-12%	
Net Operational Expenditure	127171	11122	250	9946	-12%	
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.						T 3.11.9

Capital Expenditure Year 0: Economic Development Services					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
T 3.11.10					

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

Despite the fact that the LED Strategy was not approved by Council and still remains a draft that is going through the review process, it is worth noting that certain programmes were executed in promoting economic development and tourism. To this extent, it is worth mentioning that through the collaboration with other sector departments such as Agriculture, land and funding was provided to some community groups that were later formalised as co-operatives.

The support measures are being intensified to optimise the productivity of the co-operatives as well as the SMME's. In this regard, the profiling of all co-operatives is currently underway to determine and quantify capacity requirements, once completed respective capacity plans will be developed and executed for each co-operatives.

Through the support received from SEDA some SMME's have been trained during the year under review and this programme is ongoing. Regarding tourism, specific programmes for improving customer satisfaction have been instituted through the tourism excellence awards that has demonstrated improvement from strength to strength.

For the success of the programmes that were planned by the department it was viewed essential to consolidate partnership with other institutions as a result agreements will be concluded with some institutions to structure relations with them.

The improved collaboration between the Municipality and other spheres of Government, as well as the private sector, has brought about good results that have been demonstrated by activities and programmes that have been jointly executed and is worth mentioning though that these efforts should be strengthened to optimise the beneficiary through creation of job opportunities and economic growth. Important would be to pay much attention in attracting investment to the region as well as focusing on the retention of the investment already within our jurisdiction.

T 3.11.11

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; recreation halls; cemeteries and crematoria.

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

Community Services Directorate strives to serve and build a self reliant Municipality in partnership with all stakeholders and to provide service in an economic, efficient and effective way. To promote dynamic participation and value-add partnerships.

T 3.12

3.12 LIBRARIES

INTRODUCTION TO LIBRARIES:

In terms of the Constitution of the Republic of South Africa, 1996, Library Services is a provincial function. Matjhabeng Local Municipality is performing this unfunded mandate to provide information to the community. There are fifteen (15) in our area. The main library is the Welkom Library. The Provincial Government is fully funding and operating the Riebeeckstad Library. Some of our Libraries are offering free computer services (internet) to library users

T 3.12.1

SERVICE STATISTICS FOR LIBRARIES:

The fifteen (15) libraries we have in Matjhabeng has ± 648 570 members. Welkom, Thabong 1 and Meloding libraries have the highest membership. All fifteen (15) libraries offers yearly programmes, spell check, toy library, puzzles, kids drawing, tell your own story and world book day.

3.12.2

Libraries; Archives; Museums; Galleries; Community Facilities; Other Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Effective provision and management of information services									
- Holiday programme	60	60	60	60	60	60	60	60	60
- Readathon programmes	60	15	15	15	15	15	15	15	15
- Poetry sessions	135	30	60	30	60	30	30	30	30
- National Library Week	15	15	30	30	30	30	30	30	30
- National world book day	15	15	30	30	30	30	30	30	30
T 3.12.3									

Employees: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	2	2	0	0%
4 - 6	6	8	3	5	63%
7 - 9	17	18	14	4	22%
10 - 12	41	34	38	-4	-12%
13 - 15	1	13	2	11	85%
16 - 18	20	22	22	0	0%
19 - 20	0	0	0	0	0%
Total	86	97	81	16	16%
T 3.12.4					

Financial Performance Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-30	-5	0	-9	44%
Expenditure:					
Employees	12790	15044	0	13884	-8%
Repairs and Maintenance	4	166	0	0	
Other	569	1666	0	795	-110%
Total Operational Expenditure	13363	16876	0	14679	-15%
Net Operational Expenditure	13393	16881	0	14688	-15%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.12.5					

Capital Expenditure Year 0: Libraries; Archives; Museums; Galleries; Community Facilities; Other					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
T 3.12.6					

COMMENT ON THE PERFORMANCE OF LIBRARIES

The fifteen (15) libraries in and around Matjhabeng performed well in the year under review.

The following three (3) libraries won the Provincial Spelling B Competitions :

1. Thabong I
2. Thabong II
3. Ventersburg

Although libraries are required to open for only five days of the week, Welkom, Thabong 1, Meloding, Virginia, Odendaalsrus, to mention a few, have extended the service to Saturday. It is important to mention that we have challenges of users damaging and not returning some borrowed books

T 3.12.7

3.13 CEMETERIES AND CREMATORIUMS

INTRODUCTION TO CEMETERIES AND CREMATORIUMS:

Cemeteries are an exclusive function of local government as per Schedule 5B of the Constitution of the Republic of South Africa, 1996. Matjhabeng Municipality is responsible for providing adequate graves to the community for burial purposes. Cemetery services are subsidized by municipalities, as revenue generated from this sector is significantly low compared to the total budget allocated

There is increased demand for burial land due to excessive increase of the population. This is mostly affected by diseases like TB, HIV/AIDS, rapid urbanization in towns and cities. Cemeteries are not just a place for burial purposes, but they are places for spiritual and cultural references, and in some are for connecting with the ancestral spirits through ancestral worship.

The Municipality constantly tries to balance meeting the social, economic, cultural and religious needs of the community. It is often difficult to find suitable land for burial as opposed to land for other priorities such as housing, schools, recreational facilities and others, hence municipality have challenges facing allocation of land for burials.

T 3.13.1

SERVICE STATISTICS FOR CEMETERIES AND CREMATORIUMS:

Annual burial for Matjhabeng Local Municipality is 3945. The Municipality does not have crematoriums.

T 3.13.2

Cemeteries and Crematoriums Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators									
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Provision of burial sapce to the community	Provision of graves	6400		6400	4000	3610	4000	4000	4000
Upgrading of cemeteries	Upgrading of 13 cemeteries	13	2	8	5	5	5	5	5
T 3.13.3									

Employees: Cemeteries and Crematoriums					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%
T 3.13.4					

Financial Performance Year 0: Cemeteries and Crematoriums					
R'000					
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-1265	-1601		-1233	-30%
Expenditure:					
Employees	3063	3469	0	3188	-9%
Repairs and Maintenance	104	215	0	6	-3483%
Other	804	1284	0	328	-291%
Total Operational Expenditure	3971	4968	0	3522	-41%
Net Operational Expenditure	5236	6569	0	4755	-38%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.13.5					

Capital Expenditure Year 0: Cemeteries and Crematoriums					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
T 3.13.6					

3.14 SOCIAL PROGRAMMES

Child Care; Aged Care; Social Programmes Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators (i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To promote social cohesion and nation building through sport	Organise recreational games for senior citizens	1	1	1	1	1	1	1	1
To celebrate with children		1	1	1	1	1	1	1	1
To promote social cohesion and nation building	hosted MLM games for annual OR Tambo Games	1	1	1	1	1	1	1	1
	Elderly: Organise recreational games for senior citizens	1	1	1	1	1	1	1	1
	Organise recreational games for people with disability	1	1	1	1	1	1	1	1
<i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *'Current Year' refers to the targets set in the Year 0 Budget/IDP round. *'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i>									
T 3.14.3									

T 3.14.3

COMPONENT E: ENVIRONMENTAL PROTECTION

3.15 POLLUTION CONTROL

Employees: Pollution Control					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%
					T 3.15.4

COMPONENT G: SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

INTRODUCTION TO SECURITY & SAFETY

PUBLIC SAFETY & TRANSPORT

Objective of the Public Safety Department

The main objective of the Public Safety is to provide administration leadership and strategic guidance and ensuring a safe environment within the municipality in fulfilling its mandate.

Our Approach to Improve Public Safety

The Department of Public Safety will endeavour to:

- Share Information
- Guide and support each other.
- Draft policies, standard operating procedures and standing orders
- Render a reliable, customer focused service
- Apply the "Batho Pele" Principles
- Respect each other, person's views and suggestions
- Clarify roles and responsibilities
- Communicate with each other
- Make ourselves available for service at all times
- Abide by all legislative requirements and promote the government's mandate
- Implement capacity building programmes

INTRODUCTION TO SECURITY OVERVIEW

SECURITY SERVICES

Security Services is entrusted with a responsibility of safe guarding valuable Council's assets and resources.

FUNCTIONS OF SECURITY SERVICES

FUNCTION OF SECURITY:

- Safeguarding of Council property.
- Enforcing of by-laws.
- Protection of VIP's.
- Protection of personnel and clients.
- Investigations.
- Vetting of personnel and companies.
- Crowd control.

INTRODUCTION TO TRAFFIC MANAGEMENT OVERVIEW

The Traffic Division is responsible for traffic law enforcement and the administration thereof. The function also ensures the technical sustainability of road traffic signs, signals and markings throughout the Municipal Area.

The Function of Traffic Policing

- To enforce traffic law
- To conduct public information and awareness programs
- Enforce compliance to road traffic signs, rules and regulations
- To ensure a sustainable and successful maintenance strategy of road signs, signals and markings
- To maintain committed goals through direct enforcement and Traffic Control
- Responsible for all administration duties such as receiving of traffic fines, capturing of data; e.g. Traffic collisions, issuing of summonses and Court rolls as well as general office work.
- The Technical Division is responsible for road marking, erecting of road signs and the sustaining thereof.
- Road Safety Education develops knowledge, skills, attitude and values that enable pedestrians, cyclists, motorists, drivers and passengers to use the road safely.
- Traffic training.

THE KEY ISSUES FOR 2012/2013 ARE:

It needs to be mentioned that the efficiency of the Department is still be hampered by constraints such as staff vacancies, the lack of equipment and the lack of operational as well as capital funding.

The filling of critical vacancies cannot be done due to the financial constraints experienced by Council. A limited capital budget has prevented the implementation of some crucial projects and the procurement of much needed equipment.

T 3.20

<u>UNIT</u>	<u>TOTAL NUMBER OF FINES PAID</u>	<u>TOTAL VALUE OF FINES PAID</u>
HENNENMAN	112	R 15,350.00
ODENDAALSRUS	1094	R 251,900.00
VENTERSBURG	15	R 2,800.00
VIRGINIA	3045	R 588,650.00
WELKOM	5596	R 1,457,570.00
<u>TOTAL:</u>	9862	R 2,316,270.00
T 3.20.1		

Employees: Police Officers					
Job Level	Year -1	Year 0			
Police	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
0 - 3	1	1	1	1	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
					T 3.20.4

Financial Performance Year 0: Police					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-2643	-13696	0	-3992	-243%
Expenditure:					
Police Officers	0				
Other employees	23508	81532	0	80813	-1%
Repairs and Maintenance	434	7139	0	1072	-566%
Other	2475	30361	0	23806	-28%
Total Operational Expenditure	26417	119032	0	105691	-13%
Net Operational Expenditure	29060	132728	0	109683	-21%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.20.5

Capital Expenditure Year 0: Police					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
					T 3.20.6

3.21 FIRE

INTRODUCTION TO FIRE SERVICES

OVERVIEW

Matjhabeng Fire and Rescue Services is responsible for two primary functions to our citizens, namely. which is emergency response to a myriad of calls needing rescue and fire extinguishing services

The functions of Emergency Services of the municipality are administered as follows and include:

OPERATIONAL

- Residential Fires
- Institutional fires
- Public assembly fires
- Commercial fires
- Industry fires
- Utility fires
- Transport fires
- Other fires
- Vehicle fires
- Vehicle accidents
- Hazardous substances incidents
- Miscellaneous assistance to people

Fire safety activities

- Fire prevention inspections.
- Building plans inspected.
- Hazardous substances installation inspections.
- Fire hydrant inspections

Public Education and Awareness Programs

- Presenting of fire awareness session / programs to school groups and community members.
- Presenting fire training sessions to the community businesses and Municipal staff

During 2012/2013 the Fire and Rescue Service biggest difficulty experienced, was the old fire engine fleet.

Challenges

The challenges facing the service can be addressed by ensuring that the Fire and Rescue Service receives a budget and resources to operate in accordance with the SANS10090 Code.

T 3.21.1

Fire Service Data					
	Details	Year -1	Year 0		Year 1
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Total fires attended in the year	698		698	
2	Total of other incidents attended in the year	556		556	
3	Average turnout time - urban areas	21minutes		21minutes	
4	Average turnout time - rural areas	1h00		1h00	
5	Fire fighters in post at year end				
6	Total fire appliances at year end	4		4	
7	Average number of appliance off the road during the year	2		2	
T 3.21.2					

Fire Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Moderate	Fire calls	500	500	698	698	698	0	0	0
Moderate	Rescue calls	1000	600	556	556	556	0	0	0
Complied	Special calls	300	150	556	556	556	0	0	0
T 3.21.3									

Employees: Fire Services					
Job Level	Year -1	Year 0			
Fire Fighters	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
					T3.21.4

Financial Performance Year 0: Fire Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-608	-460	0	-608	24%
Expenditure:					
Fire fighters	23488	26114		26157	
Other employees	0	0	0	0	0%
Repairs and Maintenance	950	2079	0	527	-294%
Other	4069	3981	0	2239	-78%
Total Operational Expenditure	5019	6060	0	2766	-119%
Net Operational Expenditure	5627	6520	0	3374	-93%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.21.5

Capital Expenditure Year 0: Fire Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Satellite Fire Station	17 000	0	1544797.64	22%	12 000
T 3.21.6					

3.22 OTHER (DISASTER MANATEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

INTRODUCTION TO DISASTER MANAGEMENT:

The Municipality is attending to many incidents caused by natural causes, including veld fires. In all disaster management and some public nuisance issues, Matjhabeng Local Municipality work hand in hand with Lejweleputswa District Municipality to provide relief to affected communities. During the year under review, Disaster management was not included in the IDP and corrective steps has since been taken.

T 3.22.1

SERVICE STATISTICS FOR DISASTER MANAGEMENT:

Disaster Management provided temporary shelters to the communities that was affected by thunderstorms. Fifty (50) salvage sheets were used to assist the affected houses.

T 3.22.2

Employees: Disaster Management, Animal Licensing and Control, Control of Public Nuisances, Etc					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
Divisional Disaster Management Officer	0	0	0	0	0%
Station Officers	0	0	0	0	0%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	0	0%
7 - 9	0	2	0	2	100%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	1	3	1	2	67%
					T 3.22.4

Financial Performance Year 0: Disaster Management, Animal Licensing and Control, Control of Public Nuisances, Etc					
R'000					
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational Expenditure	75	607	650	649	6%
					T 3.22.5

Capital Expenditure Year 0: Disaster Management, Animal Licensing and Control, Control of Public Nuisances, Etc					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
					T 3.22.6

COMPONENT H: PARKS, SPORT AND RECREATION

INTRODUCTION TO PARKS, SPORTS & RECREATION

Matjhabeng Local Municipality's philosophy of sports and recreation is based on the recognition of the vital importance of sports in the holistic development of the individual and the community. Sports and Recreation are an important means of building and developing the character of the individual as well as the social cohesion of the community. It builds the spirit of friendly competition, provides healthy entertainment, it exercises the body, it creates a climate of achievement and challenges the youth in particular to higher levels of endurance and attainment.

It is the responsibility of the Municipality to ensure that sport and recreation facilities are accessible to all through an application of the management and maintenance of sport and recreation policy. According to The National Sport and Recreation Act (Act 110 of 1998) provides for promotion and development of sports and recreation and coordination of the relationships between the Sports Commission, National and recreation federations and the others.

The White Paper on Sport and Recreation gives effect to stated government policy of a better life for all and to get the nation to play, hence the Municipality creates infrastructure for delivery of sport and recreation and ensures the existence of programmes that develop the human resources potential in sport and recreation

T 3.23

3.23 SPORTS AND RECREATION INCLUDING CEMETORIES

SERVICE STATISTICS FOR PARKS, SPORTS & RECREATION

Matjhabeng Local Municipality has a total number of nine hundred and seventy (970) developed and undeveloped parks, and thirty two (32) recreational facilities. Meloding and Mmamahabane stadiums were refurbished (phase one (1)). Several parks were also refurbished though we experienced financial constraints.

T 3.23.1

Sport and Recreation Policy Objectives Taken From IDP									
Service Objectives <									

Employees: Parks, Sport and Recreation					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	3	1	2	67%
4 - 6	6	9	6	3	33%
7 - 9	5	11	16	-5	-45%
10 - 12	16	33	20	13	39%
13 - 15	192	305	55	250	82%
16 - 18	149	375	283	92	25%
19 - 20	0	0	0	0	0%
Total	369	736	381	355	48%
T 3.23.3					

Financial Performance Year 0: Sport and Recreation					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	-33867	0	0	-55	100%
Expenditure:					
Employees	2737388	5792	0	4492	-29%
Repairs and Maintenance	5092	783	0	11	-7018%
Other	2125942	209	0	67	-212%
Total Operational Expenditure	4868422	6784	0	4570	-48%
Net Operational Expenditure	4902289	6784	0	4625	-47%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.23.4

Capital Expenditure Year 0: Sport and Recreation					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	20438633.24	0.00	8643076.85	-1.36	
Nyakallong / Mmamahabane / Phomolong: New sports and recreation facilities	7771755.21	0.00	6170760.19	-0.26	34280709.00
Phase 3 Thabong Stadium, Zuka Baloi Stadium & Kopano indoor Centre	3775.05	0.00	1411363.33	1.00	42834548.10
Phase 3 Bronville Stadium	4000000.00	0.00	269783.98	-13.83	8679874.50
Thabong Far East Sports Centre	4663102.98	0.00	0.00	0.00	12000000.00
Phase 3 Phomolong stadium	4000000.00	0.00	791169.35	-4.06	7765708.00
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.23.5

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

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

3.24 EXECUTIVE AND COUNCIL

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

INTRODUCTION TO EXECUTIVE AND COUNCIL

Introduction to Executive and Council

Council

Matjhabeng Local Council is a category “B” municipality with a mayoral executive system combined with a ward participatory system. It comprises of 72 councilors, 36 directly elected from the Wards and another 36 elected by political parties on proportional basis in the following order:

Political Party	Total	PR	Ward
African National Congress (ANC)	52	22	30
Democratic Alliance (DA)	16	10	6
Congress of the People (COPE)	3	3	0
Freedom Front Plus (FF+)	1	1	0

The Council is the legislative authority of the municipality and also plays an oversight role over the Executive and Administration.

Speaker

The Council Chairperson is the Speaker. This office is also responsible for public participation. The Speaker is the Chairperson of the Council: the Chief Custodian and Guardian of the legislative arm of government.

The Speaker plays two main important roles:

- Within the Council; and
- In building democracy

The Speaker presides over the Council meetings and ensures that the meetings are convened at least once a quarter. He maintains order during the meetings and ensures that meetings are held in accordance with the standing rules and orders. The Speaker is also responsible for assessing the needs of Councillors, arranging suitable training to develop political governance capacity that will enable Councillors to carry out their oversight tasks effectively.

The Speaker does therefore facilitate the improvement of individual Councillor's skills. The Speaker manages community participation in the Municipality through ward committees. He is responsible for functionality of ward committees. He assesses the capacity of ward committees and identifies appropriate training interventions in order to build the capacity of these structures.

The Speaker is also responsible for establishment of other forums that co-ordinate the concerted effort of bringing services closer to the people.

Executive Mayor / Mayoral Committee

The Executive Mayor and the Mayoral Committee play an executive role in the municipality. The Mayoral Committee comprises of the ten (10) members heading the following portfolios committees:

- Policy and Monitoring
- Community Services
- Local Economic Development
- Finance
- Technical Services
- Corporate Support Services
- Social Services
- Public Safety & Transport
- Human Settlements and
- Special Programmes

Council Whip

Matjhabeng Municipality has a Council Whip, whose role is to enhance multiparty democracy by co-ordinating multiparty for a party liaison.

Administration

Municipal administration is the machinery for service delivery to the community. The administrative component of the municipality is headed by the Municipal Manager and comprises of various Directorates and Departments headed by Executive Directors and Heads of Departments. Matjhabeng has six (6) Directorates namely Financial Services, Strategic Support Services, Corporate Support Services, Local Economic Development, Community Services and Technical Services.

T 3.24.1

The Executive and Council Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year -1		Year 0		Year 1	Year 3		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To promote social cohesion and nation building	hosted MLM games for annual OR Tambo Games	1	1	1	1	1	1	1	1

	Elderly: Organise recreational games for senior citizens	1	1	1	1	1	1	1	1
	Organise recreational games for people with disability	1	1	1	1	1	1	1	1
To promote social cohesion and community building through Arts & Culture	Hosted MLM Arts & Culture Festival	1	0	1			1	1	1
To enhance gender participation and equity	Women's Day celebration held	1	1	1	1	1	1	1	1
To promote awareness on HIV/AIDS	A number of HIV/AIDS material distributed	5500	5500	5500	5000	6000	6000	6000	6000
To promote awareness on gender and child abuse	16 Days of Activism launched	1	1	1	1	1	1	1	1
To provide Mayoral bursary scheme to the deserving students	10 new bursaries provided	10	10	11	10	10	10	10	10
									T 3.24.3

Employees: The Executive and Council					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	40	57	52	5	9%
4 - 6	73	217	83	134	62%
7 - 9	266	374	258	116	31%
10 - 12	536	778	510	268	34%
13 - 15	138	592	144	448	76%
16 - 18	982	1725	924	801	46%
Total	2035	3743	1971	1772	47%
					T 3.24.4

Financial Performance Year 0: The Executive and Council					
					R'000
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue		-428360	0	-383908	-12%
Expenditure:					
Employees	68068553	46406	0	47567	2%
Repairs and Maintenance	1793039	797	0	0	
Other	73869399	60475	0	48856	-24%
Total Operational Expenditure	143730991	107678	0	96423	-12%
Net Operational Expenditure	143730991	536038	0	480331	-12%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.24.5

Capital Expenditure Year 0: The Executive and Council					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
T 3.24.6					

3.25 FINANCIAL SERVICES

Debt Recovery							
R' 000							
Details of the types of account raised and recovered	Year -1		Year 0			Year 1	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	158,520,526	81.05%	216,331,491	127,172,397	58.79%	137,346,189	80%
Electricity - B			0	0			
Electricity - C	311,218,775	74.51%	401,284,251	325,311,139	81.07%	351,336,030	80%
Water - B			0	0			
Water - C	82,317,734	28.02%	294,767,495	86,908,284	29.48%	93,860,947	80%
Sanitation	52,184,615	41.62%	133,780,350	50,545,008	37.78%	54,588,609	80%
Refuse	25,596,832	32.27%	84,554,917	26,933,465	31.85%	29,088,142	80%
Other	131,363,584	94.21%	135,707,887	120,878,244	89.07%	130,548,504	80%
B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.							
T 3.25.2							

Financial Service Policy Objectives Taken From IDP									
Service Objectives <									

T 3.25.3

Employees: Financial Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	6	8	4	4	50%
4 - 6	6	9	10	-1	-11%
7 - 9	19	23	31	-8	-35%
10 - 12	83	118	94	24	20%
13 - 15	15	40	7	33	83%
16 - 18	20	33	13	20	61%
19 - 20	0	0	0	0	0%!
Total	149	231	159	72	31%
					T 3.25.4

Financial Performance Year 0: Financial Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	192,303	200,806		198,172	-1%
Expenditure:					
Employees	39,613	45,835	0	42,800	-7%
Repairs and Maintenance	796	705	0	0	0%
Other	20,557	64,939	0	10,204	-536%
Total Operational Expenditure	60,966	111,480	0	53,003	-110%
Net Operational Expenditure	131,337	89,326	0	145,169	38%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.25.5

Capital Expenditure Year 0: Financial Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
Project A	0	0	0	0%	0
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.25.6

3.26 HUMAN RESOURCE SERVICES

Human Resource Services Policy Objectives Taken From IDP									
Service Objectives <									

Employees: Human Resource Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	3	4	3	1	25%
4 - 6	8	15	4	11	73%
7 - 9	4	5	12	-7	-140%
10 - 12	11	19	8	11	58%
13 - 15	1	1	0	1	100%
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
Total	27	44	27	17	39%
T3.26.4					

Financial Performance Year 0: Human Resource Services					
R'000					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	
Expenditure:					
Employees	9301163	10840902	0	10247699	-6%
Repairs and Maintenance	0	124856	0	0	
Other	966854	2562396	0	458968	-458%
Total Operational Expenditure	10268017	13528154	0	10706667	-26%
Net Operational Expenditure	10268017	13528154	0	10706667	-26%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					
T 3.26.5					

Capital Expenditure Year 0: Human Resource Services					
R' 000					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
T 3.26.6					

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

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

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES
The plan is to keep to the IDP and implement the upgrading of the ICT infrastructure.
T 3.27.1

Employees: ICT Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	1	0	1	100%
4 - 6	1	1	0	1	100%
7 - 9	1	1	4	-3	-300%
10 - 12	3	3	9	-6	-200%
13 - 15	9	4	0	4	100%
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
Total	14	10	13	-3	-30%
					T 3.27.4

Financial Performance Year 0: ICT Services					
R'000					
Details	Year - 1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	3372	3888	0	3701	-5%
Repairs and Maintenance	1717	2730	0	552	-395%
Other	4890	11734	0	5300	-121%
Total Operational Expenditure	9979	18352	0	9553	-92%
Net Operational Expenditure	9979	18352	0	9553	-92%
<i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i>					T 3.27.5

Capital Expenditure Year 0: ICT Services					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
					T 3.27.6

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL:
<p>The IDP shows that one of the ICT objectives is to upgrade and maintain ICT infrastructure. The project addressing this objective involves liaising with the Premier's Office on implementation of Government wide webpage development and maintenance. The Premier's Office came on board to assist the municipality in development and maintenance of website. Being aware that the intervention was not fully successful, the Free State Treasury was also called in to assist and the intervention efforts are visible. All the additional efforts between the municipality, Free State Treasury and Office of the Premier managed to rectify the challenges and the website is fully functional.</p>
<ol style="list-style-type: none"> 1. On the infrastructure side the municipality has succeeded in upgrading the personal computers of about 59 users and this has been in accordance with the budget. 2. 32 Laptops and 24 pc's were also procured for different users 3. ICT managed to upgrade 6 sites network for better network performance
<ul style="list-style-type: none"> • There are still no new servers purchased and the municipality is at risk of losing all the data or information should the current old servers fail or die. • A classic example of the above is; currently the financial system is running on the old server and one of the hard-drives failed on SAN Storage. Fortunately the database was restored successfully within 48 hours but was restored on the server itself instead of storage. The financial system does not have a test database and currently finance is testing on production environment. • Secondly the Pre-Paid Electricity server also failed due to ageing. The municipality couldn't sell pre-paid electricity to its consumers for almost four (4) days and the system is currently running on a computer and not on a server as it is supposed to be the case. There are possibilities of the computer crashing due to work load that's running on it. It is a PC not a server and this was done as a temporary solution and must be addressed as soon as possible.
T3.27.7

3.28 PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

This component includes: property; legal; risk management and procurement services.

Employees: Property; Legal; Risk Management; and Procurement Services					
Job Level	Year -1	Year 0			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%
					T 3.28.4

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

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

INTRODUCTION

The Matjhabeng Local Municipality organisational development (OD) embraces a wide range of intervention strategies that are aimed at the development of individuals, groups and the organisation as a total system. It primarily aims at improving the organisation's effectiveness (to do the right thing) and efficiency (to do the things right)

T 4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS AND VACANCIES

EMPLOYEES					
Description	2012/13	2013/14			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water	82	244	83	161	66 %
Waste Water (Sanitation)	52	281	115	166	59 %
Electricity	69	178	81	97	54 %
Waste Management	299	493	325	168	34 %
Housing	24	32	22	10	31 %
Waste Water (Stormwater Drainage)	98	537	76	461	86 %
Roads	288	277	33	244	88 %
Transport	146	346	20	326	94 %
Planning	8	18	7	11	61 %
Local Economic Development	15	26	36	-10	-38 %
Planning (Strategic & Regulatory)	0	0	0	0	0 %
Local Economic Development	0	0	0	0	0 %
Community & Social Services	86	97	81	16	16 %
Environmental Protection	0	0	0	0	0 %
Health	0	0	0	0	0 %
Security and Safety	279	489	274	215	44 %
Sport and Recreation	369	736	381	355	48 %
Corporate Policy Offices and Other	117	117	438	-321	-274 %
Totals	1,932	3,871	1,972	1,899	-
					T 4.1.1

Vacancy Rate: Year 0			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0.00
CFO	1	1	100.00
Other S57 Managers (excluding Finance Posts)	5	1	20.00
Other S57 Managers (Finance posts)	1	1	100.00
Police officers	42	5	11.90
Fire fighters	65	-7	-10.77
Senior management: Levels 13-15 (excluding Finance Posts)	45	1	2.22
Senior management: Levels 13-15 (Finance posts)	5	1	20.00
Highly skilled supervision: levels 9-12 (excluding Finance posts)	198	41	20.71
Highly skilled supervision: levels 9-12 (Finance posts)	19	-7	-36.84
Total	382	37	9.69
T 4.1.2			

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
Year -2	58	111	191%
Year -1	37	119	322%
Year 0	11	96	873%
T 4.1.3			

COMMENT ON VACANCIES AND TURNOVER

The Matjhabeng Local Municipality's staff turnover is as the result of people reaching retirement age and death. During the year under review Matjhabeng Local Municipality has not experienced the departure of a Section 57 Manager.

In the year under review Matjhabeng Local Municipality experienced the staff turnover of 6% . This is considered low because the universally accepted norm is 15%. The Matjhabeng Local Municipality's staff turnover is as the result of people reaching the retirement age and others is the death. During the year under review Matjhabeng Local Municipality has not experienced the departure of a Section 57 Manager

T 4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Matjhabeng Municipality's vacancy rate is at 51% of its total staff establishment. Despite the economic challenges, the Municipality has managed to provide at least minimum services to the community. This has been possible due to mobility of staff which as a need arises, is taken to work where the demand for services is required.

Overtime Policy

Despite the challenges of keeping within the prescripts of Basic Conditions of Employment Act, 1997, the municipality has implemented the measures to control overtime by using the earning threshold as determined by the Minister of Labour. No overtime, unless it is an emergency, is worked without prior application and approval by the Head of Department

Employee Assistance Program

The Matjhabeng Local Municipality has programs that assist employees on:

Stress Management

Alcohol and substance abuse

Work related issues such as absenteeism

Psycho-social problems

HIV/AIDS support and counseling

Financial life-skills

Skills Development

Matjhabeng Local Municipality provides employees with the opportunity to further their formal studies through study assistant program

Labour Relations

The Labour Relations component is utilized to keep harmonious relationships between the employer and the employees. Issues that affect employees and employer are discussed at the Local Labour Forum. Representation at this forum is in terms of Collective Agreement.

Occupational Health and Safety

During the year under review, 300 employees who work at high risk areas such as sewerage plants were taken for annual Hepatitis health checkup.

Furthermore the Municipality complies with legislation in terms of:

Legal appointment of Municipal Manager in terms of 16.1 of the Occupation Health and Safety Act, including Managers reporting directly to the Municipal Manager in terms of 16.2 of the Act, have been done.

Appointment of Safety Representations.

Employment Equity

The Employment Equity Report was compiled and approved by Council in 2011/12 financial year. Progress reports are submitted to the Department of labour annually.

T 4.2.0

4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action			Refer to point 8
2	Attraction and Retention			Draft Policy
3	Code of Conduct for employees	100	0	
4	Delegations, Authorisation & Responsibility	100		Under review
5	Disciplinary Code and Procedures	100		Email from the Bargaining Council on 31/10/2013 that the Collective Agreement has been extended until 31 January 2014. No new extension has been received from the Bargaining Council
6	Essential Services Agreement	0		
7	Employee Assistance / Wellness	100	0	May, '2015 needs to be reviewed.
8	Employment Equity	100	50	Adopted 25/11/2003
9	Exit Management	0	50	Policy in draft format
10	Grievance Procedures	100		Valid until notification is received from bargaining council
11	HIV/Aids	100		Adopted 2009
12	Human Resource and Development	50		Draft Policy (also see point 28 below)
13	Information Technology	100	50	Under review
14	Job Evaluation	100	50	Under review
15	Leave	100	100	dealt with under collective agreement on conditions of service
16	Occupational Health and Safety	100	50	Under review
20	Official Working Hours and Overtime	100	100	dealt with under collective agreement on conditions of service
21	Organisational Rights	-	100	Email from the Bargaining Council on 31/10/2013 that the Collective Agreement has been extended until 31 January 2014. No new extension has been received from the Bargaining Council
22	Payroll Deductions			
23	Performance Management and Development	100		
24	Recruitment, Selection and Appointments	100	100	28 November 2006
25	Remuneration Scales and Allowances	100	100	dealt with under collective agreement on conditions of service
26	Sexual Harassment	100		Adopted on 22/7/2008
27	Skills Development	100		30/04/2002
28	Smoking	100		
29	Work Organisation	100	50	Under review
30	Uniforms and Protective Clothing	100	50	Refer to point 16
31	Other: Termination of Services due to Ill Health	100		Adopted on 22/7/2008
32	Induction	100	17/09/2008	27/02/2007
33	Study Assistance	100		29/01/2008

34	Promotion & Transfer	100	100	1-Jul-11
35	Termination of Services due to Poor Work Performance	100		Adopted on 22/7/2008
T 4.2.1				

COMMENT ON WORKFORCE POLICY DEVELOPMENT

The Municipality utilizes the services of SALGA when developing policies and procedures that relates to organizational development. This is done to ensure that policies and procedures are in line with applicable collective agreements and legislation.

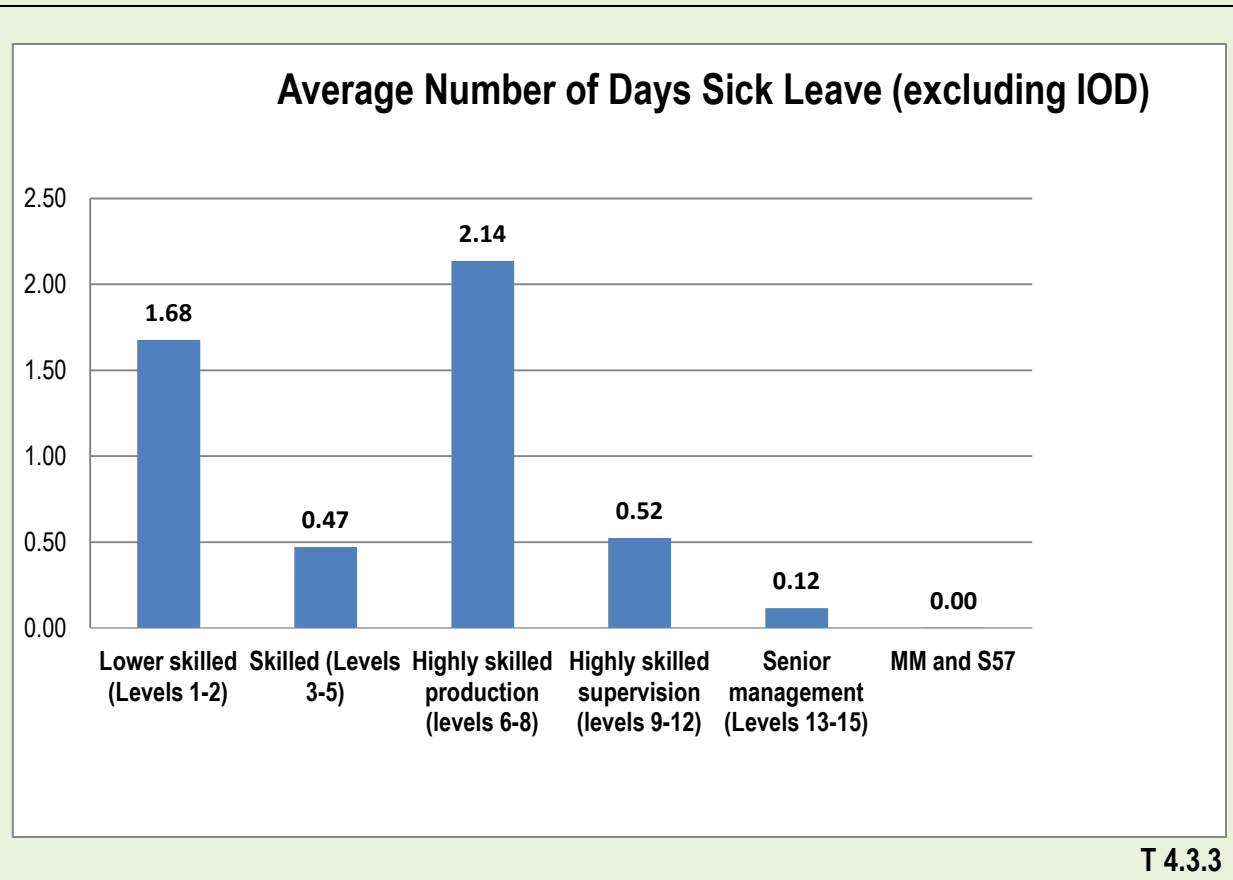
T 4.2.1.1

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	130	38	29%	26	69426
Temporary total disablement	0	0		0	
Permanent disablement	0	0		0	
Fatal	1	1	100%	0	
Total	131	39	30%	26	69426
T 4.3.1					

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	3573	4%	411	872	1.68	173011
Skilled (Levels 3-5)	1005	3%	95	313	0.47	45528
Highly skilled production (levels 6-8)	4551	10%	335	706	2.14	232691
Highly skilled supervision (levels 9-12)	1116	11%	125	189	0.52	185357
Senior management (Levels 13-15)	247	10%	15	48	0.12	38991
MM and S57	2	0%	1	3	0.00	4545

Total	10494	6%	982	2131	4.92	680122
T 4.3.2						



COMMENT ON INJURY AND SICK LEAVE

Matjhabeng LM employees who are injured on duty receive special leave and such leave is not deducted from their sick leave credit.

Serious injuries are referred to the Regional Hospital and private hospitals that accept compensation cases and the required process is followed in terms of follow up visits.

For prolonged absence from duty as the result of injury on duty, the municipality closely monitors the absence and the employee's pension /provident fund is informed that the employee has sustained a serious injury.

T 4.3.4

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
SMME Co-ordinator	Act of bribery or corruption	1/8/2013	Employee was charged for misconduct on 6/8/2013 and resigned from Council on 3/2/2014	Employee resigned 3/2/2014
Assistant Supt	Unauthorised posession of employer property; Malicious damage to Employer property; conduct yourself with honesty and integrity	14/2/2013	Employee was charged for misconduct on 18/2/2013, disciplinary hearing held and employee found guilty. Suspension without pay for a period of 10 days	26/02/2014
T 4.3.5				

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
General worker	Absent without permission	Not Guilty	10/7/2013
Traffic Officer	Gross negligence	Case dismissed by CP because of non attendance of the parties and the Employer Representative seemed not be serious about the case	2/10/2013
General worker	Acting in an insolent manner by swearing at Supervisor and other employees	Employee found guilty. Written warning valid for 6 months	8/10/2013
Admin Clerk	Absent without permission	Employee found guilty. Employee dismissed	8/10/2013
Library Aid	Being rude, abusive, provocative, insolent, intimidatory or aggressive to a fellow employee by exchanging provocative words before the public who ultimately attacked him	Case withdrawn	4/10/2013
Acting Library Assistant	Fighting at the work place by pushing her colleage away and she fell down and she went beating her up and attacked her physically	Case withdrawn	16/10/2013
Assistant Superintendent Traffic	Dishonesty by allowing a member of public to Municipal facility without permission	Case withdrawn	
	Acting in an insolent manner by insulting Mr Tshandu in the presence of Mr Mokoena		
	Gross insubordination		7/10/2013
Assistant Superintendent Traffic	Gross insubordination		

	Unauthorised possession of council vehicle whilst off duty	Employee found guilty. Written warning valid for 6 months	7/9/2013
Accountant	Gross dishonesty	Employee found not guilty	
	Working unauthorised overtime		
	Failure to conduct herself with honesty and integrity		30/7/2013
Admin Officer	Absent without permission	Case dismissed by CP	7/8/2013
Accounting Clerk	Gross dishonesty	Employee found not guilty	
	Working unauthorised overtime		
	Failure to conduct herself with honesty and integrity		30/7/2013
Security Officer	Obey lawful and reasonable instruction	Case dismissed by CP on request of the Employer Representative as the employee has been transferred to another section	22/7/2013
Security Officer		Employee withdrew charges as the matter was resolved internally	30/7/2013
Senior Clerk	Gross dishonesty	Case withdrawn due to lack of key witness	
	Refrain from rude, abusive, insolent, provocative, intimidatory or aggressive behaviour to a member of public		10/9/2013
General worker	Absent without permission	Employee pleaded guilty. Written warning valid for 6 months	29/8/2013
Admin Officer	Allocation of property without following procedures	Employee found guilty. Employee dismissed	
	Corruption / Bribery		17/10/2013
Fire Fighter	Gross negligence - not responding to house fire at Kutlwanong	Employee found guilty. Final written warning valid for 6 months	23/10/2013
Fire Fighter	Not responding to emergency incident	Employee found guilty. Written warning valid for 6 months	22/10/2013
SMME Officer	Absent without permission	Employee found guilty. Written warning valid for 6 months	28/10/2013
Fire Fighter	Gross negligence	Employee found not guilty	8/11/2013
General worker	Refuse to obey lawful instruction to bring attendance register to Unit Manager office	Case dismissed by CP on request of the Employer Representative as the matter was resolved outside the disciplinary hearing	11/11/2013
Security Officer	Fighting on duty	Case withdrawn by Employer Representative	14/11/2013
General Worker	Absent without permission	Employee resigned	13/11/2013
Artisan	Disobeyed lawful instruction	Employee found guilty. Written warning valid for 6 months	19/11/2013
Cashier	Gross dishonesty	Employee pleaded guilty. Suspension without pay for 10 days	27/11/2013

General worker	Absent without permission	Employee resigned	17/4/2014
Ticket Officer EOH	Gross insubordination	Employee found guilty. Suspension without pay for 10 days	
	Refrain from rude, abusive, insolent, provocative, intimidatory or aggressive behaviour to a member of public		28/3/2014
General worker	Refusal of lawful instruction by leaving workplace without permission	Employee found not guilty	
	Absent without permission		
	Assaulted his supervisor by pressing his finger into her chest		11/4/2014
Assistant Superintendent Traffic	Failed to perform his tasks and job responsibilities to the best of his ability	Case dismissed	
	Failed to obey lawful instruction		6/5/2014
Door Control Fresh Produce Market	Gross dishonesty	Case withdrawn as the matter was dealt with internally	
	Gross negligence		11/6/2014
Building Control Officer	Gross dishonesty	Case dismissed	
	Gross negligence		19/6/2014
Clerk	Absent without permission	Employee found guilty. Employee dismissed	12/6/2014
General worker	Gross negligence	Case withdrawn	1/7/2014
Caretaker	Gross negligence	Case withdrawn	1/7/2014
Parks Assistant Grade I	Gross negligence	Case withdrawn	30/6/2014
T 4.3.6			

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

There were two cases of financial misconduct during the year under review. One employee was found guilty and was dismissed. One employee resigned before the case could be finalized. The file for one case was closed.

T 4.3.7

4.4 PERFORMANCE REWARDS

No Performance Rewards were paid in the year under review.

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards Year 1 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	0	0		0%
	Male	0	0		0%
Skilled (Levels 3-5)	Female				
	Male				
Highly skilled production (levels 6-8)	Female				
	Male				
Highly skilled supervision (levels 9-12)	Female				
	Male				
Senior management (Levels 13-15)	Female				
	Male				
MM and S57	Female				
	Male				
Total		50	21		
Has the statutory municipal calculator been used as part of the evaluation process ?					Yes/No
T 4.4.1					

COMMENT ON PERFORMANCE REWARDS

No performance rewards were paid to employees or Section 57 Managers during the year under review.

T 4.4.1.1

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Matjhabeng Municipality's vacancy rate is at 51% of its total staff establishment. Despite the economic challenges the Municipality has managed to provide at least minimum services to the community. This has been possible due to mobility of staff which as a need arises, is taken to work where the demand for services is required.

Overtime Policy

Despite the challenges of keeping within the prescripts of Basic Conditions of Employment Act, 1997, the municipality has implemented the measures to control overtime by using the earning threshold as determined by the Minister of Labour. No overtime, unless it is an emergency, is worked without prior application and approval by the Head of Department.

Employee Assistance Program

The Matjhabeng Local Municipality has programs that assist employees on:

- Stress Management
- Alcohol and substance abuse
- Work related issues such as absenteeism
- Psycho-social problems
- HIV/AIDS support and counselling
- Financial life-skills.

Skills Development

Matjhabeng Local Municipality provides employees with the opportunity to further their formal studies through study assistant program.

Labour Relations

The Labour Relations component is utilized to keep harmonious relationships between the employer and the employees. Issues that affects employees and employer are discussed at the Local Labour Forum. Representation at this forum is in terms of Collective Agreement.

Occupational Health and Safety

During the year under review, 300 employees who work at high risk areas such as sewerage plants were taken for annual Hepatitis health checkup.

Furthermore the Municipality complies with legislation in terms of:

- Legal appointment of Municipal Manager in terms of 16.1 of the Occupation Health and Safety Act, including managers reporting directly to Municipal Manager in terms of 16.2 of the Act, have been done.
- Appointment of Safety Representations.

Employment Equity

The Employment Equity Report was compiled and approved by Council in 2011/2012 financial year. Progress reports are submitted to the Department of Labour annually.

T 4.5.0

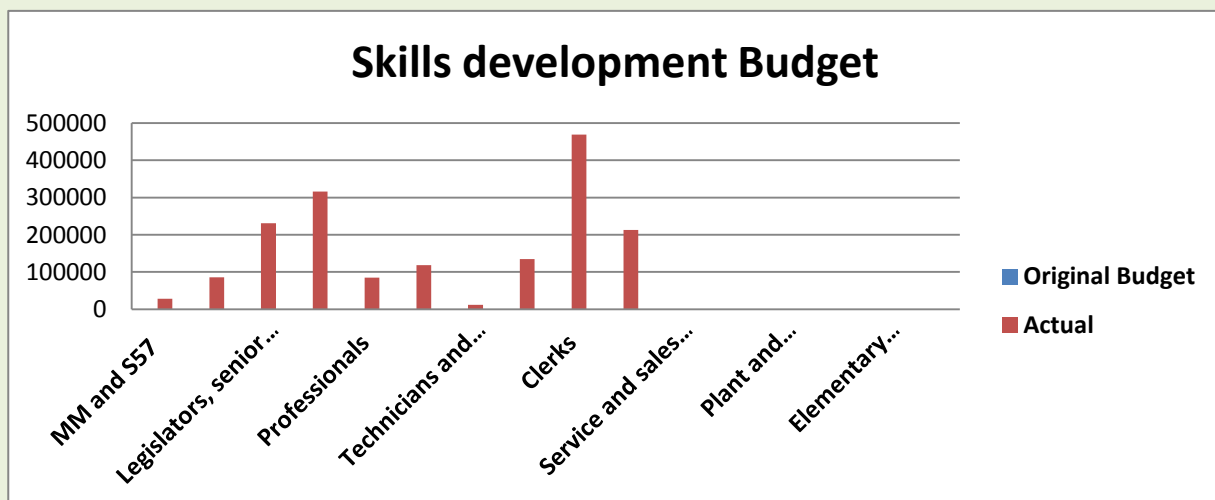
4.5 SKILLS DEVELOPMENT AND TRAINING

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June Year 0											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target
MM and s57	Female		5							0	1			1
	Male		5							1	2		1	2
Councillors, senior officials and managers	Female		2							3	3		3	3
	Male		3							4	4		4	4
Technicians and associate professionals*	Female		4							2	2		2	2
	Male		8							8	9		8	9
Professionals	Female		8							6	6		6	6
	Male		6							2	2		2	2
Sub total	Female		19							11	12		11	12
	Male		22							15	17		15	17
Total		0	82	0	0	0	0	0	0	52	58	0	52	58

T 4.5.1

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
<i>Accounting officer</i>	0	0	1	0	0	0
<i>Chief financial officer</i>	0	0	0	0	0	0
<i>Senior managers</i>	0	0	2	0	0	0
<i>Any other financial officials</i>	0	0	156	0	0	0
Supply Chain Management Officials						
<i>Heads of supply chain management units</i>	0	0	0	0	0	0
<i>Supply chain management senior managers</i>	0	0	0	1	1	1
TOTAL	0	0	159	1	1	1
						T 4.5.2

Skills Development Expenditure										
R'000										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female			28500						28500
	Male			85500						85500
Legislators, senior officials and managers	Female			228000		3000				231000
	Male			285000		31000				316000
Professionals	Female			57000		28163				85163
	Male			85500		32520				118020
Technicians and associate professionals	Female					12000				12000
	Male			57000		77710				134710
Clerks	Female			427000		25122		16244		468366
	Male			171000		26022		16107		213129
Service and sales workers	Female									
	Male									
Plant and machine operators and assemblers	Female									
	Male									
Elementary occupations	Female									
	Male									
Sub total	Female			740500		68285		16244		825029
	Male			684000		167252		16107		867359
Total				2849000		471074		64702		3384776
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									%*	*R



T4.5.3

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

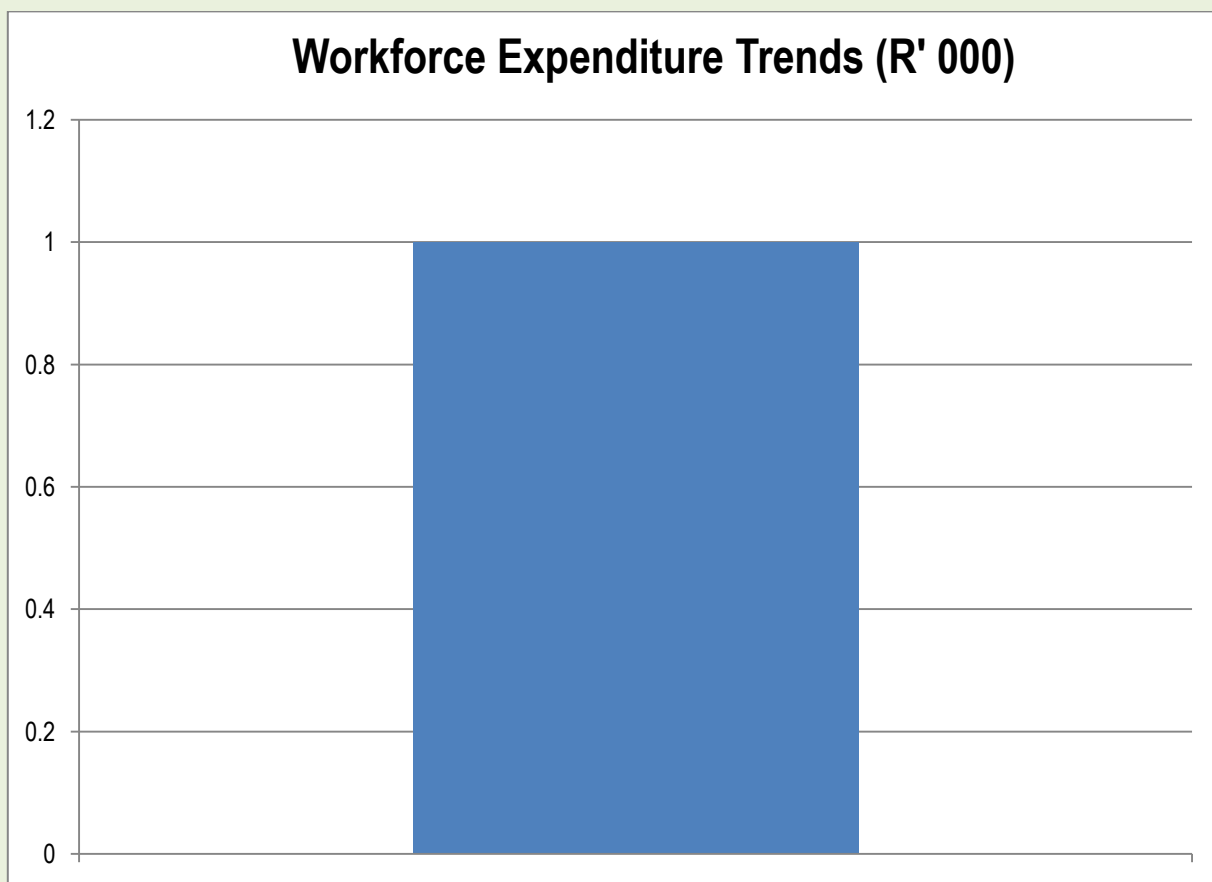
The following table outlines the progress in terms of Managers and senior Manager who meet competency levels. The Management Development Program for those who do not meet the minimum competencies has been scheduled in the year 2013/14 financial year. All other managers that control their respective budgets have been enrolled in the abovementioned training program

T 4.5.4

Designation	Status in terms of competency levels
Executive Director LED and Planning	Meets minimum competency levels
Executive Director Community Services	Meets minimum competency levels
Manager PMU	Training has been arranged for the financial year 2013/14
Acting Manager SCM	Meets minimum competency levels
Senior Manager Budget	RPL (Recognition of Prior Learning)
Senior Manager Treasury	RPL (Recognition of Prior Learning)
Acting CFO	Meets minimum competency levels
T 4.5.4 (continue)	

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

4.6 EMPLOYEE EXPENDITURE



T 4.6.1

COMMENT ON WORKFORCE EXPENDITURE

The workforce expenditure consist of the councillors, senior management and other municipal staff. The expenditure increased gradually for the year -2 to year 0.

T 4.6.1.1

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels9-12)	Female	0
	Male	0
Senior management (Levels13-16)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0
Total		0
T 4.6.2		

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
NONE				
No Jobs were evaluated during the year under review.				T 4.6.3

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
				NONE
T 4.6.4				

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

No positions were upgraded during the year under review.

T 4.6.5

DISCLOSURES OF FINANCIAL INTERESTS

All Councillors, Section 57 appointees and officials are disclosing financial interest in the following manner:-

Councilors who have a financial interest complete the Disclosure of Financial Interest forms and in a council meeting in accordance with a standing item in the business of every Ordinary Council meeting for disclosure of financial interest by all Councillors.

Section 57 appointees disclose their financial interest annually in line with the annual review of their service level agreements.

Other officials also complete Financial Interest Disclosure forms as when the need arises.

T 4.6.6

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

Chapter 5 will provide information of the financial performance of the municipality for the year under review. The chapter will include the audited financial statements, a reconciliation of the A1 budget summary, grant performance and asset management. The performance on repair and maintenance will also be indicated in the chapter.

T 5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

Section 122 of the Municipal Finance Management Act 56 of 2003 states that every municipality must prepare annual financial statements for each financial year. The annual financial statements for the 2013/2014 financial year was prepared in compliance with section 122 of the Municipal Finance Management Act as well as GRAP. The annual financial statements 2013/14 were submitted on 31 August 2014.

T 5.1.0

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

Reconciliation of Table A1 Budget Summary

Description	Year 0											Year -1		
R thousands	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Financial Performance														
Property rates	162,236		162,236			162,236	192,977		30,740	119%	119%			
Service charges	978,158	360	978,518			978,518	854,689		-123,828	87%	87%			
Investment revenue	81,629		81,629			81,629	129,057		47,428	158%	158%			
Transfers recognised - operational	428,360		428,360			428,360	428,512		152	100%	100%			
Other own revenue	38,324	(360)	37,963			37,963	39,789		1,825	105%	104%			
Total Revenue (excluding capital transfers and contributions)														
Employee costs	(498,261)	1,406	(496,855)			(496,855)	(482,974)		13,881	97%	97%			
Remuneration of councillors	(22,220)	(1,406)	(23,626)			(23,626)	(24,682)		-1,056	104%	111%			
Debt impairment	(323,694)	73,862	(249,833)			(249,833)	(38,941)		210,891	16%	12%			
Depreciation & asset impairment	–		–			–	(275,509)		-275,509					
Finance charges	(1,941)	(62)	(2,003)			(2,003)	(132,854)		-130,850	6632%	6845%			
Materials and bulk purchases	(498,425)	51,420	(447,006)			(447,006)	(665,245)		-218,240	149%	133%			
Transfers and grants			–			–	(29,457)		-285	101%	0%			
Other expenditure	(344,164)	(60,477)	(404,641)			(404,641)	(337,041)		38,428	128%	128%			
Total Expenditure	(1,688,706)	64,742	(1,623,964)			(1,623,964)	(1,986,704)		-362,740	122%	118%			
Surplus/(Deficit)	–	64,742	64,742			64,742	(341,680)		-406,422	528%				
Transfers recognised - capital	–		–			–	189,130		189,130					
Contributions recognised - capital & contributed assets			–			–								
Surplus/(Deficit) after capital transfers & contributions							(152,551)		-595,552	-236%				
Share of surplus/ (deficit) of associate	2,750		2,750			2,750	13,552		10,802	-121%				
Surplus/(Deficit) for the year	(2,750)	64,742	61,992			67,492	(138,998)		-206,490	-206%				

Capital expenditure & funds sources														
Capital expenditure							219,482		219,481					
Transfers recognised - capital							(189,130)		-189,130					
Public contributions & donations														
Borrowing														
Internally generated funds														
Total sources of capital funds							(189,130)		-189,130					
Cash flows														
Net cash from (used) operating			-			-	249,596		249,595					
Net cash from (used) investing			-			-	(225,044)		-225,044					
Net cash from (used) financing	-		-			-	(20,169)		-20,169					
Cash/cash equivalents at the year end							2,371		-2,371					
T 5.1.1														

Financial Performance of Operational Services						
						R '000
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	187,139	386,931	–	328, 432	-17.81%	100.00%
Waste Water (Sanitation)	–	93,863	–	40,065	-134.28%	100.00%
Electricity	441,054	463,562	–	336, 814	-37.63%	100.00%
Waste Management	138,577	92,820	–	66,087	-40.45%	100.00%
Housing	17,816	19,454	–	19,178	-1.44%	100.00%
Component A: sub-total	784,586	1,056,630	–	790, 575	-33.65%	100.00%
Waste Water (Stormwater Drainage)	–	28,265	–	14,336	-97.17%	100.00%
Roads	37,168	41,186	–	45,585	9.65%	100.00%
Transport	–	–	–	–	0.00%	0.00%
Component B: sub-total	37,168	69,451	–	59,920	-15.91%	100.00%
Planning	–	–	–	–	0.00%	0.00%
Local Economic Development	27,759	16,919	–	13,422	-26.05%	100.00%
Component B: sub-total	27,759	16,919	–	13,422	-26.05%	100.00%
Planning (Strategic & Regulatory)	–	–	–	–	0.00%	0.00%
Local Economic Development	–	–	–	–	0.00%	0.00%
Component C: sub-total	–	–	–	–	0.00%	0.00%
Community & Social Services	5,742	10,262	–	4,713	-117.74%	100.00%
Environmental Protection	–	–	–	–	0.00%	0.00%
Health	–	–	–	–	0.00%	0.00%
Security and Safety	66,892	110,965	–	47,950	-131.42%	100.00%
Sport and Recreation	39,788	79,933	–	64,349	-24.22%	100.00%
Corporate Policy Offices and Other	–	–	–	–	0.00%	0.00%
Component D: sub-total	112,422	201,160	–	117,012	-71.91%	100.00%
Total Expenditure	961,935	1,344,160	–	980, 930	-37.03%	100.00%
In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

T 5.1.2

COMMENT ON FINANCIAL PERFORMANCE

The variance of 37.03% on the financial performance was a result of the cash flow constraints and the low consumer pay rate experienced during the year under review.

T 5.1.3

5.2 GRANTS

Grant Performance						
R' 000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants						
National Government:	432,948	427,360	–	428,512		
Equitable share	430,648	424,920	–	426,072	-0.27%	(0)
Municipal Systems Improvement	800	890	–	890	0.00%	(0)
Finance Management	1,500	1,550	–	1,550		
Provincial Government:	–	–	–	–		
Health subsidy	–			–		
Housing	–			–		
Ambulance subsidy	–			–		
Sports and Recreation	–			–		
District Municipality:	–	–	–	–		
<i>[insert description]</i>						
Other grant providers:	–	–	–	–		
<i>[insert description]</i>						
Total Operating Transfers and Grants	432,948	427,360	–	428,512		

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.

T 5.2.1

COMMENT ON OPERATING TRANSFERS AND GRANTS

The total amount of operating transfers and grants received by the municipality was R 428 512 000 for the year under review. The grants consisted of the Equitable Share, Finance Management Grant and the Municipal Systems Improvement grant. The Finance Management grant and the Municipal Systems Improvement grant are conditional grants.

T 5.2.2

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant Year -1	Actual Grant Year 0	Year 0 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
Parastatals						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
Foreign Governments/Development Aid Agencies						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
Private Sector / Organisations						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
						T 5.2.3

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

The objective of Asset Management is to ensure effective and efficient control, utilization, safeguarding and management of the municipality's intangible and tangible assets in line with GRAP 13, GRAP 16, GRAP 17, GRAP 21, GRAP 26, GRAP 102, GRAP 103.

T 5.3.1

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 0

TREATMENT OF THE THREE LARGEST ASSETS REQUIRED YEAR 0				
Asset 1				
Name	Resealing of roads in Matjhabeng			
Description	Resealing of roads			
Asset Type	Roads			
Key Staff Involved	Fumani Nthlamu			
Staff Responsibilities	Road and Storm Water			
	Year -3	Year -2	Year -1	Year 0
Asset Value	0	10032076.84	14391489.83	21388949.21
Capital Implications	N/A			
Future Purpose of Asset	Extension of life span of the road			
Describe Key Issues	N/A			
Policies in Place to Manage Asset	Matjhabeng Local Municipality Asset Management Policy			
Asset 2				
Name	Phomolong: Taxi Centre			
Description	Construction of New Taxi Centre			
Asset Type	Non residential dwellings			
Key Staff Involved	Victor Makondo	Fumani Nthlamu		
Staff Responsibilities	Water and Sanitation	Road and Storm Water		
	Year -3	Year -2	Year -1	Year 0
Asset Value	0	0	14640913.98	1614949.84
Capital Implications	N/A			
Future Purpose of Asset	Community Infrastructure Development			
Describe Key Issues	N/A			
Policies in Place to Manage Asset	Matjhabeng Local Municipality Asset Management Policy			
Asset 3				
Name	Investigate storm water runoff and upgrade existsystem Thabong T 14			
Description	Construction of Storm water			
Asset Type	Storm			
Key Staff Involved	Fumani Nthlamu			
Staff Responsibilities	Road and Storm Water			
	Year -3	Year -2	Year -1	Year 0
Asset Value	19364462.5	0	0	0

Capital Implications	N/A
Future Purpose of Asset	Controlling of erosion and water ponding
Describe Key Issues	N/A
Policies in Place to Manage Asset	Matjhabeng Local Municipality Asset Management Policy
T 5.3.2	

COMMENT ON ASSET MANAGEMENT

The Municipal Asset Register was completed during the year under review and submitted to the Auditor-General. The municipality is currently in the process of addressing all the gaps identified by the Auditor-General.

T 5.3.3

Repair and Maintenance Expenditure: Year 0				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	158,402	300	37,816	76%
T 5.3.4				

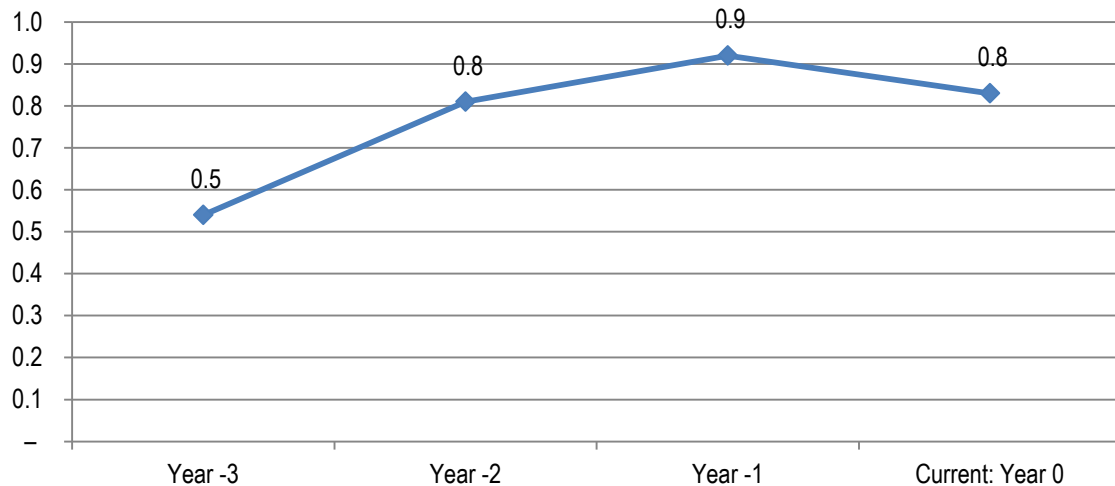
COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE

The budget for repair and maintenance for the year under review was R 158 402 149 and the actual expenditure for the year under review was at R 37 816 168 which is resulted into a variance of 76%. The reason for the under-spending was as a result of the cash flow constraints experienced during the year under review

T 5.3.4.1

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Liquidity Ratio

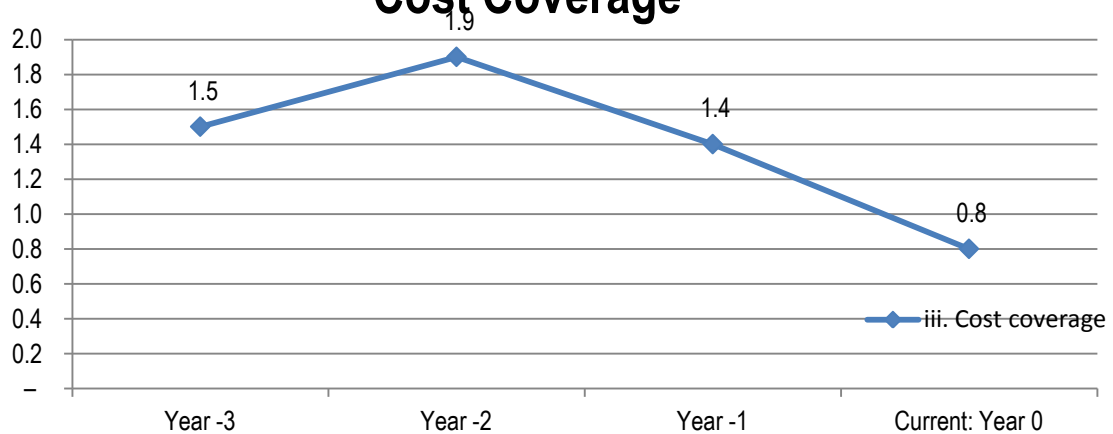


Liquidity Ratio – Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio is better.

Data used from MBRR SA8

T 5.4.1

Cost Coverage

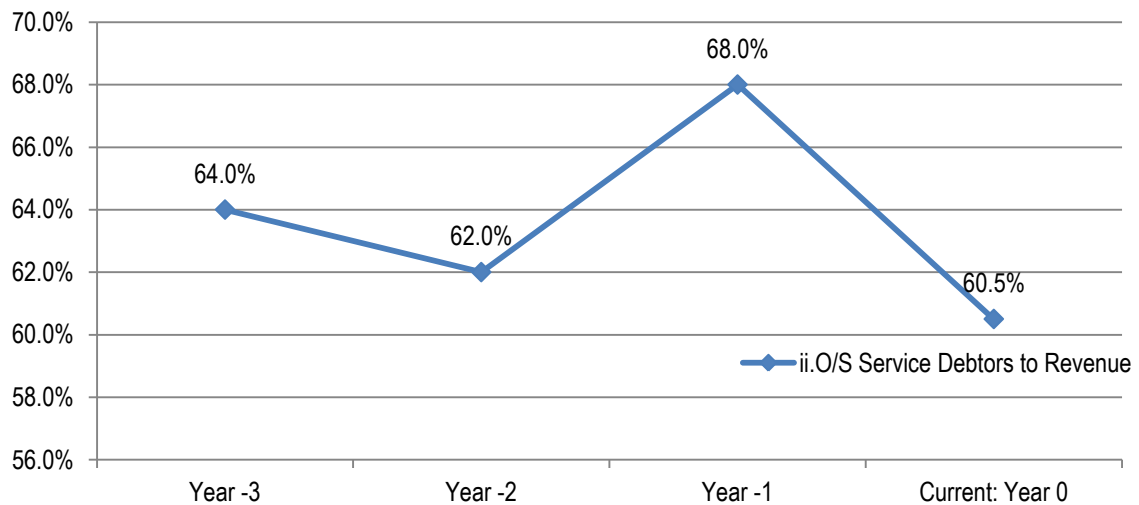


Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated

Data used from MBRR SA8

T 5.4.2

Total Outstanding Service Debtors

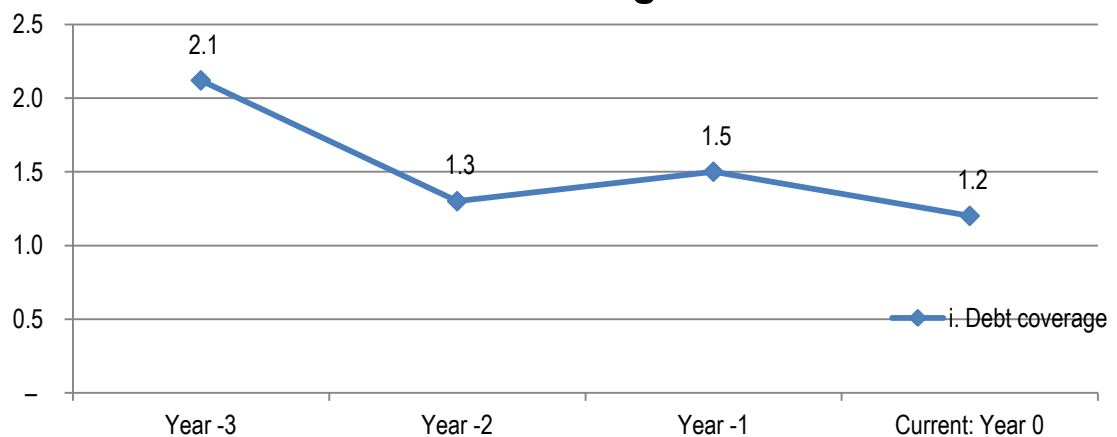


Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better.

Data used from MBRR SA8

T 5.4.3

Debt Coverage

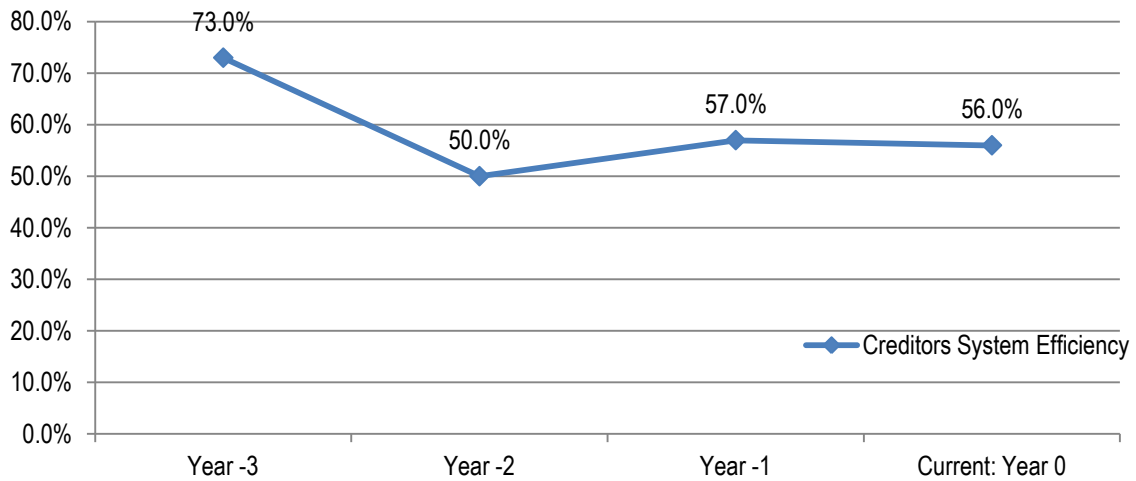


Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality

Data used from MBRR SA8

T 5.4.4

Creditors System Efficiency

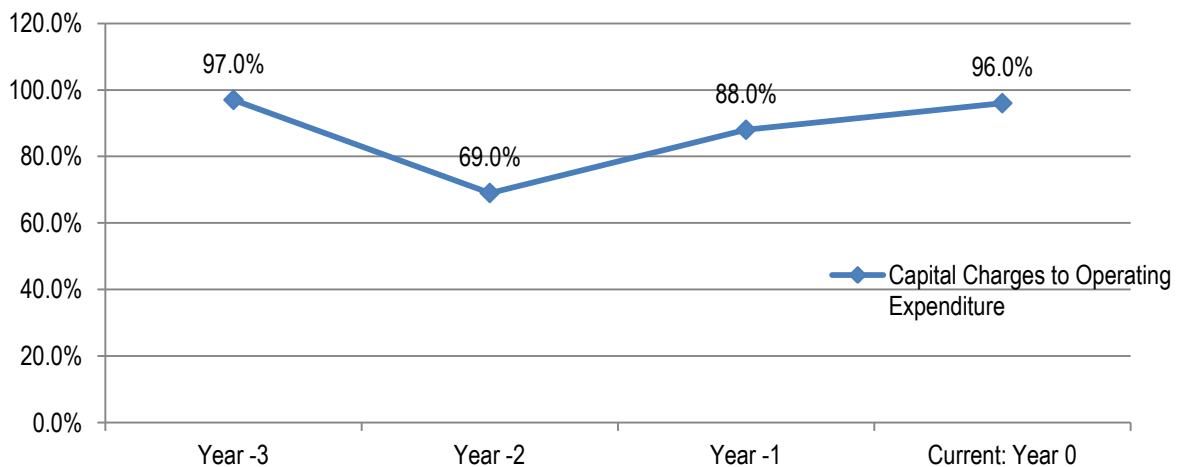


Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

T 5.4.5

Capital Charges to Operating Expenditure

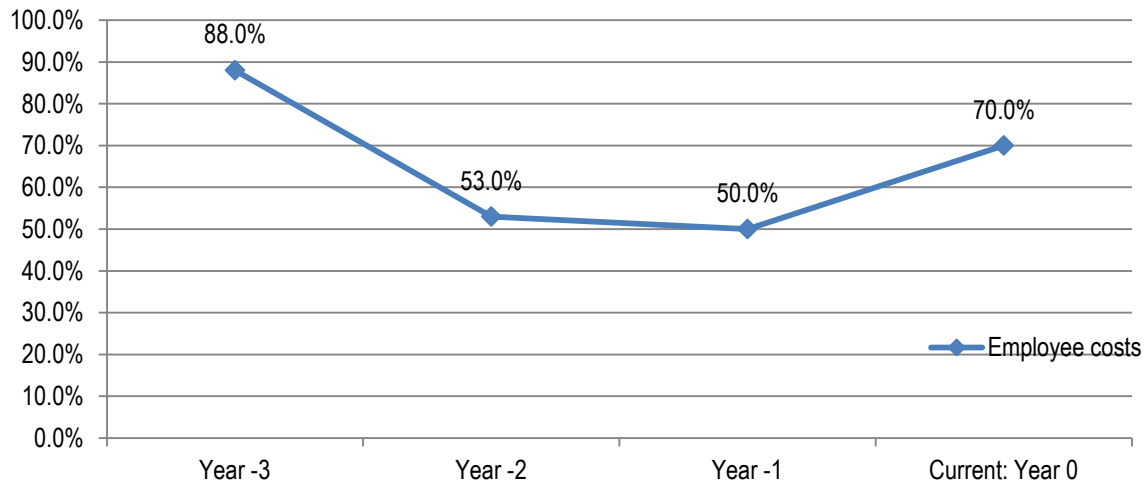


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8

T 5.4.6

Employee Costs

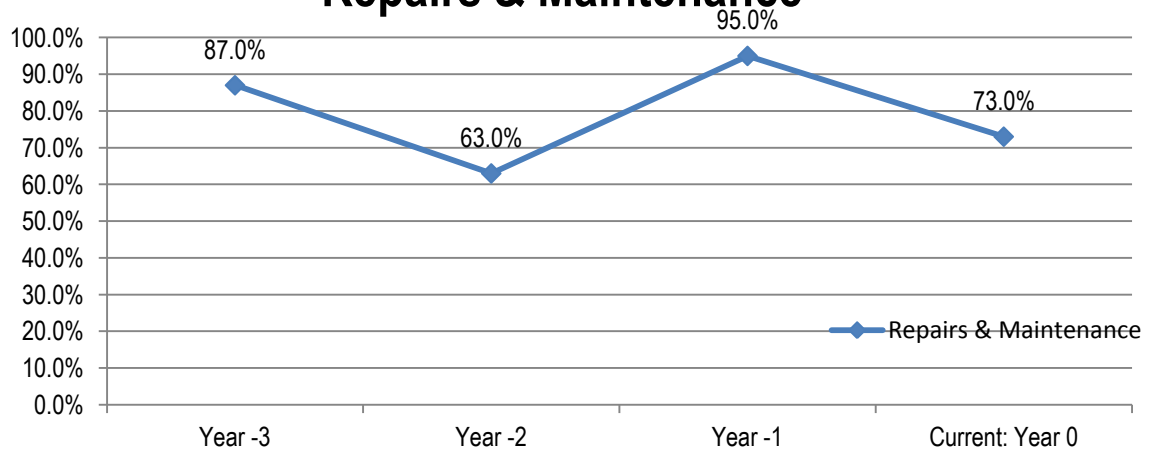


Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue.

Data used from MBRR SA8

T 5.4.7

Repairs & Maintenance



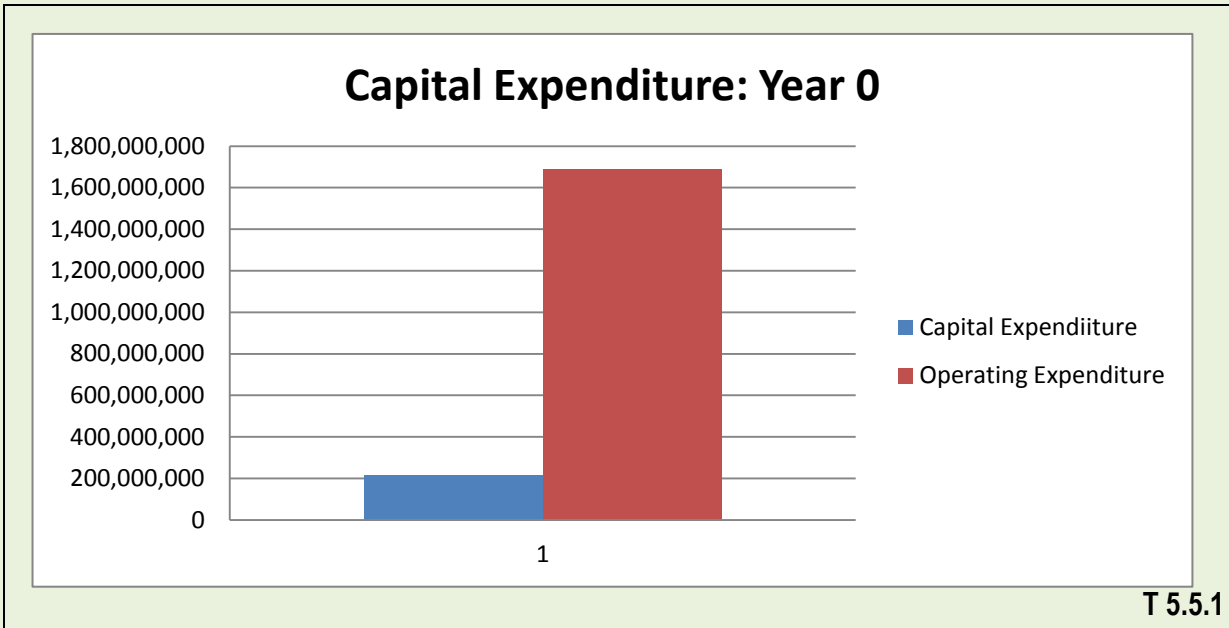
Repairs and Maintenance – This represents the proportion of operating expenditure spent and is calculated by dividing the total repairs and maintenance.

Data used from MBRR SA8

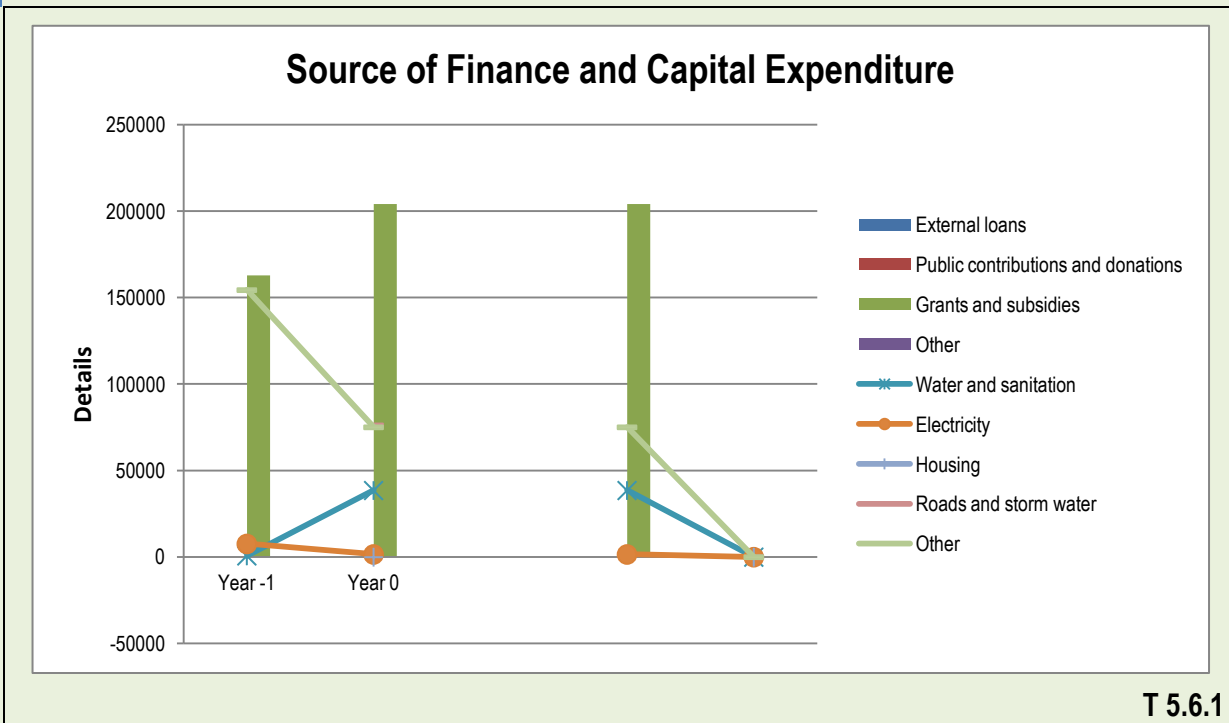
T 5.4.8

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.5 CAPITAL EXPENDITURE



5.6 SOURCES OF FINANCE



5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital Expenditure of 5 largest projects*					
Name of Project	Current: Year 0			Variance: Current Year 0	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - Name of Project	36,000.00	36,000.00	28,000.00	22%	0%
B - Name of Project	50,000.00	50,000.00	8,000.00	84%	0%
C - Name of Project	34,000.00	34,000.00	9,000.00	74%	0%
* Projects with the highest capital expenditure in Year 0					
Name of Project - A	road 300 and storm water				
Objective of Project	stormwater measures				
Delays	none				
Future Challenges	none				
Anticipated citizen benefits	ward 17				
Name of Project - B	sport facilities				
Objective of Project	upgrading of waste water treatment works				
Delays	Eskom, designs and budget				
Future Challenges	budget constraints and redesign				
Anticipated citizen benefits	Nyakallong community				
Name of Project - C	upgrading of sport facilities				
Objective of Project	recreational sports facilities				
Delays	phases and designs				
Future Challenges	none				
Anticipated citizen benefits	Thabong ,Phomolog, residents				
					T 5.7.1

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

Service Backlogs as at 30 June Year 0				
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	98773	96%	4002	4%
Sanitation	79534	72%	30906	28%
Electricity	30415	99%	320	1%
Waste management		%		%
Housing		%		%
T 5.8.2				

Municipal Infrastructure Grant (MIG)* Expenditure Year 0 on Service backlogs						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjust- ments Budget	
Infrastructure - Road transport				%	%	
<i>Roads, Pavements & Bridges</i>	62, 933		48, 731	-23%	%	
<i>Storm water</i>	13, 293		10, 813	-19%	%	
Infrastructure - Electricity				%	%	
<i>Generation</i>	1, 575		2, 008	27%	%	
<i>Transmission & Reticulation</i>				%	%	
<i>Street Lighting</i>	806		806	0%	%	
Infrastructure - Water				%	%	
<i>Dams & Reservoirs</i>	13, 140		5, 774	-56%	%	
<i>Water purification</i>				%	%	
<i>Reticulation</i>				%	%	
Infrastructure - Sanitation				%	%	
<i>Reticulation</i>				%	%	
<i>Sewerage purification</i>	25, 425		4, 811	-81%	%	
Infrastructure - Other				%	%	
<i>Waste Management</i>				%	%	
<i>Transportation</i>				%	%	
<i>Gas</i>				%	%	
Other Specify:				%	%	
<i>Community facilities (Sport, Taxi & Str traders)</i>	75, 115		67, 825	-10%	%	
<i>PMU support</i>				%	%	
				%	%	
Total				%	%	
						T 5.8.3

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.9 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	Year -1	Current: Year 0		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	1,140,394	877,879		618,818,
Government - operating	428,360	428,360		649,143
Government - capital	189,130	191,482		
Interest	81,629	58,773		15,648
Dividends	0			11
Payments				
Suppliers and employees	(1,363,071)	(1,344,012)		(474,599)
Finance charges	(1,941)	–		(1,388)
Transfers and Grants		–		–
NET CASH FROM/(USED) OPERATING ACTIVITIES	474,501	212,482	–	–
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	5,000		(238,558)
Decrease (Increase) in non-current debtors	–			–
Decrease (increase) other non-current receivables	(97)			
Decrease (increase) in non-current investments	(5,524)			
Payments				
Capital assets	(173,316)	(20,000)		(200,030)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(178,937)	(15,000)	–	(200,030)
CASH FLOWS FROM FINANCING ACTIVITIES				

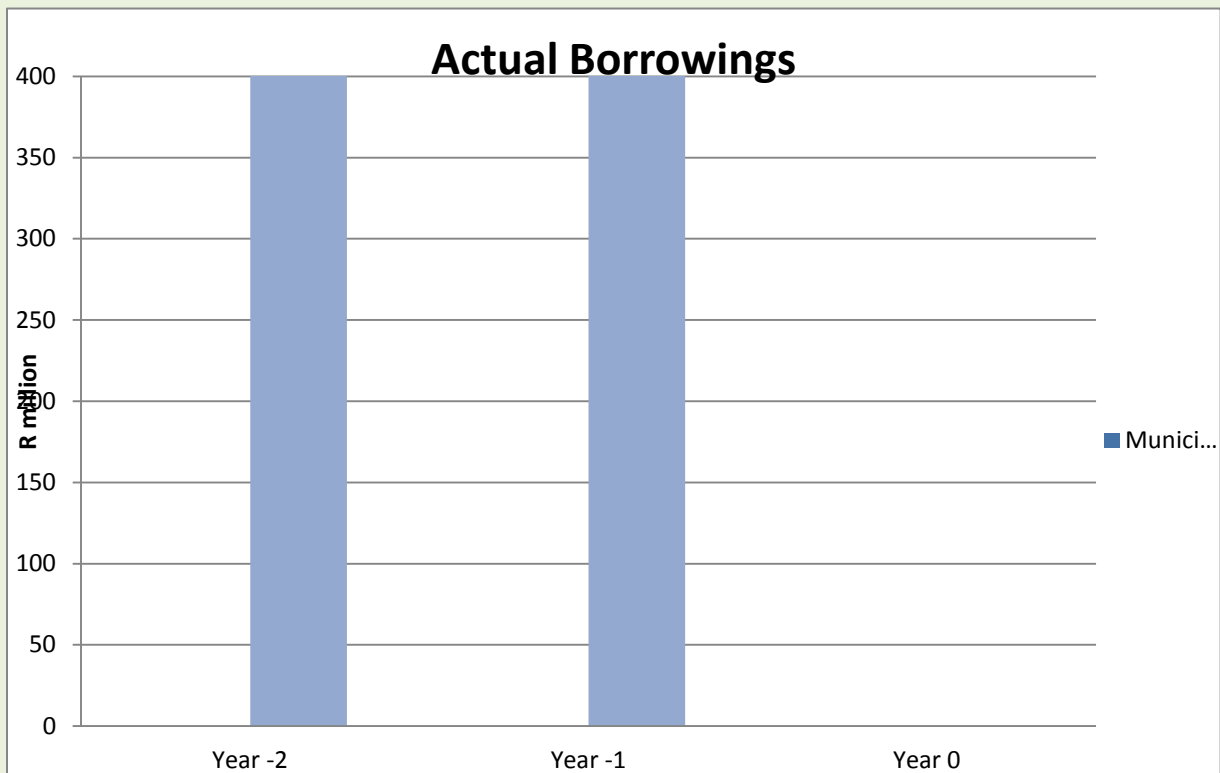
Receipts				
Short term loans				
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
Payments				
Repayment of borrowing	65,422	4,000		(59)
NET CASH FROM/(USED) FINANCING ACTIVITIES	65,422	4,000	–	(59)
NET INCREASE/ (DECREASE) IN CASH HELD	360,986	201,482	–	(200,089)
Cash/cash equivalents at the year begin:	44,665	(2,111)		44,665
Cash/cash equivalents at the year end:	(2,111)	199,371	–	(155,424)
				T 5.9.1

5.10 BORROWING AND INVESTMENTS

Actual Borrowings: Year -2 to Year 0			
			R' 000
Instrument	Year -2	Year -1	Year 0
<u>Municipality</u>		0	0
Long-Term Loans (annuity/reducing balance)	19275	18375	0
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Municipality Total	19,275	18,375	0
<u>Municipal Entities</u>			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			

Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
Entities Total	0	0	0

T 5.10.2



Municipal and Entity Investments			
Investment* type	Year -2	Year -1	Year 0
	Actual	Actual	Actual
Municipality			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank	13,597	13,597	16,099
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Municipal Bonds			
Other			
Municipality sub-total	13,597	13597	16099
Municipal Entities			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Other			
Entities sub-total	0	0	0
Consolidated total:	13597	13597	16099
T 5.10.4			

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

COMPONENT A: AUDITOR-GENERAL REPORT YEAR -1

6.1 AUDITOR GENERAL REPORTS YEAR -1 (PREVIOUS FINANCIAL YEAR)

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE MATJHABENG LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Matjhabeng Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2013, the statements of financial performance, changes in net assets and cash flows for the year then ended, the statement of comparison of budget and actual amounts, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of 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, 2012 (Act No. 5 of 2012) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment of R5 611 204 496 (2012: R5 675 460 745), as disclosed in note 9 to the financial statements, as the municipality did not provide me with sufficient evidence to support the values of assets recorded in the asset register and evidence that all assets were accounted for as outlined in the requirements of SA Standards of GRAP, GRAP 17, *Property, plant and equipment* and GRAP 26, *Impairment of cash-generating assets*. I have not determined the correct net carrying amount of property, plant and equipment or the accuracy of depreciation as it was impracticable to do so due to inadequate descriptions and locations recorded in the asset register to facilitate physical verification of the condition and existence of the assets. In addition, assets were identified that were not included in the asset register. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment were necessary.

Trade and other payables

5. The municipality did not recognise all outstanding amounts and retention monies meeting the definition of a liability in accordance with SA Standards of GRAP, GRAP 1, *Presentation of financial statements*, as it did not maintain adequate records of outstanding payments for goods and services received but not yet paid for at year-end.

I was not able to determine the full extent of the misstatement in trade and other payables as it was impractical to do so. In addition, I was unable to obtain sufficient appropriate audit evidence regarding trade payables and accrued leave pay as the municipality did not provide me with accurate reconciliations and supporting documents for journals. I was unable to confirm trade and other payables by alternative means. Consequently, I was unable to determine whether any adjustments relating to trade and other payables stated at R1 069 984 795 (2012: R912 832 591) as disclosed in note 13 to the financial statements were necessary.

Service charges

6. I was unable to obtain sufficient appropriate audit evidence for service income of R782 911 047 (2012: R735 231 694) as disclosed in note 22 to the financial statements, as the municipality did not provide me with meter photos and documents to support journals. Furthermore, the municipality did not always use approved tariffs when billing for services and in some instances did not bill consumers for all the services rendered. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments relating to service charges were necessary.

Government grants and subsidies

7. I was unable to obtain sufficient appropriate audit evidence for the revenue from grants income amounting to R603 407 632 (2012: R570 189 011), as disclosed in note 22 to the financial statements, as the municipality did not provide me with sufficient evidence that the conditions of the grant had been met as required by SA Standards of GRAP, GRAP 23, *Revenue from non-exchange transactions*. Furthermore, several grants received were not disclosed by the municipality. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether adjustments to the amount of the unspent grant disclosed were necessary.

Consumer receivables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for consumer receivables from exchange transactions amounting to R118 851 417 (2012: R110 630 155), as disclosed in note 7 to financial statement, as the municipality did not provide me with indigent applications, proof of subsequent payments by debtors and supporting documentation for journal entries. In addition, the municipality did not correctly account for VAT. Furthermore, the municipality did not appropriately assess its consumer debtors from exchange transactions for impairment, as required by SA Standard of GRAP, GRAP 104 *Financial instruments*. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments relating to the amount disclosed were necessary.

Consumer receivables from non-exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for consumer receivables from non-exchange transactions amounting to R29 434 970 (2012: R43 878 679), as disclosed in note 6 to the financial statements, as the municipality did not provide me with indigent applications, proof of subsequent payments by debtors and supporting documentation for journal entries. In addition, the municipality did not correctly account for VAT. Furthermore, the municipality did not appropriately assess its consumer debtors from non-exchange transactions for impairment, as required by SA Standard of GRAP, GRAP 104 *Financial instruments*. I was unable to confirm the amount by

alternative means. Consequently, I was unable to determine whether any adjustments relating to the amount disclosed were necessary.

Investment property

10. I was unable to obtain sufficient appropriate audit evidence for investment property of R377 914 769 (2012: R400 806 550), as disclosed in note 47 to the financial statements, as the municipality did not provide me with sufficient evidence to substantiate the values recorded in the asset register and evidence that all the assets were accounted for as outlined in the requirements of SA Standards of GRAP, GRAP 16, *Investment property* and GRAP 26, *Impairment of cash-generating assets*. I have not determined the correct net carrying amount of investment property or the accuracy of depreciation as it was impracticable to do so due to inadequate descriptions and locations recorded in the asset register to facilitate physical verification of the condition and existence of the assets. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments to investment property were necessary.

Inventory

11. I was unable to obtain sufficient appropriate audit evidence regarding inventory of R709 170 198 (2012: R 709 191 196), as disclosed in note 3 to the financial statements, as the municipality did not provide me with all inventory count sheets, stock cards and supporting documents for journals. In addition, vacant residential stands were identified that were not included in the inventory as required by SA Standards of GRAP, GRAP 12, *Inventory*. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments relating to inventory were necessary.

Property rates

12. I was unable to obtain sufficient appropriate audit evidence for property rates income of R176 827 344 (2012: R152 938 125) as disclosed in note 21 to the financial statements, as the municipality did not update the valuation roll with changes in market values of properties. Furthermore, various consumers were not charged property rates and in some instances the municipality used incorrect rates when billing the consumers. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments relating to revenue from property rates were necessary.

Employee-related expenditure

13. I was unable to obtain sufficient appropriate audit evidence for allowances and overtime payments amounting to R54 016 497 (2012: R103 060 662), as disclosed in note 26 to the financial statements, as the municipality did not provide me with authorisation for allowances paid and pre-approval for overtime worked. I was unable to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any adjustments to the amount disclosed were necessary.

Expenditure

14. I was unable to obtain sufficient appropriate audit evidence for general expenditure of R17 276 972 (2012: R39 356 034), as disclosed in note 33 to the financial statements, as the municipality did not provide me with invoices and supporting documents for journals. I was unable to confirm the expenditure by alternative means. Consequently,

I was unable to determine whether any adjustments relating to general expenditure stated were necessary.

Irregular expenditure

15. The municipality did not disclose all irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of supply chain management (SCM) requirements, resulting in irregular expenditure being understated by R94 425 245. In addition, I was unable to obtain sufficient appropriate audit evidence that procurement requirements were adhered to for all relevant awards, as the municipality did not provide me with the tender documents. This was due to the unavailability of the supplier's invoices. I was unable to confirm irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments to irregular expenditure, stated at R399 533 588 as disclosed in note 44 to the financial statements, were necessary.

Depreciation and impairment

16. I was unable to obtain sufficient appropriate audit evidence regarding depreciation and amortisation due to the limitation placed on my audit of property, plant and equipment. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to depreciation and amortisation, stated at R235 404 855 (2012: R233 401 798) in note 28 to the financial statements, were necessary.

Commitments

17. I was unable to obtain sufficient appropriate audit evidence regarding commitments due to an inadequate contract management system, an incomplete contract register and contract of R72 444 327 that could not be submitted, as well as differences between my calculations and amounts disclosed in the financial statements. In addition, contracts were identified that were not disclosed as commitments in the financial statements. I was unable to confirm the amount disclosed by alternative means. Consequently, I was unable to determine whether any adjustments relating to commitments, stated at R434 830 409 in note 37 to the financial statements, were necessary.

Revenue from rental of facilities and equipment

18. I was unable to obtain sufficient appropriate audit evidence for revenue generated from rental of facilities and equipment of R11 234 090 (2012: R10 492 364) as disclosed in note 35 to the financial statements, as the municipality did not provide me with receipts and contract agreements supporting rental income that was earned. I was unable to confirm the revenue from rental facilities and equipment by alternative means. Consequently, I was unable to determine whether any adjustments to this amount were necessary.

Leases

19. The municipality did not classify lease agreements as finance leases where substantially all the risks and rewards incidental to ownership were transferred to the entity in accordance with SA Standards of GRAP, GRAP 13, *Leases* as the municipality not have the lease register for all assets leased. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments relating to finance lease obligation, stated at R210 125 (2012: R7 073

267) as disclosed in note 12 to the financial statements, were necessary, as it was impractical to do so.

Non-current consumer debtors

20. I was unable to obtain sufficient audit evidence for non-current consumer debt with a net balance of R3 832 050 (2012: R1 707 127), as disclosed in note 10 to the financial statements, as the municipality did not provide me with signed contracts for debtors who renegotiated payment terms. Furthermore, the municipality did not appropriately assess its consumer debt from exchange transactions for impairment, as required by SA Standard of GRAP, GRAP 104, *financial instruments*. I was unable to confirm the balance of non-current consumer receivables from exchange transaction by alternative means. Consequently, I was unable to determine whether any adjustments relating to consumer receivables from exchange transactions were necessary.

Other financial assets

21. I was unable to obtain sufficient appropriate audit evidence for other financial assets of R33 265 412 (2012: R38 789 418) as disclosed in note 4 to the financial statements, as the municipality did not provide me with bank confirmations and bank statements. Furthermore, the amount disclosed in the financial statements did not agree with the general ledger. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the amounts disclosed for other financial asset.

Accumulated surplus

22. I was unable to obtain sufficient appropriate audit evidence regarding accumulated surplus of R5 392 563 345 disclosed in the financial statements due to the limitation placed on my audit by various components of the financial statements. I was unable to confirm accumulated surplus by alternative means. Consequently, I was unable to determine whether any adjustments relating to accumulated surplus in the financial statements were necessary.

Cash flow statement

23. I was unable to obtain sufficient appropriate audit evidence regarding the cash flow statement due to the limitation placed on my audit by various components of the financial statements as well as differences between my calculations and amounts disclosed in the cash flow statement. I was unable to confirm the cash flow statement by alternative means. Consequently, I was unable to determine whether any adjustments relating to the cash flow statement in the financial statements were necessary.

Disclaimer of opinion

24. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

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

Restatement of corresponding figures

26. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered during 2013 in the annual financial statements of the municipality at, and for the year ended, 30 June 2012.

Material loss

27. As disclosed in note 45 to the financial statements, material losses to the amount of R164 361 680 (2012: R34 510 277) were incurred as a result of distribution losses incurred during the financial year.

Impairments

28. As disclosed in note 29 to the financial statements, impairment losses to the amount of R346 176 905 (2012: R335 465 176) were incurred as a result of the write-off of irrecoverable trade debtors.

Going concern

29. Note 41 to the financial statements indicates that Matjhabeng Local Municipality incurred a net deficit of R398 260 168 (2012: R363 329 298) during the year ended 30 June 2013. This, along with the other matters as set forth in note 40, indicates the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Unauthorised Expenditure

30. As disclosed in note 42 to the financial statements, unauthorised expenditure to the amount of R830 094 352 (2012: R1 075 758 597) was incurred as a result of the municipality's failure to implement budgetary controls.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

31. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

32. I performed procedures to obtain evidence about the usefulness and reliability of the information in the service delivery performance report as set out on pages xx to xx of the annual report.
33. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
34. The reliability of the information in respect of the selected development objectives is

assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

35. The material findings are as follows:

Usefulness of annual performance report

Presentation

36. Section 46 of the Municipal Systems Act (MSA) requires disclosure in the annual performance report of measures taken to improve performance where planned targets were not achieved. Measures to improve performance for a total of 100% of the planned targets not achieved were not reflected in the annual performance report. This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

Consistency

37. The MSA, section 41(c) requires that the annual performance service delivery agreement should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. In total 100% of reported objectives, indicators and targets reported are not consistent with objectives, indicators and targets as per approved integrated development plan. This was due to a lack of the alignment between the SDBIP and the integrated development plan (IDP) resulting from inappropriate planning and lack of skills in performance management.

Measurability

38. The National Treasury's FMPPi requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 100% of the targets in relation to infrastructure development objective were not specific in clearly identifying the nature and the required level of performance. This was due to the capital projects not specified and reported in the SDBIP.
39. The National Treasury's FMPPi requires that performance targets be measurable. The required performance could not be measured for a total of 100% of the planned targets relation to infrastructure development objective. This was due to the capital projects not specified and reported in the SDBIP.
40. The National Treasury's FMPPi requires that the time period or deadline for delivery be specified. A total of 100% of the targets in relation to infrastructure development objective were not time bound in specifying a time period or deadline for delivery. This was due to a lack of the alignment between the SDBIP and the IDP resulting from inappropriate planning and lack of skills in performance management.
41. The National Treasury's FMPPi requires that indicators should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 96% of the indicators in relation to infrastructure development objective were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the capital projects not specified and reported in the SDBIP.
42. The National Treasury's FMPPi requires that it must be possible to validate the processes and systems that produce the indicator. A total of 96% of the indicators in relation to Infrastructure development objective were not verifiable in that valid

processes and systems that produce the information on actual performance did not exist. This was due to the capital projects not specified and reported in the SDBIP.

Reliability of information

43. The National Treasury's FMPPi requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.

I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of information presented with respect to infrastructure development objective

This was due to limitations placed on the scope of my work because the municipality could not provide sufficient appropriate evidence in support of the information presented with respect to the basic service delivery and infrastructure development objective.

Compliance with laws and regulations

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

Strategic planning and performance management

45. The IDP adopted by the municipality does not reflect and identify some key performance indicators and targets, as required by sections 26 and 41 of the MSA.
46. For some objectives the municipality did not set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives set out in the IDP, as required by section 41(1)(a) of the MSA and MPPMRs 1 and 9(1)(a).
47. The municipality did not set measurable performance targets for the financial year with regard to some of the development priorities and objectives and key performance indicators set out in the IDP, as required by section 41(1)(b) of the MSA and the MPPMR 12(1) and 12(2)(e).
48. A performance audit committee was not in place and the audit committee was not used to fulfil the performance audit committee function, as required by MPPMR 14(2)(a).
49. The annual performance report for the year under review does not include measures taken to improve performance, as required by section 46(1)(a) and (c) of the MSA.
50. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls as required by section 62(1)(c)(i) of the MFMA .

Budget

51. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

Annual financial statements, performance and annual reports

52. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.
53. Financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

Audit committee

54. The audit committee did not advise the council and accounting officer on matters relating to risk management, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.
55. The audit committee did not advise the council and accounting officer on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
56. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.
57. The audit committee did not discuss or review any performance matters, as required by MPPMR 14(3)(a).
58. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by MPPMR 14(4)(a)(ii).
59. The audit committee did not review all the quarterly internal audit reports on performance measurement, as required by MPPMR 14(4)(a)(i).
60. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by MPPMR 14(4)(a)(iii).

Internal audit

61. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:
- it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review.
 - it did not advise the accounting officer and report to the audit committee on matters relating to risk and risk management and loss control.

62. The internal audit unit did not advise the accounting officer and/or report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.
63. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and MPPMR 14(1)(a).
64. The internal audit unit did not assess the functionality of the performance management system, as required by MPPMR 14(1)(b)(i).
65. The internal audit unit did not assess the extent to which the performance measurements were reliable in measuring the performance of the municipality on key and general performance indicators, as required by MPPMR 14(1)(b)(iii).
66. The internal audit unit did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and the performance audit committee, as required by MPPMR 14(1)(c).

Procurement and contract management

67. Some goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, as required by SCM regulation 17(a) and (c).
68. Some quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b).
69. Sufficient appropriate audit evidence could not be obtained that some goods and services of a transaction value above R500 000 were procured by inviting competitive bids and that deviations were approved by the accounting officer only if it was impractical to invite competitive bids, as required by SCM regulations 19(a) and 36(1).
70. Sufficient appropriate audit evidence could not be obtained that some contracts were awarded to and quotations were accepted from bidders based on points given for criteria that were stipulated in the original invitation for bidding and quotations, as required by SCM regulations 21(b) and 28(1)(a) and the Preferential Procurement Regulations.
71. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in some procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).
72. Sufficient appropriate audit evidence could not be obtained that some contracts were awarded to and quotations were accepted from suppliers based on preference points that were allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
73. Sufficient appropriate audit evidence could not be obtained that some contracts were awarded to and quotations were accepted from bidders that scored the highest points in the evaluation process, as required by of section 2(1)(f) of Preferential Procurement Policy Framework Act.

74. Sufficient appropriate audit evidence could not be obtained that some contracts and quotations were only awarded to and accepted from providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
75. Some contracts and quotations were awarded to and accepted from bidders who had not submitted or incorrectly submitted 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).
76. Some awards were made to providers who are 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).
77. Some awards were made to providers who are in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).

Human resource management

78. Appointments were made in posts which were not provided for in the approved staff establishment of the municipality, in contravention of section 66(3) of MSA.
79. Some finance officials at middle management did not have the higher education qualification as required by regulations 8 and 9 of the Municipal Regulations on Minimum Competency Levels.
80. Some finance officials at middle management did not meet any of the prescribed competency areas as required by regulations 8 and 9 of the Municipal Regulations on Minimum Competency Levels.

Expenditure management

81. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
82. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
83. Sufficient appropriate audit evidence could not be obtained that payments were approved by the accounting officer or a properly authorised official as required by section 11(1) of the MFMA.

Conditional grants received

84. The allocation for the Urban Settlements Development Grant was utilised for purposes other than those stipulated in the grant framework, in contravention of section 16(1) of DoRA.

85. The allocation for the Municipal Infrastructure Grant was utilised for purposes other than those stipulated in the grant framework, in contravention of section 16(1) of DoRA.
86. The allocation for the Integrated National electrification Programme (Municipal) Grant was utilised for purposes other than those stipulated in the grant framework, in contravention of section 16(1) of DoRA.
87. Unspent conditional grant funds not committed to identifiable projects and not approved by the National Treasury for retention were not surrendered to the National Revenue Fund, as required by section 21(1) of DoRA.

Revenue management

88. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(e) of the MFMA.
89. An effective system of internal control for debtors was not in place, as required by section 64(2)(f) of the MFMA.
90. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
91. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

92. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
93. An effective system of internal control for assets, including an asset register, was not in place, as required by section 63(2)(c) of the MFMA.

Consequence management

94. Unauthorised expenditure was not authorised through an adjustment budget, as required by section 32(2) of the MFMA.

Internal control

95. I considered internal control relevant to my audit of the financial statements, the service delivery performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the service delivery performance report and the findings on compliance with laws and regulations included in this report.

Leadership

96. Although the municipality had oversight structures, efforts taken on some aspects of financial and performance reporting and compliance to laws and regulations were not in some instances effective. This resulted in the municipality not improving its audit outcomes.
97. Steps taken to address the weaknesses in finance and performance reporting directorates were not always timely and/or adequate.

Financial and performance management

98. Financial discipline and supervision over daily and monthly control processes and reconciliations, as well as controls over the filing system, was not consistently maintained, which resulted in poor financial reporting and lack of supporting documents for the amounts reported in the financial statements.
99. Lack of systems and controls over the collection, collation and verification of performance information resulted in unreliable and unverifiable performance reporting.
100. Although the municipality had an action plan management did not always take adequate steps to ensure that corrective actions, as indicated in the action plan, were correctly executed on or before the due date. This resulted in repeat findings that caused the municipality not to improve its audit outcomes.
101. During the audit process several requests for information were issued to the municipality and they were not adequately responded to and there were limited consequences for the lack of response.
102. Capacity constraints at operational level not being addressed, especially in asset management which is operating at 30% capacity and finance directorate. Furthermore the chief financial officer position has been vacant for a number of years.

Governance

103. The governance structures did not influence an improvement in the control environment of the local municipality, which is mainly attributable to the fact that the audit committee was not entirely functional in the financial year and the internal audit division did not plan and execute risk-based audits.

T. K. K. - E. K. K.

Bloemfontein

24 January 2014



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

**REPORT OF THE AUDITOR-GENERAL TO THE FREE
STATE PROVINCIAL LEGISLATURE ON THE
MATJHABENG LOCAL MUNICIPALITY FOR THE
YEAR ENDED 30 JUNE 2014**

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE MATJHABENG LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Matjhabeng Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2014, the statements of financial performance, changes in net assets, cash flows and comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of 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, 2013 (Act No. 2 of 2013) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment, as the municipality did not provide me with documentation to support the values of some assets and evidence that all assets were accounted for as outlined in the requirements of SA Standards of GRAP, GRAP 17, *Property, plant and equipment* (GRAP 17). In addition, completed capital projects could not be physically verified due to inadequate descriptions and locations recorded in the asset register. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment stated at R5 286 392 330 (2013: R5 319 068 056), in note 10 to the financial statements was necessary. In addition, I could not determine the correctness of the impairment assessment, residual and useful lives of all municipal assets in accordance with SA Standards of GRAP, GRAP 26, *Impairment of cash-generating assets* or the accuracy of depreciation in accordance with GRAP 17 due to inadequate descriptions and locations recorded in the asset register to facilitate physical verification of the condition of the assets, therefore I was unable to determine the net carrying amount of property, plant and equipment as it was impracticable to do so.

Service charges

5. The municipality did not always use approved tariffs when billing for services and in some instances did not bill consumers for all the services rendered. I was unable to determine the full extent of the misstatement of service charges and consumer receivables from exchange transactions as it was impracticable to do so. Additionally, there is a consequential impact on the net deficit for the year, the accumulated surplus and the allowance for impairment. Furthermore, I was unable to obtain sufficient appropriate audit evidence regarding service charges income, as the municipality did not provide me with meter-reading records to substantiate consumption charged to the consumers. I was unable to confirm the service charges and consumer receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments relating to service charges stated at R854 689 371 (2013: R782 911 047) in note 27 and consumer receivables from exchange transactions stated at R453 373 537 (2013: R121 845 212) in note 7 to the financial statements were necessary.

Investment property

6. I was unable to obtain sufficient appropriate audit evidence regarding investment property, as the municipality did not provide me with sufficient evidence to substantiate the values recorded in the asset register for investment property acquired after the 2006-07 financial year as the values were recorded using deemed cost instead of actual cost and evidence that all assets were accounted for as outlined in the requirements of SA Standards of GRAP, GRAP 16, *Investment property* and GRAP 26, *Impairment of cash-generating assets*. I have not determined the correct net carrying amount of investment property or the accuracy of depreciation as it was impracticable to do so due to incorrect methodology that was used in the calculation of deemed costs. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments relating to investment property stated at R450 788 086 (2013: R458 976 540) in note 9 to the financial statements were necessary.

Inventory

7. The municipality did not account for its inventory in terms of the requirements outlined in SA Standards of GRAP, GRAP12, *Inventory*, as it did not value inventory items correctly, provision was not made for obsolete stock and vacant stands were not classified as inventory. I was unable to determine the full extent of the misstatement as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence regarding inventory, as the municipality did not provide supporting documentation for journals on opening balances which have been restated in the current financial period and the municipality also did not keep record of inventory movement for consumables. I was unable to confirm inventory by alternative means. Consequently I was unable to determine whether any adjustments relating to inventory stated at R330 607 717 (2013: R327 118 945) in note 3 to the financial statements were necessary.

Consumer receivables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for consumer receivables from exchange transactions, as the municipality did not provide me with supportable meter-reading records for usage charged to the accounts. Furthermore the consumers were charged with incorrect approved tariffs. I was unable to confirm the consumer receivables account balances by alternative means. Consequently, I was unable to

determine whether any adjustments relating to consumer receivables balance stated at R1 973 211 172 (2013: R1 580 946 116) in note 7 to financial statements were necessary. Furthermore, based on the above I was unable to determine whether any adjustments relating to the provision for impairment of consumer receivables were necessary as required by SA Standard of GRAP, GRAP 104, *Financial instruments*.

Consumer receivables from non-exchange transactions

9. The municipality did not update the accounting system with valuation roll changes in market values of properties. Furthermore, the municipality charged accounts with tariffs which differ from the property usage codes according to the valuation roll, resulting in incorrect charges to the accounts of the consumers; accounts were identified that were not charged property rates and properties from the town plans could not be traced to the billing system for property rate charges. Consequently, receivables from non-exchange transactions are misstated and it was impractical to quantify the misstatement. In addition, I was unable to obtain sufficient audit evidence for gross receivables from non-exchange transactions since the accounting system was not updated for improvement listings resulting in unexplained differences on the valuation roll. I was unable to confirm the consumer receivables account balances by other alternative means. Consequently, I was unable to determine whether any adjustments relating to consumer receivables from non-exchange transactions amounting to R348 735 139 (2013: R297 958 639) in note 7 to the financial statements were necessary. Furthermore, based on the above I was unable to determine whether any adjustments relating to the provision for impairment of consumer receivables were necessary as required by SA Standard of GRAP, GRAP 104, *Financial instruments*.

Trade and other payables

10. The municipality did not recognise all outstanding amounts meeting the definition of a liability in accordance with SA Standards of GRAP, GRAP 1, *Presentation of financial statements* (GRAP 1), as it did not maintain adequate records of goods and services received but not yet paid for at year-end. I was unable to determine the full extent of the misstatement in trade and other payables as it was impractical to do so. In addition, I was unable to obtain sufficient and appropriate audit evidence regarding accrued leave pay as the municipality did not provide me with accurate leave records. I was unable to confirm trade and other payables by alternative means. Consequently, I was unable to determine whether any adjustments relating to trade and other payables stated at R1 605 969 763 (2013: R1 070 554 811) in note 14 to the financial statements were necessary.

Value-added tax receivable

11. I was unable to obtain sufficient appropriate audit evidence regarding value-added tax (VAT) receivables due to invoices and receipts not being provided to verify the input and output VAT. I was unable to confirm the VAT receivable by alternative means. Consequently, I was unable to determine whether any adjustments relating to VAT receivable stated at R18 342 751 in note 6 to the financial statements were necessary.

Depreciation and impairment

12. I was unable to obtain sufficient appropriate audit evidence regarding depreciation and impairment due to the limitation placed on my audit of property, plant and equipment. I was unable to confirm depreciation and impairment by alternative means. Consequently, I was unable to determine whether any adjustments relating to depreciation and

impairment, stated at R275 509 250 (2013: R272 701 803) in note 30 to the financial statements were necessary.

Property rates

13. The municipality did not update the accounting system with supplementary valuations and improvement listings and tariffs charged for property rates differed from the property usage codes as per the valuation roll. Consequently, property rates were overstated by R167 275 010. Additionally, there is a consequential impact on the net deficit for the year, the accumulated surplus and consumer receivables from non-exchange transactions. In addition, I was unable to obtain sufficient appropriate audit evidence regarding property rates as the valuation master file was not updated for improvement listings, some properties from the town plans could not be traced to the valuation roll and the billing system, and various consumer accounts were not charged for property rates. I was unable to confirm property rates by other alternative means. Consequently, I was unable to determine whether any further adjustments relating to property rates stated at R192 976 982 (2013: R176 827 344) in note 25 and consumer receivables from non-exchange transactions stated at R87 813 033 (2013: R29 434 970) in note 7 to the financial statements were necessary.

Government grants and subsidies

14. During 2013, I was unable to obtain sufficient appropriate audit evidence regarding revenue from government grants and subsidies, as the municipality did not provide me with sufficient evidence that the conditions of the grants had been met as required by SA Standards of GRAP, GRAP 23, *Revenue from non-exchange transactions*, (GRAP 23). I was unable to confirm government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments relating to government grants and subsidies stated at R209 747 507 in note 23 to the financial statements and unspent conditional grants stated at R38 849 316 in note 17 to the financial statements were necessary. My opinion on the financial statements for the period ended 30 June 2013 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

General expenses

15. The municipality did not recognise all goods and services received as expenditure in accordance with GRAP 1. Consequently, general expenses and trade and other payables are understated by R134 599 596 respectively. Additionally, there is a consequential impact on the net deficit for the year and the accumulated surplus. In addition, I was unable to obtain sufficient appropriate audit evidence regarding general expenses, as the municipality did not provide me with invoices. I was unable to confirm the general expenses by alternative means. Consequently, I was unable to determine whether any further adjustments relating to general expenses or the different classifications of general expenditure stated at R178 799 348 (2013: R136 141 288) in note 36 to the financial statements were necessary.

Rental of facilities

16. I was unable to obtain sufficient appropriate audit evidence regarding revenue generated from rental of facilities, as the municipality could not provide me with rental application forms, contractual agreements or proper rental registers to substantiate the revenue recognised. I was unable to confirm the revenue from rental of facilities by alternative means. Consequently, I was unable to determine whether any adjustments relating to

rental of facilities stated at R10 303 659 (2013: R11 234 091) in note 26 to the financial statements were necessary.

Fines

17. I was unable to obtain sufficient appropriate audit evidence that the municipality had properly charged and accounted for all revenue generated from traffic fines issued amounting as the municipality did have processes in place for the issuing and return of traffic books to ensure all fines are accounted for. I was not able to determine the correct amount of revenue from traffic fines by alternative means, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to revenue relating to traffic fines amounting to R3 915 269 in note 21 of the financial statements were necessary.

Unauthorised expenditure

18. I was unable to obtain sufficient appropriate audit evidence regarding the opening balance and consequently on the closing balance of unauthorised expenditure due to the lack of evidence to support the unauthorised expenditure transactions incurred during the years preceding the 2012-13 financial year. I was unable to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to unauthorised expenditure stated at R3 696 128 927 (2013: R3 244 888 921) as disclosed in note 48 to the financial statements was necessary.

Irregular expenditure

19. The municipality did not disclose all irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of supply chain management (SCM) in the prior which has not been recorded. I was not able to determine the correct amount of irregular expenditure incurred in the current year relating to prior years by alternative means, as it was impracticable to do so. I was unable to obtain sufficient appropriate audit evidence regarding the opening balance and consequently on the closing balance of irregular expenditure due to the lack of evidence to support the irregular expenditure transactions incurred during the years preceding the 2012-13 financial year. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure amounting to R484 659 738 (2013: R399 533 588) in note 50 to the financial statements was necessary.

Fruitless and wasteful expenditure

20. I was unable to obtain sufficient appropriate audit evidence regarding the opening balance and consequently on the closing balance of unauthorised expenditure due to the lack of evidence to support the unauthorised expenditure transactions incurred during the years preceding the 2012-13 financial year. I was unable to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to unauthorised expenditure stated at R337 268 865 (2013: R233 871 316) in note 49 to the financial statements was necessary.

Commitment

21. During 2013, I was unable to obtain sufficient appropriate audit evidence regarding capital commitments (*already contracted for but not provided and not yet contracted for and authorised by the accounting officer*) of R13 950 527 and R402 351 110

respectively, as disclosed in note 42 to the financial statements, as the municipality did not provide me with the supporting documentation and contracts for the commitments which have been authorised and contracted as listed in the register for capital commitments. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments to commitments were necessary. My opinion on the financial statements for the period ended 30 June 2013 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Cash flow statement

22. I was unable to obtain sufficient appropriate audit evidence regarding the cash flow statement due to the limitations placed on my audit of various components of the financial statements. I was unable to confirm the cash flow statement by alternative means. Consequently, I was unable to determine whether any adjustments relating to the cash flow statement in the financial statements were necessary.

Disclaimer of opinion

23. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

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

Restatement of corresponding figures

25. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during 2014 in the financial statements of the Matjhabeng Local Municipality at, and for the year ended, 30 June 2013.

Material losses

26. As disclosed in note 52 to the financial statements, material losses to the amount of R199 106 217 (2013: R143 157 018) were incurred as a result of distribution losses incurred during year.

Material Impairments

27. As disclosed in note 32 to the financial statements, impairment losses to the amount of R38 941 330 (2013: R346 176 905) were incurred as a result of a write-off of irrecoverable trade debtors.

Financial sustainability

28. The financial statements indicates that Matjhabeng Local Municipality incurred a net deficit of R138 998 288 (2013: R362 656 499) as disclosed in the statement of financial performance during the year ended 30 June 2014. This condition, along with the other matters as set forth in note 46, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Additional matters

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

Unaudited supplementary schedules

30. The supplementary explanations of budget variances contained in note 53 do not form part of the financial statements. I have not audited these explanations and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

32. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

33. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priority presented in the annual performance report of the municipality for the year ended 30 June 2014:

- Development priority 8: Infrastructure, on pages x to x.

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

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

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

37. The material findings in respect of the selected development priority are as follows:

Development priority 8: Infrastructure

Usefulness of reported performance information

38. Section 41(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) requires the integrated development plan (IDP) to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. All (100%) of the reported objectives, indicators and targets were not consistent with those in the approved annual performance plan and service delivery agreement plan. This was due to the lack of the alignment between the IDP and the *Service delivery budget implementation plan* (SDBIP) resulting from inappropriate planning and lack of skills in performance management.
39. The FMPPI requires the following:
- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 84% of the targets were not specific.
 - Performance indicators must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 39% of the indicators were not well defined.
 - Performance indicators must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator. A total of 29% of the indicators were not verifiable.

This was due to the lack of key controls in the relevant systems of collection, collation, verification, storage of actual performance.

Reliability of reported performance information

40. The FMPPI requires municipalities to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the fact that the municipality could not provide sufficient appropriate evidence in support of the reported performance information.

Additional matter

41. I draw attention to the following matter:

Achievement of planned targets

42. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected development priority reported in paragraphs xx to xx of this report.

Compliance with legislation

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

Strategic planning and performance management

- 44. The adopted IDP did not reflect and identify the key performance indicators and targets, as required by sections 26 and 41 of the MSA.
- 45. Key performance indicators, including input, output and outcome indicators, in respect of each of the development priorities and objectives were not set in the IDP, as required by section 41(1)(a) of the MSA and regulations 1 and 9(1)(a) of the Municipal planning and performance management regulations (MPPMR).
- 46. Measurable performance targets for the financial year with regard to each of the development priorities and objectives and key performance indicators were not set in the IDP, as required by section 41(1)(b) of the MSA and regulation 12(1) and 12(2)(e) of the MPPMR.

Budgets

- 47. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.

Annual financial statements

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

Audit committee

- 49. The audit committee did not advise the council on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation, as required by section 166(2)(a) of the MFMA.
- 50. The audit committee did not advise the council on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
- 51. The audit committee did not meet at least twice during the financial year, as required by regulation 14(3)(a) of the MPPMR.
- 52. The audit committee did not review the municipality's performance management system and make recommendations to the council, as required by regulation 14(4)(a)(ii) of the MPPMR.
- 53. The audit committee did not review the quarterly internal audit reports on performance measurement, as required by regulation 14(4)(a)(i) of the MPPMR.
- 54. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by regulation 14(4)(a)(iii) of the MPPMR.

Internal audit

- 55. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not advise the accounting officer and report to the audit committee on matters relating to internal controls and loss control.
- 56. The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

Procurement and contract management

- 57. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
- 58. Contracts were extended without tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.
- 59. Contracts were extended or modified without the approval of a properly delegated official, as required by SCM regulation 5.
- 60. Contracts and quotations were awarded to bidders who had not submitted 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).
- 61. Awards were made to providers who are in the service of the municipality and whose directors or principal shareholders are 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 prior year and the municipality did not take disciplinary action against the suppliers or officials involved.
- 62. Awards were made to providers who are in the service of other state institutions or whose directors or principal shareholders are in the service of other state institutions, in contravention of section 112(j) of the MFMA and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).
- 63. 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, as required by SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.
- 64. 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, as required by SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.

Human resource management

65. Sufficient appropriate audit evidence could not be obtained that job descriptions were established for all posts in which appointments were made in the current year, as required by section 66(1)(b) of the MSA.

Expenditure management

66. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
67. Payments were made from the municipality's bank account without the approval of the accounting officer, the chief financial officer or a properly authorised official, as required by section 11(1) of the MFMA.
68. An effective system of expenditure control, including procedures for the approval, authorisation and payment of funds, was not in place, as required by section 65(2)(a) of the MFMA.
69. Reasonable steps were not taken to prevent unauthorised, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Conditional grants and transfers

70. The Municipal Infrastructure Grant and Municipal Systems Improvement Grant allocations were not spent in accordance with the applicable grant framework, in contravention of section 16(1) of DoRA.
71. The municipality did not evaluate its performance in respect of programmes or functions funded by the Municipal Infrastructure Grant, the Municipal Systems Improvement Grant and the Local Government Financial Management Grant allocations, as required by section 12(5) of DoRA.
72. Municipal Infrastructure Grant, Municipal Systems Improvement Grant and Local Government Financial Management Grant funds were retained or rolled over to the next financial year without seeking the approval of the National Treasury, as required by section 21(1) of DoRA.

Revenue management

73. An adequate management, accounting and information system which accounts for revenue, debtors, receipts of revenue was not adequately in place, as required by section 64(2)(e) of the MFMA.
74. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
75. Revenue due to the municipality was not always calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

76. Sufficient audit evidence could not be obtained that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

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

Liability management

78. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
79. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.

Consequence management

80. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
81. Unauthorised, irregular and fruitless and wasteful expenditure was not always recovered from the liable person, as required by section 32(2) of the MFMA.
82. Authorisation of unauthorised expenditure was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.

Internal control

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

Leadership

84. Although the municipality addressed capacity constraints in the finance division and approved the finance-related policies, these actions were not timeous enough to enable the municipality to improve its general control environment.
85. The municipality did not always take timeous corrective action to address weaknesses in the finance and performance reporting directorate as well as compliance with laws and regulations. This resulted in non-compliance with applicable legislation and gave rise to unauthorised, fruitless and wasteful and irregular expenditure.
86. The municipality did not entirely implement the recommendations from various external oversight reports that ought to improve the control environment and lead to an improvement in audit outcomes.

Financial and performance management

87. Controls relating to the asset registers and underlying records were not maintained throughout the year which contributed in the late preparation and submission of the asset registers. This resulted in insufficient time for adequate review processes to be performed by the finance division on the accuracy and completeness of the infrastructure asset registers and the financial statements. In addition, inadequate communication between the different directorates and the finance division resulted in information in the asset registers relating to the physical location of the assets not being updated on a regular basis.
88. Inadequate communication between the different directorates resulted in incomplete and inaccurate financial and performance reporting relating to future contractual commitments and capital projects in progress. The finance division also did not perform adequate review functions to substantiate the completeness and accuracy of the commitments register.
89. The recommendations made by the internal audit division were not implemented. This resulted in the material misstatements in the financial statements and the report on predetermined objectives as well as non-compliance to legislation being reported again.

Governance

90. The governance structures have not influenced an improvement in the control environment of the local municipality which is mainly attributable to the fact audit committee was not entirely functional in the financial year and the internal audit division did not plan and execute risk based audits.

Auditor-General
Bloemfontein

30 November 2014



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development

	<ul style="list-style-type: none"> • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the</i></p>

	<p><i>municipality; and</i></p>
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	<p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>
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APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
	FT/PT			%	%
Banyane ME	PT	Housing / Sp Programmes	PR	93%	7%
Beneke R	PT	Technical Services	W	57%	43%
Botha PF	PT	MPAC	PR	86%	14%
Chaka CP	PT	Finance / Sp Programmes	PR	79%	21%
Dali VN	PT	MPAC	W	79%	21%
De Villiers MT	PT	Corporate Services / Social Services	W	100%	
Fanie D	PT	Social Services	PR	86%	14%
Fourie JJC	PT	Policy Development	PR	64%	36%
Kabi M	PT		PR	79%	21%
Khalipha TD	FT	Human Settlement / Lejweleputswa	W	93%	7%
Kotzee D (Resigned)	FT	Community Services	PR	58%	42%
Kockera SC	PT		PR		
Mabote TL	PT	LED	W	93%	7%
Madumise MM	PT	Finance / LED	W	21%	79%
Mafa DM	PT	Policy Development	PR	93%	7%
Mafongosi ZV	PT	Finance	PR	79%	21%
Makgowe PV	PT	Policy Development	W	100%	
Malefane DE	PT	MPAC	PR	50%	50%
Marais JS	PT	MPAC	PR	79%	21%
Masienyane MD	PT	MPAC	W	93%	7%
Matlebe MM	PT	Community Services / Sp Programmes	PR	50%	50%
May FG (Resigned)	PT	Corporate Services / Finance / PS&T	PR	50%	50%
Mbambo AX	PT	MPAC	W	100%	
Mbana MA	FT	Finance	PR	100%	
Menyatso KJ	FT	PS&T / Technical Services	PR	93%	7%
Mfebe MSE	FT	Corporate Services	W	86%	14%

Mholo PP	PT	LED / Sp Programmes	PR	57%	43%
Mlangeni MG	PT	Housing	PR	86%	14%
Mokausi LC	PT	Technical Services	W	64%	36%
Mokhomo HA	PT	Community Services / Social Services	W	93%	7%
Mokotedi TG	PT	PS&T	PR	93%	7%
Molelekoa PA	PT	LED / Technical Services	W	71%	29%
Molelekoa PMI	PT	Policy Development	W	100%	
Moletse TN	PT	Corp Serv / Policy Dev / Techn Serv	W	93%	7%
Molupe RT	PT	LED	W	86%	14%
Monjovo NE	PT	Corp Serv / PS&T	W	79%	21%
Morris VR	PT	LED / Policy Dev	W	64%	36%
Mosala MS	PT	Housing	W	71%	29%
Mothege MA	PT	Housing	W	79%	21%
Motshabi MP	PT	Community Services	PR	93%	7%
Mphikeleli MA	PT	MPAC	W	100%	
Naude HJ	PT	Policy Development / PS&T	W	50%	50%
Ngangelizwe S	FT	Mayoral Committee (Executive Mayor)	PR	86%	14%
Ntlele KI	PT	Community Services	W	100%	
Ntsebeng MH	PT	Human Settlement	PR	86%	14%
Petleki KI	PT	Housing / Sp Programmes	PR	71%	29%
Pina NJ	PT		PR		
Phetise ME	PT	Community Services / Social Services	W	100%	
Qwesha GL	PT	PS&T	W	71%	29%
Radebe MC	PT	MPAC	PR	79%	7%
Radebe ML	FT	Social Services	PR	64%	36%
Riet MI	PT	Community Services	W	100%	
Rubulana L	FT	LED	PR	79%	21%
Semela/Twala MJ	FT	Chief Whip	PR	79%	21%
Sephiri MJ	FT	Public Safety & Transport	PR	79%	21%
Sifatya Z	PT	Corp Services	W	93%	7%
Smit DC	PT	LED	W	71%	29%
Speelman NW	PT	Distric Council	PR	50%	50%
Stofile B	FT	Council (Speaker)	PR	100%	
Styger A	PT	Finance	PR	43%	57%
Taliwe FE	FT	Policy and Monitoring	W	79%	21%
Taljaard SDM	PT	LED / PS&T	PR	86%	14%

Thateng MJ	PT	Social Services	W	86%	14%
Thelingoane TJ	PT	Community Serv / Policy Dev	W	93%	7%
Thoabala TE (Resigned)	PT	Housing / LED / Technical Serv	PR	50%	50%
Tlake KR	PT		W	93%	7%
Tlhone ML	FT	Sp Programmes	PR	93%	7%
Tsatsa SJ	PT	Community Serv / Housing	W	100%	
Tsubane ME	PT	Social Services	PR	86%	14%
Tsubella KS	PT	Corp Serv / Social Services	W	93%	7%
Twanana M (Resigned)	PT		PR	86%	14%
Van Rooyen KV	PT	Corporate Services	PR	93%	7%
Van Rooyen MS	PT	Community Serv / Corp Serv	W	86%	14%
Van Schalkwyk HCT	PT	LED	W	86%	14%
Vanga NM	PT	Housing / Sp Programmes	PR	79%	21%

Note: * Councillors appointed on a proportional basis do not have wards allocated to them

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APPENDIX B – COMMITTEES (OTHER THAN MAYORAL / EXECUTIVE COMMITTEE) AND PURPOSES OF COMMITTEES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Sec 80 Finance	Committee established to assist the Executive Mayor
Sec 80 Corporate Support Services	Committee established to assist the Executive Mayor
Sec 80 Social Services	Committee established to assist the Executive Mayor
Sec 80 Policy dev and Monitoring	Committee established to assist the Executive Mayor
Sec 80 Public Safety and Transport	Committee established to assist the Executive Mayor
Sec 80 Human Settlement	Committee established to assist the Executive Mayor
Sec 80 Technical Services	Committee established to assist the Executive Mayor
Sec 80 Community services	Committee established to assist the Executive Mayor
Sec 80 Local Economic Development	Committee established to assist the Executive Mayor
Sec 80 Special Programmes	Committee established to assist the Executive Mayor
Sec 79 Chairpersons Committee	Committee established by Council
Demarcation Committee	Committee established by Council
Dispute Resolution Committee	Committee established by Council
Municipal Public Accounts Committee	Committee established by Council
Naming and Renaming Committee	Committee established by Council
Rules and language Committee	Committee established by Council
Local Labour Forum	
T B	

APPENDIX C – THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Municipal Manager	Municipal Manager - German Ramathebane
	Senior Manager Administration - Z Lingani
Strategic Support Services	Executive Director - Mr Sam Makhubu
Corporate Support Services	Executive Director - Mr. MF Lepheana
	Senior Manager Council Administration - Vacant
	Senior Manager Human Resource - Vacant (Acting position)
	Senior Manager Legal Services - Mr S Moshodi
Infrastructure	Executive Director - Mr MS Besani
	Senior Manager Electrical -Vacant (Acting position)
	Senior Manager Civil - Vacant (Acting position)
LED	Executive Director - Mr. XW Msweli
	Senior Manager LED - Mr SA Sefuthi
	Senior Manager Housing - Ms M Mothekge
Community Services	Executive Director - Ms MRE Mogopodi
	Senior Manager Parks, Sports and Recreation - Ms K Maloka
	Senior Manager Public Safety and Transport - Mr RT Mokhuoa
Finance	Chief Financial Officer: Vacant (Acting position)
	Senior Manager Budget - Mr LB Debryun
	Senior Manager Treasury - Ms C Dingani
T C	

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		
Building regulations	Y	
Child care facilities		
Electricity and gas reticulation	Y	
Firefighting services		
Local tourism		
Municipal airports		
Municipal planning		
Municipal health services		
Municipal public transport	N	N
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Y	
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto		
Stormwater management systems in built-up areas	Y	
Trading regulations		
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Y	
Beaches and amusement facilities		
Billboards and the display of advertisements in public places	Y	
Cemeteries, funeral parlours and crematoria		
Cleansing		
Control of public nuisances		
Control of undertakings that sell liquor to the public		
Facilities for the accommodation, care and burial of animals		
Fencing and fences		
Licensing of dogs		
Licensing and control of undertakings that sell food to the public		
Local amenities		
Local sport facilities		
Markets		
Municipal abattoirs		
Municipal parks and recreation		
Municipal roads	Y	
Noise pollution		
Pounds		

Public places		
Refuse removal, refuse dumps and solid waste disposal		
Street trading		
Street lighting	Y	
Traffic and parking	Y	
<i>* If municipality: indicate (yes or No); * If entity: Provide name of entity</i>		<i>T D</i>

APPENDIX E – WARD REPORTING

FUNCTIONALITY OF WARD COMMITTEES BROAD COMMENTS ON PUBLIC PARTICIPATION

- The office has for development and a single public participation programme of the municipality; there has not been any response to that;
- The office remains grossly inadequate to satisfactorily respond to the expectations of meaningful public participation; there is literally only one car and one driver to service 36 wards;
- In recent years, there has been a proliferation of provincial and national departments as well as other public entities rolling out their outreach programmes to the municipality, which have further stretched our limited capacity;
- There is a need to improve communication and interaction between the Offices of the Speaker and the Mayor for monitoring and reporting on the IDP and Budget-related consultations. This also extends to Imbizos as they are led by the Office of the Executive Mayor;
- In the last financial year, the 'impromptu' meetings facilitated by the 'ad hoc' committee on the launching of projects disrupted a significant number of our the planned wards constituency meetings;
- The input in the annual report is done relying on the monthly reports of the ward councillors. Some wards do carry out their activities but do not report. This therefore means that in actual practice, the reality is better what is reported;
- In the last year, the Office of the Speaker also established the stakeholders forum within Matjhabeng, which seeks to broaden the space of public participation beyond the ward committees;
- Ward Constituency meetings constantly discuss service delivery issues. But they also include feedback on the latest developments and challenges.

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Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Cllr TL Mabote	Yes	11	2	1
	Ramokolobeng Petrus Morake				
	Mamokete Angelina Sasing				
	Joseph Lebetsa				
	Motshehi Joseph Mohoje				
	Mojaki Eugene Ndame				
	Rachel Phatlane				
	Paulina Mokhajoa				
	Paul Mohlomi				
	Kolisile James Bacela				
	Mojalefa Paul Mohlomi				
2	Cllr KS Tsubella	Yes	2	1	1
	Berries Mosidi Emily				
	DikhangTlaleng Paulina				
	Tsautse Salemane Daniel				
	Berries Ramohapelwa				
	Maboko Nteketekete Elizabeth				

	Nyambuza Muso Charles				
	Mahlatsi Katleho				
	Sam Viyiswa Magdalena				
	Maleke Fosi Peter				
	Lelimo Makosana Joseph				
3	Cllr MA Mothege	Yes	2	1	
	Mogoloa Rabrand Nathnael				
	Saule Maise Jeremia				
	VACANT VACANT				
	Ndayi Ntlanganiso Lawrence				
	Mboqa Dlalaphi Joseph				
	Sewe Mpho Martha				
	Takalo Thabang Lemound				
	Mosebi Tebello Moses				
	Pitso Moletsane Gerard				
	Litabe Moipone Sophia				
4	Cllr PA Molelekoa	Yes	2	1	
	Hlabahlaba Mantwa				
	Masike Itumeleng Johannes				
	Tlhabang Sefaboriki Austin				
	Kolisang Mosele Sinnah				
	Molise Mmanku Sarah				
	Motapanyane Oupa Jonas				
	Tlhaole Daniel				
	Majodina Mathayi Jackson				
	Nkhatho Katse Afrika				
	Pokose Zamilé				
5	Cllr PMI Molelekoa	Yes	5	1	2
	Nkoala Sambuti Patrick				
	Motsetse Tshepo Abram				
	Setai Neo Tabitha				
	Mohapi Pinkie Lucia				
	Mathebula Mamori Agnes				
	Makhobu Nombuyiselo Patricia				
	Nawane Augustina Dlmakatso				
	Sehloho Majoele Elizabeth				
	Khetsi mahapela Paul				
	Masobe Tau Archibald				
6	Cllr TN Molete	Yes	6	1	4
	Mahloko Rameno John				
	Molai Mosuoa Stephen				
	Hlatshwayo Likeleli Mary				
	Sebuelo Tochani William				

	Mabogolo Mabogolo Mothusi				
	Mofokeng Stuurman Radebe				
	Lesapo Champeni Jacob				
	Mapukutu Mongezi				
	Molahlehi Thandi Margaret				
	Khalise Mmasera Anna				
7	Cllr NE Monjovo	Yes	2	1	2
	Khomongoe Tahlelo Lucas				
	Mqwebedu Bongani Moses				
	Xaba Vusumzi Joseph				
	Mohapi Pinkie Lucia				
	Motsetse Tshepo Abram				
	Sehlabo Lineo Elisa				
	Simanga Iris Nosango				
	VACANT VACANT				
	Lehasa Sello Johannes				
	Khiba Dikeledi Cynthia				
8	Cllr MD Masienyane	Yes	7	3	4
	Makape Everitt Ntasi				
	Mboyiya Bongani Vincent				
	Litabe Makgomo Selina				
	Ngophe Dingiwe Pearl				
	Hlaole Lizeth Neo				
	Moeti Benjamin				
	Mfula Kholisile				
	Mokoetsi Limakatso Josephina				
	Manukuza J				
9	Cllr DC Smit	Yes	1	1	
	Van Wyk Oscar				
	Ranyane Lebohang Portia				
	Mohatlane Timothy Thabo				
	Mohale nteboheleng Addelite				
	Ledimo James Phello				
	Cambanis John Constantinou				
	Briel Jan Hendrik				
	Selikoe Teboho Samuel				
	Mazibuko Ntsoaki Cecilia				
	Lucas Jacques				
10	Cllr MSE Mfebe	Yes	11	4	3
	Koloti Moitso Magret				
	Khophoche Sebatli Edwin				
	Motaung Rebecca Madibereko				
	Masupa Tshungu Cecilia				

	Yona Msomboti Richard				
	Nthako Suzan Mosele				
	Ndlovu Lindiwe Maria				
	Sethuntsa Mantja Sarah				
	Potsane Molahluwa Magdalena				
	Makoti Thozamile Lucas				
11	Cllr VR Morris	Yes			
	Botha June				
	Malefane Disema Edwin				
	Neniels Nicolaas				
	Mokutu Mathabo Merriam				
	Green Herold Denzil				
	Samson Hendrik Pieter				
	November Johanna				
	Mellen Constance				
	Douw Maurice				
	Davids Williams				
12	Cllr KR Tlake	Yes			
	Fokane Tsere Innocent				
	Tau Tshediso Ephraim				
	Moletsane Lekgowe Daniel				
	Nyengula Ndaba Sam				
	Chikoshana Thomas				
	Moss Nomandithini Selina				
	Mokhutle Mokudunyane Violet				
	Garekwe Morapeli Reginald				
	Khumalo Bongani Mzungu				
	Mholo Kehilwe Kereeditse				
13	Cllr TJ Thelingoane	Yes	4	1	1
	Maribe Motlalepule Gladys				
	Sennanyane moferefere David				
	Mokeretla Mantwa Selina				
	Moiloa Lineo Alfoncinah				
	Likoebe Motlaletsatsi Maria				
	Matshoba Sebuti Joseph				
	Mothabe Molefi Hendrik				
	Moleleki Mathabiso Eunice				
	Mokheseng Khoabane Gilbert				
	Makume Piet Sello				
14	Cllr MS Mosala	Yes	2	4	1
	Hoshola Maphoka Maria				
	Senoko Disebo Esther				
	Mothibeli Leponesa Abel				

	Modukanele Modiehi Imelda				
	Moeng Keremang Lydia				
	Mofokeng Stuurman Radebe				
	Khoza Ndekandeka Willie				
	Kompi Ramakhooa Jacob				
	Rabannye Tshediso				
	Letaba Lehlohonolo Joseph				
15	Cllr KI Ntlele	Yes			
	Lento Thabo Joseph				
	Mokale Mokete Petrus				
	Lemoen Manaha Ida				
	Makolomba Lindiwe Evelyn				
	Mxhonywa Mmaseiso Maria				
	Radebe Mamatlakeng Esther				
	Zothwa Nontokaze Sinah				
	Mokoena Sello Peter				
	Khahleli Elizabeth Mamolulela				
	Kaka Njeje				
16	Cllr LC Mokausi	Yes	9	2	2
	Tsotetsie Sello Michael				
	Khakhau Makhetha Simon				
	Yawa Nonzame Gladness				
	Mkhiza Nothuthuzelo Mothy				
	Pule Moeketsi Joseph				
	Marenana Nomapha				
	Mtuntum Vuyokazi Cornelia				
	Mofokeng Stuurman Radebe				
	Mokhoabane Godfrey Lebohang				
	Khalema Thuto Emsley				
17	Cllr TD Khalipha	Yes	2	2	2
	Kostile Mtetunzima Wiseman				
	Maloka Sebolelo Mameso				
	Maja Leomile Lucia				
	Dyse Siphokazi				
	Vundisa Patrick Mhlawuli				
	Ramokone Tshidiso John				
	Lesaoana Mphonyane Mariam				
	Mosia Mathinya Edwin				
18	Cllr PV Makgowe	Yes	7	4	4
	Masheqa Samson Minenzima				
	Tladi Mamothepane Jeanette				
	Marumo Moeti Christian				
	Moloja Nkale Joseph				

	Buang Janet Kethleen Fedile				
	Taaibosch Simon Mzwandile				
	Legalanyane Maseaaetseng annastacia				
	Maruping Khonki Sam				
	Dhlamini Daniel Teboho				
	Mafika Masabata Rosina				
19	Cllr AX Mbambo	Yes	2	1	3
	Nkala Nomasonto Anna				
	Malise Phuka Jack				
	Majoro Mananki Elisa				
	Kapoko Tankiso Edward				
	Maga Majoro Petrus				
	Skosana Nthabiseng Sophie				
	Mancayi Lefu Petrus				
	Abrams Maleshoane Maria				
	Moshane Maseng Jacob				
	Thamae Mamokone Alinah				
20	Cllr RT Molupe	Yes	9	4	3
	Xaba Berlina Simangele				
	Leeuw Thabiso Stephen				
	Mphatseng Diphoko Peter				
	Kolobe Sebolelo Florinah				
	Mokotedi Mantoa Quinett Joyce				
	Thathe Saani Mamoroke Sophia				
	Ranthako Nkone Johannes				
	Chaka Pule Paul				
	Nkone Ntoko Jacob				
	Mohlapholi Sello Daniel				
21	Cllr ME Phetise	Yes	5	2	1
	Limema Tota Samuel				
	Mbele Thabo Ruben				
	Phofi Tshediso Abel				
	Ntoni Ncikazi Maria				
	Mone Thabo Edward				
	Dimema Josef Teboho				
	Sanda Buyiswa Cornellia				
	Pholo Sephiri Johannes				
	Pitso Moeketsi Shadrack				
	Radebe Mamoya Elisa				
22	Cllr Z Sifatya	Yes	4	3	4
	Matlabe Selloane Paulina				
	Bosiu Limakatso Jeanett				

	Martiens Cecilia Mafusi				
	Belekoane Nobayedwa Flora				
	Thipe Lehlohonolo Daniel				
	Mohlaphuli Maleshoane Anna				
	Mapisa Nomveliso				
	Molelekoa Ntefe Johannes				
	Nyamane Pricillia Dipuo				
	Mooki Molapo Samuel				
23	Cllr VN Dali	Yes	2	2	2
	Majake Adelina Nthisane				
	Solwandle Zandisile Justice				
	Letsie Leloko Nicolaas				
	Pheko Mpoyakae Emily				
	Khimbili Welton				
	Pheko Molefi Jonas				
	Leaooa Tselane Hilda				
	Mkuzo Nontsusa Doris				
	Mtshisazwe Sandile				
	Thuse Nyenye David				
24	Cllr MA Mphikeleli	Yes	2	2	
	Mvuyo Patrick Bheki				
	Macujana Unathi				
	Mthoniswa Bonginkosi				
	Veyi Edward Xohle				
	Pule Moeketsi Joseph				
	Sellane Phoka Adam				
	Mncedane Mzingisi Leonard				
	Limekaya Bonginkosi				
	Sigwaqa Hahlaza Petros				
	Nyabaza Zodwa				
25	Cllr GL Qweshah	Yes	1		
	Likalaneng Maria Mpotseng				
	Moeketsi Tsiliso Hlomoane				
	Maloka Moloantso David				
	Nthako Tumelo David				
	Makhalemele Fathi Elias				
	Fobane Dillo Ishmael				
	Ramasilo Mamokhili Elizabeth				
	Sebetoane Anna Dimakatso				
	Radebe Nomkhosho Alina Potia				
	Mohlouoa Malebolu Anna				
26	Cllr SJ Tsatsa	Yes	7	3	2
	Khoabane Makholo Leah				

	Mojanaga Thabo British				
	Rafuku Mokadi Joseph				
	Mphuthi Pinky Matlakala				
	Mtyantombi Makosonke Hendrik				
	Mqokolo Zanele				
	Lelimo Noeleen Annah				
	Malinga Mohlouwa Jacob				
	Mojahi Kolisang Michael				
	Metula Ludidi Alexander				
27	Cllr MS Van Rooyen	Yes	10	2	
	Matlhakoana Kelebogile Sylvonia				
	Jonker Frans				
	Hlabahlaba Nozengazi Adelaide				
	Nkoane Vincent Selala				
	VACANT				
	Maphike Ponko Goodenough				
	Mafaisa Mamphothu Gladys				
	Kabi Tsehlo Alfred				
	Nyama Moeketsi Dawid				
	Somi Zukiswa Christina				
28	Cllr FE Taliwe	Yes	5	1	1
	Thomas Themba Mcedisi				
	Nconco Dungezlieni Joseph				
	Mawela Paqaza Mavis				
	Xhamfu Makatane Neria				
	Twala Khumbuzile Mabel				
	Kumalo Sechaba Eric				
	Raleting Mokoatsi Andrew				
	Mafongosi Sibongile Memory				
	Maselwa Mpangeli				
	Ndlovu/Naniso Florence Hleketani				
29	Cllr MM Madumise	Yes	4	6	2
	Makhathe Setholozo Suzan				
	Gumede Sibongile Belina				
	Ntlangwe Godfrey Mabusane				
	Maqekoane Thabiso James				
	Khoana Palesa Caroline				
	Mohlouoa Mpho				
	Malele Samuel Oupa				
	Modupe Moeketsi				
	Masheane Lelingoana Alexis				
	Mabula Lethusang Thabang				
30	Cllr MJ Thateng	Yes			

	Mandlana Chuma				
	Mdluli Buyena Francina				
	Tshabalala Buick Mthunzi				
	Mokena Thabo Esaiiah				
	Dimo Tshidiso Peter				
	Moletsane Monyake Paulus				
	Molefi Moeti				
	Tiro Thulo Johannes				
	Beje Thobeka Patricia				
	Mokoena Pule				
31	Cllr HA Mokhomomo	Yes	1	2	1
	Ramatusa Nthofela Sylvia				
	Morake Lehlohonolo Mcdonald				
	Luthuli Doctor				
	Letele Malehloa Arciliah				
	Hlakoane Sebolelo Caroline				
	Mohlaping Mantoa Amelia				
	Gila Nkosekhaya				
	Semela Alfred Ramolo				
	Maboya Makopano Adelina				
	Lento Thabiso Joshua				
32	Cllr HCT Van Schalkwyk	Yes	15	9	3
	Mosesi Julia Matsietsi				
	Van Wyk Jan Adam				
	Zondo Motheane Petrus				
	Ntholeng Mosala Matthews				
	Monosi Mokhethe Benjamin				
	Van Der Westhuizen Nicolaas				
	Ellis Ryan Andre				
	Mofokeng Mantoapelo Junia				
	Koloko Palesa Aemy				
	Lekale Sarah Ekie				
33	Cllr R Beneke	Yes	1		
	Mjonono Nomabheli				
	Tau Leobule Jostina				
	Hamer Johannes				
	Zietsman Helena Charlotta				
	Van Rensburg Daniel Hermanus				
	Nakedi Anthony Khelemethe				
	Doig Claudia Dorothy				
	Seleoana Karabo Grace				
	Harrison Jennifer Anne				
	Ritcher M				

34	Cllr ZHJ Naude'	Yes	2	2	
	Tladi Dikeledi Olyvia				
	Nikelo Bekithemba				
	Mashaba Gezi				
	Van Loggerenberg Maritjie				
	Ndlondlo MZ				
	Sothoane Mathotha Rosina				
	Makhasi Ndumiso William				
35	Cllr MI Riet	Yes	3	2	1
	Nkobolo Mampho Anna				
	Mojakisane Refiloe				
	Ncaphayi Mbulelo				
	Marumo Patrick Lebohang				
	Olifant Jonas				
	Moleko Mathapelo Maria				
	Tau Pholo Isaac				
	Mokhobo Puseletso Elizabeth				
	Molongoana Kamohelo Raphael				
	Roets P				
36	Cllr MT De Villiers	Yes	2	4	
	Qadi Mthandazo Alfred				
	Nkone Ishmael Letsatsi				
	Sedi Mpho Perseverance				
	Mokatsanyane Matseliso Eliza				
	Smit Erasmus Johannes				
	Sethabathaba Lindiwe Francina				
	Vorster Wilhelmen Frances				
	Potgieter Catharina Maria Johanna				
	Mayekiso Betty				
	Van Schalwyk Sharon Ann				
TE					

APPENDIX F – WARD INFORMATION

Ward Title: Ward Name (Number)				
Capital Projects: Seven Largest in Year 0 (Full List at Appendix O)				
				R' 000
No.	Project Name and detail	Start Date	End Date	Total Value
1	Road 300 Stormwater	13/05/2013	28/02/2014	R36 000 000
2	Nyakallong WWTW	Design Stage		R38 000 000
3	Sports Facilities	15/09/2013	31/03/2014	R32 000 000
				T F.1

APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into during Year 2013/14)					
					R' 000
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
HT Pelotona Projects JV Matshedon Construction	Kutloanong Upgrading of Sewer Network Phase 2	28/08/13	28/05/14	PMU	R 26 519 391.36
Kwena Mokone Trading	Thabong Runoff and Upgrading of Existing System	02/07/13	02/01/14	PMU	R 22 553 852.74
DJ & SS Cleaning Services & Construction	Construction of Meloding Taxi Rank	14/02/14	14/11/14	PMU	R 20 632 193.92
Karpah Construction	The Construction of Bronville Taxi Rank	21/02/14	21/11/14	PMU	R 15 783 430.07
Mofomo Construction	Lusaba Channel Rehabilitation: Thabong	12/11/13	12/05/14	PMU	R 14 709 693.37
Mofomo Construction	Establishment of Mmamahabane Fire Station	21/10/13	21/10/14	PMU	R 14 320 092.80
Boikemelo Construction	Construction of 2.56Km of paved road in Bronville	21/02/14	21/08/14	PMU	R 10 536 684.84
Down Touch Investment	Upgrading of Kutlwanong gravel road 1.7km	30/01/14	30/07/14	PMU	R 9 058 123.80
Poloko Trading cc	Upgrade and refurbish sports and recreation facilities phase 3 Kopano Indoor sports centre	19/07/13	19/01/14	PMU	R 8 282 670.00
Down Touch Investment	Thabong EarthWorks Phase I	21/10/13	21/04/14	PMU	R 7 521 948.00
Barnies Construction	Kutlwanong Stadium area water network	21/10/13	21/04/14	PMU	R 7 383 294.80
Down Touch Investment	Upgrading of Kutlwanong gravel road 1km	30/01/14	30/07/14	PMU	R 5 329 167.80
Pro Construction	Construction of 1.0km of paved road in Phomolong	21/02/14	21/08/14	PMU	R 4 400 423.94

Lele and Tshidi Construction	Upgrade of open space at the Thabong Community Centre	20/03/14	30/09/14	INFRASTRUCTURE	R 4 000 000.00
Present perfect Investment 314JV TR Construction	Upgrade and refurbish sports and recreation facilities phase 3: Zuka Baloyi Stadium	19/07/13	19/01/14	PMU	R 3 072 300.00
Dovetail Trading	Establishment of Bronville cemetery Phase II	30/04/14	30/10/14	PMU	R 2 999 299.77
Ramamo Consulting cc	Establishment and revive the existing cooperatives in each six towns	26/02/14	25/02/17	LED	R 2 400 000.00
Aqua proof Projects	WWaterproofing of roofs in Matjhabeng	20/03/14	20/10/14	INFRASTRUCTURE	R 1 486 178.44
Sompena Trading JV Mulaudzi Development Projects	Establishment of of Virginia Cemetery Phase II	30/04/14	30/10/14	PMU	R 1 405 058.21
PSR Civil Construction	Establishment of Phomolong Cemetery Phase II	30/04/14	30/10/14	PMU	R 1 405 058.21
Cubicle Trading	Design and Printing of annual report for Matjhabeng Local Municipality	25/06/14	25/06/17	Director Strategic Support Services	R 1 387 793.00
					<i>TH.1</i>

APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Revenue Collection Performance by Vote						
R' 000						
Vote Description	Year -1	Current: Year 0			Year 0 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Council General	446,951	427,360		383,908	-11%	
Office of the Municipal Manager	96,922	55,651		122,738	55%	
Corporate Support Services	28	64		46	-39%	
Finance	201,587	209,058		198,172	-5%	
Community Services	69,614	62,899		77,286	19%	
Public Safety and Transport	3,055	6,976		3	-232433%	
Economic Development	116	367		231	-59%	
Engineering Services	156,450	399		126	-217%	
Water	326,699	298,171		228,019	-31%	
Electricity	398,918	62,360		440,055	86%	
Housing Services	11,150	6,398		10,212	37%	
Total Revenue by Vote	1,711	1,130	-	1,461	(2)	-
<i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3</i>						
T K.1						

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
R '000						
Description	Year -1	Year 0			Year 0 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	176,827	162,236	–	193,976	16%	100%
Property rates - penalties & collection charges	–	–	–	–		
Service Charges - electricity revenue	394,390	619,151	–	436,447	-42%	100%
Service Charges - water revenue	214,470	188,507	–	232,102	19%	100%
Service Charges - sanitation revenue	10,639	109,332	–	115,035	5%	100%
Service Charges - refuse revenue	67,410	61,528	–	71,103	13%	100%
Service Charges - other	–	–	–	–		
Rentals of facilities and equipment	11,234	7,024	–	10,303	32%	100%
Interest earned - external investments	7,589	–	–	–		
Interest earned - outstanding debtors	96,977	77,373	–	129	-59860%	100%
Dividends received	11	–	–	15	100%	100%
Fines	2,301	6,000	–	3,915	-53%	100%
Licences and permits	14	–	–	37	100%	100%
Agency services	–	–	–	–		
Transfers recognised - operational	603,407	428,360	–	428,511	0%	100%
Other revenue	21,147	22,959	–	15,479	-48%	100%
Gains on disposal of PPE	–	–	–	–		
Enviromental Proctection	–	–	–	–		
Total Revenue (excluding capital transfers and contributions)	1,606,416	1,682,470	–	1,507,052	-11.64%	100.00%

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.
This table is aligned to MBRR table A4.

T K.2

APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG						
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant	0	0	0			
Public Transport Infrastructure and Systems Grant						
Other Specify:						
EEDMS			2312			
INEP			908			
Total						
<p>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T 5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Obtain a list of grants from national and provincial government.</p>						

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APPENDIX M: CAPITAL EXPENDITURE - NEW & UPGRADE/RENEWAL PROGRAMMES

APPENDIX M (I): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
R '000							
Description	Year -1	Year 0			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
Infrastructure - Total	178,763	116,367		116,367	–	–	–
Infrastructure: Road transport - Total	99,710	76,227		76,227	–	–	–
<i>Roads, Pavements & Bridges</i>	80,065,200	62,933,250		62,933,250			
<i>Storm water</i>	19,644,738	13,293,344		13,293,344			
Infrastructure: Electricity - Total	–	1,575		1,575	–	–	–
<i>Generation</i>		1,575,000		1,575,000			
<i>Transmission & Reticulation</i>							
<i>Street Lighting</i>							
Infrastructure: Water - Total	4,990	13,140		13,140	–	–	–
<i>Dams & Reservoirs</i>		13,140,000		13,140,000			
<i>Water purification</i>							
<i>Reticulation</i>	4,990,079						
Infrastructure: Sanitation - Total	74,063	25,425		25,425	–	–	–
<i>Reticulation</i>							
<i>Sewerage purification</i>	74,063,439	25,425,000		25,425,000			
Infrastructure: Other - Total	–	–		–	–	–	–
<i>Waste Management</i>							
<i>Transportation</i>							
<i>Gas</i>							
<i>Other</i>							
Community - Total	42,544	75,115		75,115	–	–	–
<i>Parks & gardens</i>							
<i>Sportsfields & stadia</i>							
<i>Swimming pools</i>							
<i>Community halls</i>							
<i>Libraries</i>							
<i>Recreational facilities</i>	40,203,201	62,115,406		62,115,406			

Fire, safety & emergency							
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries		13,000,000		13,000,000			
Social rental housing							
Other	2,341,098						
Capital expenditure by Asset Class							
Heritage assets - Total	-	-		-	-	-	-
Buildings							
Other							
Investment properties - Total	-	-		-	-	-	-
Housing development							
Other							
Other assets	-	-		-	-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
Agricultural assets	-	-		-	-	-	-
List sub-class							
Biological assets	-	-		-	-	-	-
List sub-class							
Intangibles	-	-		-	-	-	-

Computers - software & programming							
Other (<i>list sub-class</i>)							
Total Capital Expenditure on new assets	221,308	191,482		191,482	-	-	-
<u>Specialised vehicles</u>	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							
<i>* Note: Information for this table may be sourced from MBRR (2009: Table SA34a)</i>							T M.1

APPENDIX M (II): CAPITAL EXPENDITURE - UPGRADE/RENEWAL PROGRAMME

Capital Expenditure - Upgrade/Renewal Programme*							
R '000							
Description	Year -1	Year 0			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
Infrastructure - Total	-	-		-	-	-	-
Infrastructure: Road transport -Total	-	-		-	-	-	-
Roads, Pavements & Bridges							
Storm water							
Infrastructure: Electricity - Total	-	-		-	-	-	-
Generation							
Transmission & Reticulation							
Street Lighting							
Infrastructure: Water - Total	-	-		-	-	-	-
Dams & Reservoirs							
Water purification							
Reticulation							
Infrastructure: Sanitation - Total	-	-		-	-	-	-
Reticulation							
Sewerage purification							
Infrastructure: Other - Total	-	-		-	-	-	-
Waste Management							
Transportation							
Gas							
Other							
Community	-	-		-	-	-	-
Parks & gardens							
Sportsfields & stadia							
Swimming pools							
Community halls							
Libraries							
Recreational facilities							
Fire, safety & emergency							
Security and policing							
Buses							

Clinics							
Museums & Art Galleries							
Cemeteries							
Social rental housing							
Other							
<u>Heritage assets</u>	-	-		-	-	-	-
Buildings							
Other							
<u>Capital expenditure by Asset Class</u>							
<u>Investment properties</u>	-	-		-	-	-	-
Housing development							
Other							
<u>Other assets</u>	-	-		-	-	-	-
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
<u>Agricultural assets</u>	-	-		-	-	-	-
<i>List sub-class</i>							
<u>Biological assets</u>	-	-		-	-	-	-
<i>List sub-class</i>							
<u>Intangibles</u>	-	-		-	-	-	-
Computers - software & programming							
Other (<i>list sub-class</i>)							

Total Capital Expenditure on renewal of existing assets	-	-		-	-	-	-
<u>Specialised vehicles</u>	-	-		-	-	-	-
Refuse							
Fire							
Conservancy							
Ambulances							
<i>* Note: Information for this table may be sourced from MBRR (2009: Table SA34b)</i>							T M.2

APPENDIX N: CAPITAL PROGRAMME BY PROJECT YEAR 0

Capital Programme by Project: Year 0					
R' 000					
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
Water					
Thabong T12 water network	1000000	0	1000000	100%	0%
Kutlwanong stadium area	300000	0	3000000	100%	90%
Klippan water pipe line	43000000	0	43000000	100%	0%
Sanitation/Sewerage					
Witpan WWTW	39,000,000	43000000	39,000,000	-10%	0%
Thabong T12 sewer network	2500000	0	2500000	100%	0%
Electricity					
high mast light phase III	3400000	2000000	3400000	41%	0%
electric panels at substations	800000	0	50000	100%	-1500%
Housing					
Refuse removal					
Stormwater					
Meloding stormwater	8000000	0	8000000	100%	0%
Phomolong stormwater	9000000	0	9000000	100%	0%
Economic development					
Welkom market stalls	700000	0	100000	100%	-600%
Virginia market stalls	450000	90	100000	100%	-350%
Sports, Arts & Culture					
Mmamahabane sport facility	8000000	0	8000000	100%	0%
Nyakallong sport facility	9000000	0	9000000	100%	0%
Environment					
Health					
Safety and Security					
ICT and Other					
					T N

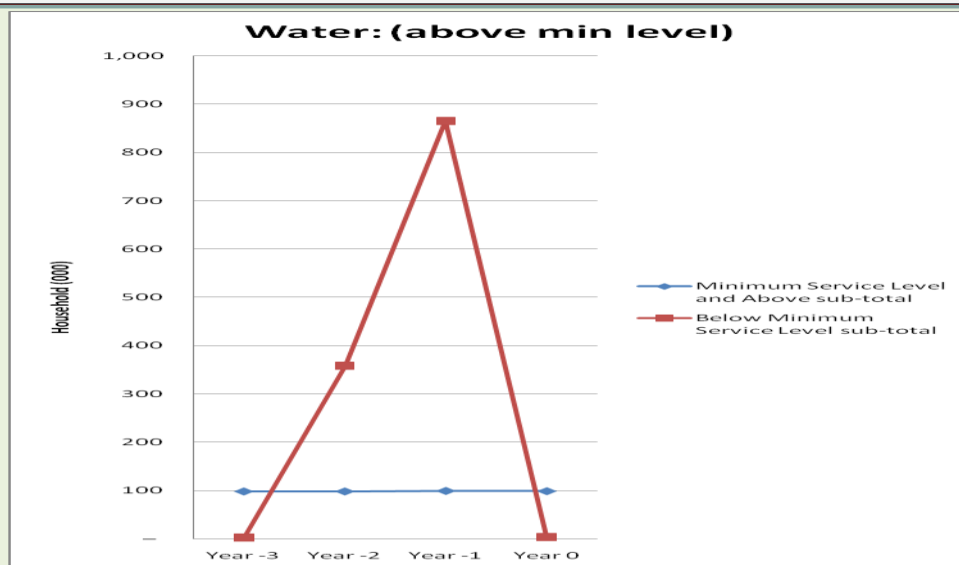
APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD YEAR 0

Capital Programme by Project by Ward: Year 0		
		R' 000
Capital Project	Ward(s) affected	Works completed (Yes/No)
Water		
Thabong T12 water network	25	water pipelines installed awaiting meters
Kutlwanoong stadium area	18	project on tender stage
Klippan water pipe line	32	project completed
Sanitation/Sewerage		
Witpan WWTW	32	structures in place pumps required
Thabong T12 sewer network	25	sewer pipelines installed
Electricity		
high mast light phase III	1, 2, 7, 10, 12, 17, 19, 21, 25, 26	poles erected awaiting connection
electric panels at substations	12	project on tender stage
Housing		
Refuse removal		
Stormwater		
Meloding stormwater	5, 6, 7	storm water canals completed
Phomolong stormwater	2, 3	storm water canals completed
Economic development		
Welkom market stalls	33	project on tender stage
Virginia market stalls	8	project on tender stage
Sports, Arts & Culture		
Mmamahabane sport facility	1	pavilion completed, need electricity
Nyakallong sport facility	19	pavilion completed, need electricity
Environment		
Health		
Safety and Security		
ICT and Other		
Cemeteries	2, 3, 5, 9, 11, 21	Fence completed
		T O

APPENDIX A10 -2 - SERVICES

Water Service Delivery Levels							
Description	Ref	Year -3	Year -2	Year -1	Year 0		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Actual
Household (000)	1				120		
Water: (above min level)							
Piped water inside dwelling		49	49	49	49		49
Piped water inside yard (but not in dwelling)		47	47	47	47		47
Using public tap (within 200m from dwelling)	2	2	2	3	2		2
Other water supply (within 200m)	4						
Minimum Service Level and Above sub-total		98	98	99	99	–	99
Minimum Service Level and Above Percentage		97%	21%	10%	96%	#DIV/0!	96%
Water: (below min level)							
Using public tap (more than 200m from dwelling)	3						
Other water supply (more than 200m from dwelling)	4	3	4	3	4		4
No water supply							
Below Minimum Service Level sub-total	3	359	865	4	–		4
Below Minimum Service Level Percentage		3%	79%	90%	4%	#DIV/0!	4%
Total number of households*	5	101	457	965	103	–	103
* - To include informal settlements							

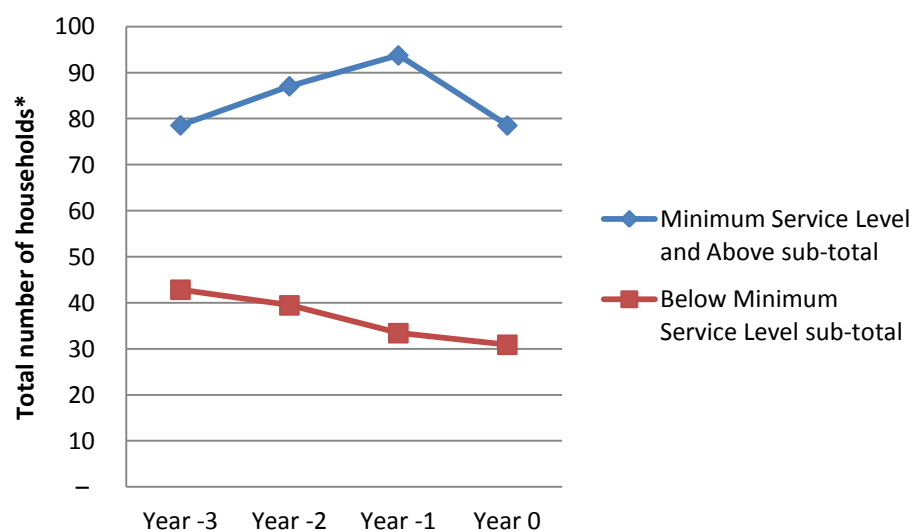
Households - Water Service Delivery Levels below the minimum							
Description	Ref	Year -3	Year -2	Year -1	Year 0		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Actual
Household (000)							
Formal Settlements	1						
Total households		85	85	85	85	100,000	100,000
Households below minimum service level	6	4	4	2	25,000	25,000	25,000
Proportion of households below minimum service level		7%	5%	5%	3%	25%	25%
Informal Settlements							
Total households		8	8	7	7	100,000	100,000
Households ts below minimum service level		25,000	25,000	25,000	4	25,000	25,000
Proportion of households ts below minimum service level		309598%	327697%	348044%	62%	25%	25%



Sanitation Service Delivery Levels							
Description	Ref	Year -3	Year -2	Year -1	Year 0		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Actual
Household (000)	1						
Sanitation/sewerage: (above minimum level)							
Flush toilet (connected to sewerage)		79	87	94	79		79
Flush toilet (with septic tank)		–	–	–	–		–
Chemical toilet		–	–	–	–		–
Pit toilet (ventilated)		–	–	–	–		–
Other toilet provisions (above mini-service level)		–	–	–	–		–
Minimum Service Level and Above sub-total		79	87	94	79	–	79
Minimum Service Level and Above Percentage		64.7%	68.8%	73.7%	71.8%	#DIV/0!	71.8%
Sanitation/sewerage: (below minimum level)							
Bucket toilet		20	15	7	2		2
Other toilet provisions (below min.service level)		11	11	11	13		13
No toilet provisions		12	13	15	15		15
Below Minimum Service Level sub-total		43	39	33	31	–	31
Below Minimum Service Level Percentage		35.3%	31.2%	26.3%	28.2%	#DIV/0!	28.2%
Total number of households*	5	121	127	127	109	–	109

Refuse:										
Removed at least once a week		2,895	2,685	2,846			2,235	89	104	122
<i>Minimum Service Level and Above sub-total</i>		2,895	2,685	2,846	–	–	2,235	89	104	122
Removed less frequently than once a week		655	547	565			523	2	2	2
Using communal refuse dump		865	846	487			865	89	104	122
Using own refuse dump		655	547	565			523	0	0	0
Other rubbish disposal		502	952	938			720			
No rubbish disposal		112	123	124			124			
<i>Below Minimum Service Level sub-total</i>		2,790	3,015	2,678	–	–	2,755	91	106	124
Total number of households	1/5/00	5,685	5,699	5,523	–	–	4,991	180.00	210.00	246.00

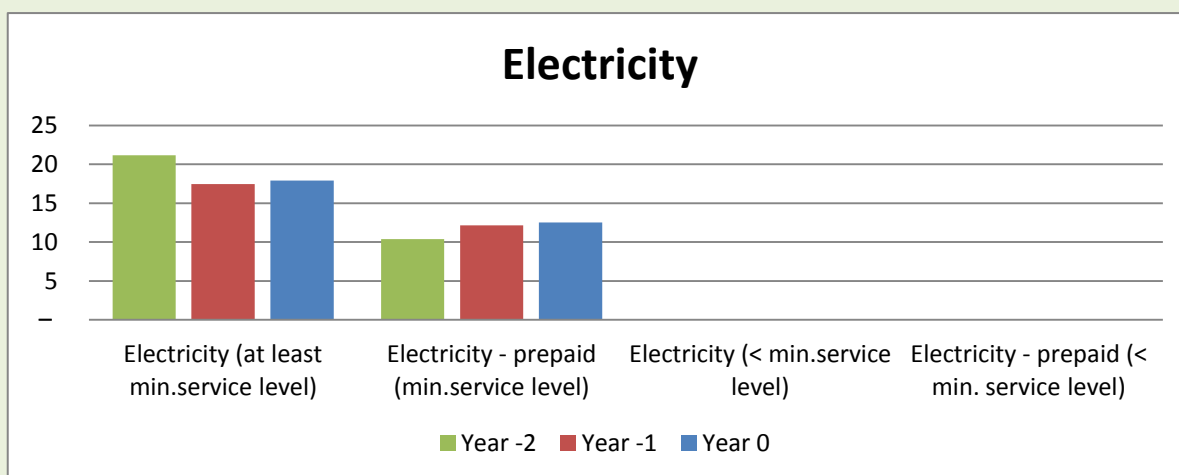
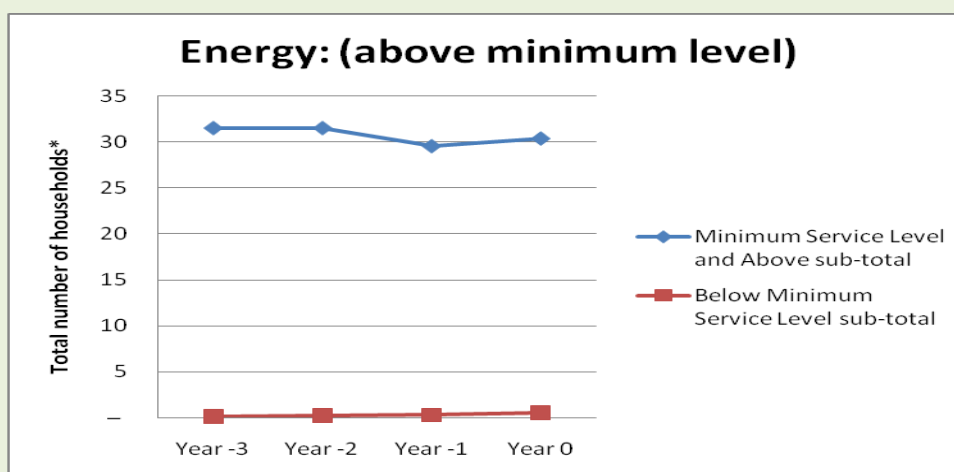
Sanitation/sewerage: (above minimum level)



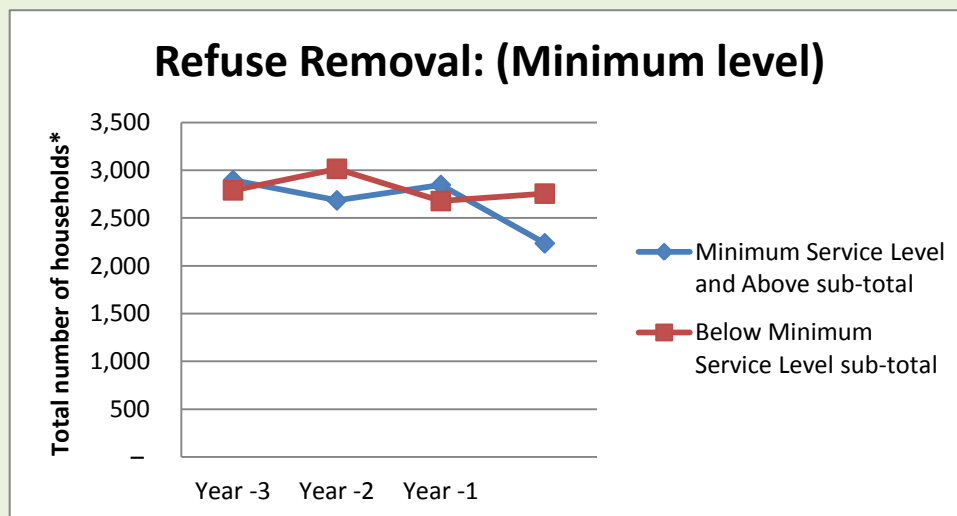
Households - Sanitation Service Delivery Levels below the minimum							
Description	Ref	Year -3	Year -2	Year -1	Year 0		
Household (000)		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Actual
Formal Settlements	1						
Total households		85	85	85	79	79	79
Households below minimum service level		8	6	4	5	5	5
Proportion of households below minimum service level		9%	7%	5%	6%	6%	6%
Informal Settlements							
Total households		8	5	3	4	4	4
Households ts below minimum service level		4	4	4	4	4	4
Proportion of households ts below minimum service level		55%	83%	166%	100%	100%	100%

Electricity Service Delivery Levels							
Description	Ref	Year -3	Year -2	Year -1	Year 0		
Household (000)		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Actual
Energy: (above minimum level)	1						
Electricity (at least min.service level)		22	21	17	18		18
Electricity - prepaid (min.service level)		9	10	12	13		13
<i>Minimum Service Level and Above sub-total</i>		32	32	30	30	–	30
<i>Minimum Service Level and Above Percentage</i>		99.5%	99.1%	98.9%	98.1%	#DIV/0!	98.1%
Energy: (below minimum level)							
Electricity (< min.service level)		–	–	–	–	–	–
Electricity - prepaid (< min. service level)		–	–	–	–	–	–
Other energy sources		0	0	0	1		1
<i>Below Minimum Service Level sub-total</i>		0	0	0	1	–	1
<i>Below Minimum Service Level Percentage</i>		0.5%	0.9%	1.1%	1.9%	#DIV/0!	1.9%
Total number of households*	5	32	32	30	31	–	31

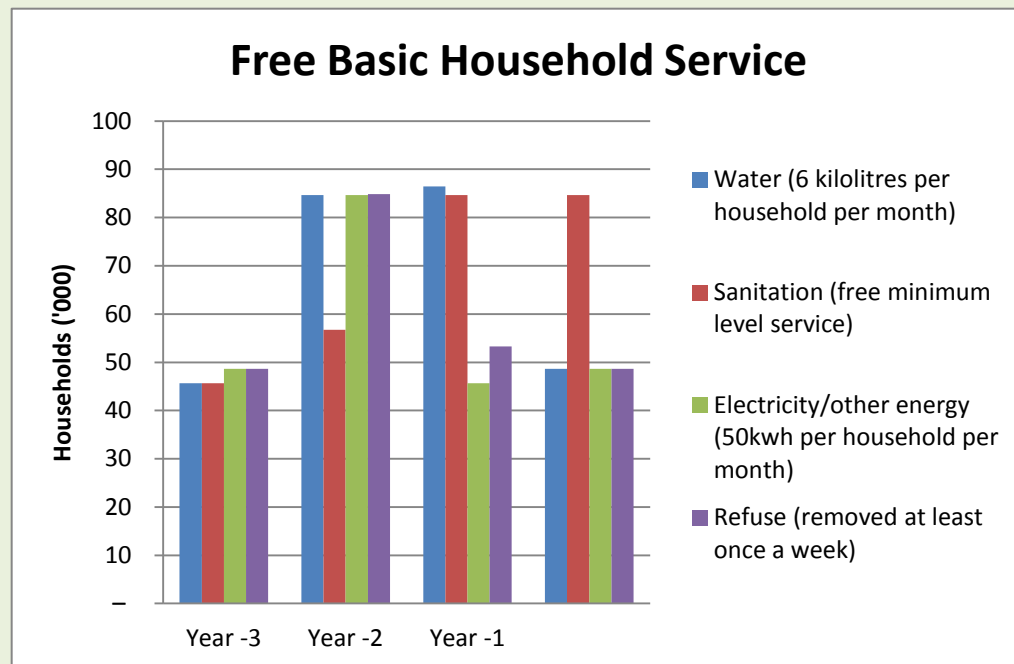
Households - Electricity Service Delivery Levels below the minimum							
Description	Ref	Year -3	Year -2	Year -1	Year 0		
Household (000)		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Actual
Formal Settlements	1						
Total households		32	32	32	32	32	32
Households below minimum service level		0	0	0	0	0	0
Proportion of households below minimum service level		0%	1%	0%	1%	1%	1%
Informal Settlements							
Total households		0	0	0	0	0	0
Households ts below minimum service level		0	0	0	0	0	0
Proportion of households ts below minimum service level		31%	75%	100%	100%	100%	100%



Refuse Removal Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Year 0
	Outcome	Outcome	Outcome	Actual
Household (000)				
<i>Refuse Removal: (Minimum level)</i>				
Removed at least once a week	121,024	121,024	121,024	121,024
<i>Minimum Service Level and Above sub-total</i>	107,000	107,000	107,000	107,000
<i>Minimum Service Level and Above percentage</i>	77,2%	77,2%	77,2%	77,2%
<i>Refuse Removal: (Below minimum level)</i>				
Removed less frequently than once a week	1,10%	1,10%	1,10%	1,10%
Using communal refuse dump	1,20%	1,20%	1,20%	1,20%
Using own refuse dump	6,70%	6,70%	6,70%	6,70%
Other rubbish disposal	0,80%	0,80%	0,80%	0,80%
No rubbish disposal	4,00%	4,00%	4,00%	4,00%
<i>Below Minimum Service Level sub-total</i>	0,00%	0,00%	0,00%	0,00%
<i>Below Minimum Service Level percentage</i>	10,0%	10,0%	10,0%	10,0%
Total number of households*	123,905	123,905	123,905	123,905



Households receiving Free Basic Service				
Water (6 kilolitres per household per month)	46	85	86	49
Sanitation (free minimum level service)	46	57	85	85
Electricity/other energy (50kwh per household per month)	49	85	46	49
Refuse (removed at least once a week)	49	85	53	49





Matjhabeng Local Municipality
Financial statements
for the year ended 30 June 2014

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	An organ of state within the local sphere of government exercising executive and legislative authority.
Nature of business and principal activities	Providing municipal services, infrastructure development and furthering the interest of the local community in the Matjhabeng area, Free State Province.
The following is included in the scope of operation	Area FS184, as a high capacity local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS184.
Grading of local authority	Local high capacity municipality
Executive Mayor	Ngangelizwe S
Speaker	Stofile C
Council Whip	Semela M J
Members of the Mayoral Committee	
Executive Mayor	Ngangelizwe S
Councillors	Khalipha T D - Policy and Planning Mbana M A - Finance Menyatso K J - Technical Services Mfebe M S E - Corporate Services Radebe M L - Social Services Rubulana L - Local Economic Development Sephiri M J - Public Safety Taliwe F E - Human Settlements Tlhone M L - Special Programmes
Members of the Council	
Councillors	Badenhorst M J M Banyane M E Beneke R Botha P F Chaka C P Dali V N De Villiers M T Fanie D S Fourie J J C Mabote T L Madumise M M Mafa D Mafongosi Z V Makgowe P V Malefane D E Marais J S Masienyane M D Matlebe M M Mbambo A X Mholo P P

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

General Information

Mlangeni G
Mokausi L C
Mokhomo H A
Mokotedi T G
Molelekoa P A
Molelekoa P M I
Moletse T N
Molupe R T
Monjovo N E
Morris V R
Mosala M S
Mothege M A
Motshabi M P
Mphikeleli M A
Naude Z H J
Ntlele K I
Ntsebeng M H
Peteleki K I
Phetise M E
Qwesha G L
Radebe M C
Riet M I
Sifatya Z
Smit D C
Speelman N W
Styger A
Tajjaard S D M
Thateng M J
Thelingoane T J
Thobala T E
Tlake K R
Tsatsa S J
Tsubane M E
Tsubella K S
Twanana M
Van Rooyen K V
Van Rooyen M S
Van Schalkwyk H C T
Vanga N M

Municipal Manager

Lepheana M F (Acting from 01/07/2014)

Chief Finance Officer

Tsoali E T

Registered office

Civic Centre
319 Stateway
Welkom
Free State
9460

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

General Information

Postal address	PO Box 708 Welkom Free State 9460
Bankers	ABSA Bank Limited First National Bank
Auditors	Auditor-General of South Africa
Attorneys	Finger Phukubje Attorneys Kemi Akinbohun Attorneys Maree Gouws Attorneys Moroka Attorneys Podbielski Attorneys
Debt collectors	Zandile Management Services CC
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act, 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)
Website	www.matjhabeng.fs.gov.za

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Index

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

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Statement of Changes in Net Assets	10
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Abbreviations

ASB	Accounting Standards Board
CoGTA	Cooperative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay as You Earn
SALGA	South African Local Government Association
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

In terms of section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), I am responsible for the preparation of these annual financial statements set out on pages 6 to 85, which have been prepared on the going concern basis, were approved by the audit committee on 27 August 2014 and which I have signed on behalf of the municipality below.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, as disclosed in note 29 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with the Remuneration of Public Officer Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.



Lepheana M.F.
Acting Municipal Manager
Welkom
29 August 2014

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interest of the local community in Matjhabeng and operates principally in the Lejweleputswa district, Free State Province.

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

2. Financial sustainability

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continues to source funding for the ongoing operations for the municipality.

Although certain financial ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2013 (Act No. 2 of 2013).

3. Events after the reporting date

Uncertainty existed over the recoverability of indigent household's debts, prescribed debts older than three years, housing loan accounts and inactive accounts accumulating interests since the migration to the E-venus accounting systems. Council in 2014/2015 financial year approved the following write off for consumer receivables:

Indigent households	617,014,091
Accounts accruing interest (no services)	3,100,262
Residential amounts (3 years and older)	306,870,779
Housing loan accounts	936,543
Total	927,921,675

The balances above include accumulating interest since the reporting to council write off. These consumer balances were included in the provision for impairment of consumer receivables at the reporting date therefore not assessed as an adjusting event for the current financial year, refer to note 7.

4. Accounting Officer's interest in contracts

The Accounting Officer had no interest in contracts for the year under review.

5. Accounting policies

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

6. Asset management

A consulting firm has been appointed to reconstruct the fixed asset registers (infrastructure- as well as moveable assets) to be GRAP compliant.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Officer's Report

7. Accounting Officer

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

Name	Nationality	Changes
Ramathebane G	South African	Resigned 30 June 2014
Lepheana M F	South African	Acting from 01 July 2014

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

	Notes	2014 R	2013 R
Assets			
Current Assets			
Inventories	3	330,607,717	327,118,945
Investments	4	10,580,227	19,308,161
Other receivables	5	4,922,346	3,594,273
VAT receivable	6	18,342,751	-
Consumer receivables	7	539,574,793	147,448,132
Cash and cash equivalents	8	2,371,131	4,176,254
		<u>906,398,965</u>	<u>501,645,765</u>
Non-Current Assets			
Investment property	9	450,788,086	458,976,540
Property, plant and equipment	10	5,286,392,330	5,319,068,056
Heritage assets	11	7,104,349	7,104,349
Investments	4	16,099,517	13,957,251
Consumer receivables	7	1,611,777	3,832,050
		<u>5,761,996,059</u>	<u>5,802,938,246</u>
Total Assets		<u>6,668,395,024</u>	<u>6,304,584,011</u>
Liabilities			
Current Liabilities			
Borrowings	12	-	18,537,334
Finance lease obligations	13	-	210,125
Trade and other payables	14	1,605,969,763	1,070,554,811
VAT payable	15	-	6,718,239
Consumer deposits	16	31,765,750	30,196,789
Unspent conditional grants	17	7,347,170	38,849,316
Bank overdraft	8	-	6,187,309
		<u>1,645,082,683</u>	<u>1,171,253,923</u>
Non-Current Liabilities			
Employee benefits	18	322,410,090	305,077,529
Provisions	19	18,197,978	6,550,000
		<u>340,608,068</u>	<u>311,627,529</u>
Total Liabilities		<u>1,985,690,751</u>	<u>1,482,881,452</u>
Net Assets		<u>4,682,704,273</u>	<u>4,821,702,559</u>
Accumulated surplus		<u>4,682,704,273</u>	<u>4,821,702,559</u>

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

	Notes	2014 R	2013 R
Revenue			
Commission received	21	10,052,504	9,070,627
Dividends received	22	15,648	11,823
Fines	21	3,915,269	2,301,050
Government grants and subsidies	23	617,641,769	640,395,507
Interest received	22	129,041,338	104,566,744
Licences and permits	21	37,730	14,410
Other income	24	15,479,579	21,147,743
Property rates	25	192,976,982	176,827,344
Rental of facilities	26	10,303,659	11,234,091
Service charges	27	854,689,371	782,911,047
Total revenue		1,834,153,849	1,748,480,386
Expenditure			
Employee related costs	28	(482,974,006)	(439,397,996)
Remuneration of councillors	29	(24,682,338)	(22,703,569)
Depreciation and impairment	30	(275,509,250)	(272,701,803)
Finance costs	31	(132,854,072)	(111,739,086)
Debt impairment	32	(38,941,330)	(346,176,905)
Repairs and maintenance		(37,816,168)	(25,003,484)
Bulk purchases	33	(665,245,239)	(598,045,493)
Contracted services	34	(120,425,649)	(98,412,676)
Grants and subsidies paid	35	(29,457,023)	(27,271,345)
General expenses	36	(178,799,348)	(136,141,288)
Total expenditure		(1,986,704,423)	(2,077,593,645)
Operating deficit		(152,550,574)	(329,113,259)
Fair value adjustments	37	16,874,904	(33,543,240)
Loss on disposal of assets	38	(3,322,618)	-
		13,552,286	(33,543,240)
Deficit for the year		(138,998,288)	(362,656,499)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	5,790,823,513	5,790,823,513
Adjustments		
Prior period errors - Note 40	(606,464,453)	(606,464,453)
Balance at 01 July 2012 as restated	5,184,359,060	5,184,359,060
Changes in net assets		
Deficit for the year	(362,656,499)	(362,656,499)
Total changes	(362,656,499)	(362,656,499)
Balance at 01 July 2013 as restated	4,821,702,560	4,821,702,560
Changes in net assets		
Deficit for the year	(138,998,288)	(138,998,288)
Total changes	(138,998,288)	(138,998,288)
Balance at 30 June 2014	4,682,704,272	4,682,704,272

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Cash Flow Statement

	Notes	2014 R	2013 R
Cash flows from operating activities			
Receipts			
Property rates and service charges		618,818,635	618,498,057
Government grants and subsidies		649,143,915	615,092,738
Dividends received		15,648	11,823
		<u>1,267,978,198</u>	<u>1,233,602,618</u>
Payments			
Employee related costs		(474,599,204)	(420,906,989)
Remuneration of councillors		(24,682,338)	(22,703,569)
Suppliers		(460,524,375)	(1,105,082,951)
Other payments		(58,576,749)	176,232,600
		<u>(1,018,382,666)</u>	<u>(1,372,460,909)</u>
Net cash flows from operating activities	41	<u>249,595,532</u>	<u>(138,858,291)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(238,558,913)	(184,303,611)
Proceeds from sale of property, plant and equipment		(905,250)	274,686,476
Proceeds from sale of investment property		1,496,475	-
Purchase of investments		(10,494,734)	-
Proceeds from sale of investments		17,115,532	5,551,112
Interest Income - Investments		6,302,888	7,589,678
Net cash flows from investing activities		<u>(225,044,002)</u>	<u>103,523,655</u>
Cash flows from financing activities			
Repayment of borrowings		(18,537,334)	(738,271)
Finance cost - Borrowings		(1,388,598)	(2,961,731)
Finance lease obligation payments		(210,125)	(6,863,142)
Finance costs - Finance lease obligation		(33,287)	(777,777)
Net cash flows from financing activities		<u>(20,169,344)</u>	<u>(11,340,921)</u>
Net increase/(decrease) in cash and cash equivalents		<u>4,382,186</u>	<u>(46,675,557)</u>
Cash and cash equivalents at the beginning of the year		(2,011,055)	44,664,502
Cash and cash equivalents at the end of the year	8	<u>2,371,131</u>	<u>(2,011,055)</u>

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Commissions received	11,556,000	-	11,556,000	10,052,504	(1,503,496)	
Dividends received	-	-	-	15,648	15,648	
Interest received	81,628,924	-	81,628,924	129,041,338	47,412,414	Note 53
Licences and permits	-	-	-	37,730	37,730	
Other income	6,146,806	(360,372)	5,786,434	15,479,579	9,693,145	Note 53
Rental of facilities	5,370,781	-	5,370,781	10,303,659	4,932,878	Note 53
Service charges	978,157,523	360,372	978,517,895	854,689,371	(123,828,524)	Note 53
Total revenue from exchange transactions	1,082,860,034	-	1,082,860,034	1,019,619,829	(63,240,205)	
Revenue from non-exchange transactions						
Taxation revenue						
Fines	12,500,000	-	12,500,000	3,915,269	(8,584,731)	Note 53
Government grants and subsidies	428,360,000	-	428,360,000	617,641,769	189,281,769	Note 53
Property rates	162,236,334	-	162,236,334	192,976,982	30,740,648	Note 53
Total revenue from non-exchange transactions	603,096,334	-	603,096,334	814,534,020	211,437,686	
Total revenue	1,685,956,368	-	1,685,956,368	1,834,153,849	148,197,481	
Expenditure						
Employee related costs	(498,261,069)	1,405,802	(496,855,267)	(482,974,006)	13,881,261	Note 53
Remuneration of councillors	(22,220,466)	(1,405,802)	(23,626,268)	(24,682,338)	(1,056,070)	
Depreciation and amortisation	-	-	-	(275,509,250)	(275,509,250)	Note 53
Finance costs	(1,940,766)	(62,352)	(2,003,118)	(132,854,072)	(130,850,954)	Note 53
Debt impairment	(323,694,443)	73,861,820	(249,832,623)	(38,941,330)	210,891,293	Note 53
Repairs and maintenance	(158,402,149)	(300,000)	(158,702,149)	(37,816,168)	120,885,981	Note 53
Bulk purchases	(498,425,287)	51,419,646	(447,005,641)	(665,245,239)	(218,239,598)	Note 53
Contracted services	(46,026,905)	(31,004,764)	(77,031,669)	(120,425,649)	(43,393,980)	Note 53
Grants and subsidies paid	-	(29,171,997)	(29,171,997)	(29,457,023)	(285,026)	
General expenses	(139,735,283)	-	(139,735,283)	(178,799,348)	(39,064,065)	Note 53
Total expenditure	(1,688,706,368)	64,742,353	(1,623,964,015)	(1,986,704,423)	(362,740,408)	
Operating deficit	(2,750,000)	64,742,353	61,992,353	(152,550,574)	(214,542,927)	
Gain on disposal of assets	2,750,000	-	2,750,000	(3,322,618)	(6,072,618)	
Fair value adjustments	-	-	-	16,874,904	16,874,904	Note 53
	2,750,000	-	2,750,000	13,552,286	10,802,286	
Deficit before taxation	-	64,742,353	64,742,353	(138,998,288)	(203,740,641)	
Actual Amount in the Statement of Financial Performance	-	64,742,353	64,742,353	(138,998,288)	(203,740,641)	

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Appropriation Statement

	Original budget		Budget adjustments (i.t.o. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.t.o. s31 of the council approved policy)		Final budget		Actual outcome		Difference between final budget and actual		Variance		Actual outcome as % of final budget		Actual outcome as % of original budget	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
2014																				
Financial Performance																				
Property rates	162,236,334	-	-	162,236,334	-	-	-	-	162,236,334	192,975,982					30,740,648	119 %	119 %			
Service charges	978,157,523	360,372	-	978,517,895	-	-	-	-	978,517,895	854,689,371					(123,828,524)	87 %	87 %			
Interest and dividends received	81,628,924	-	-	81,628,924	-	-	-	-	81,628,924	129,056,986					47,428,062	158 %	158 %			
Government grant and subsidies - operational	428,360,000	-	-	428,360,000	-	-	-	-	428,360,000	428,512,177					152,177	100 %	100 %			
Other revenue	38,323,587	(360,372)	-	37,963,215	-	-	-	-	37,963,215	39,788,741					1,825,526	105 %	104 %			
Total revenue (excluding capital transfers and contributions)	1,688,706,368	-	-	1,688,706,368	-	-	-	-	1,688,706,368	1,645,024,257					(43,682,111)	97 %	97 %			
Employee related costs	(498,261,069)	1,405,802	(1,405,802)	(496,855,267)	-	-	-	-	(496,855,267)	(482,974,006)					13,881,261	97 %	97 %			
Remuneration of councillors	(22,220,466)	(1,405,802)	-	(23,626,268)	-	-	-	-	(23,626,268)	(24,682,338)					(1,056,070)	104 %	111 %			
Debt impairment	(323,694,443)	73,861,820	-	(249,832,623)	-	-	-	-	(249,832,623)	(38,941,330)					210,891,293	16 %	12 %			
Depreciation and impairment	-	-	-	-	-	-	-	-	-	(275,509,250)					(275,509,250)	-	-			
Finance costs	(1,940,766)	(62,352)	-	(2,003,118)	-	-	-	-	(2,003,118)	(132,854,072)					(130,850,954)	6,632 %	6,845 %			
Repairs and maintenance	(158,402,149)	(300,000)	-	(158,702,149)	-	-	-	-	(158,702,149)	(37,816,168)					120,885,981	24 %	24 %			
Bulk purchases	(498,425,287)	51,419,646	-	(447,005,641)	-	-	-	-	(447,005,641)	(665,245,239)					(218,239,598)	149 %	133 %			
Contracted services	(46,026,905)	(31,004,764)	-	(77,031,669)	-	-	-	-	(77,031,669)	(120,425,649)					(43,393,980)	156 %	262 %			
Grants and subsidies paid	-	(29,171,997)	-	(29,171,997)	-	-	-	-	(29,171,997)	(29,457,023)					(285,026)	101 %	-			
Other expenditure	(139,735,283)	-	-	(139,735,283)	-	-	-	-	(139,735,283)	(178,799,348)					(39,064,065)	128 %	128 %			
Total expenditure	(1,688,706,368)	64,742,353	(1,623,964,015)	(1,623,964,015)	-	-	-	-	(1,623,964,015)	(1,986,704,423)					(362,740,408)	122 %	118 %			
Surplus/(Deficit)	-	64,742,353	64,742,353	64,742,353	-	-	-	-	64,742,353	(341,680,166)					(406,422,519)	528 %	DIV/0 %			

Matjhabeng Local Municipality
Financial Statements for the year ended 30 June 2014

Appropriation Statement

	Original budget		Budget adjustments (i.t.o. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.t.o. s31 of the council approved policy)		Final budget		Actual outcome approved expenditure		Variance		Actual outcome as % of final budget		Actual outcome as % of original budget	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Government grants and subsidies - capital	-	-	-	-	-	-	-	-	-	-	189,129,592	-	189,129,592	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Deficit after capital transfers and contributions	-	64,742,353	-	64,742,353	-	64,742,353	-	64,742,353	(152,550,574)	-	(595,552,111)	-	(595,552,111)	-	(236)%	DIV/0 %	DIV/0 %	DIV/0 %
Fair value adjustments	-	-	-	-	-	-	-	-	-	-	16,874,904	-	16,874,904	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Loss on disposal of assets	2,750,000	-	-	2,750,000	-	2,750,000	-	2,750,000	(3,322,618)	-	(6,072,618)	-	(6,072,618)	-	(121)%	(121)%	(121)%	(121)%
Deficit for the year	(2,750,000)	64,742,353	-	61,992,353	-	61,992,353	-	67,492,353	(138,998,288)	-	(206,490,641)	-	(206,490,641)	-	(206)%	5,054 %	5,054 %	5,054 %
Capital expenditure and funds sources																		
Total capital expenditure	-	-	-	-	-	-	-	-	-	-	219,481,713	-	219,481,713	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Sources of capital funds	-	-	-	-	-	-	-	-	-	-	(189,129,592)	-	(189,129,592)	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Government grants and subsidies - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Cash flows																		
Net cash from operating	-	-	-	-	-	-	-	-	-	-	249,595,532	-	249,595,532	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Net cash (used) investing	-	-	-	-	-	-	-	-	-	-	(225,044,002)	-	(225,044,002)	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Net cash (used) financing	-	-	-	-	-	-	-	-	-	-	(20,169,344)	-	(20,169,344)	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Net (decrease) in cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	4,382,186	-	4,382,186	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	-	-	-	-	(2,011,055)	-	(2,011,055)	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	-	-	-	-	-	-	-	-	-	-	2,371,131	-	2,371,131	-	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.2 Going concern assumption

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

Allowance for slow moving, damaged and obsolete inventory

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 surplus and deficit.

Receivables

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

The impairment for receivables is calculated identifying receivables individually. Receivables which could not be identified individually as being impaired were calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

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

Useful lives of Property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for Property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Employee benefit obligations

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost include the discount rate. Any changes in these assumptions will impact on the carrying amount of employee benefit 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 employee benefit obligations are based on current market conditions. Additional information is disclosed in note 18.

Provisions

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

Fair value estimation

The carrying value less impairment provision of 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.

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

Provision for impairment of receivables

On consumer receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Investment property

Initial recognition

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, for administrative purposes or property held to provide social services.

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

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

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

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

Subsequent measurement

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

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

Item	Estimated useful life
Property - Land	Indefinite
Property - Buildings	5-30 years

Disposal

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

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.

Initial recognition

Property, plant and equipment is initially measured at cost.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Property, plant and equipment (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 through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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.

Subsequent measurement

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

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

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

Item	Estimated average useful life
Land	Indefinite
Furniture and fixtures	5-7 years
Transport assets	4-15 years
Office equipment	5-7 years
IT equipment	3-10 years
Infrastructure	5-100 years
Other equipment	2-20 years
Landfill rehabilitation asset	8-20 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.

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

Depreciation commences when the asset is ready for its intended use and ceases when the asset is derecognised.

Disposal

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Property, plant and equipment (continued)

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.

1.6 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.7 Heritage assets

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.

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 assesses 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.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

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.

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.

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.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Financial Instruments (continued)

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

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

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

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

- 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
Other receivables	Financial asset measured at amortised cost
Consumer receivables from exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value and amortised cost
Cash and cash equivalents	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
Borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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1.8 Financial Instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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Accounting Policies

1.8 Financial Instruments (continued)

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

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

Financial assets measured at cost:

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

Matjhabeng Local Municipality

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Accounting Policies

1.8 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

Financial liabilities

The entity removes a financial liability 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.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.8 Financial instruments (continued)

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

Presentation

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

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

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

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

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

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

1.9 Tax

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.10 Leases

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

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

Finance leases - 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.

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Financial Statements for the year ended 30 June 2014

Accounting Policies

1.10 Leases (continued)

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.

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 through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

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

When inventories are sold, the carrying 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.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

Identification

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.

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.

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.

Matjhabeng Local Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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.

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.

Redesignation

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

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.

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.

Matjhabeng Local Municipality

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Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

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.

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.

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.

Matjhabeng Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

- 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.

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

Matjhabeng Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Other long term employee benefit

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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 finance cost.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

A contingent liability is:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

Matjhabeng Local Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

The 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 Revenue from exchange transactions

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

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

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

Measurement

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

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 surveys of work performed.

Interest and dividends

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

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

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

Dividends are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 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.

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

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

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

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

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

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.

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.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Fines

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

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

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

1.18 Investment income

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

1.19 Borrowing costs

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

1.20 Comparative figures

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

The comparative figures have been restated, additional disclosures are included in note 39.

1.21 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.

1.22 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.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA 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.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year 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.

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.

1.24 Investments

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

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments are classified as held for trading and are measured subsequently at fair value, based on quoted market prices at the reporting date. Unrealised gains and losses for securities that are held for trading purposes are included in surplus and deficit for the period.

1.25 Consumer deposits

Consumer deposits are subsequently recorded in accordance with the accounting policy of Trade and other payables.

1.26 Unspent 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.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Accounting Policies

1.27 Commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actual liability. Capital commitments are not recognised but only disclosed. Capital commitments are disclosed in note 42.

1.28 Related parties

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

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

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.

1.29 Budget Information

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

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

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

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

Notes to the Financial Statements

	2014 R	2013 R
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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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
· GRAP 25: Employee benefits	01 April 2013	The impact is not material but has resulted in additional disclosures.
· GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	The impact is not material but has resulted in additional disclosures.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	The impact is not material but has resulted in additional disclosures.
IGRAP16: Intangible assets website costs	01 April 2013	The impact is not material but has resulted in additional disclosures.
IGRAP1 (as revised 2012): Applying the probability test on initial recognition of revenue	01 April 2013	The impact is not material but has resulted in additional disclosures.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 5: Borrowing cost (As revised)	01 April 2014	Unlikely that the standard will have a material impact but will result in additional disclosures.
GRAP 100: Discontinued operations	01 April 2014	Unlikely that the standard will have a material impact but will result in additional disclosures.
GRAP 18: Segment Reporting	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
GRAP 105: Transfers of functions between entities under common control	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
GRAP 106: Transfers of functions between entities not under common control	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
GRAP 107: Mergers	1 April 2015	Unlikely that the standard will have a material impact but will result in additional disclosures.
GRAP 20: Related parties	Not yet determined	Unlikely that the standard will have a material impact but will result in additional disclosures.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
3. Inventories		
Consumable stores - at cost	8,599,050	5,276,522
RDP inventory	321,622,423	321,622,423
Water in reservoirs and pipelines - at cost	386,244	220,000
	330,607,717	327,118,945

Refer to note 33 for water purchases recognised as an expense during the year and note 36 for consumables recognised as an expense during the year.

The comparative figures were restated, refer to note 40.

Inventory pledged as security

No inventory was pledged as security for any financial liability of the municipality.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
4. Investments		
Designated at fair value		
Unlisted shares	322,082	302,600
The unlisted shares consist of 17,238 (2013: 17,238) equity shares in Senwes Limited and 26,435 (2013: 26,435) equity shares in Senwesbel Limited.		
At amortised cost		
ABSA Fixed deposit account 20-5944-0982	10,580,227	85,493
The maturity date of the investment is 3 July 2014 and interest is earned at a rate of 5.85% (2013: 5.06%) per annum.		
ABSA Fixed deposit account 20-5935-9440	-	527,187
The investment matured on 3 October 2013 and was closed on 6 July 2014. Interest was earned at a rate of 5.38% (2013: 5.42%) per annum.		
RMB Asset Management (Guaranteed Investment Trust)	-	18,695,481
The maturity date of the investment was 13 December 2013 and interest was earned at a guaranteed rate of 16% (2013:16%) per annum.		
RMB Asset Management (Guaranteed Investment Trust)	15,777,435	13,654,651
The maturity date of the investment is 19 October 2015 with a guaranteed amount of R 19,191,692 (2013: R 19,191,692). The guaranteed amount is valued at purchase yield on the assumption that it is held to maturity. Interest is earned at a guaranteed rate of 15.6% (2013:15.6%) per annum.		
	26,357,662	32,962,812
Total Investments	26,679,744	33,265,412
Non-current assets		
Designated at fair value	322,082	302,600
At amortised cost	15,777,435	13,654,651
	16,099,517	13,957,251
Current assets		
At amortised cost	10,580,227	19,308,161

Matjhabeng Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
4. Investments (continued)		
Investments at fair value		
Fair value hierarchy of Investments at fair value		
Fair values are determined annually at the Statement of Financial Position date from the quoted prices on the Senwes website.		
For investments recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies Inputs other than quoted prices that are observable for the assets either directly as prices or Indirectly derived from prices.		
Level 3 applies Inputs which are not based on observable market data.		
Level 1		
Class 1 Unlisted shares	322,082	302,600
Investments at amortised cost		
Investments at amortised cost past due but not Impaired		
There are no investments past due but not impaired for the current or prior reporting period.		
Investments at amortised cost Impaired		
There are no investments impaired for the current or prior reporting period.		
Credit quality of Investments		
The credit quality of investments that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.		
The carrying value of investments recorded at amortised cost approximate their fair values.		
The maximum exposure to credit risk at the reporting date is the carrying amount of Investments.		
Renegotiated terms		
None of the investments that are fully performing have been renegotiated in the last year.		
Collateral		
Limited cession over the ABSA Fixed deposit account 20-5944-0982 for the ABSA overdraft facility. Refer to note 6.	10,000,000	10,000,000

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
5. Other receivables		
Deposits - Fuel	4,900	4,900
Deposits - Electricity	4,950	4,950
Other receivables	4,912,496	3,584,423
	4,922,346	3,594,273
 Included in above is receivables from exchange transactions		
Other receivables	4,912,496	3,584,423
 Included in above is receivables from non-exchange transactions		
Deposits - Fuel	4,900	4,900
Deposits - Electricity	4,950	4,950
	9,850	9,850

Other receivables pledged as security

No receivable was pledged as security for any financial liability of the municipality.

Renegotiated terms

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

Fair value of other receivables

The carrying value of the receivables recorded at amortised cost approximate their fair values.

Other receivables impaired

There are no receivables impaired for the current or prior reporting period.

The maximum exposure to credit risk at the reporting date is the carrying amount of receivables.

Collateral

The municipality does not hold any collateral as security.

6. VAT receivable

Value added tax (VAT)	18,342,751	-
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The municipality is registered on the cash basis for VAT purposes. Thus output VAT is declared on receipts once cash is received and input VAT is claimed on payments when actual payment is made.

VAT returns have been submitted and paid timeously to SARS by due date throughout the year.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables		
Gross balances		
Rates	348,735,139	297,958,639
Electricity	224,084,481	192,488,833
Water	980,779,082	779,545,327
Sewerage	368,195,550	299,851,769
Refuse	256,177,079	209,292,684
Housing rental	928,927	844,585
Other	148,001,872	121,035,924
Less: Non-current consumer receivables (Arrangements)	(4,243,269)	(22,951,261)
Payments received in advance	(712,550)	-
	2,321,946,311	1,878,066,500
Less: Allowance for Impairment		
Rates	(260,922,106)	(268,523,669)
Electricity	(123,122,770)	(127,468,041)
Water	(804,409,360)	(742,270,515)
Sewerage	(296,391,730)	(288,937,389)
Refuse	(208,745,342)	(203,668,259)
Housing rental	(928,927)	(844,390)
Other	(90,482,775)	(118,025,316)
Less: Non-current consumer receivables (Arrangements)	2,631,492	19,119,211
	(1,782,371,518)	(1,730,618,368)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables (continued)		
Net balance		
Rates	87,813,033	29,434,970
Electricity	100,961,711	65,020,792
Water	176,369,722	37,274,812
Sewerage	71,803,820	10,914,380
Refuse	47,431,737	5,624,425
Housing rental	-	195
Other	57,519,097	3,010,608
Less: Non-current consumer receivables (Arrangements)	(1,611,777)	(3,832,050)
Payments received in advance	(712,550)	-
	539,574,793	147,448,132
Current assets		
Consumer receivables	539,574,793	147,448,132
Non-Current assets		
Consumer receivables	1,611,777	3,832,050
Total Consumer receivables	541,186,570	151,280,182
Included in above is consumer receivables with arrangements		
Gross balance		
Arrangements - Non-current	4,243,269	22,951,261
Arrangements - Current	2,340,333	8,181,712
	6,583,602	31,132,973
Less: Allowance for Impairment		
Arrangements - Non-current	(2,631,492)	(19,119,211)
Arrangements - Current	(1,345,677)	(6,540,762)
	(3,977,169)	(25,659,973)
Net balance		
Arrangements - Non-current	1,611,777	3,832,050
Arrangements - Current	994,655	1,640,950
	2,606,432	5,473,000
Included in above is consumer receivables from exchange transactions		
Electricity	100,961,711	65,020,792
Water	176,369,722	37,274,812
Sewerage	71,803,820	10,914,380
Refuse	47,431,737	5,624,425
Housing rental	-	195
Other	57,519,097	3,010,608
Payments received in advance	(712,550)	-
	453,373,537	121,845,212
Included in above is consumer receivables from non-exchange transactions		
Rates	87,813,033	29,434,970

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables (continued)		
Net balance	541,186,570	151,280,182
Rates		
Current (0 -30 days)	15,936,399	10,131,948
31 - 60 days	8,352,355	4,815,758
61 - 90 days	7,480,149	2,407,488
91 days +	316,966,236	12,079,776
Less: Allowance for impairment	(260,922,106)	-
	87,813,033	29,434,970
Electricity		
Current (0 -30 days)	97,039,415	51,074,282
31 - 60 days	12,511,391	7,684,409
61 - 90 days	7,039,557	2,251,024
91 days +	134,112,360	4,011,077
Less: Allowance for impairment	(123,122,770)	-
	127,579,953	65,020,792
Water		
Current (0 -30 days)	72,901,957	18,472,588
31 - 60 days	23,280,390	5,060,997
61 - 90 days	21,758,819	2,915,065
91 days +	882,799,608	11,664,417
Less: Consumer deposits outstanding	(197,039)	(838,255)
Less: Allowance for impairment	(804,409,360)	-
	196,134,375	37,274,812
Sewerage		
Current (0 -30 days)	11,081,690	4,958,731
31 - 60 days	8,743,842	2,395,095
61 - 90 days	8,418,667	1,276,174
91 days +	339,951,351	2,284,380
Less: Allowance for impairment	(296,391,730)	-
	71,803,820	10,914,380
Refuse		
Current (0 -30 days)	6,650,239	2,626,694
31 - 60 days	5,253,408	1,133,291
61 - 90 days	4,944,188	701,002
91 days +	239,329,244	1,163,438
Less: Allowance for impairment	(208,745,342)	-
	47,431,737	5,624,425
Housing rental		
Current (0 -30 days)	-	65
31 - 60 days	-	65
61 - 90 days	-	65
	-	195

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables (continued)		
Other		
Current (0 -30 days)	2,001,815	1,021,539
31 - 60 days	1,784,114	572,710
61 - 90 days	1,791,019	276,061
91 days +	142,424,923	1,140,298
Less: Allowance for impairment	(90,482,775)	-
	57,519,096	3,010,608

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables (continued)		
Total debtors by consumer classification		
Current (0 -30 days)	100,031,019	140,061,650
31 - 60 days	59,932,993	57,768,027
61 - 90 days	51,439,830	49,114,170
91 days +	2,056,490,172	1,654,918,346
Unmetered consumption for water and electricity	59,205,155	-
Payments received in advance	(712,550)	-
Less: Consumer deposits outstanding	(197,039)	(838,255)
Less: Allowance for impairment	(1,785,003,011)	(1,749,737,579)
	541,186,569	151,286,359

Consumer receivables pledged as security

No consumer receivable was pledged as security for any financial liability.

Credit quality of consumer receivables

The credit quality of consumer receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

Renegotiated terms

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

Fair value of consumer receivables

The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.

Consumer receivables past due but not impaired

Consumer receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 421,994,475 (2013: R 63,832,591) were past due but not impaired.

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

31 - 60 days	22,869,263	21,662,325
61 - 90 days	15,017,420	9,826,880
91 days +	384,107,792	32,343,386

Consumer receivables impaired

As of 30 June 2014, consumer receivables of R 1,785,003,011 (2013: R 1,749,737,579) were impaired and provided for.

Subsequent to year end the write off for consumer receivables to the value of R 927,921,675 were approved by Council, refer to Note 47.

Reconciliation of provision for impairment of consumer receivables

Opening balance	(1,749,737,579)	(1,388,047,758)
Contributions to provision	(38,941,330)	(346,177,696)
Bad debt written off against provision	3,675,898	3,075,010
Prior year adjustment to provision	-	(18,587,135)
	(1,785,003,011)	(1,749,737,579)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
7. Consumer receivables (continued)		
The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.		
Collateral		
The municipality holds collateral over these balances in the form of consumer deposits, which are not covering the total outstanding debt. Refer to note 16.		
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand and advances	8,874	58,469
Bank balances	940,326	-
Short-term deposits	720,205	3,486,388
Collections account	701,726	631,397
Bank overdraft	-	(6,187,309)
	2,371,131	(2,011,055)
Current assets	2,371,131	4,176,254
Current liabilities	-	(6,187,309)
	2,371,131	(2,011,055)
No restrictions have been imposed on the municipality in terms of the availability of its cash and cash equivalents for use.		
The following undrawn facilities are available for future operating activities and commitments:		
Bank overdraft facility	10,000,000	10,000,000
ACB mag tape debit facility	2,000,000	2,000,000
Housing guarantee	500,000	500,000
Fleet card	60,000	60,000
Collateral		
Limited cession over the ABSA Fixed deposit account 20-5944-0982 for the ABSA overdraft facility. Refer to note 3.	10,000,000	10,000,000

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R			2013 R		
8. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account description and number	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Primary Cheque account 40-5370-5465	1,275,549	6,545,048	38,037,201	1,853,697	(6,156,365)	39,575,541
ABSA Market Cheque account 40-5644-3399	2,116,003	2,223,282	1,583,328	(913,370)	(30,944)	1,245,208
FNB Collections Cheque account 542-3117-3409	701,726	631,747	587,775	700,915	631,397	587,774
ABSA Savings account 60-5430-0806	-	951,669	922,346	-	951,774	922,447
ABSA Savings account 90-9461-7107	1,000	26,879	26,879	1,000	26,941	26,881
ABSA Savings account 91-0668-4115	1,000	1,101,010	403,253	1,000	1,128,782	404,402
ABSA Money market account 90-8665-6806	-	51,438	48,954	-	51,642	48,954
ABSA Savings account 91-1114-1338	1,000	9,121	341,229	1,000	9,148	341,323
ABSA Savings account 91-0668-4238	1,000	7,333	137,214	1,000	7,353	182,153
ABSA Savings account 91-0653-8138	50	238	6,868	50	238	7,380
ABSA Savings account 91-0668-4157	1,000	2,365	2,364	1,000	2,366	2,364
ABSA Savings account 91-2351-5666	1,002	11,103	11,091	1,002	11,103	11,092
ABSA Notice deposit account 63-0415-9559	-	29	29	-	29	29
ABSA Money market account 90-8591-3568	-	60,442	57,523	-	60,680	57,523
ABSA Money market account 90-6501-4332	-	536,523	510,612	-	538,641	510,612
ABSA Notice deposit account 63-0166-7719	-	-	19,633	-	-	19,644
FNB Call account 614-0400-1177	5,074	5,036	4,986	5,074	5,036	4,986
FNB Call account 620-0350-3019	709,079	692,654	677,685	709,079	692,654	677,685
Total	4,813,483	12,855,917	43,378,970	2,361,447	(2,069,525)	44,625,998

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R

9. Investment property

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	513,335,116	(62,547,030)	450,788,086	514,831,591	(55,855,051)	458,976,540

Reconciliation of Investment property - 2014

	Opening balance	Disposals	Depreciation	Total
Investment property	458,976,540	(1,496,475)	(6,691,979)	450,788,086

Reconciliation of Investment property - 2013

	Opening balance	Depreciation	Total
Investment property	465,668,519	(6,691,979)	458,976,540

Pledged as security

No property was pledged as security for any financial liability.

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.

There are no contractual obligations on investment property.

10. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Capital work in progress	541,608,580	-	541,608,580	463,079,247	-	463,079,247
Furniture and fixtures	31,878,854	(18,935,864)	12,942,990	32,336,884	(15,330,850)	17,006,034
IT equipment	13,754,744	(8,559,929)	5,194,815	13,393,350	(7,209,553)	6,183,797
Infrastructure	8,017,117,316	(3,592,639,485)	4,424,477,831	8,941,797,427	(4,416,324,078)	4,525,473,349
Land	223,069,176	-	223,069,176	223,069,176	-	223,069,176
Landfill rehabilitation asset	16,894,566	(522,552)	16,372,014	6,141,490	(442,297)	5,699,193
Transport assets	119,284,037	(70,125,366)	49,158,671	107,789,825	(45,943,539)	61,846,286
Office equipment	10,075,488	(6,006,503)	4,068,985	10,685,596	(5,297,103)	5,388,493
Other equipment	30,897,861	(21,398,593)	9,499,268	34,824,483	(23,502,002)	11,322,481
Total	9,004,580,622	(3,718,188,292)	5,286,392,330	9,833,117,478	(4,514,049,422)	5,319,068,056

Matjhabeng Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Capital work in progress	463,079,247	219,481,713	-	(140,952,380)	-	541,608,580
Furniture and fixtures	17,006,034	260,819	-	-	(4,323,863)	12,942,990
IT equipment	6,183,797	1,159,777	-	-	(2,148,759)	5,194,815
Infrastructure	4,525,473,349	348,060	(1,879,467)	140,952,380	(240,416,491)	4,424,477,831
Land	223,069,176	-	-	-	-	223,069,176
Landfill rehabilitation asset	5,699,193	11,195,373	-	-	(522,552)	16,372,014
Transport assets	61,846,286	3,499,895	(537,901)	-	(15,649,609)	49,158,671
Office equipment	5,388,493	324,197	-	-	(1,643,705)	4,068,985
Other equipment	11,322,481	2,289,079	-	-	(4,112,292)	9,499,268
	5,319,068,056	238,558,913	(2,417,368)	-	(268,817,271)	5,286,392,330

Matjhabeng Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)
Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Capital work in progress	395,103,338	181,078,164	(113,102,255)	-	-	-	463,079,247
Furniture and fixtures	20,640,757	679,789	-	(4,352,794)	(31,019)	69,301	17,006,034
IT equipment	8,001,532	205,157	-	(2,317,426)	(28,770)	323,304	6,183,797
Infrastructure	4,650,728,958	-	113,102,255	(238,857,864)	-	-	4,525,473,349
Land	223,069,176	-	-	-	-	-	223,069,176
Landfill rehabilitation asset	5,100,000	1,041,490	-	(442,297)	-	-	5,699,193
Transport assets	76,567,290	708,919	-	(12,672,086)	(2,757,837)	-	61,846,286
Office equipment	6,615,607	371,389	-	(1,680,861)	(51,998)	134,356	5,388,493
Other equipment	15,521,324	218,703	-	(4,758,937)	(1,210,040)	1,551,431	11,322,481
	5,401,347,982	184,303,611	-	(264,582,265)	(4,079,664)	2,078,392	5,319,068,056

Pledged as security

No property, plant and equipment was pledged as security for any financial liability.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
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11. Heritage assets

	2014		2013	
	Valuation	Carrying value	Valuation	Carrying value
Historical buildings	4,747,835	4,747,835	4,747,835	4,747,835
Mayoral chains	2,356,514	-	2,356,514	-
Total	7,104,349	-	7,104,349	-

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514
	7,104,349	7,104,349

Reconciliation of heritage assets 2013

	Opening balance	Total
Historical buildings	4,747,835	4,747,835
Mayoral chains	2,356,514	2,356,514
	7,104,349	7,104,349

Pledged as security

No heritage asset was pledged as security for any financial liability.

12. Borrowings

At amortised cost

Annuity loan DBSA - 61000776 - 18,390,855

Structured unsecured 6.5 year loan for provision of infrastructure. The repayments frequency of the loan was equal instalments on a 6 monthly basis. The loan bared interest at a fixed rate of 12.5% (2013: 12.5%) on the loan and 14.5% (2013: 14.5%) on arrears. The original loan amount was R 20,226,071 and the redemption date was 31 December 2013.

Annuity loan DBSA - 61003941 - 146,479

Structured unsecured 20.75 year loan for provision of infrastructure. The repayments frequency of the loan was equal instalments on a 6 monthly basis. The loan bared interest at a fixed rate of 10% (2013: 10%) on the loan and 10% (2013: 10%) on arrears. The original loan amount was R 14,439,752 and the redemption date was 31 December 2013.

	-	18,537,334
	-	18,537,334

Total borrowings

No new long term borrowing agreements were entered into.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
12. Borrowings (continued)		
Current liabilities		
At amortised cost	-	18,537,334
Defaults and breaches		
The municipality defaulted on the repayment terms of the loans, the total balance was in arrear at the redemption date, R 19,889,019 (2013: R 18,537,334). The loans were not rescheduled and were redeemed on 31 December 2013. The proceeds of the RMB Guaranteed Investment Trust that matured on 13 December 2013 was used to redeem the loans. Refer to note 4.		
13. Finance lease obligations		
Minimum lease payments due		
- within one year	-	221,142
	-	221,142
Less: Future finance charges	-	(11,017)
Present value of minimum lease payments	-	210,125
Present value of minimum lease payments due		
- within one year	-	210,125
It is municipality policy to lease certain office equipment under finance leases. The average lease term was 5 years and the average effective borrowing rate was 13% (2013: 13%). Interest rates were linked to prime at the contract date. The leases had average escalation rates of 10% - 15% per annum and no arrangements have been entered into for contingent rent.		
The municipality's obligations under finance leases, as secured by the lessor's charge over the leased assets, expired during the year under review.		
Defaults and breaches		
The municipality did not default on the repayments during the current or prior reporting period. No terms and conditions for re-payment were renegotiated.		
The fair value of finance lease obligations approximates their carrying amounts.		
14. Trade and other payables		
Accrued bonus	8,403,688	7,578,514
Accrued leave pay	53,935,191	47,880,220
Deposits received - Halls and facilities	31,654	32,314
Eskom	422,430,094	157,317,420
Payments received in advance from consumer receivables	24,192,572	35,425,679
Salary control accounts	21,159,619	19,664,962
Sedibeng Water Board	903,261,162	617,206,194
Trade payables	172,555,783	185,449,508
	1,605,969,763	1,070,554,811

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
14. Trade and other payables (continued)		
Included in above is payables from exchange transactions		
Accrued bonus	8,403,688	7,578,514
Accrued leave pay	53,935,191	47,880,220
Eskom	422,430,094	157,317,420
Payments received in advance from consumer receivables	24,192,572	35,425,679
Salary control accounts	21,159,619	19,664,962
Sedibeng Water Board	903,261,162	617,206,194
Trade payables	172,555,783	185,449,508
	1,605,938,109	1,070,522,497

Included in above is payables from non-exchange transactions		
Deposits received	31,654	32,314

15. VAT payable

Value added tax (VAT)	-	6,718,239
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The municipality is registered on the cash basis for VAT purposes. Thus output VAT is declared on receipts once cash is received and input VAT is claimed on payments when actual payment is made.

VAT returns have been submitted and paid timeously to SARS by due date throughout the year.

16. Consumer deposits

Electricity and water	31,765,750	30,196,789
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Guarantees held in lieu of electricity and water deposits amounted to R 1,723,571 (2013: R 4,406,506).

Deposits are paid by consumers on application for new electricity and water connections. The deposits are repaid when the electricity and water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account balance.

No interest is paid to consumers on deposits held.

The carrying value of consumer deposits approximate their fair values.

17. Unspent conditional grants

Unspent conditional grants comprises of:

Unspent conditional grants and receipts		
Department of Water Affairs (DWA)	-	237,000
Integrated national electrification programme (INEP)	691,755	1,099,999
Municipal Infrastructure grant (MIG)	1,060,611	33,926,574
Sector Education and Training Authority (SETA)	1,749,189	2,285,743
Energy Efficiency and Demand Side Management Programme (EEDSM)	3,845,615	1,300,000
	7,347,170	38,849,316

The balances will be recognised as revenue when the qualifying expenditure is incurred. Refer to note 23 for detail of grants recognised as revenue from other spheres of government.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
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17. Unspent conditional grants (continued)

EEDSM, INEP, DWA & MIG grants were withheld from equitable share due to unfulfilled conditions for the current and prior reporting period.

18. Employee benefits

Post-retirement medical aid plan

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid benefits are in accordance with Resolution 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which states that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoyed the benefit of the subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows:

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norm of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement;
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norm of the cost of his or her medical scheme contributions as at the day immediately prior to the date of his or her retirement.

The members are made up out of in-service members 1,320 (2013: 1,360) and continuation members 182 (2013: 184).

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Discovery
- Hosmed
- Key-health
- LA Health
- Samwumed

Long service benefits

The municipality's liability for long-service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years service and every five years thereafter. These leave benefits are in accordance paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) is sued circular 1 of 2011 (Issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses is payable to employees for long service. Bonuses are payable in the following scales:

Years of service completed	Percentage of annual salary as bonus	Additional leave days
> 10 Years	3%	10 days
> 15 Years	4%	10 days
> 20 Years	5%	15 days
> 25 Years	6%	15 days
> 30 Years	6%	15 days
> 35 Years	6%	15 days

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

Carrying value		
Present value of the employee benefit obligations-wholly unfunded	(322,410,090)	(305,077,529)

These obligations are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these obligations.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
18. Employee benefits (continued)		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	305,077,529	245,392,909
Net expense recognised in the statement of financial performance	17,332,561	59,684,620
	322,410,090	305,077,529
Net expense recognised in the statement of financial performance		
Service cost	15,413,844	12,559,194
Interest cost	27,684,530	21,895,641
Actuarial (gains) / losses	(16,855,422)	33,558,523
Expected benefits paid	(8,910,391)	(8,328,738)
	17,332,561	59,684,620
Calculation of actuarial gains and losses		
Actuarial (gains) / losses – Obligation	(16,855,422)	33,558,523
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	9.00 %	9.10 %
Medical aid inflation rate	8.00 %	8.30 %
Net discount rate	0.93 %	0.74 %
Continuation percentage	90.00 %	90.00 %
Benefit levels, for active members the projected contributions were used at retirement for their current scheme option and for pensioner members their current scheme option as at 2014.		
Retirement age, it has been assumed that both male and female members retire at age 63. No allowance has been made for early retirement either due to ill health or at the option of the member.		
Continuation on medical aid at retirement, it was assumed that all surviving members to retirement will continue their medical aid membership in retirement.		
Pre-retirement, mortality of continuation members and withdrawal rates are in accordance with SA56-62 male and female tables.		
Post-retirement, mortality of continuation members and withdrawal rates are in accordance with PA(90) ultimate male and female tables with a 2 year reduction in age, assuming that there is a 4 year age difference between male and female spouse.		
The valuation is based on the Projected Unit Credit valuation method.		

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
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18. Employee benefits (continued)

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
Employee benefit obligations	252,550,841	355,957,160
Service and interest costs	35,730,359	45,119,658

The municipality expects to pay benefits of R 8,297,692 towards post-retirement medical aid and R 4,998,040 towards long service benefits to its employee benefits in the next financial year.

Amounts for the current and previous three years are as follows:

	2014 R	2013 R	2012 R
Employee benefit obligation	(322,410,090)	(305,077,529)	(245,392,909)

Defined contribution plans

The municipality makes provision for post-retirement benefits to all employees and councilors, who belong to different defined retirement contribution plans which are administered by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans.

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

The following plans are multi-employer funds and are defined contribution plans:

- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councilors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.

The amount recognised as an expense for defined contribution plans is	17,332,561	57,836,000
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Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
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19. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Contributions	Discounting	Total
Rehabilitation of landfill sites	6,550,000	11,195,373	452,605	18,197,978

Reconciliation of provisions - 2013

	Opening Balance	Contributions	Discounting	Total
Rehabilitation of landfill sites	5,100,000	1,041,490	408,510	6,550,000

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

Management has included the best estimated amount as the actual amount is uncertain. The payment of total closure and rehabilitation dates are uncertain.

The provision has been determined by an independent firm of consultants through investigation to determine the best estimated rehabilitation costs for the waste disposal sites at the end of its useful life.

The discount rate used for the landfill sites is based on a risk free rate which is in line with the useful life of the landfill sites.

The municipality has five active landfill sites, as per the asset register:

Landfill	Estimated useful life
Allanridge	20 years
Phomolong (Henneman)	9 years
Odendaalsrus	8 years
Virginia (Transfer Station)	20 years
Welkom	15 year

There were no landfill sites developed, planned, rehabilitated or closed during the current or prior year.

Matjhabeng Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
20. Financial Instruments disclosure		
Categories of financial Instruments		
2014		
Financial assets		
	At fair value	At amortised cost
Investments	-	10,580,227
Other receivables	-	4,922,346
Consumer receivables	-	539,574,793
Cash and cash equivalents	-	2,371,131
Non-current investments	322,082	15,777,435
Non-current consumer receivables	-	1,611,777
	322,082	574,837,709
Financial liabilities		
		At amortised cost
Trade and other payables		1,498,278,693
Consumer deposits		31,765,750
		1,530,044,443
2013		
Financial assets		
	At fair value	At amortised cost
Investments	-	19,308,161
Other receivables	-	3,594,273
Consumer receivables	-	147,448,132
Cash and cash equivalents	-	4,176,254
Non-current investments	302,600	13,654,651
Non-current consumer receivables	-	3,832,050
	302,600	192,013,521
Financial liabilities		
		At amortised cost
Borrowings		18,537,334
Finance lease obligation		210,125
Trade and other payables		960,005,436
Consumer deposits		30,196,789
Bank overdraft		6,187,309
		1,015,136,993

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
21. Revenue		
Commissions received	10,052,504	9,070,627
Dividends received	15,648	11,823
Fines	3,915,269	2,301,050
Government grants and subsidies	617,641,769	640,395,507
Interest received	129,041,338	104,566,744
Licences and permits	37,730	14,410
Other income	15,479,579	21,147,743
Property rates	192,976,982	176,827,344
Rental of facilities and equipment	10,303,659	11,234,091
Service charges	854,689,371	782,911,047
	1,834,153,849	1,748,480,386
The amount included in revenue arising from exchanges of goods or services are as follows:		
Commissions received	10,052,504	9,070,627
Dividends received	15,648	11,823
Interest received - investment	129,041,338	104,566,744
Licences and permits	37,730	14,410
Other income	15,479,579	21,147,743
Rental of facilities and equipment	10,303,659	11,234,091
Service charges	854,689,371	782,911,047
	1,019,619,829	928,956,485
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	192,976,982	176,827,344
Transfer revenue		
Government grants and subsidies	617,641,769	640,395,507
Fines	3,915,269	2,301,050
	814,534,020	819,523,901
22. Investment revenue		
Dividend revenue		
Unlisted shares - Local	15,648	11,823
Interest revenue		
Investments and call accounts	6,302,888	7,589,678
Interest charged on consumer receivables	122,738,450	96,977,066
	129,041,338	104,566,744
	129,056,986	104,578,567

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
23. Government grants and subsidies		
Operating grants		
Equitable share	423,409,000	430,648,000
Finance Management Grant (FMG)	1,550,000	1,500,000
Lejweleputswa District Municipality	-	1,900,000
Municipal Infrastructure Grant (MIG) - PMU	-	2,626,707
Municipal Systems Improvement Grant (MSIG)	890,000	800,000
Sector Education and Training Authority (SETA)	1,563,177	614,207
Expanded Public Works Program (EPWP)	1,000,000	-
National Treasury - Neighbourhood development programme	100,000	715,000
	<u>428,512,177</u>	<u>438,803,914</u>
Capital grants		
Department of Water Affairs (DWA)	-	6,722,790
Energy Efficiency and Demand Side Management Programme (EEDSM)	2,312,385	6,700,000
Integrated National Electrification Program (INEP)	908,244	3,156,420
Municipal Infrastructure Grant (MIG)	185,908,963	185,012,383
	<u>189,129,592</u>	<u>201,591,593</u>
	<u>617,641,769</u>	<u>640,395,507</u>

Equitable Share

In terms of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Finance Management Grant (FMG)

Current-year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	(1,550,000)	(1,500,000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to promote and support reforms to financial management and the implementation of the MFMA.

Lejweleputswa District Municipality

Current-year receipts	-	1,900,000
Conditions met - transferred to revenue	-	(1,900,000)
	<u>-</u>	<u>-</u>

The purpose of this grant is to assist with the repayment of the DBSA loans. All DBSA loans were settled at year end.

Municipal Infrastructure Grant (MIG) - PMU

Current-year receipts	-	2,626,707
Conditions met - transferred to revenue	-	(2,626,707)
	<u>-</u>	<u>-</u>

The purpose of this grant is to assist the municipality's project management unit who manage the capital projects to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
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23. Government grants and subsidies (continued)

Municipal systems improvement grant (MSIG)

Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(800,000)
	-	-

The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Sector Education and Training Authority (SETA)

Balance unspent at beginning of year	2,285,743	1,076,767
Current-year receipts	1,026,623	1,823,183
Conditions met - transferred to revenue	(1,563,177)	(614,207)
	<u>1,749,189</u>	<u>2,285,743</u>

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to do skills development among employees and improve the auditing skills for municipalities.

Department of Water Affairs (DWA)

Balance unspent at beginning of year	237,000	(475,804)
Current-year receipts	-	7,435,594
Conditions met - transferred to revenue	-	(6,722,790)
Grants withheld by National Treasury through equitable share	(237,000)	-
	<u>-</u>	<u>237,000</u>

Conditions still to be met - remain liabilities (see note 17).

The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.

Integrated national electrification program (INEP)

Balance unspent at beginning of year	1,099,999	869,419
Current-year receipts	1,600,000	3,387,000
Conditions met - transferred to revenue	(908,244)	(3,156,420)
Grants withheld by National Treasury through equitable share	(1,100,000)	-
	<u>691,755</u>	<u>1,099,999</u>

Conditions still to be met - remain liabilities (see note 17).

This grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Matjhabeng Local Municipality

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Notes to the Financial Statements

	2014 R	2013 R
23. Government grants and subsidies (continued)		
Energy Efficiency and Demand Side Management Programme (EEDSM)		
Balance unspent at beginning of year	1,300,000	-
Current-year receipts	6,158,000	8,000,000
Conditions met - transferred to revenue	(2,312,385)	(6,700,000)
Grants withheld by National Treasury through equitable share	(1,300,000)	-
	3,845,615	1,300,000

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant is to assist the municipalities to reduce their energy consumption through deployment of electricity and other energy saving measures.

Municipal infrastructure grant (MIG)

Balance unspent at beginning of year	33,926,574	8,900,863
Current-year receipts - DoRA	189,907,000	200,030,000
Current-year receipts - Thambanani	-	12,634,800
Conditions met (operating expenditure) - transferred to revenue	-	(2,626,706)
Conditions met - transferred to revenue	(185,908,963)	(185,012,383)
Grants withheld by National Treasury through equitable share*	(36,864,000)	-
	1,060,611	33,926,574

Conditions still to be met - remain liabilities (see note 17).

* In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

National Treasury - Neighbourhood development programme

Current-year receipts	100,000	715,000
Conditions met - transferred to revenue	(100,000)	(715,000)
	-	-

The purpose of this grant is to fund a project manager for the neighbourhood development programme.

Expanded Public Works Programme (EPWP)

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

The purpose of this grant is to subsidise municipalities to expand on work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Changes in level of government grants

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
23. Government grants and subsidies (continued)		
Based on the allocations set out in the Division of Revenue Act, 2013 (Act No. 2 of 2013), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
24. Other Income		
Connection fees	861,745	942,620
Disconnection fees	5,860,604	7,993,142
Meter fees	1,163,574	389,691
Monitoring fees	780,910	644,700
Services rendered	2,055,894	1,766,412
Sundry income	2,199,736	1,638,436
Sundry services	2,557,116	7,772,742
	15,479,579	21,147,743

25. Property rates

Rates received

Commercial	63,999,671	82,233,720
Residential	60,318,925	55,797,207
Small holdings and farms	33,907,352	4,797,318
State	34,751,034	33,999,099
	192,976,982	176,827,344

Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations

Commercial	2,307,336,900	3,121,777,900
Residential	10,854,774,850	10,799,898,850
Small holdings and farms	2,905,199,620	2,205,257,620
State	1,352,942,600	1,415,855,600
Exempted	1,290,096,168	1,284,242,168
	18,710,350,138	18,827,032,138

Valuations on land and buildings are performed every four years. The last general valuation roll came into effect on 1 July 2011, and is based on market-related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.

The next general valuation will be performed in the 2014/15 financial year and will be implemented on 01 July 2015.

The first R 75,000 of the valuation of residential property is exempted from rates.

26. Rental of facilities

Premises		
Premises	10,099,360	10,996,516
Facilities		
Rental of facilities	204,299	237,575

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
26. Rental of facilities (continued)	10,303,659	11,234,091
27. Service charges		
Sale of electricity	436,447,921	394,390,015
Sale of water	232,102,505	214,470,451
Sewerage and sanitation charges	115,035,234	106,639,893
Refuse removal	71,103,711	67,410,688
	854,689,371	782,911,047

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
28. Employee related costs		
Basic salaries	273,058,116	259,883,996
Bonuses	19,297,303	17,887,863
Pension	40,034,190	38,448,608
Other long term employee benefits	1,273,404	1,149,468
Group life insurance	1,163,737	1,100,284
Housing allowances	4,622,820	3,334,732
Leave pay provision charge	11,685,612	5,628,892
Medical aid	43,070,329	38,718,705
Other allowance	15,847,395	13,381,031
Overtime payments	44,043,877	35,796,050
Transport allowance	26,048,795	21,354,949
UIF	2,828,428	2,713,418
	482,974,006	439,397,996
Remuneration of Municipal Manager - Ramathebane G		
Annual Remuneration	1,229,440	1,234,225
Contributions to UIF, Medical and Pension Funds	223,944	219,063
	1,453,384	1,453,288
Remuneration of Chief Finance Officer - Tsoaell E T		
Annual Remuneration	165,055	-
Car Allowance	60,649	-
Contributions to UIF, Medical and Pension Funds	17,041	-
	242,745	-
The position of Chief Financial Officer was vacant in the prior year. The Chief Financial Officer was appointed on 1 May 2014, thus the remuneration reflected in the current year is for a period of 2 months.		
Remuneration of Director Infrastructure - Besani B		
Annual Remuneration	788,050	824,500
Car Allowance	-	274,957
Contributions to UIF, Medical and Pension Funds	1,069	1,689
	789,119	1,101,146
Remuneration of Director Corporate Services - Lepheana M F		
Annual Remuneration	1,189,015	167,347
Contributions to UIF, Medical and Pension Funds	1,785	149
	1,190,800	167,496
The Director Corporate Services was appointed on 2 May 2013, thus the remuneration reflected in the prior year is for a period of 2 months.		

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
28. Employee related costs (continued)		
Remuneration Director Strategic Support Services - Makhubu M		
Annual Remuneration	1,133,307	1,315,742
Contributions to UIF, Medical and Pension Funds	1,785	1,838
	1,135,092	1,317,580
Remuneration Director Community Services - Mogopodi M R E		
Annual Remuneration	915,894	829,559
Car Allowance	143,320	143,319
Contributions to UIF, Medical and Pension Funds	149,015	143,234
	1,208,229	1,116,112
Remuneration Director Local Economic Development - Msweli M		
Annual Remuneration	1,035,158	975,125
Car Allowance	132,000	132,000
Contributions to UIF, Medical and Pension Funds	42,610	38,891
	1,209,768	1,146,016
29. Remuneration of councillors		
Councillors - Part time	15,507,075	15,605,177
Executive Mayor	866,207	734,795
Mayoral Committee Members	6,350,362	5,207,490
Speaker	1,958,694	1,156,107
	24,682,338	22,703,569
In-kind benefits		
The Executive Mayor has use of a separate Council owned vehicle for official duties, one full-time driver and a bodyguard.		
The Speaker has use of a separate vehicle for official duties and a part-time driver.		
The Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.		
Remuneration Executive Mayor - Ngangelizwe S		
Annual Remuneration	524,858	498,684
Car Allowance	206,097	196,283
Contributions to UIF, Medical and Pension Funds	93,433	90,164
	824,388	785,131
Remuneration Speaker - Stofile C		

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
29. Remuneration of councillors (continued)		
Annual Remuneration	417,173	395,943
Car Allowance	164,877	157,026
Contributions to UIF, Medical and Pension Funds	77,751	75,136
	659,801	628,105
Remuneration Council Whip - Semela M		
Annual Remuneration	404,913	32,003
Car Allowance	154,572	12,268
Contributions to UIF, Medical and Pension Funds	58,805	4,800
	618,290	49,071
Remuneration Executive Councillor Policy and Planning - Khalipha T D		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Community Services - Kotzee D		
Annual Remuneration	363,030	370,257
Car Allowance	141,691	147,212
Contributions to UIF, Medical and Pension Funds	67,538	71,379
	572,259	588,848
The Councillor resigned on 22 May 2014, thus the remuneration reflected in the current year is for a period of 11 months.		
Remuneration Executive Councillor Finance - Mbana M A		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Technical Services - Menyatso K J		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Corporate Services - Mfebe M S E		
Annual Remuneration	389,887	370,256
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,847

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Notes to the Financial Statements

	2014 R	2013 R
29. Remuneration of councillors (continued)		
Remuneration Executive Councillor Social Services - Radebe M L		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Local Economic Development - Rubulana L		
Annual Remuneration	404,913	277,324
Car Allowance	154,572	104,578
Contributions to UIF, Medical and Pension Funds	58,805	38,153
	618,290	420,055
Remuneration Executive Councillor Public Safety - Sephiri M J		
Annual Remuneration	389,887	370,257
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	73,831	71,379
	618,290	588,848
Remuneration Executive Councillor Human Settlements - Taliwe F E		
Annual Remuneration	404,913	385,283
Car Allowance	154,572	147,212
Contributions to UIF, Medical and Pension Funds	58,805	56,353
	618,290	588,848
Remuneration Executive Councillor Special Programmes - Tlhone M L		
Annual Remuneration	483,118	370,656
Car Allowance	48,000	147,212
Contributions to UIF, Medical and Pension Funds	87,172	70,980
	618,290	588,848
Remuneration Executive Councillor Public Accounts - Maslenyane M D		
Annual Remuneration	30,110	-
Car Allowance	12,022	-
Contributions to UIF, Medical and Pension Funds	5,957	-
	48,089	-

The Councillor was appointed on 1 June 2014, thus the remuneration reflected in the current year is for a period of 1 month.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
30. Depreciation and impairment		
Property, plant and equipment	268,817,271	266,009,824
Investment property	6,691,979	6,691,979
	275,509,250	272,701,803
31. Finance costs		
Employee benefits	27,684,530	21,895,641
Borrowings	1,388,598	2,961,731
Trade and other payables	103,216,290	85,606,742
Finance lease obligations	33,287	777,777
Cash and cash equivalents	78,762	88,685
Provisions	452,605	408,510
	132,854,072	111,739,086
32. Debt Impairment		
Contributions to consumer receivables debt impairment provision	38,941,330	346,176,905
33. Bulk purchases		
Electricity	336,813,554	327,755,991
Water	328,431,685	270,289,502
	665,245,239	598,045,493
34. Contracted services		
Legal services	20,772,889	32,576,585
Meter reading services	22,693,330	21,160,310
Professional services	53,327,112	25,811,183
Security services	23,632,318	18,737,755
Valuation services	-	126,843
	120,425,649	98,412,676
35. Grants and subsidies paid		
Other subsidies		
Indigent subsidies	29,457,023	27,271,345

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
36. General expenses		
Advertising	3,720,629	2,904,870
Assets expensed	140,204	259,529
Audit fees - external	7,277,976	6,047,409
Bank charges	4,002,975	2,293,271
Chemicals	162,566	790,152
Cleaning	603,455	614,927
Community development and training	1,509,331	13,598,426
Conferences and seminars	75,061	108,940
Donations	-	173,684
Entertainment	517,009	960,483
Insurance	27,618,378	18,323,031
License fees	4,650,936	4,065,520
Marketing	-	64,137
Medical expenses	-	547,556
Motor vehicle expenses	41,769,299	41,774,673
Operating cost of equipment	20,486,135	14,269,921
Pest control	158,154	2,996
Printing and stationery	1,781,236	1,956,806
Skills development levies	4,191,792	3,885,783
Subscriptions and membership fees	5,040,349	4,541,951
Sundry expenses	1,322,304	1,428,067
Telephone and fax	11,274,681	11,659,901
Training	9,733,718	1,232,258
Travel	2,947,291	3,296,092
Uniforms	1,907,058	3,751,963
Utilities	27,908,811	(2,411,058)
	178,799,348	136,141,288
37. Fair value adjustments		
Employee benefits	16,855,422	(33,558,523)
Investments		
Unlisted shares	19,482	15,283
	16,874,904	(33,543,240)
38. Loss on disposal of assets		
Loss on disposal of assets	(3,322,618)	-
39. Comparative figures		

Certain comparative figures have been reclassified to disclose and provide information that is more relevant to the users of the financial statements and to show each material class of similar items separately in the financial statements. Thus to present items of dissimilar nature or function separately in the financial statements.

The effects of the reclassification are as follows:

Statement of Financial Position	
Increase in Other receivables	64,589
Decrease in Trade and other payables	1,573,564
Increase in Consumer deposits	(1,638,154)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
39. Comparative figures (continued)		
Statement of Financial Performance		
Decrease in Employee related costs		(4,075,181)
Decrease in Finance cost		(20,409,000)
Decrease in Contracted services		(6,047,409)
Increase in Grants and subsidies paid		27,271,345
Decrease in General expenses		(21,223,936)
Increase in Fair value adjustments		24,484,181

40. Prior period errors

The following errors relating to prior year were identified in the current period and have been adjusted as indicated below:

- Property, plant and equipment were understated by R 5,699,193 as the changes in the measurement of the provision for the rehabilitation of landfill site liability were incorrectly expenses instead of capitalising it to the cost of the related asset in the current period, as per IGRAP 2: Changes in existing decommissioning restoration and similar liabilities.

- Unspent conditional grants were overstated by R 39,687,372 as grants should have been recognised as grant income in the prior year when the qualifying expenditure were incurred.

- Trade and other payables were overstated with water purchases from Sedibeng Water Board that were incorrectly accounted for in the prior year to the amount of R 119,232.

- Trade and other payables were understated with electricity purchases from Eskom that were omitted in the prior year to the amount of R 2,262,814.

- Long service awards for employees on the new bonus structure were not previously recognised in the financial statements to the amount of R 22,592,529.

- Other receivables were overstated in the prior year by an amount of R 85,714 due to an unsupported claim against the Department of Health that had prescribed.

- Consumer receivables were overstated in the prior year by an amount of R 838,255 due to outstanding consumer deposits that were incorrectly included as outstanding consumer receivables.

- Management initiated a project to address the asset management challenges and appointed a consultant to recreate the asset registers to be GRAP compliant. Restatements were made due to omissions, duplications, incorrect classifications and the reconstruction of the capital work in progress schedule. Property, plant and equipment was restated and decreased by R 292,136,438, investment property increased by R 81,061,771, heritage assets increased by R 7,104,349, inventory was decreased by R 382,051,253 and VAT payable was decreased by R 295,237.

The correction of the errors results in adjustments as follows:

Statement of Financial Position		
Decrease in Inventory	(382,051,253)	(382,051,253)
Decrease in Other receivables	(85,714)	(85,714)
Decrease in Consumer receivables	(838,255)	(838,255)
Increase in Investment property	81,061,771	81,061,771
Decrease in Property, plant and equipment	(292,136,438)	(292,136,438)
Increase in Heritage assets	7,104,349	7,104,349
Increase in Trade and other payables	(2,143,582)	(2,143,582)
Decrease in VAT payable	295,237	295,237
Decrease in Consumer deposits	838,255	838,255
Decrease in Unspent conditional grants	39,687,372	39,687,372
Increase in Employee benefits	(22,592,529)	(22,592,529)
Decrease in Accumulated surplus	607,963,246	642,864,211

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
40. Prior period errors (continued)		
Statement of Financial Performance		
Increase in Government grants and subsidies	-	(34,050,450)
Increase in Employee related cost	-	155,456
Increase in Depreciation and amortisation	-	12,238,232
Increase in Finance costs	-	1,895,151
Decrease in Repairs and maintenance	-	(14,391,490)
Increase in Bulk purchases	-	1,880,335
Decrease in General expenses	-	(601,000)
Increase in Fair value adjustments	-	207,523
41. Cash generated from (used in) operations		
Deficit	(138,998,288)	(362,656,499)
Adjustments for:		
Depreciation and amortisation	275,509,250	272,701,803
(Gain) / loss on disposal of assets	3,322,618	-
Fair value adjustments	(16,874,904)	33,543,240
Debt impairment	38,941,330	346,176,905
Non-cash movements in employee benefits	6,503,453	24,973,365
Non-cash movements in provisions	11,195,373	1,041,490
Non-cash movements in investment properties	-	(64,861,969)
Non-cash movements in heritage assets	-	(7,104,349)
Grants and subsidies paid	29,457,023	27,271,345
Prior period errors - Note 40	-	(606,464,453)
Other non-cash items	-	(437,765)
Finance costs	132,775,312	111,650,401
Interest received	(129,056,986)	(104,578,567)
Changes in working capital:		
Inventories	(3,488,772)	382,072,251
Other receivables	(1,328,073)	2,127,687
Consumer receivables	(335,566,291)	(271,534,613)
Trade and other payables	432,198,662	72,115,478
VAT	(25,060,990)	(22,456,812)
Consumer deposits	1,568,961	2,260,002
Unspent conditional grants	(31,502,146)	25,302,769
	249,595,532	(138,858,291)

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
· Property, plant and equipment	75,866,302	13,950,527
Not yet contracted for and authorised by accounting officer		
· Property, plant and equipment	-	402,351,110
This committed expenditure relates to infrastructure assets and will be financed by available bank facilities, existing cash resources, grants and funds internally generated.		
Operating expenditure		
Operating expenditure	29,694,695	-
Operating expenditure - open orders	3,085,553	8,155,451
Professional fees	8,376,370	10,373,321
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	402,864	261,462
- in second to fifth year inclusive	544,265	947,128
	947,129	1,208,590

The municipality has operating lease agreements for the following classes of assets:

- Motor vehicles
- Software licenses

Leases are negotiated for an average term of three years and rentals are fixed for the three years. There are no annual escalations in the contracts and no contingent rent is payable.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
43. Contingencies		
The Municipality has the following contingent liabilities:		
Court proceedings:		
The following cases against the municipality have been recorded as contingent liabilities as there is uncertainty as to the outcome of the cases. The municipality is defending the cases. The potential legal costs have not been included in the claims.		
Koth Properties		
Koth Properties was appointed to prepare general valuation to be executed and completed. The agreement was terminated by the municipality due to failure to meet time frame agreed upon and submission of report which is characterized by a lot of omissions, uncertainties and confusion. Koth Properties issued a combined summons against the municipality for breach of contract.	14,400,000	14,400,000
Fujitsu Services (Pty) Ltd		
The municipality was issued with a combined summons from Fujitsu Services (Pty) Ltd. Fujitsu Services (Pty) Ltd alleged that a contract was entered into for "customer improvement service framework agreement". In terms of the agreement the plaintiff undertook to design, implement and deliver customer care improvement services and same was alleged to have been performed and invoices were produced to the municipality for payment.	7,051,943	7,051,943
Chief Chunda & Associates		
On 28 June 2013, the municipality was served with summons from Chief Chunda & Associates. The service provider alleges that they were appointed for the implementation of a water conservation and demand management program in February 2011. They further alleged to have discharged their obligations as per the agreement and as a result of the municipality's unlawful conduct he had suffered damages.	6,710,263	-
Afribatho Design		
During October 2013, notice of proposed legal proceedings and letter of demand was issued by Messrs Symington & De Kok acting on behalf of the plaintiff. Subsequently a summons as served to the municipality on 22 November 2013 by the plaintiff claiming payment together with interests for professional services rendered in respect of the service agreement. The municipality is defending the main action and application for exception is scheduled for August 2014.	5,870,235	-
Tanker Project Solutions CC		
The municipality was issued with a combined summons from Tanker Project Solutions CC claiming payment. Tanker Project Solutions CC alleged that they entered into a written agreement wherein they would act as a consultant for the municipality in respect of the planning, design, supervision of infrastructure projects, development and implementation of technical assistance projects in terms of tender notice 29/2009.	3,000,000	3,971,025
MMS Collections (Pty) Ltd		
The municipality was issued with letter of demand, claiming payment for an amount alleged to be agreed between the parties involved. The municipality has since instructed its attorneys to settle the matter out of court. The municipality is engaging with the plaintiff attorneys on settlement negotiations.	2,870,649	2,870,649
Ramabulana Investment Services (Pty) Ltd		
The municipality was served with combined summons from Ramabulana Investment Municipality Services (Pty) Ltd. The plaintiff alleges that they have performed in terms of the contract and the defendants are refusing / reluctant to remunerate for service rendered. The municipality has opposed the application and in addition has also filed a counter application.	1,821,367	1,821,367
Mr. C G Jacobs		

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
43. Contingencies (continued)		
Mr. Jacobs, an employee of Council, indicated in 2003 of his intention to resign from the municipality at the retirement age of 60 (sixty). A few days before his retirement, he was advised by a fellow colleague, to reserve his rights in the matter as there was a strong indication that the rules of the Free State Pension Fund were to change allowing employees to retire only at the age of 65. Although Mr. Jacobs wrote to Council informing it that he reserves his right not to retire pending the outcome of the decision of the Free State Pension Fund, he (Mr. Jacobs) filled out the application forms for his pension funds to be released which subsequently occurred. Council informed him on 1 October 2003 to vacate his office. The Municipality lost its arguments at arbitration. The matter was removed from the roll pending settlement negotiations. Facts and witnesses need to be prepared in order to rebut the plaintiff's allegations.	1,881,172	1,881,172
Mr. F S Sale & 82 Others The plaintiffs in the matter herein alleges that they are entitled to certain amount of payment for work performed on Saturdays and Sundays since 2004. They further allege that notwithstanding their demands the municipality refuses and/or neglects to pay such services. A round table meeting has been arranged with respective departments on a way forward and in an attempt to establish the defence.	1,579,966	-
Gain Industries CC & Craft Hydraulic Services On 23 April 2013, the municipality was served with summons by the plaintiff. Plaintiff alleges that he rendered professional services to the municipality during 2012 on the municipality's special request and instance. The matter has been set down for 28-29 October 2014.	360,628	-
Mr. T J Njilo On 20 August 2012, a notice was issued against Mr. Njilo for contravening with section 4 of the National Building Regulations and Building Standard Act 103 of 1977 in that he erected illegal structure made to the property on the ground that the buildings do not comply with the provisions of the National Building Regulations and Building Standard Act 103 of 1977. The application was dismissed on a pint in limine that the municipal manager does not have the locus standi to launch such application. The matter was the taken on appeal.	100,000	-
Mr. J J Human Mr. Human was appointed as an audit committee member for the municipality. He further indicated that subsequent to his appointment he attended several meetings as scheduled. He was paid R 11,855 for all sittings as well as travel costs however there are still amounts outstanding. On 29 April 2013 Mr. Human issued summons against the municipality.	19,422	19,000
V&V Consulting Engineers Summons issued against the municipality, wherein the municipality was sued for failure to pay V&V Consulting Engineers for services rendered. The matter has been settled out of court between the municipality and V&V Consulting Engineers.	-	2,049,969
Department of Labour The municipality has not submitted the 2012/13 financial information to the department. Thus the department hasn't assessed the municipality for the 2013/14 financial year's workmen's compensation insurance.	4,562,639	-
	50,228,284	34,065,125

Contingent assets

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R

43. Contingencies (continued)

Remuneration of councillors

The municipality did not remunerate its political office bearers and members of its political structures within the framework of the Public Offices Bearers Act, 1998 (Act. No. 20 of 1998) due to differences of opinion of the grading of the municipality. In terms of section 167(2) of the MFMA, the municipality must recover these overpayments.

These amounts have not been accounted for as a receivable at year-end as there is currently uncertainty surrounding the outcome of the dispute. The grading of the municipality will be finalised once a conclusion is reached based on the meeting to be held between the municipality, SALGA and CoGTA.

Supply of bulk electricity - Eskom

The validity of the electricity supply agreement between the municipality and Eskom, the billing system used, tariffs applied and the charging of compound interest since 2000 are disputed. Resolution of this dispute may result in recovery/adjustment of amounts paid/billed.

Supply of bulk water - Sedibeng Water Board

Charges for the supply of water and arrear interest by Sedibeng Water Board, to the value of R 570,000,000 are disputed by the municipality. The attorneys have advised the municipality that the amount of R 570,000,000 in their view has prescribed. They further advised that should the matter finally reach the court, there are prospects of success that the court may rule in favour of the municipality. Furthermore, should judgement be in favour of the municipality the total amount owed to Sedibeng Water Board will be significantly reduced. Resolution of this dispute may result in recovery/adjustment of amounts paid/billed.

44. Related parties

Related party relationships

Members of key management
Members of the Council

Refer to general info and note 27 - Employee related costs
Refer to general info and note 28 - Remuneration of councillors

Related party balances

No related party balances were identified for the current and prior reporting period.

Related party transactions

Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These transactions are recorded at arm's length.

45. Change in estimate

Property, plant and equipment

The useful life of certain moveable assets were estimated in the prior year. In the current period management have revised their estimates. The effect of this revision has increased the depreciation charges for the current and future periods by R 1,529,497.

There is no impact on the cash flow statement due to the increase in depreciation as it is a non-cash item.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
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46. Financial sustainability

The municipality is experiencing financial difficulties, indicators are as follow:

- Suppliers were not paid within the legislative 30 days;
- There are a material increase in outstanding trade and other payables;
- Unspent conditional grant liabilities are not backed up by available cash balances;
- Employee benefit obligations are unfunded;
- Slow collection and low recoverability of outstanding consumer receivables; and
- Unfavourable financial ratio's.

The municipality is exploring alternative options to improve its financial position.

Although certain financial ratio's may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2013 (Act No. 2 of 2013).

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 liabilities and commitments will occur in the ordinary course of business.

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

47. Events after the reporting date

Uncertainty existed over the recoverability of indigent household's debts, prescribed debts older than three years, housing loan accounts and inactive accounts accumulating interests since the migration to the E-venus accounting systems.

Council in 2014/2015 financial year approved the following write off for consumer receivables:

Indigent households	617,014,091
Accounts accruing interest (no services)	3,100,262
Residential amounts (3 years and older)	306,870,779
Housing loan accounts	936,543
Total	927,921,675

The balances above include accumulating interest since the reporting. These consumer balances were included in the provision for impairment of consumer receivables at the reporting date therefore not abscessed as an adjusting event for the current financial year.

48. Unauthorised expenditure

Opening balances	3,244,888,921	2,534,989,019
Unauthorised expenditure - operating expenditure	453,240,006	719,253,752
Unauthorised expenditure - capital assets	-	110,840,600
Unauthorised expenditure - condoned	-	(120,194,450)
	3,698,128,927	3,244,888,921

Unauthorised expenditure relate to expenditure incurred that were not budgeted for per department vote (budget overspending).

The unauthorised expenditure are not recoverable and no criminal or disciplinary steps have been taken as a result of such unauthorised expenses.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
49. Fruitless and wasteful expenditure		
Opening balance	233,871,316	157,779,893
Fruitless and wasteful expenditure	103,397,549	76,091,423
	337,268,865	233,871,316

Fruitless and wasteful expenditure include interest charged for late payment to suppliers.

The fruitless and wasteful expenditure are not recoverable, no criminal or disciplinary steps were taken as a result of the expenditure and were written off in the year incurred.

50. Irregular expenditure

Opening balance	399,533,588	397,787,370
Irregular expenditure	85,126,150	1,746,218
	484,659,738	399,533,588

51. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and processes for measuring and managing financial risks. The Council has overall responsibility for the establishment and oversight of the municipality's risk management framework.

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide municipal services and infrastructure development and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists out of debt, which includes borrowings in note 12, finance leases in note 13, cash and cash equivalents disclosed in note 8 and net assets as disclosed in the Statement of Financial Position.

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

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
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51. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	1,498,278,693	-	-	-
Consumer deposits	31,765,750	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	18,537,335	-	-	-
Finance lease obligations	210,125	-	-	-
Trade and other payables	960,005,436	-	-	-
Consumer deposits	30,196,789	-	-	-
Bank overdraft	6,187,309	-	-	-

Credit risk

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.

Credit risk consists mainly of investments, cash deposits, cash equivalents, consumer and other receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The municipality limits its credit risk by only banking and investing with registered financial institutions, in terms of the Banks Act, 94 of 1990, operating in South Africa. Given the high credit rating of these financial institutions the municipality does not expect any counterparty to fail to meet its obligation.

Consumer 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.

Non-current consumer receivables and other receivables are individually evaluated annually at year end for impairment and discounting.

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

Financial instrument	2014	2013
Current investments	10,580,227	19,308,161
Other receivables	4,922,346	3,594,273
Current consumer receivables	539,574,793	147,448,132
Cash and cash equivalents	3,253,558	4,176,254
Non-current investments	16,099,517	13,957,251
Non-current consumer receivables	1,611,776	3,832,050

Market risk

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
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51. Risk management (continued)

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term loans.

The municipality's interest rate risk arises from long-term borrowings and finance lease obligations. Instruments issued at variable rates expose the municipality to cash flow interest rate risk. Instruments issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality had no long-term floating rate financial instruments at year end requiring an interest rate sensitivity analysis.

Financial liabilities which expose the municipality to interest rate risk were as follows:

Financial Instrument	2014	2013
Finance lease obligations	-	18,537,334
Borrowings	-	210,125

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality does not invest in more equity securities as it is prohibited by the MFMA.

Surplus and deficit for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year membership fee	5,018,120	4,539,555
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Being the subscription fee to the South African Local Government Association (SALGA).

Material losses

Distribution losses - Electricity	91,916,893	45,607,808
Distribution losses - Water	107,189,324	97,549,210
	<u>199,106,217</u>	<u>143,157,018</u>

There were no material losses through criminal conduct.

Audit fees

Opening balance	2,842,959	157,392
Fees	7,354,734	6,047,409
Payments	(5,106,511)	(3,361,842)
	<u>5,091,182</u>	<u>2,842,959</u>

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE, UIF and SDL		
Opening balance	5,261,653	4,563,802
Current year payroll deductions and council contributions	67,264,469	59,216,697
Amount paid - current year	(61,184,891)	(53,955,044)
Amount paid - previous years	(5,261,654)	(4,563,802)
	<u>6,079,577</u>	<u>5,261,653</u>
Pension and medical aid deductions		
Opening balance	9,449,657	8,713,489
Current year payroll deductions and council contributions	118,608,372	109,427,968
Amount paid - current year	(108,565,840)	(99,978,311)
Amount paid - previous years	(9,449,657)	(8,713,489)
	<u>10,042,532</u>	<u>9,449,657</u>

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Councillors' arrear consumer accounts		
The following Councillors had accounts outstanding at 30 June 2014:		
30 June 2014	Outstanding more than 90 days R	Total R
Badenhorst M J	8,779	8,779
Banyane M E	1,156	1,156
Fanie D S	2,746	2,746
Mabote T L	662	662
Mholo P P	7,915	7,915
Mlangeni M G	720	720
Molelekoa P M I	1,005	1,005
Motshabi M P	3,265	3,265
Ntlele K I	20,455	20,455
Ntsebeng M H	16,289	16,289
Phetise M E	13,818	13,818
Qwesha S W	18,648	18,648
Semela M J	61,984	61,984
Speelman N W	34,810	34,810
Tlhoni M L	22,878	22,878
Tsubane M E	50,879	50,879
Twanana M	10,927	10,927
	276,936	276,936
30 June 2013	Outstanding more than 90 days R	Total R
Fanie D S	831	831
Fourie J	3,397	3,397
Kabi M	500	500
Khalipha T D	5,180	5,180
Mabote T L	12,920	12,920
May F G	10,684	10,684
Menyatso K J	500	500
Mholo P P	300	300
Mokwena S W	16,772	16,772
Molelekoa P A	57	57
Motshabi M P	1,030	1,030
Ntlele K I	6,687	6,687
Ntsebeng M H	11,273	11,273
Ntsui M L	19,386	19,386
Phetise M E	17,418	17,418
Semela M J	63,377	63,377
Speelman N W	21,525	21,525
Stofile B	2,000	2,000
Taliwe F E	2,593	2,593
Tsubane M E	42,983	42,983

Matjhabeng Local Municipality

Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014 R	2013 R
52. Additional disclosure in terms of Municipal Finance Management Act (continued)		
	<u>239,413</u>	<u>239,413</u>

53. Budget differences

Material differences between budget and actual amounts

Variance Explanations

The budget is approved on an accrual basis by functional classification. The budget and the accounting bases are both on the accrual basis. The annual financial statements are prepared using the functional classification of expenses in the Statement of Financial Performance.

Basis for material differences between budget and actual amounts

It is general practice to deem a 10% deviation on operational revenue, operating expenditure and capital expenditure versus the final budget as material.

Explanations for material variances relating to the Statement of Financial Performance is set out as follows:

Interest received – The main reason for the variance is a result of the higher consumer receivable base.

Other income – The main reason for the variance is the increase in disconnection fees as part of the collection process and the under budgeting in meter fees which also increased as a result of the collection process.

Rental of facilities – The main reason for the variance is as a result of the under budgeting for rental facilities.

Service charges – The main reason for the variance is dependent on consumption.

Fines – The main reason for the variance is due to excessive budgeting.

Government grants and subsidies – The main reason for the variance is that the format of the budget change, in the past the capital grants did not form part of the statement of the financial performance, however this year it was budgeted for.

Property rates – The main reason for the variance is as a result of the dispute being resolved between the National and Provincial government. The two departments paid their arrears during the financial year.

Employee related costs – The variance is regarded as reasonable, however the decrease is as a result of vacancies been budgeted for which were not filled during the financial year.

Depreciation and amortization – The municipality did not budget for deprecation (non-cash item).

Finance cost – The reason for the variance is as a result of the interest due on overdue bulk purchase creditors.

Debt impairment – The budget made provision for debt write-off which did not materialized during the financial year. The write happened subsequent to year end.

Repairs and maintenance – The reason for the variance is due to the under spending on the budget which resulted from the cash flow constraints experienced during the year.

Bulk purchases – The main reason for the variance is due to the mismatch between payments and expenses.

Contracted services – The main reason for the variance is due to increase in contract workers.

General expenses – The main reason for the variance is due to the mismatch between payments and expenses.

Fair value adjustments – The variance is mainly due to the non-cash items on the actuarial adjustments on employee benefits.

Matjhabeng Local Municipality
Financial Statements for the year ended 30 June 2014

Notes to the Financial Statements

	2014	2013
	R	R

53. Budget differences (continued)

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

54. 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 financial statements.

Deviations	Sole supplier	Emergency	Total
July 2013	115,995.90	224,453.28	340,449.18
August 2013	7,000.00	305,708.39	312,708.39
September 2013	523,751.00	547,172.00	1,070,923.00
October 2013	271,995.29	87,244.20	359,239.49
November 2013	166,640.80	166,567.26	333,208.06
December 2013	205,775.00	569,514.08	775,289.08
January 2014	44,950.20	37,547.61	82,497.81
February 2014	-	374,429.51	374,429.51
March 2014	381,423.69	2,016,473.09	2,397,896.78
April 2014	40,350.00	2,161,201.01	2,201,551.01
May 2014	53,470.92	1,183,943.43	1,237,414.35
June 2014	65,056.04	663,743.36	728,799.40
	1,876,408.84	8,337,997.22	10,214,406.06

Appendix A
June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013		Interest capitalised / Additions		Redeemed / written off during the period		Balance at 30 June 2014		Carrying Value of Property, Plant & Equip		Other Costs in accordance with the MFMA	
		Rand		Rand		Rand		Rand		Rand		Rand	
102978/1 8110/102	2013/12/31	18,390,856		1,344,297		19,735,153		-		-		-	
	2013/12/31	146,480		7,387		153,867		-		-		-	
		18,537,336		1,351,684		19,889,020		-		-		-	
		18,537,336		1,351,684		19,889,020		-		-		-	
Total external loans													

Development Bank of South Africa (DBSA)

DBSA (61000776) - 14.5%
DBSA (61003941) - 10.0%

APPENDIX B

Analysis of Property, plant and equipment as at 30 June 2013

	COST			ACCUMULATED DEPRECIATION			ACCUMULATED IMPAIRMENT		CARRYING VALUE
	Opening balance Rand	Additions Rand	Disposals Rand	Closing balance Rand	Opening balance Rand	Depreciation Rand	Closing balance Rand	Impairment Rand	Carrying value closing balance Rand
Land									
Land	223,069,175.77	-	-	223,069,175.77	-	-	-	-	223,069,175.77
Investment	322,795,116.89	-	-	322,795,116.89	4,316,121.98	290,767.03	4,556,889.01	-	313,248,227.88
Subtotal	545,864,292.66	-	-	545,864,292.66	4,316,121.98	290,767.03	4,556,889.01	-	541,307,603.65
Buildings									
PPE	172,723,130.67	108,194,319.00	-	280,917,449.67	18,113,388.87	7,052,518.65	25,165,907.52	-	255,752,542.15
Investment	192,096,355.20	-	-	192,096,355.20	44,946,949.87	6,401,211.84	51,348,161.71	-	140,648,193.49
Community	424,797,116.90	-	-	424,797,116.90	116,807,899.43	25,434,722.16	142,242,621.59	-	282,554,495.31
Subtotal	789,616,602.77	108,194,319.00	-	897,813,965.67	73,867,238.17	30,488,452.65	218,756,691.82	-	659,057,263.85
RDP Heritage									
RDP Inventory	321,632,433.75	-	-	321,632,433.75	-	-	-	-	321,632,433.75
Heritage	4,747,834.61	-	-	4,747,834.61	-	-	-	-	4,747,834.61
Subtotal	326,379,268.36	-	-	326,379,268.36	-	-	-	-	326,379,268.36
Total properties	1,641,751,553.19	108,194,319.00	-	1,749,945,872.19	183,383,320.15	39,779,220.68	222,522,540.83	-	1,527,423,331.36
Infrastructure									
Buildings	176,772,543.76	-	-	176,772,543.76	90,159,358.82	6,336,459.43	96,495,818.25	-	80,276,725.51
Solid waste disposal	82,107.43	-	-	82,107.43	41,033.71	2,052.69	43,064.40	-	39,043.03
Roads	5,006,822,381.25	4,907,936.48	-	5,011,730,317.73	2,435,114,039.72	131,654,672.04	2,566,784,991.76	-	2,444,945,326.97
Electricity	1,400,883,145.98	-	-	1,400,883,145.98	1,400,883,145.98	1,400,883,145.98	2,801,766,291.96	-	1,599,116,854.02
Sewerage	1,400,883,145.98	-	-	1,400,883,145.98	1,400,883,145.98	1,400,883,145.98	2,801,766,291.96	-	1,599,116,854.02
Water	700,016,703.37	-	-	700,016,703.37	380,005,596.96	15,869,138.21	413,884,735.17	-	286,082,038.20
Subtotal	6,352,558,838.58	4,907,936.48	-	6,357,466,775.06	4,145,079,876.35	205,870,621.75	4,350,950,498.10	-	4,006,466,276.96
Total infrastructure	6,352,558,838.58	4,907,936.48	-	6,357,466,775.06	4,145,079,876.35	205,870,621.75	4,350,950,498.10	-	4,006,466,276.96
Total	9,994,300,186.77	116,102,255.48	-	10,110,402,442.25	4,328,463,196.50	245,649,842.43	4,571,513,038.93	-	5,538,889,403.32

APPENDIX B

Analysis of Property, plant and equipment as at 30 June 2014

	COST				ACCUMULATED DEPRECIATION				ACCUMULATED IMPAIRMENT		CARRYING VALUE	
	Opening balance Rand	Additions Rand	Disposals Rand	Closing balance Rand	Opening balance Rand	Depreciation Rand	Depreciation on additions 2013/2014 Rand	Disposals Rand	Opening balance Rand	Impairment Rand	Closing balance Rand	Carrying value closing balance Rand
Land												
Investment	223,009,175.77	-	1,496,475.00	224,505,650.77	-	290,707.03	-	-	-	-	-	223,009,175.77
Subtotal	322,795,316.89	-	-	321,298,841.99	4,506,889.01	290,707.03	-	-	4,797,656.04	-	-	316,501,185.85
Buildings												
PPE	545,854,491.66	-	1,496,475.00	544,358,017.66	4,506,889.01	290,707.03	-	-	4,797,656.04	-	-	539,570,361.62
Investment	285,917,449.67	83,068,625.84	-	368,986,075.51	25,164,907.52	8,917,488.98	-	-	34,082,396.50	-	-	329,903,679.01
Community	107,036,355.20	-	-	107,036,355.20	51,344,161.71	6,400,211.84	-	-	57,746,373.55	-	-	154,286,981.65
Subtotal	404,799,116.30	-	-	404,799,116.30	76,509,069.23	15,317,690.82	-	-	92,152,764.39	-	-	237,636,351.91
RDP Heritage	877,796,911.17	83,860,625.84	-	961,657,537.01	226,059,633.42	40,739,423.58	-	-	236,860,675.80	-	-	724,796,861.21
RDP Inventory	321,622,423.75	-	-	321,622,423.75	-	-	-	-	-	-	-	321,622,423.75
Heritage	4,747,834.61	-	-	4,747,834.61	-	-	-	-	-	-	-	4,747,834.61
Subtotal	326,370,258.36	-	-	326,370,258.36	-	-	-	-	-	-	-	326,370,258.36
Total properties	1,340,595,672.19	83,954,625.84	1,496,475.00	1,381,557,823.03	222,562,548.03	40,844,121.01	-	-	343,606,211.84	-	-	1,557,951,611.19
Infrastructure												
Buildings	176,772,543.76	-	-	176,772,543.76	96,495,818.25	6,336,459.43	-	-	102,832,277.68	-	-	73,940,266.08
Solid waste disposal	82,107.43	-	-	82,107.43	43,106.40	2,032.69	-	-	45,139.08	-	-	36,968.34
Roads	5,011,730,227.73	58,231,814.13	2,886,704.69	5,069,235,337.17	2,586,763,713.76	131,697,404.91	150,925.26	1,007,240.32	2,697,609,802.61	-	-	2,369,465,524.56
Electricity	1,400,383,143.98	-	-	1,400,383,143.98	33,380,602.51	3,380,602.51	-	-	766,006,080.17	-	-	834,346,463.81
Water	1,000,000,000.00	-	-	1,000,000,000.00	50,000,000.00	50,000,000.00	-	-	1,050,000,000.00	-	-	950,000,000.00
Vehicle	200,015,770.97	-	-	200,015,770.97	413,934,738.17	15,860,188.21	-	-	429,894,918.38	-	-	270,120,852.59
Subtotal	8,357,415,770.06	58,231,814.13	2,886,704.69	8,412,763,879.50	4,350,860,498.10	205,913,358.61	150,925.26	1,007,240.32	4,556,807,536.64	-	-	3,856,744,342.86
Total infrastructure	8,357,415,770.06	58,231,814.13	2,886,704.69	8,412,763,879.50	4,350,860,498.10	205,913,358.61	150,925.26	1,007,240.32	4,556,807,536.64	-	-	3,856,744,342.86
Total	10,107,402,442.25	142,186,440.97	4,383,179.69	10,244,319,702.93	4,573,533,038.93	246,957,544.62	150,925.26	1,007,240.32	4,813,612,268.48	-	-	5,424,705,434.05

INFORMAL SETTLEMENTS IN MATJHABENG – ENUMERATED HOUSEHOLDS

NO	INFORMAL SETTLEMENT	LATITUDE	LONGITUDE	NO OF HOUSEHOLDS	WARD	FARM / TOWNSHIP
1	Roma informal settl.	28.096488S	27.143795E	75	1	Mamahabane
2	DND informal settl.	28.09278S	27.152066E	88	1	Mamahabane
3	R70 informal settl.	28.084988S	27.154859E	252	1	Mamahabane
4	Baipehing informal settl.	28.021389S	27.075381E	389	3	Phomolong
5	Bareng informal settl.	28.12914S	26.89944E	6	5	Meloding
6	MK Square informal settl.	28.13185S	26.89438E	73	5	Meloding
7	Mattharantlheng informal settl. meloding	28.14505S	26.87927E	135	5	Meloding
8	Unit 7 informal settl.	28.13985S	26.89484E	45	7	Meloding
9	Unit 3 informal settl.	28.14099S	26.8864E	88	7	Meloding
10	Phelindaba informal settl.	28.13592S	26.88852E	9	7	Meloding
11	Tiptop & Zack Bazaar informal settl.	28.1323S	26.90473E	8	4	Meloding
12	Rethuseng informal settl.	27.9915S	26.82591E	111	11	Bronville
13	Mattharantlheng informal settl. (Bronville)	26.81259S	27.98354S	123	23	Bronville
14	Ext 20 1&2 informal settl.	27.97856S	26.82178E	145	12	Bronville
15	Freedom square & C Section informal settlement	27.97321S	26.83124E	363	13	Thabong
16	2010 (Thandanani) informal settl.	27.94911S	26.81292E	921	25	Thabong
17	Phokeng & Kgotha informal settl.	27.9509S	26.82759E	278	25	Thabong
18	L & Block 1, 6&5 informal settl.	27.85541S	26.75408E	91	20	Kutlwanong
19	K6 Mshenguville informal settl.	27.86514S	26.77646E	24	21	Kutlwanong
20	K5 & Block 4 informal settl.	27.8565S	26.77425E	77	18	Kutlwanong
21	K10 informal settl.	27.8603S	26.74786E	696	22	Kutlwanong

TOTAL INFORMAL SETTLEMENTS =3997