

# **Emthanjeni Municipality**

**2017/18**



# **Annual Report**

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## MAYOR'S MESSAGE

2017/18 Marked a very important financial year for Emthanjeni Municipality for various reasons. It was a financial year which cuts across the special milestones in the history of the democratic South Africa. It marked the centenary years of three giants of the South African struggle - uTata Oliver Tambo, uTata Nelson Mandela and uMama Albertina Sisulu.

This presented not only ourselves but the whole world with a unique opportunity to reflect on the lives of these great stalwarts of our nation and to re-focus our energies to promoting their legacy and the good they stood for. They were true servants of our people, disciplined, selfless and patriotic and to this day, they remain an inspiration to many.

In honoring these heroes and heroine of our Country, we committed ourselves to work tirelessly to implement the Manifesto of the ANC which amongst many issues call on us together with our communities to:

- Build on achievements made in delivering basic services to the people;
- Improve access to municipal services and reduce outsourcing;
- Further improve public participation and accountability of councillors;
- Enhance the capacity of the local state to deliver on its mandate;
- Develop and strengthen local economies, create jobs and promote job placements, especially for the youth.

Our SDBIP reflected these priorities and this 2017/18 Annual Report serves as an account of these efforts. It reflects a Municipality committed to the provision of basic services, transformation, development and fostering good governance in the municipal area and it is presented in observation of our legislative obligation to be an accountable and transparent institution of governance.

The two documents, together with our IDP and budget will complement each other, serving as cornerstone in changing the lives of our people through new innovations, fostering cooperation's between stakeholders, spheres of government and communities. They will also ensure that the quantity and quality of municipal services to the people in the areas of access to water, sanitation, electricity, waste management and roads are improved and enhance the municipal contribution to job creation and sustainable livelihoods through local economic development. They will help to restore the Institutional integrity of the Municipality.

We continue to strive to ensure that we are a Municipality that is responsible to its residents and stakeholders and accountable for our actions and inactions.

Though challenges continue to present themselves, we remain committed in our mandate to provide a better life for all. As we start the 2018/19 financial year which will take us to the general election year, we commit ourselves as servants of our people. Through our IDP, we must leave a lasting legacy to the community of Emthanjeni Municipality and not only for ourselves, but the generation to come.

**S STONGA**  
**EXECUTIVE MAYOR**



# Municipal Manager Overview

## MUNICIPAL MANAGER OVERVIEW

*“A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so”.*

Another year of developing new strategies, improving skills, increasing service delivery and generally improving our performance to excel in local government has come to pass. We look back at all the challenges we faced, as we close yet another chapter in the history of the Emthanjeni Municipality and how we managed them together with many opportunities.

All municipalities are legislatively expected to report annually on their activities and resolutions taken by both municipal councils and management. This allows for all local government stakeholders and the public at large to be properly informed about the affairs of local government, which is in line with the prescripts of the Constitution of the Republic of South Africa, 1996.

This Annual Report will reflect extensively on the activities and programmes of the Emthanjeni Municipality for the 2017/18 financial year. We can proudly say that we have achieved yet another unqualified audit opinion. As always, the emphasis was placed on facilitating continuous improvement and it must be noted that all issues raised in the audit reports are managed and addressed as required. Payment for services and the subsequent increase in bad debts remain the single biggest threat for Emthanjeni Municipality. If this trend continues, the Municipality will struggle to meet its financial obligations e.g. payment of creditors (ESKOM), personnel and other statutory commitments.

Emthanjeni Municipality continued to attend all inter-governmental meetings with all stakeholders. Included in this report, is a full account of the services rendered by the respective directorates.

I take this opportunity to express my deepest gratitude for the support received from the Mayor and his Council, to my senior managers and to my staff - without their support and hard work the achievements of this year would not have been possible. I look forward to our new challenges and even greater opportunities to satisfy the needs of our community.

**I VISSER**

**MUNICIPAL MANAGER**

# Chapter 1: Executive Summary

## CHAPTER 1

### EXECUTIVE SUMMARY

#### 1.1 MUNICIPAL OVERVIEW

This report addresses the performance of the Emthanjeni Municipality in the Northern Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2017/18 Annual Report reflects on the performance of the Emthanjeni Municipality for the period 1 July 2017 to 30 June 2018. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year.

##### 1.1.1 Vision and Mission

The Emthanjeni Municipality committed itself to the following vision and mission:

#### *Vision:*

*“A centre for development and service excellence focused on economic development in pursuit of a better life for all”*

#### *Mission:*

*“To provide a quality service at all times and:*

*Value our resources both human and financial;*

*Develop an active citizenry; and*

*Create a conducive environment for economic growth”*

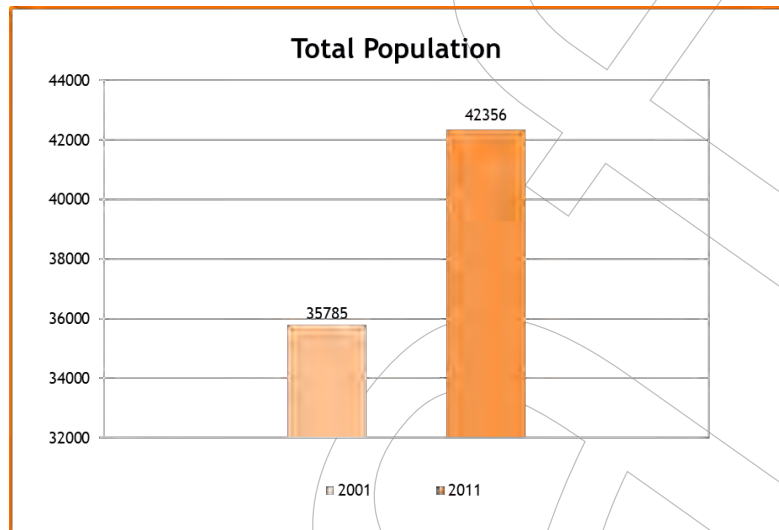
# Chapter 1: Executive Summary

## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

### 1.2.1 Population

#### a) Total Population

The graph below indicates the total population within the municipal area:

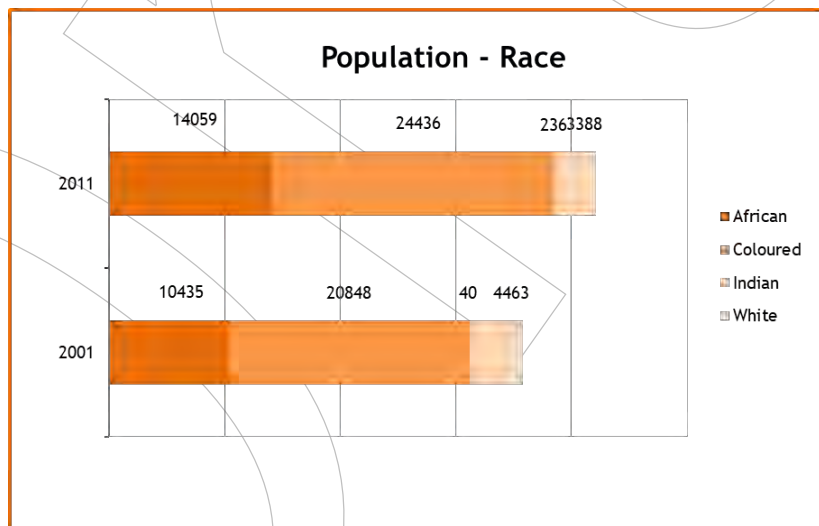


Graph 1: Total Population

Year	African	Coloured	Indian	White
2001	10 435	20 848	40	4 463
2011	14 059	24 436	236	3 388

Source: Census 2001 & 2011

Table 1: Population



Graph 2: Population by Race

# Chapter 1: Executive Summary

The table below indicates that in 2011, females represent 21 634 (51%) and males 20 722 (49%) of the total population.

Population - Gender	2001	2011
Females	18 679	21 634
Males	17 107	20 722
<b>Total</b>	<b>35 785</b>	<b>42 356</b>

Source: Census 2001 & 2011

Table 2: Gender Statistics

## b) Population Profile

The table below indicates the population per age group.

Age	2001			2011		
	Male	Female	Total	Male	Female	Total
Age: 0-9	3 597	3 580	7 177	4 654	4 522	9 176
Age: 10-14	1 975	2 265	4 240	2 144	2 103	4 248
Age: 15-19	1 741	2 173	3 914	2 046	2 103	4 248
Age: 20-24	1 346	2 003	3 349	1 763	1 760	3 523
Age: 25-39	4 393	3 857	8 250	4 504	4 342	8 846
Age: 40- 54	3 275	3 332	6 607	3 223	3 660	6 883
Age: 55-69	1 383	2 185	3 568	1 846	2 343	4 189
Age: 70-84	286	843	1 129	339	254	593
Age: 85+	103	45	148	51	122	174

Census 2001 & 2011

Table 3: Population Profile

## 1.2.2 Households

The total number of indigent households within the municipal area decreased from 3 594 households in the 2016/17 financial year to a total of 3 559 households in the 2017/18 financial year.

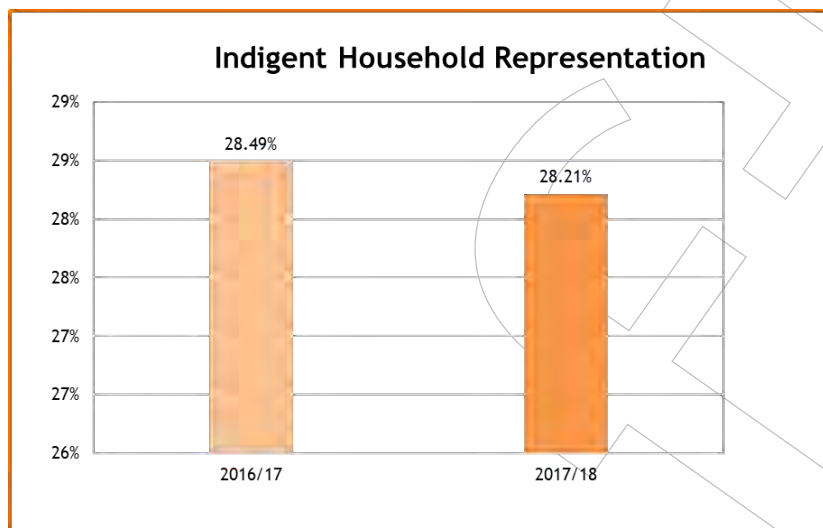
The table below indicates an increase of 35 in the total number of indigent households within the municipal area between the two years.

Households	2016/17	2017/18
Number of households in municipal area	12 615	12 615
Number of indigent households in municipal area	3 594	3 559

Table 4: Total Number of Households



# Chapter 1: Executive Summary



Graph 3: Indigent Households

## 1.2.3 Demographic Information

### Municipal Geographical Information

Emthanjeni Local Municipality is a category B municipality consisting of three towns: De Aar, Britstown and Hanover. Emthanjeni, and especially De Aar, is renowned for its central location on the main railway line between Johannesburg, Cape Town, Port Elizabeth and Namibia. It is situated in the Pixley ka Seme District Municipality and is the seat of this district.

Its location is approximately 300 km south-west of Kimberley, 440 km south-east of Upington, 300 km north-east of Beaufort-West and 300 km south-west of Bloemfontein. The land area comprises 11% of the district land area and 3% of the province. It represents approximately 23% of the district population.

Of the main towns that fall within the municipal area, Hanover lies approximately 65 km east of De Aar on N1 main north to south route and Britstown is situated about 55 km west of De Aar on the N12 route. Both these main routes link Johannesburg and Cape Town. These areas are extensive stock farming areas with the emphasis on sheep, mutton and wool farming, especially Merino's.

Emthanjeni Municipality, specifically De Aar, is the seat of Pixley ka Seme District Municipality and hosts all government departments. The Municipality covers an area of approximately 11 390km<sup>2</sup>.

The maps of the Northern Cape indicate the location of the Emthanjeni Municipality in the Pixley Ka Seme District area.



# Chapter 1: Executive Summary

## Wards

The Municipality was structured into the following 7 Wards:

Ward	Areas
1	Louisville, Montana, Kareeville, Sunrise (Portion)
2	Leeuwenshof, Residensia, New bright, Happy Valley, Extension 20, Klein Kareeville , Extension 7,
3	Nonzwakazi, Portion of Waterdal
4	Barcelona, Malay camp, Portion of Nonzwakazi and Macarena
5	Town Area
6	Kwezi, Nompumelelo, Joe Slovo Park, Tornadoville, Hanover(town)
7	Jansenville, Mziwabantu, Britstown(town), Proteaville

Table 5: Municipal Wards

## Towns

### De Aar

De Aar means “the artery”, and in many senses this town is the lifeblood of the Karoo. It’s the head office of the Emthanjeni Municipality and Pixley Ka Seme District Municipality; home to many artists; there’s an important weather station that can be toured by visitors, and it’s the second most important railway junction in the country. The significance of its situation on the railway line is because it’s central to Gauteng, Cape Town, Port Elizabeth and Namibia.

There are about 110km of railway lines, including 29 rail-tracks in De Aar’s precincts. However, “De Aar” founded in 1904, was so named because of the many water-bearing arteries that occur underground. Unlike many other Karoo towns, it did not start around the Dutch Reformed Church, but in fact started around the railway line. De Aar boasts a weather station gathering climatic data which has literally put De Aar on the world map. De Aar has an average yearly rainfall of 300mm with the lowest minimum temperature of -10 °C, the highest maximum temperature of 40.7 °C, an average summer temperature of 24 °C and an average winter temperature of 14 °C. De Aar is situated at 1280 m above sea level and has an average humidity of 43%. As a declared industrial growth point, with ample, very reasonably priced industrial sites, affordable labour and the necessary infrastructure, De Aar is the ideal place to establish an industry in the Northern Cape.

Various major industries have already taken advantage of De Aar’s central location and excellent rail and road links to establish themselves here. De Aar is also a primary

commercial distribution centre for a large area of the central Great Karoo. Major production activities of the area include wool production and livestock farming. The area is also popular for hunting, despite the fact that the region is rather arid. De Aar is increasingly becoming the center for supplying the whole country with the famous “Karoo” mutton, so highly prized for its unique flavour and quality. There are ancient Khoisan rock engravings on the Nooitgedacht and Brandfontein farms. There is also the “Garden of Remembrance”, which honours the British troops killed in the Anglo-Boer War.

All the water used in the town comes from boreholes - which is why the town is known for its large number of wind pumps. The town is easily accessible by tarred road, two airfields serve it - one is an all-weather runway that can accommodate any type of aircraft and it’s only 52km away from the national bus route.

### Hanover

This attractive and historic little town on the N1 lies more or less halfway between Cape Town, Gauteng and Kwazulu-Natal. It was established in 1854 at the base of some rocky hills on the farm Petrusvallei, which was bought from Gert Gous. Here requested that the town be called Hanover, after his great grandfather’s town in Germany.

When declared a magisterial district in 1876, the town was very fortunate to be appointed with a far-seeing magistrate, Richard Beere. He insisted that trees be planted so that resident’s descendants would have shade. Due to the

# Chapter 1: Executive Summary

increase in water consumption caused by an increase in residents, the spring that Hanover was built around dried up, and the number of trees seen in the town today is far less than 100 years ago. Beere loved the Karoo and spent a lot of time on the summit of Trappieskop, where a stone pyramid honouring his contribution to the town was erected when he died.

The older houses were all built right on the road edge - as per authority's instructions at the time - and when, in later years, home owners built on verandas, they had to pay a one shilling tax for this privilege. Today, they are still paying this tax, which is now R17, 00. Hanover was home to Olive Schreiner - well known South African author - who lived here from 1900 to 1907, and referred to it as "the prettiest little village I have ever seen". Her husband, Cron, was an agent in town and today his offices are used as a small guest house. Like many small Karoo towns, most of the streets are not tarred and the residential areas are very quiet. However, behind garden walls and front doors there's plenty of activity going on as the industrious residents carry out their daily business.

The town is home to a variety of artists and crafts people, as well as having several restaurants, a delightful bookshop, coffee shop and a museum. Interesting Karoo architecture is to be seen and many gardens have a wind pump standing sentinel in one corner. Surrounding farms are principally Merino sheep farms, with many of the country's best breeders farming in the Hanover district. Lesser Kestrels, from Europe and Central Asia, come to nest in trees around town, and can be seen gliding in the dawn and dusk sky from late October to the end of summer.

## Britstown

It was in the heady days of The Great Diamond Rush in the year of 1877 that Britstown came into being. Fortune hunters paused here in their frenzied dash to the fabulous diamond field, and a settlement mushroomed to provide fresh horses, fodder, refreshment and accommodation. Soon even a concertina virtuoso made music for happy dancers lubricated by the local brew. First the Fuller and Gibson coaches and then others stopped here. But by the time Britstown gained municipal status in January 1889, a railway

line already snaked across the Karoo plains to carry would-be diamond diggers through to Kimberley.

## Livingstone's friend

The small haven of Britstown, along the diamond route across the plains, was named after a man who loved the Karoo, Hans Brits. He once accompanied Dr David Livingstone, famous son-in-law of the great missionary Robert Moffat, on a journey to the north. Livingstone originally came to South Africa to help the Moffat's at their mission in Kuruman, and it was on a journey to the north that he met Brits. They took a liking to each other, and Brits decided to travel with him. But, Livingstone did not get on with the Moffat's, so he soon announced his intentions of travelling deeper into Africa, a decision that led to him becoming probably the continent's most famous explorer. Brits decided against a life of exploration and returned to the Karoo.

## Diamonds provide the spark

Hans Brits then settled on a farm he named Gembokfontein, which is where Britstown now stands. Soon after the discovery of diamonds at Hopetown and Kimberley, Brits realised that he and his neighbours could earn good money serving the growing traffic along the Diamond Route. So Brits arranged for a town to be laid out on a portion of his farm. As a tribute to him it was named Britstown. The thinking was to establish a point between Victoria West and Kimberley that could provide travellers on the Diamond Route with accommodation and refreshment as well as fresh horses and fodder.

## A link with the gold mines

Then, in 1877, a group of men, headed by TP Theron, purchased a section of Hans Brits's farm to establish a community centre with a church. This accomplished, they handed over the management of the fledgling settlement to church wardens. Traffic through the town increased when gold was discovered in "The Ridge of White Waters" in the old Transvaal Republic. Many of the fabled mining magnates, such as Cecil John Rhodes, passed through Britstown. In time, the town became a major junction on the route to the then South West Africa (Namibia).

# Chapter 1: Executive Summary

## Key Economic Activities

Agriculture forms the backbone of Emthanjeni's economy and accounts for the largest labour to date. Despite the harsh climate and poor carrying capacity of the veldt, it still offers opportunities for growth and employment creation. The Municipality is dependent upon the following economic activities:

Key Economic Activities	Description
Services Sector (Community)	The services sector consists of the various government institutions, Non-governmental organizations (NGO's), Community based organizations (CBO's) and Non-Profit Organisations (NPOs) that resides within our area of jurisdiction. ABSA, FNB, Standard Bank and CAPITEC
Manufacturing	Stone crushers who specialize in the manufacturing of sand, bricks, cements and rocks
	Rocla, Green Akker, VleisSentraal for meat processing
	Solar Energy
Retail	Purchasing of goods and services
	Checkers, Shoprite, Mr Price, Ackermans, Sheet Street, Fashion Express etc
Agriculture	Game Farming
	Sheep, goat, pig and cattle farming
Transport	Rail infrastructure
	Road infrastructure
	Rail revitalisation
Tourism	To market Emthanjeni as a tourism destination
	To speed up the restoration of existing attractions and the development of new attractions

Table 6: Key Economic Activities

## 1.3 SERVICE DELIVERY OVERVIEW

### 1.3.1 Basic Services Delivery Highlights

The table below specifies the basic service delivery highlights for the year:

Highlights	Description
Good water quality	100% passing rate of water samples as per SANS 241
Conversion of 20 Urine Diversion System (UDS) toilets	The Municipality successfully converted 20 UDS toilets to flush toilets with septic tanks from own funding
Funding obtained from the Department of Energy (DOE) for the electricity upgrade in De Aar East as part of the Integrated National Electrification Programme (INEP)	The network is overloaded which results in some areas experiencing power dips. Therefore, the upgrade is required to increase capacity. The building of a 5 MVA sub-station is in progress towards Nonzwakazi to increase the capacity
Business plans for dark areas where there is no streetlights/lighting	Business plans will be submitted for further lighting in areas like Waterdal, Montana and Nonzwakazi, as well as floodlights for Merino Park, Nonzwakazi stadia, Khwezi stadia in Hanover and De Aar West stadium. The project is currently pending approval
De Aar, Hanover and Britstown landfill sites permitted	Approval was obtained from the Department of Environmental and Nature Conservation (DENC)
Cleaning campaigns	Dedicated cleaning campaigns were done throughout the year by councillors and the department. Furthermore, overtime was worked over weekends to clear littering

# Chapter 1: Executive Summary

Highlights	Description
Establishment of the management team	A management team was established to manage waste in the municipal area
Appointment of a Waste Management Control Officer	A Waste Management Control Officer was appointed to manage the waste function

Table 7: Basic Services Delivery Highlights

## 1.3.2 Basic Services Delivery Challenges

The table below specifies the basic service delivery challenges for the year:

Challenge	Actions to address
Development of 12 additional boreholes in De Aar North	Obtain water use licence (WUL) from the Department of Water and Sanitation (DWS) and secure co-funding for the project
Staff shortages within the water section	Fill vacancies with experienced and qualified personnel
Co-funding for bulk services for Britstown bucket eradication programme (BEP)	Co-funding will be paid over two financial years
Shortage of staff in the waste water section	Filling of vacancies with experienced and qualified personnel
Meter tampering and bypass (Loss in revenue and increased line losses)	Thorough inspections by the meter controller. We are currently replacing the old seals with LG110 type and PT1 meters with Con log or Landis & Gyr type meters
Copper theft (customers are without power for a long time due to line repairs) in areas like Waterdal	Cases are reported to the South African Police Department (SAPD) and copper conductors is to be replaced with aluminium conductors. Application for funding has been submitted to DOE
Line losses (reflecting negatively against the Municipality if above a certain target percentage and impacts on revenue)	Through continuous monitoring we aim to reduce losses even further. Now, we are under the target of the National Energy Regulator of South Africa (NERSA) (NERSA target is 22%)
Funding required for the electrification of 4 114 houses as part of a housing project	Business plans and funding applications has been submitted to DOE for the electrification of 4 114 houses
Lack of machinery to perform waste management and minimise efforts	Acquire additional machinery in the 2018/19 financial year
Illegal dumping still evident	Host awareness programmes to educate the communities on keeping the environment clean

Table 8: Basic Services Delivery Challenges

## 1.3.3 Proportion of Households with Access to Basic Services

The table below indicates the proportion of households with access to basic services:

KPA & Indicator	Municipal Achievement	
	2016/17	2017/18
Electricity service connections	12 667	12 668
Water - available within 200 m from dwelling	8 180	8 192
Sanitation - Households with at least ventilated improved pit (VIP) service	8 042	8 074
Waste collection - kerbside collection once a week	12 615	11 455

Table 9: Households with Minimum Level of Basic Services



# Chapter 1: Executive Summary

## 1.4 FINANCIAL HEALTH OVERVIEW

### 1.4.1 Financial Viability Highlights

The table below specifies the financial viability highlights for the year:

Highlights	Description
100% Spending of the municipal infrastructure grant (MIG)	The full allocation received by the Municipality was spent in the financial and no roll-over is needed for MIG
Continuous strive to achieve “Clean Audit Status”	Emthanjeni Municipality received an unqualified audit opinion for the past three financial years and aspire to achieve a clean audit opinion
Non-stop service delivery within Emthanjeni Municipality	Adequate financial resources were availed for continuous service delivery throughout the financial year

Table 10: Financial Viability Highlights

### 1.4.2 Financial Viability Challenges

The table below specifies the financial viability challenges for the year:

Challenge	Action to address
Non-payment of municipal services by municipal consumers impacts negatively on service delivery	The payment percentage decreases month to month. Stricter implementation of the Credit Control Policy must be applied
Payment of creditors	Enhancement of financial management principals should lead to greater efficiency of cash flow
Slow and improper Municipal Standard Chart of Accounts (mSCOA) implementation	System developers are not fully mSCOA compliant which impacts negatively on the operations of the Municipality. Staff will attend informative training for the various financial management modules and systems

Table 11: Financial Viability Challenges

### 1.4.3 National Key Performance Indicators - Municipal Financial Viability and Management (Ratios)

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators (KPI's) required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area (KPA's) namely Municipal Financial Viability and Management.

KPA & Indicator	2016/17	2017/18
Debt coverage ((Total operating revenue-operating grants received): debt service payments due within the year)	0.46	0.55
Service debtors to revenue - (Total outstanding service debtors/revenue received for services)	0.39	0.49
Cost coverage ((Available cash+ investments)/monthly fixed operating expenditure)	0.04	0.02

Table 12: National KPI's for Financial Viability and Management

# Chapter 1: Executive Summary

## 1.4.4 Financial Overview

The table below indicates the financial overview for the year:

Details	Original budget	Adjustment Budget	Actual
	R'000		
Income			
Grants	73 053	75 752	117 824
Taxes, Levies and tariffs	151 158	148 358	159 404
Other	33 337	29 337	6 813
Sub Total	257 548	253 447	241 609
Less Expenditure	231 349	230 061	284 970
Net surplus/(deficit)	26 199	23 386	(43 360)

Table 13: Financial Overview

## 1.4.5 Total Capital Expenditure

The table below indicates the total capital expenditure for the year:

Detail	2016/17	2017/18
	R'000	
Original Budget	20 739	42 768
Adjustment Budget	18 339	42 768
Actual	20 832	32 312
<b>% Spent</b>	<b>113.59%</b>	<b>75.55%</b>

Table 14: Total Capital Expenditure

## 1.5 AUDITOR-GENERAL REPORT

### 1.5.1 Audited Outcomes

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence. In short, the Auditor-General checks the spending of public money by looking at whether it has been used ideally and for the purposes intended. This is done by annually checking all government spending. In turn, this can be described as an audit.

The Auditor-General's annual audit examines 3 areas:

- Fair presentation and absence of significant misstatements in financial statements
- Reliable and credible performance information for predetermined objectives
- Compliance with all laws and regulations governing financial matters

There can be 5 different outcomes to an audit, once the Municipality has submitted their financial statements to the Auditor-General, which can be simply defined as follow:

- **A clean audit:** The financial statements are free from material misstatements and there are no material findings on reporting on predetermined objectives or non-compliance with legislation.

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- **Unqualified audit with findings:** The financial statements contain material misstatements. Unless they express a clean audit outcome, findings have been raised on either reporting on predetermined objectives or non-compliance with legislation, or both these aspects.
- **Qualified audit opinion:** The financial statements contain material misstatements in specific amounts, or insufficient evidences for them to conclude that specific amounts included in the financial statements are not materially misstated.
- **Adverse Audit Opinion:** The financial statements contain material misstatements that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.
- **Disclaimer of Audit opinion:** The auditee provided insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.

The table below indicates the audit opinion received for the past four financial years:

Year	2015/16	2016/17	2017/18
Opinion received	Unqualified	Unqualified	Unqualified

Table 15: Opinion Received

## 1.6 2017/18 INTEGRATED DEVELOPMENT PLAN (IDP)/BUDGET PROCESS

The table below provides details of the 2017/18 IDP/Budget process:

No.	Activity	Responsible person	Date
<b>Pre-budgeting processes/tasks</b>			
A.	<b>PLANNING &amp; STRATEGISING</b> <b>SUBMISSION OF BUDGET SCHEDULE &amp; IDP REVIEW PROCESS TO THE MAYOR</b>	MM & CFO	19/08/2016
1.1	Appoint Budget Task Team for compilation 2016/2017 Capital & Operating Budget	MM	31/08/2016
1.2	Verifying Income and Expenditure sources	CFO	11/11/2016
1.3	Investigate DORA for allocations	CFO	14/10/2016
1.4	Evaluate possible roll over Capital projects	MM	15/12/2016
1.5	Issuing of Budget guidelines and other departmental budget submission guidelines	CFO	22/09/2016
1.6	Preparing of Budget guidelines for IDP steering committee & community involvement meetings.	Mayor & MM	15/10/2016
1.7	Negotiation of new contracts and renegotiation of expired contracts or contracts that will expire during the period to 30 June 2016 with supplies and other service providers	MM, CFO, HOD's	29/09/2016
1.8	Requesting Budgetary inputs, suggestions, recommendations, possible sources of revenue from HOD's for respective departments.	MM & HOD's	29/09/2016
1.9	Calculate, investigate & identify over- and under spending on votes, departments such i. Once-off events ii. Recurrent events • Future tendencies of accounts	CFO & HOD's	15/12/2016
1.10	Finalization of IDP preliminary budget format	MM & HOD's	Continuous
1.11	Finalize outlay of Budget on spreadsheets as prescribe according National Treasury & MFMA	MM, HOD's	Continuous
1.12	Proper record keeping of all activities within the pre-budgeting processes	MM & HOD's	Continuous
<b>Community participation process</b>			
2.1	<b>PLANNING &amp; STRATEGISING</b> IDP Steering committee meeting - First IDP input meeting - Sector Departments Alignment meeting	Mayor, MM	30/09/2016 14/10/2016 24/11/2016

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No.	Activity	Responsible person	Date
	<ul style="list-style-type: none"> <li>- Review IDP Meeting</li> <li>• Final IDP Prioritizing and Sector departments meeting</li> </ul>		04/02/2017
2.2	Community IDP and Budget Input meetings i. Combined Ward Committee Meetings: All 7 wards	Mayor, WC, Cllrs, MM & CFO	07/10/2016
2.3	Community IDP Budget Input meetings i) Input Meeting: ward 1 ii) Input Meeting: Ward 2 iii) Input Meeting: Ward 3 iv) Input Meeting: Ward 4 v) Input Meeting: Ward 5 vi) Input Meeting: Ward 6 vii) Input Meeting: Ward 7 viii) Input Meeting: Ward 8 • Input Meeting: Business Community, Agricultural Community, NGO's	Mayor, WC, MM & CFO	Between 10/10/2016 to 14/10/2016
2.4	Performance Management Input meetings	Mayor, MM	17/10/2016
2.5	IDP Sectoral Meeting with Pixley ka Seme District Municipality, Regional Governments departments	Mayor, WC, Exco, Cllrs, MM & HOD's	10/02/2017
2.6	Community IDP & Budget report Back meetings i) Report Back Meetings: Ward 1 ii) Report Back Meeting: Ward 2 iii) Report Back Meeting: Ward 3 iv) Report Back Meeting: Ward 4 v) Report Back Meeting: Ward 5 vi) Report Back Meeting: Ward 6 vii) Report Back Meeting: Ward 7 viii) Report Back Meeting: Ward 8 ix) Report Back Meeting: Business Community, Agricultural Community, NGO's Report Back Meetings x) Review Meetings • Final Prioritizing Meetings	Mayor, WC, Exco, Cllrs, MM & HOD's	Between 3/04/2017 to 19/05/2017
2.7	Performance Audit Committee Meetings i) Report Back Meetings ii) Review Meetings • Final Prioritizing Meetings	Mayor, MM and PMS Steering Committee	10/10/2016
<b>Budget preparatory process</b>			
3.1	<b>PREPARING</b> Draw up current staff budget according N.T.	MM & HOD's	26/09/2016
3.2	Evaluate and record proposals and Report Back from HOD's(income & expenditure sources)	MM, CFO & HOD's	12/10/2016
3.3	Determine and calculate redemption and finance costs for 2016/2017 budget fin year	CFO	30/09/2016
3.4	Preparations of Budgeted Yearly Income and Expenditure levels, and Proposed Draft tariffs	CFO	02/11/2016
3.5	Record all inputs received from IDP Forums, Communities, Ward Committees and other stakeholders	Mayor, Cllrs, MM, CFO & HOD's	18/10/2016
3.6	Compile first draft with budgeted Inc & Exp	CFO	15/12/2016
3.7	Compile first with budgeted capital projects and financing source of project that links with IDP projects, including Draft SDBIP	Mayor, MM & CFO	11/11/2016
3.8	Distribute First draft of budget to Mayor, Exco Members, Cllrs, M, HOD's	Mayor, MM & HOD's	15/11/2016
3.9	Budget Monitoring Meeting with Technical Steering Committee	Mayor, MM & HOD's	18/11/2016
3.10	Setting of Strategic Objectives for the next MTEF period	Mayor, Council & MM	21/10/2016
<b>Budgetary policies</b>			
4.1	Finalization of Tariffs policies i) Personnel related Policies ii) Rates Policy iii) Electricity Policy	Mayor, Exco, MM, CFO & HOD's	17/03/2017

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No.	Activity	Responsible person	Date
	<ul style="list-style-type: none"> <li>iv) Water &amp; Sanitation Policy</li> <li>v) Credit Control Policy</li> <li>vi) Indigent Policy</li> <li>• Other services policies</li> </ul>		
4.2	Finalisation IDP Review document	Mayor, MM	07/03/2017
4.3	Finalisation of Strategic Policies documents such as <ul style="list-style-type: none"> <li>- LED Policy</li> <li>- Spatial Development Policy (unlikely)</li> <li>- Tourism Policy</li> <li>- Transport Policy (do we need one?)</li> <li>• Other Strategic Policies</li> </ul>	MM	07/03/2017
4.4	Finalisation of Compilation of Business Plan for submission to Government department and Private Instructions	MM	07/03/2017
4.5	Application of Electricity Tariff Increment with NERSA	MIS & CFO	30/11/2016
5.	Budget approval process	Mayor & MM	31/05/2017
Tabling of budget			
5.1	Submission of Revised Integrated Development Planning to Mayor	MM	14/03/2017
5.2	Submit first draft 2017/18 Capital and Operating Budget to Mayor	MM, CFO	17/03/2017
5.3	Tabling of Draft 2017/18 Capital and Operating Budget to Council	Mayor	31/03/2017
5.4	Tabling of Budgetary Policies to Council	Mayor	31/03/2017
5.5	Tabling of Final 2017/18 Capital and Operating Budget	Mayor	31/05/2017
5.6	Submission of SDBIP to Mayor	MM	09/06/2017
Approval of budget and policies			
6.1	<b>APPROVAL OF BUDGET AND POLICIES</b> Approval of Revised Integrated Development Planning	Council	31/05/2017
6.2	Approval of Budgetary Policies <ul style="list-style-type: none"> <li>i) Budget Policy</li> <li>ii) Personnel related Policies</li> <li>iii) Rates Policy</li> <li>iv) Electricity Policy</li> <li>v) Water &amp; Sanitation Policy</li> <li>vi) Credit Control Policy</li> <li>vii) Indigent Policy</li> <li>• Other Services policies</li> </ul>	Council	31/05/2017
6.3	Approval of Tariffs <ul style="list-style-type: none"> <li>i) Rates tariffs</li> <li>ii) Water tariffs</li> <li>iii) Electricity tariffs</li> <li>iv) Sewerage tariffs</li> <li>v) Refuse tariffs</li> <li>• Secondary tariffs as indicated in the list of tariffs</li> </ul>	Council	31/05/2017
6.4	Approval of Budgets <ul style="list-style-type: none"> <li>i) Capital Budget for 2017/18</li> <li>• Operating Budget for 2017/18</li> </ul>	Council	31/05/2017
6.5	Approving of SDBIP	Council	28/06/2017
Finalizing			
7.1	Approval of SDBIP	Mayor	28/06/2017
7.2	Submission of Approval Budget and SDBIP to <ul style="list-style-type: none"> <li>- National Treasury, PT &amp; RT</li> <li>- SALGA</li> <li>- DHLG</li> </ul> PIXLEY KA SEME	MM	14/06/2017
7.3	Publication of high-level summary Budget & SDBIP	MM	14/06/2017



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No.	Activity	Responsible person	Date
	<ul style="list-style-type: none"><li>i) Website</li><li>ii) Local Newspaper</li><li>• Hard copies</li></ul>		

Table 16: 2017/18 IDP/Budget Process

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## CHAPTER 2

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

#### 2.1 NATIONAL KEY PERFORMANCE INDICATORS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following table indicates the Municipality's performance in terms of the National KPI required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and Section 43 of the Municipal Systems Act (MSA) (Act 32 of 2000) . This key performance indicator is linked to the National KPA - Good Governance and Public Participation.

Indicator	Municipal achievement	Municipal achievement
	2016/17	2017/18
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan (After roll-over projects)	109.83%	174%

Table 17: National KPIs - Good Governance and Public Participation Performance

#### 2.2 GOVERNANCE STRUCTURE

##### 2.2.1 Political Governance Structure

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

##### a) Council

The Emthanjeni Local Municipal Council comprises of 15 elected councillors, made up out of 8 ward councillors and 7 proportional representation councillors. The portfolio committees are made up of councillors drawn from all political parties. Below is a table that categorised the councillors within their specific political parties and wards for the 2017/18 financial year:

Name of Councillor	Capacity	Political Party	Ward representing or proportional
R Faul	Ward Councillor	ANC	Ward 1
M Kivedo	Speaker	ANC	Proportional Councillor
D Vanel	Ward Councillor	ANC	Ward 2
J Hoffman	Councillor	DA	Proportional Councillor
N Mkontwana	Executive Committee Member	ANC	Ward 3

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Name of Councillor	Capacity	Political Party	Ward representing or proportional
P Van Wyk	Ward Councillor	ANC	Ward 4
W du Plessis	Ward Councillor	DA	Ward 5
A Jafta	Municipal Public Accounts Committee (MPAC) Chairperson	DA	Proportional Councillor
L Andrews	Ward Councillor	ANC	Ward 6
S Sthonga	Mayor	ANC	Proportional Councillor
L Billie	Ward Councillor	ANC	Ward 7
C Louw	Councillor	DA	Proportional Councillor
H Rust	Executive Committee Member	DA	Proportional Councillor
P Mhali	Ward Councillor	ANC	Ward 8
M Maramba	Councillor	EFF	Proportional Councillor

Table 18: Council 2017/18

### b) Executive Committee

The Mayor of the Municipality, Councillor ST Sthonga assisted by the Executive Committee, heads the executive arm of the Municipality. The Mayor is at the centre of the system of governance, since **executive powers are vested in him to manage the day-to-day affairs**. He has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Committee, delegated by the Council, and as well as the powers assigned by legislation. Although accountable for the strategic direction and performance of the Municipality, the Mayor operates in concert with the Executive Committee.

The name and portfolio of each Member of the Executive Committee is listed in the table below for the period 1 July 2017 to 30 June 2018:

Name of member	Capacity
ST Sthonga	Chairperson
NP Mkontwana	Member
HJ Rust	Member

Table 19: Executive Committee 2017/18

### c) Portfolio Committees

Section 80 Committees are permanent committees that specialise in a specific functional area of the Municipality and may in some instances make decisions on specific functional issues. They advise the Executive Committee on policy matters and make recommendations to Council. Section 79 Committees are temporary and appointed by the Executive Committee as needed. They are set up to investigate a particular issue and do not have any decision-making powers. Similar to Section 80 Committees, they can make recommendations to Council. Once their *ad hoc* task had been completed, Section 79 Committees are disbanded. External experts and councillors can be included on Section 79 Committees.

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The portfolio committees for the 2016/22 Mayoral term and their Chairpersons are as follow:

Corporate and Human Resource Services Committee	
Chairperson	Other members
NP Mkontwana	D Vanel
	M Maramba
Infrastructure Services Committee	
Chairperson	Other members
ST Sthonga	N Mkontwana
	HJ Rust
Municipal Public Accounts Committee	
Chairperson	Other members
AF Jaftha	L Billie
	P Mhali
Rules Committee	
Chairperson	Other members
MC Kivedo	R Faul
	A Jaftha
	M Maramba

Table 20: Portfolio Committees

### d) Political decision-taking

Section 53 of the MSA stipulates inter alia that the respective roles and areas of responsibility of each political structure and political once bearer of the Municipality and of the Municipal Manager must be defined. The section below is based on the Section 53 role clarification that was approved at the council meeting of May 2011.

#### **Municipal Council**

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

#### **Mayor**

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

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

### Executive Committee

- its members are elected by the Mayor from the ranks of councillors
- its functional responsibility area is linked to that of the Mayor to the extent that he must operate together with the members of the Executive Committee
- its primary task is to assist the Mayor in the execution of his powers - it is in fact an “extension of the office of Mayor”
- the committee has no powers of its own - decision making remains that of the Mayor

### 2.4.2 Administrative Governance Structure

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration, and primarily serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reports, which constitutes the management team, whose structure is outlined in the table below:

Name of Official	Department
I Visser	Municipal Manager
M Ludwick	Financial Services
T Msengana	Corporate Services
Vacant	Community Services
M Owies	Infrastructure Services

Table 21: Administrative Governance Structure

## COMPONENT B: INTERGOVERNMENTAL RELATIONS

In terms of the Constitution of South Africa, all spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another; inform and consult one another on matters of common interest; coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

### 2.3 INTERGOVERNMENTAL RELATIONS

#### 2.3.1 Intergovernmental Structures

To adhere to the principles of the Constitution as mentioned above the Municipality participates in the following intergovernmental structures:

Name of structure	Members	Outcomes of engagements/topics discussed
Technical/Political IGR	Mayor	Political oversight
Safety Forum	Ward councillors and Special Program Coordinator	Abuse of women and children
Provincial Tourism Forum	Manager Development and Local Economic	Promotion of municipalities as tourism destinations
Local Economic Development Forum	Manager Development and Local Economic Development Officer	Promoting local economic development within municipalities



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Name of structure	Members	Outcomes of engagements/topics discussed
Integrated Development Plan Provincial Engagement	Director Corporate Services, Manager Development and Local Economic and Integrated Development Plan Officer	Alignment of provincial planning
Municipal managers Forum	Municipal Manager	Sharing of good practices
Communicators Forum	Director Corporate Services	Telling of government good story
SALGA working groups	Councillors and officials	Capacitating of councillors and officials
Chief Financial Officer Forum	Chief Financial Office	Discussions on MFMA
Record management Forum	Records Manager and Chief Registry Clerk	Sharing of information and capacitating of officials
Speakers Forum	Speaker	Functioning of political structure
Municipal Public Account Committee	MPAC Chairperson and Speaker	Check and balance of council operations, accountability of administrations
Infrastructure Forum	Director Infrastructure Service & Civil Technician	Implementation of infrastructure programs
Expanded Public Works Program Forum	Director Infrastructure Service & Civil Technician	Implementation of Expanded Public Works Programme (EPWP) project

Table 22: Intergovernmental Structures

### 2.3.2 Joint projects and functions with Sector Departments

All the functions of government are divided between the different spheres namely national, provincial and local. The Municipality therefore share their area and community with other spheres of government and their various sector departments and has to work closely with national and provincial departments to ensure the effective implementation of various projects and functions. The table below provides detail of such projects and functions:

Name of project/ function	Expected outcome of the Project	Sector department involved	Contribution of sector department
District War Room	Poverty reduction	Social Development	Coordination of meeting and training of councillors
District Aids Council	HIV/AIDS prevention	District Municipality	Training and administrative support
Crime Prevention	Crime prevention	Department of Transport Safety and Liaison	Training and administration support

Table 23: Joint Projects and Functions

## COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

- the preparation, implementation and review of the IDP
- establishment, implementation and review of the performance management system
- monitoring and review of the performance, including the outcomes and impact of such performance
- preparation of the municipal budget

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### 2.4 PUBLIC MEETINGS

#### 2.4.1 Ward Committees

The ward committees support the ward councillor who receives reports on development, participate in development planning processes, and facilitate wider community participation. To this end, the Municipality constantly strives to ensure that all ward committees function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities.

##### a) Ward 1: Montana, Kareeville, Sunrise and Klein Kareeville

Name of representative	Capacity representing
A Minaar	Religious
C Meyers (Resigned)	Youth
E Simons (Resigned)	Youth
M Groep	Youth
C Ferris	Women
B Sight	Women
R Vyfers	Youth
A Olifant	NGO and business

Table 24: Ward 1 Committee Members

##### b) Ward 2: Residencia, New bright, Happy Valley, Extension 20, Extension 7 and Macarena

Name of representative	Capacity representing
L Mitchell	Women
M Kock	Women
M De Wee	Older Persons
V Makaai (Deceased)	Women
D Tiger	Youth
E Lawack (Resigned)	Business sector
M Mackay	Youth
J Rooi	Women
L Kock (Resigned)	Youth
H Makae	Women

Table 25: Ward 2 Committee Members

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### c) Ward 3: Nonzwakazi, Portion of Waterdal

Name of representative	Capacity representing
B Masum (Resigned)	Youth
P Ngcongco	Youth
P Gigonyela	Youth
L Nyanda (Resigned)	Women
N Botha (Resigned)	Military Veterans
X Jaftha	Business

Table 26: Ward 3 Committee Members

### d) Ward 4: Barcelona, Malay camp, Leeuwenshof & Portion of Nonzwakazi and Mtwana

Name of representative	Capacity representing
M Webb	Women
L Van Schalk Wyk (Resigned)	Youth
M Fagan	Youth
J Hohnson	Youth
J Henge	Man
L Jass	Women
N Godlo	Older Persons
N Njokweni	Youth
N Brandt	Youth
N Ndzunga	Women

Table 27: Ward 4 Committee Members

### e) Ward 5: Portion of town Area and Louisville

Name of representative	Capacity representing
E Kammies	Older Persons
M Louw	Youth
J Hendricks	Youth
W Hendricks	Women
L Burgue	Youth
P Holstruis	Youth
B Eiman	Youth
K Booysen	Youth

Table 28: Ward 5 Committee Members

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### f) Ward 6: Kwezi, Nompumelelo, Joe Slovo Park, Tornadoville, Hanover(town)

Name of representative	Capacity representing
P Siyoko	Religious
N Sthonga	Youth
D Holland	Agriculture
R Sestile	Religious
B Nkumbi	NGO
M Lotriet	Women
V Bathwali	Sector Departments
A Harmse	Farmer
B Mali	Youth
E Tys	Youth

Table 29: Ward 6 Committee Members

### g) Ward 7: Jansenville, Mziwabantu, Britstown(town), Proteaville

Name of representative	Capacity representing
M Seekoei	Youth
S Isicks (Resigned)	Youth
C Eland	Women
S Mathews	Women
N Maramso (Resigned)	Business Construction
M Du Preez	Older Persons
L Baartman	Farmer
T Oeson	Business
M Solomon	Youth

Table 30: Ward 7 Committee Members

### h) Ward 8: Portion of Nonzwakazi, Waterdal and Portion of Town Area

Name of representative	Capacity representing
T Louw	Youth
U Khotso (Resigned)	Youth
R Smit	Student Organizations
J Adoons	Women
T Tokwana	Older Persons
T Duthie	Business
A Jonas	Youth
N Mxaxa	NGO
M Paul	NGO
X Mafilika	Women

Table 31: Ward 8 Committee Members

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### 2.4.2 Representative Forums

#### a) Labour Forum

The table below specifies the members of the Labour Forum for the 2017/18 financial year:

Name of representative	Capacity
NP Mkontwana	Chairperson (employer)
BL Kondile	Vice Chairperson (worker)
R Loliwe	Member (Samwu)
V Ngqolo	Member (Samwu)
L Oliphant	Member (Samwu)
M Bezuidenhout	Member (Samwu)
C Maritz	Member (Imatu)
V Mkozana	Member (Imatu)

Table 32: Labour Forum

### COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

### 2.5 RISK MANAGEMENT

In terms of Section 62(1)(c)(i) of the MFMA *“the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure- that the municipality has and maintains effective, efficient and transparent systems - of financial and risk management and internal control;”...*

The management of risk is the process by which the Accounting Officer, Chief Financial Officer and the other senior management of a Municipality will pro-actively, purposefully and regularly, but at least annually, identify and define current as well as emerging business, financial and operational risks and identify appropriate, business and cost-effective methods of managing these risks within the Municipality, as well as the risk to the stakeholders.

The Risk Policy addresses key elements of the implementation and maintenance of the Risk Management Framework for the management of risks within defined risk/return parameters, risk appetite and tolerances, as well as Risk Management Standards. It provides a framework for the effective identification, evaluation, management measurement and reporting of the Municipality's risks.

The objective of the Risk Policy is to ensure that a strategic plan is developed that should address the following:

- An effective risk management architecture
- A reporting system to facilitate risk reporting
- An effective culture of risk assessment

The role of the service departments is to identify, review and manage their risks on an ongoing basis, making risk management an integral or natural part of the organisational processes and procedures. Risk management should be embedded in the organisation, since it is an intrinsic part of business planning and decision making - there is no direction taken without looking at potential risks.



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The table below include the top 10 risks of the Municipality:

Risk	Current Controls	Residual Risk Exposure	Risk Owner	Action Plans	Action Plan Date
Inability of the Municipality to meet Operation Clean Audit	Consultants appointed, continuous training for finance staff and non-financial staff, quarterly key audit control meetings with Auditor-General. Monthly audit action plan meetings	Medium	Director Financial Services	Inhouse continuous training (refresher courses) Improvement on filling system, Develop Consequence Management Policy. Structured skills transfer	Ongoing
Under spending of conditional grants	Monitoring and supervision of service providers, procurement plans in place. Proper master plans, approved business plans as back up	Medium	Director Infrastructure/PMU	Enforcement and monitoring of the Procurement Plan	31 July 2018
Unauthorised, Irregular, and fruitless expenditure	Monthly expenditure reports, checking and authorisation, workshops on SCM. SCM Compliance Checklist	Medium	Director Financial Services	Consequence management, Include UIF in the KPA's, MPAC, Develop UIF register	1 July 2018 1 August 2018
Fraud and corruption	Delegations, Financial misconduct board. SCM checklist, fraud prevention plan, Internal Auditors, Internal controls	Medium	Director Corporate Services	Review Fraud Prevention Plan	30 August 2018
Tampering of electricity meters by communities	No bypass of meters. Replacement of PT1 meters to the conlog type and meter seals are being replaced with LGM type. Penalties charged for by passing and case is open to the affected employees	Medium	Director Infrastructure	Follow up on all replaced meters and spot check to the staff and community members	Ongoing
Loss of electrical supply to consumers	Maintenance programme reviewed weekly by manager	High	Director Infrastructure	<ul style="list-style-type: none"> <li>Continuous awareness campaigns</li> <li>Use of newsletters and websites</li> <li>Standing item on Council meets people sessions</li> </ul>	2018/19
Cashflow constraints	<ul style="list-style-type: none"> <li>Timeous posting of municipal accounts</li> <li>Continuous enforcement of credit control</li> </ul>	Medium	Director Financial Services	<ul style="list-style-type: none"> <li>Intensify payment awareness campaigns</li> <li>New debt collection company appointed to collect debt</li> <li>Continuous disconnection of electricity</li> </ul>	Ongoing
Asset register not timeously updated and maintained	Asset verification and assessment	Medium	Director Financial Services	<ul style="list-style-type: none"> <li>Proper communication of the Asset Management Policy</li> </ul>	2018/19

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Risk	Current Controls	Residual Risk Exposure	Risk Owner	Action Plans	Action Plan Date
	conducted bi-annually			<ul style="list-style-type: none"> <li>Officials to inform finance of movements of assets in order to update the register</li> </ul>	
Inadequate management on health and safety	Health and Safety policy. Health and Safety Committee	High	Director Corporate Services	Ensure committee is functional. Perform OHS risk assessment. Designated Health and Safety responsibilities to an official	30 July 2018
Under recovery of budgeted revenue	Consumer accounts, cut-off of electricity. Debt collection	High	Director Financial Services	Intensify payment awareness campaigns. Continuous disconnection of electricity. Municipality to intensify debt collection	Ongoing

Table 33: Top Ten Risks

The role of the risk committee is to provide a timely and useful enterprise risk management report to the Audit Committee of the Municipality. The report contains the current top risks of the Municipality, which includes:

- The key strategic and financial risks facing the Municipality (all extreme and high-risk exposures)
- The key operational risks per strategic goal (top 5 risks per objective as per risk exposure from high to low)

Further detail of the roles of the risk committee is included in the approved risk committee charter.

The Risk Committee consists of the following members:

Name of Committee Member	Capacity	Meeting Date
M Ludwick	CFO	No meetings held during the year
T Msengana	Director Corporate Services	
Z Mtwana	Risk Officer	
A Appies	Acting Director Community Services	
M Owies	Director Technical Services	

Table 34: Risk Committee

### 2.6 ANTI-CORRUPTION AND ANTI-FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the MFMA, Section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favoritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

#### a) Developed Strategies

Name of strategy	Developed (Yes/No)	Date Adopted
Fraud and Corruption Policy	Yes	26 October 2016

Table 35: Strategies

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### b) Implementation of Strategies

Strategies to implement	Key Risk Areas	Key measures to curb corruption and fraud
Implementation of Fraud and Corruption Policy continuous awareness campaign	Infrastructure Services Financial Services SCM Housing Unit	Implementation of the strategy

Table 36: Implementation of the Strategies

## 2.7 AUDIT COMMITTEE

Section 166(2) of the MFMA states that an audit committee (AC) is an independent advisory body which must -

- (a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to -
- internal financial control
  - risk management
  - performance management
  - effective governance

The AC have the following main functions as prescribed in Section 166 (2)(a-e) of the MFMA and the Local Government Municipal Planning and Performance Management Regulation (Reg 796):

### a) Functions of the AC

- To advise the Council on all matters related to compliance and effective governance
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DoRA) and other applicable legislation
- Respond to the Council on any issues raised by the Auditor-General in the audit report
- To review the quarterly reports submitted to it by the internal audit
- To evaluate audit reports pertaining to financial, administrative and technical systems
- The compilation of reports to Council, at least twice during a financial year
- To review the performance management system and make recommendations in this regard to Council
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimised
- To review the annual report of the Municipality
- Review the plans of the internal audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available
- Provide support to the internal audit function
- Ensure that no restrictions or limitations are placed on the internal audit section
- Evaluate the activities of the internal audit function in terms of their role as prescribed by legislation

### b) Members of the AC

The following table indicates the members of the AC:

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Name of representative	Capacity
F Fillies	Chairperson
N van der Merwe	Member
B Jacobs	Member
N Ngubo	Member

Table 37: Members of the AC

### 2.8 PERFORMANCE AUDIT COMMITTEE

The Municipal Planning and Performance Management Regulation require that the Performance Audit Committee (PAC) is comprised of a minimum of three members. Section 14(2) (b) of the Regulations further stipulates that the performance audit committee must include at least one person who has expertise in performance management. It is a requirement of the Regulations in Section 14(2)(d) that the Council of a municipality designate neither a member of the PAC who is neither a Councillor nor an employee of the Municipality as the chairperson of the committee.

In terms of Section 166(4)(a) of the MFMA, an AC must consist of at least three persons with appropriate experience, of who the majority may not be in the employ of the Municipality.

Section 166(5) of the MFMA, requires that the members of an AC must be appointed by the Council of the Municipality. One of the members, not in the employ of the Municipality, must be appointed as the chairperson of the committee. No Councillor may be a member of an AC.

Section 14(3)(a) of the Regulations requires that the PAC of a Municipality must meet at least twice during each financial year. However, additional special meetings of the PAC may be called for by any member of the committee, where sufficient justification exists in terms of Section 14(3)(b) of the Regulations.

#### a) Functions of the PAC

In terms of Section 14(4)(a) of the Regulations the PAC has amongst others the responsibility to -

- review the quarterly reports produced and submitted by the internal audit process
- review the Municipality's performance management system and make recommendations in this regard to the Council of the Municipality
- at least twice during each financial year submit a performance audit report to the Council of the Municipality

#### b) Members of the PAC

The following table indicates the members of the PAC:

Name of representative	Capacity
S Sthonga	Mayor
N Mkontwana	Executive Committee Member
F Fillies	Audit Committee Chairperson
I Visser	Municipal Manager

Table 38: Members of the PAC

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## 2.9 COMMUNICATION

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, 1996 and other statutory enactments all impose an obligation on local government and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the municipality's programme for the year. Below is a communication checklist of the compliance to the communication requirements:

Communication activities	Yes/No
Functional complaints management system	Yes
Customer satisfaction survey	No

Table 39: Communication Activities

### Newsletters

Type of Newsletter	Distributed
Internal	No
External	No

Table 40: Newsletter

### Awareness Campaigns

Topic	Description	Dates	Target Groups	Number of People Reached
Youth build-up summit	Dialogue with ward 7 youth toward the summit	27 June 2018	Youth	20
Exhibition	Exhibition of different opportunities career and business opportunities	25-25 June 2018	High schools and youth in general	150
Drug and substance abuse	(MRM)Soccer match	1,2,3 June 2018	Youth	--500
Career guidance & entrepreneurship session	Presentation of career and entrepreneurship opportunities	23 May 2018	High schools and unemployed youth	30
HIV testing and counselling TB screening	HIV testing and counselling (BOSASA)	26 March 2018	Youth BOSASA	56
Job opportunities	Meeting with young people to present job opportunities	13 March 2018	Unemployed Youth	20
Youth dialogue	Meeting with young people to discuss social challenges	16 November 2017	Youth	21

Table 41: Awareness Campaigns

### Additional Communication Channels Utilised

Channel	Yes/No
SMS system	Yes
Call system and WhatsApp	Yes
Facebook	Yes

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Channel	Yes/No
Flyers	Yes

Table 42: Additional Communication Channels Utilised

### 2.10 WEBSITE

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and Section 21(a-b) of the MSA as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality's communication strategy.

The table below gives an indication about the information and documents that are published on our website.

Description of information and/or document	Yes/No
<b>Municipal contact details (Section 14 of the Promotion of Access to Information Act)</b>	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
<b>Financial Information (Sections 53, 75, 79 and 81(1) of the MFMA)</b>	
Draft Budget 2017/18	Yes
Adjusted Budget 2017/18	Yes
Asset Management Policy	Yes
Customer Care, Credit Control & Debt Collection Policy	Yes
Indigent Policy	Yes
Investment & Cash Management Policy	Yes
Rates Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes
Travel and Subsistence Policy	Yes
SDBIP 2017/18	Yes
Budget and Treasury Office Structure	Yes
<b>Integrated Development Plan and Public Participation (Section 25(4)(b) of the MSA and Section 21(1)(b) of the MFMA)</b>	
Reviewed IDP for 2017/18	Yes
IDP Process Plan for 2017/18	Yes
<b>Supply Chain Management (Sections 14(2), 33, 37 &amp; 75(1)(e)&amp;(f) and 120(6)(b) of the MFMA and Section 18(a) of the National SCM Regulation)</b>	
List of capital assets that have been disposed	Yes
Long term borrowing contracts	Yes



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Description of information and/or document	Yes/No
SCM contracts above R30 000	Yes
Section 37 of the MFMA; No 56 of 2003 (Unsolicited Bids/Contracts)	Yes
Public invitations for formal price quotations	Yes
<b>Reports (Sections 52(d), 71, 72 &amp; 75(1)(c) and 129(3) of the MFMA)</b>	
Annual Report of 2016/17	Yes
Oversight reports	Yes
Mid-year budget and performance assessment	Yes
Quarterly Reports	Yes
Monthly Budget Statement	Yes
<b>Local Economic Development (Section 26(c) of the MSA)</b>	
Local Economic Development Strategy	Yes
LED Policy Framework	Yes
Economic Profile	Yes
LED Projects	Yes
<b>Performance Management (Section 75(1)(d) of the MFMA)</b>	
Performance Agreements for employees appointed as per S57 of the MSA	Yes

Table 43: Website Checklist

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## CHAPTER 3

This chapter provides an overview of the key service achievements of the Municipality that came to fruition during 2017/18 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP.

### 3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

#### 3.1.1 Legislative Requirements

The Constitution, Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195(1) are also linked with the concept of performance management, with reference to the principles of *inter alia*:

- the promotion of efficient, economic and effective use of resources
- accountable public administration
- to be transparent by providing information
- to be responsive to the needs of the community
- to facilitate a culture of public service and accountability amongst staff

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities. This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

In terms of Section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting the municipality's and any service provider's performance during the financial year, including comparison with targets of and with the performance of the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the following financial year and measures that were or are to be taken to improve performance.

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## 3.1.2 Organisational Performance

Strategic performance indicates how well the Municipality is meeting its objectives and whether policies and processes are working effectively. All government institutions must measure and report on their strategic performance to ensure that service delivery is done in an efficient, effective and economical manner. Municipalities must therefore develop strategic plans and allocate resources for the implementation. The implementation of the plans must be monitored on an on-going basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the Municipality's Top Layer Service Delivery Budget Implementation Plan (SDBIP), high level performance in terms of the Strategic Objectives and performance on the National Key Performance Indicators as prescribed in terms of Section 43 of the MSA.

## 3.1.3 Performance Management System

The Municipality continues to implement performance in terms of the performance management framework that was approved by Council in January 2011

## 3.1.4 The IDP and the Budget

The IDP and the main budget for 2017/18 was approved by Council in May 2017. As the IDP and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

In terms of the performance management framework, the Mayor approved the Top Layer Service Delivery Budget Implementation Plan (SDBIP) in June 2017. The Top layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The indicators in the Top Layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.

The actual performance achieved in terms of the KPI's was reported on quarterly. The indicators and targets were adjusted after the finalisation of the previous year budget and mid-year budget assessment. The Top Layer SDBIP was revised with the Adjustments Budget in terms of Section 26(2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by Council. The performance agreements of the senior managers were compiled and revised in terms of the SDBIP indicators and the portfolio of evidence that support the actual targets reported.

## 3.1.5 Actual Performance

The municipality utilizes an electronic web-based system on which KPI owners update actual performance monthly. KPI owners report on the results of the KPI by documenting the following information on the performance system:

- The actual result in terms of the target set
- A performance comment
- Actions to improve the performance against the target set, if the target was not achieved

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

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## 3.1.6 Monitoring of the Service Delivery Budget Implementation Plan

Municipal performance is measured as follows:

- Quarterly reports were submitted to Council on the actual performance in terms of the Top Layer SDBIP
- Mid-year assessment and submission of the mid-year report to the Mayor in terms of Section 72(1)(a) and 52(d) of the Local Government Municipal Finance Management Act to assess the performance of the Municipality during the first half of the financial year

## 3.1.7 Individual Performance Management

Performance management is prescribed by chapter of the MSA and the Municipal Planning and Performance Management Regulations, 796 of August 2001. Section 7(1) of the regulation states that “A Municipality’s Performance Management System entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organized and managed, including determining the responsibilities of the different role players.” This framework, *inter alia*, reflects the linkage between the IDP, budget, SDBIP and individual and service provider performance.

### a) Municipal Manager and Managers directly accountable to the Municipal Manager

The MSA prescribes that the municipality must enter into performance-based agreements with the all s57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2017/18 financial year was signed.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2016/17 financial year (1 January 2017 to 30 June 2017) took place on 19 September 2017 and the mid-year performance of 2017/18 (1 July 2017 to 31 December 2017) took place on 21 February 2018

The appraisals were done by an evaluation panel as indicated in the signed performance agreements and in terms of Regulation 805 and consisted of the following people:

- Mayor
- Portfolio Councillor
- Municipal Manager
- Chairperson of the Audit Committee
- External Municipal Manager

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## 3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2017/18

This section provides an overview of the key service achievements of the Municipality that came to fruition during 2017/18 in terms of the deliverables achieved against the strategic objectives of the IDP

### 3.2.1 Strategic Service Delivery Budget Implementation Plan (Top Layer)

This section provides an overview on the achievement of the Municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer SDBIP assists with documenting and monitoring of the Municipality's strategic plan and shows the strategic alignment between the IDP, budget and Performance plans.

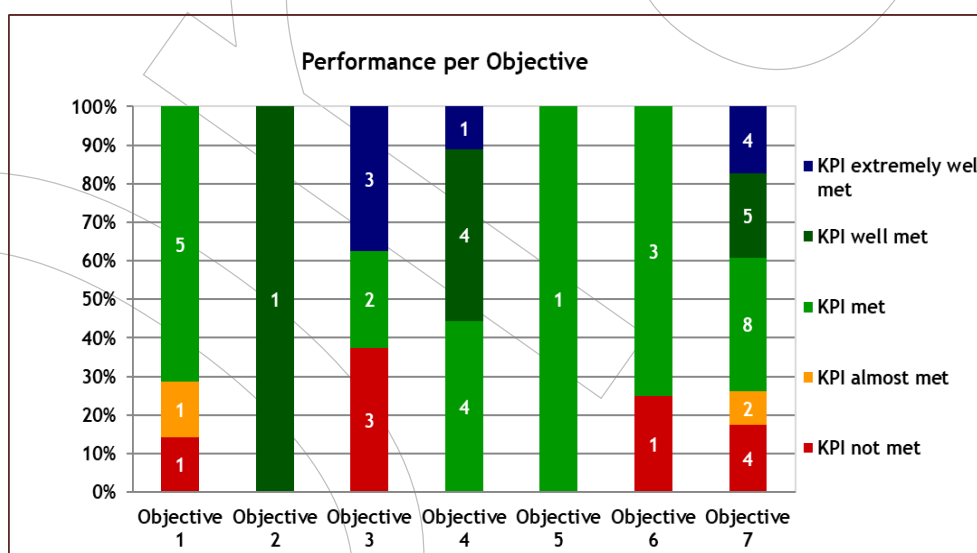
In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI's applicable to 2017/18 in terms of the IDP strategic objectives.

The following table explains the method by which the overall assessment of the actual performance against the targets set for the key performance indicators (KPI's) of the SDBIP are measured:

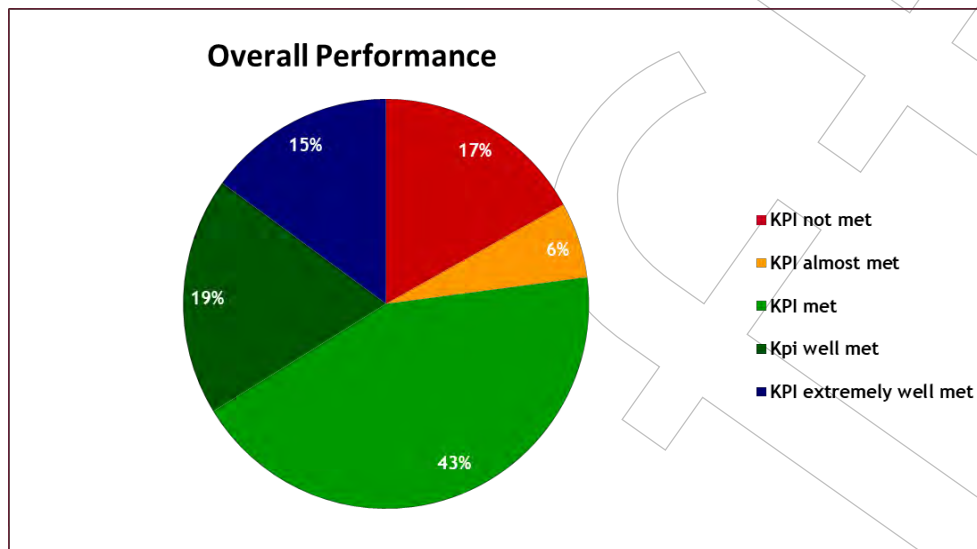
Category	Colour	Explanation
KPI Not Yet Measured		KPI's with no targets or actuals in the selected period
KPI Not Met		0% > = Actual/Target < 75%
KPI Almost Met		75% > = Actual/Target < 100%
KPI Met		Actual/Target = 100%
KPI Well Met		100% > Actual/Target < 150%
KPI Extremely Well Met		Actual/Target > = 150%

Figure 1: SDBIP Measurement Criteria

The overall performance results achieved by the Municipality in terms of the Top Layer SDBIP are indicated in the tables and graphs below:



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Graph 4: Top Layer SDBIP per Strategic Objectives

Measurement Category	Objective 1 Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties	Objective 2 Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor	Objective 3 Development and transformation of the institution with the aim of capacitating the Municipality in meeting their objectives	Objective 4 Maintaining a financially sustainable and viable Municipality	Objective 5 Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality	Objective 6 Promote the equitable creation and distribution of wealth in Emthanjeni Municipal area	Objective 7 Provision of access to all basic services rendered to residents within the available resources
KPI Not Met	1	0	3	0	0	1	4
KPI Almost Met	1	0	0	0	0	0	2
KPI Met	5	0	2	4	1	3	8
KPI Well Met	0	1	0	4	0	0	5
KPI Extremely Well Met	0	0	3	1	0	0	4
Total	7	1	8	9	1	4	23

Table 44: Top Layer SDBIP per Strategic Objectives



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a) Actual strategic performance for 2017/18 per strategic objective and corrective measures that will be implemented

i) *Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties*

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL22	90% of approved budget spent by 30 June 2018 for the ward development programme {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New key performance indicator for 2017/18. No audited comparatives available	0%	0%	0%	90%	90%	89.96%	O
Corrective actions:		Spending must be closely monitored									
TL39	Establishment a sport and recreation forum in the municipal area by 30 June 2018	Forum established by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	0	R
Corrective actions:		The forum will be established in the new financial year									
TL40	Complete an assessment of current parks to determine the need and submit report with findings to Council by 30 September 2017	Assessment report submitted to Council by 30 September 2017	All	New key performance indicator for 2017/18. No audited comparatives available	1	0	0	0	1	1	G
TL41	Develop an maintenance plan for parks by 30 June 2018	Maintenance plan developed by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	1	G
TL42	Establishment a municipal animal pound with assistance of other stakeholders by 30 June 2018	Municipal pound established by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	1	G
TL43	Sign a MOU with the Department of Defense by 30 June 2018 for support with fire brigade services	MOU signed by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	1	G

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL45	Review the disaster management plan that includes contingency plans and submit to Council by 30 June 2018	Disaster management plan reviewed and submitted to Council by 30 June 2018	All	1	0	0	0	1	1	1	G

Table 45: Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties

### ii) Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL55	Provide free basic services to indigent households as at 30 June 2018	Number of indigent households receiving free basic services as at 30 June 2018	All	3 594	2 800	2 800	2 800	2 800	2 800	3 543	G2

Table 46: Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor

### iii) Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL21	70% of approved budget spent by 30 June 2018 for capital additions and repairs to municipal buildings/office {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New key performance indicator for 2017/18. No audited comparatives available	0%	0%	0%	70%	70%	25.96%	R
Corrective actions:		Spending must be closely monitored									
TL30	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the municipality's approved Employment Equity	Number of people employed (newly appointed)	All	0	0	0	0	0	0	0	G

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	Plan by 30 June 2018										
TL31	0.35% of the personnel budget spent on training as per the approved Skills Development Plan by 30 June 2018 [ (Actual total training expenditure/total personnel budget)x100]	% of the personnel budget spent on training	All	0.70%	0%	0%	0%	0.35%	0.35%	0.22%	R
<b>Corrective actions:</b>		LGSETA approved programs late									
TL38	Develop a maintenance plan for municipal buildings by 30 June 2018 and submit to the Portfolio Committee	Maintenance plan developed and submitted	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	1	G
TL47	Arrange a training sessions for all supervisors on general management by 30 June 2018	Number of training sessions held	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	3	B
TL49	Review the EEP and submit to the Portfolio Committee by 30 June 2018	EEP reviewed and submitted to the Portfolio Committee	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	0	R
<b>Corrective actions:</b>		The Employment Equity Manager will be appointed in the new financial year and he will be responsible for the EEP review									
TL50	Limit vacancy rate to 24% of budgeted posts by 30 June 2018 [(Number of funded posts vacant divided by budgeted funded posts)x100]	[(Number of funded posts vacant divided by budgeted funded posts)x100]	All	New key performance indicator for 2017/18. No audited comparatives available	0%	24%	0%	24%	24%	1%	B
TL65	70% of approved budget spent by 30 June 2018 for the replacement of computer equipment {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New key performance indicator for 2017/18. No audited comparatives available	0%	0%	0%	70%	70%	231%	B

Table 47: Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives

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### iv) Maintaining a financially sustainable and viable municipality

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL57	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2018 ((Total operating revenue-operating grants received)/debt service payments due within the year))	Debt coverage	All	2.47	0	0	0	2.5	2.5	3.28	G2
TL58	Financial viability measured in terms of the outstanding service debtors as at 30 June 2018 ((Total outstanding service debtors/ revenue received for services)X100)	% of outstanding service debtors	All	52.44%	0%	0%	0%	90%	90%	30%	B
TL59	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2018 (Available cash+ investments)/ Monthly fixed operating expenditure)	Number of months it takes to cover fix operating expenditure with available cash	All	1	0	0	0	0.6	0.6	0.71	G2
TL60	Submit the annual financial statements to the Auditor-General by 31 August 2017	Statements submitted to the AG by 31 August 2017	All	1	1	0	0	0	1	1	G
TL61	Achievement of a payment percentage of above 70% quarterly {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	Payment % achieved	All	118.20%	70%	70%	70%	70%	70%	82%	G2
TL62	Prepare and submit the adjustments budget to Council by the 28 February 2018	Adjustments budget submitted by 28 February 2018	All	1	0	0	1	0	1	1	G
TL63	Prepare and submit the draft budget to	Draft budget submitted by 31 March 2018	All	1	0	0	1	0	1	1	G

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	Council by 31 March 2018										
TL64	Prepare and submit the final budget to Council by 31 May 2018	Final budget submitted by 31 May 2018	All	1	0	0	0	1	1	1	G
TL67	70% of approved budget spent by 30 June 2018 for the Grap Compliance process {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New key performance indicator for 2017/18. No audited comparatives available	0%	0%	0%	70%	70%	92%	G2

Table 48: Maintaining a financially sustainable and viable municipality

v) **Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni Municipality**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL1	Develop Risk based audit plan (RBAP) for 2018/19 and submit to the audit committee for approval by 30 June 2018	RBAP for 2017/18 submitted	All	0	0	0	0	1	1	1	G

Table 49: Promote representative governance through the sustainable utilisation of available resources in consultation with the residents of Emthanjeni municipality

vi) **Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area**

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL4	Create temporary jobs - FTE's in terms of EPWP by 30 June 2018 (Person days / FTE (230 days))	Number of FTE's created	All	43	0	0	0	47	47	0	R
<b>Corrective actions:</b>		The target was already met in 3rd quarter. Await final achievement from Public Works									
TL35	Conduct a study on the options for small town development and submit a report with recommendations to Council by 30 June 2018	Report with options submitted to Council by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	1	G

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL36	Compile a Youth development strategy and submit to council by 30 June 2018	Youth Development Strategy submitted to Council by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	1	G
TL37	Hold a session with suppliers, renewable energy companies and NGOs by 30 June 2018, to discuss the possible funding contributions to establishment a training academy which will assist with skills development in the region	Number of session held by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	1	G

Table 50: Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area

### vii) Provision of access to all basic services rendered to residents within available resources

Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL5	70% of the water maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	% of approved water maintenance budget spent	All	75.33%	5%	25%	60%	70%	70%	40.27%	R
<b>Corrective actions:</b>		The current cash flow situation is making it very difficult to achieve this KPI. Not all of the orders are processed by Finance									
TL6	Limit % water unaccounted for quarterly to 22% [(Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / (Number of Kiloliters Water Purchased or Purified) x 100]	% water unaccounted for	All	17.77%	24%	22%	22%	22%	22%	26.90%	R
<b>Corrective actions:</b>		We are dependent on water readings from water readers. Air gets measured through the meter as if its water passing through it									
TL7	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	% water quality level	All	95.45%	90%	90%	90%	90%	90%	100%	G2



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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL8	70% of the waste water maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	% of approved waste water maintenance budget spent	All	36.07%	5%	25%	60%	70%	70%	147%	B
TL9	70% of the roads and stormwater maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)X100)	% of approved roads and stormwater maintenance budget spent	All	72.01%	5%	25%	60%	70%	70%	64%	O
<b>Corrective actions:</b>		Current cash flow situation is not helping expenditure of this KPI. Not all orders are processed. Suppliers not paid on time									
TL10	Limit % electricity unaccounted for to 18% by 30 June 2018 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased ) $\times \frac{1}{2} \times 100$ ]	% of electricity unaccounted for	All	11.62%	22%	21%	20%	18%	18%	17.64%	B
TL11	70% of the recreational and swimming pool maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)X100)	% of approved recreational areas and swimming pool maintenance budget spent	All	41.33%	5%	25%	60%	70%	70%	58.07%	O
<b>Corrective actions:</b>		Current cash flow situation is not helping expenditure of this KPI. Not all orders are processed. Suppliers not paid on time									
TL12	70% of the electricity maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	% of approved electricity maintenance budget spent	All	86.36%	5%	25%	60%	70%	70%	77%	G2
TL13	Develop a borehole maintenance plan by 30 June 2018	Plan developed by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparative s available	0	0	0	1	1	0	R
<b>Corrective actions:</b>		Started researching and collecting information on borehole maintenance policy. At the Strategic Planning session held at Douglas it was decided to develop 1 maintenance plan for all sections involved with maintenance									
TL15	90% of approved budget spent by 30 June 2018 for the upgrading of	% of approved budget spent	1; 5	New key performance indicator for	0%	0%	0%	90%	90%	100%	G2

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	Stormwater drainage {(Actual expenditure divided by the total approved budget) x 100}			2017/18. No audited comparatives available							
TL17	90% of approved budget spent by 30 June 2018 for general maintenance to transformers of the municipality {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New key performance indicator for 2017/18. No audited comparatives available	0%	0%	0%	90%	90%	105.92%	G2
TL20	90% of approved budget spent by 30 June 2018 for the installation of prepaid electricity meters {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New key performance indicator for 2017/18. No audited comparatives available	0%	0%	0%	90%	90%	93.94%	G2
TL28	90% of approved budget spent by 30 June 2018 for the upgrading and improvement of municipal parks {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New key performance indicator for 2017/18. No audited comparatives available	0%	0%	0%	90%	90%	90%	G
TL29	90% of approved budget spent by 30 June 2018 for the maintenance of Commonage {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	New key performance indicator for 2017/18. No audited comparatives available	0%	0%	0%	90%	90%	45.74%	R
<b>Corrective actions:</b>		Commonage land has new contracts for upcoming farmers which states that they are responsible for maintenance. We only fix water windmills and fencing. Maintenance was therefore only done when required									
TL32	Review the Human Settlement Plan and submit to Council by 30 June 2018	Human Settlement Plan reviewed and submitted to Council	All	1	0	0	0	1	1	1	G
TL33	90% of the maintenance budget of waste management spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent ((Actual expenditure divided by the approved budget)x100)	All	91.70%	0%	0%	0%	90%	90%	90%	G

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL34	Submit the application for funding of housing projects to the Provincial Department of Housing by 30 September 2017	Housing application submitted	All	1	1	0	0	0	1	1	G
TL46	Assess all landfill sites to determine compliance and submit a report to Council by 30 June 2018	Assessment report submitted to Council by 30 June 2018	All	New key performance indicator for 2017/18. No audited comparatives available	0	0	0	1	1	1	G
TL51	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2018	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2018	All	9 035	8,000	8,000	8,000	8,000	8,000	12,667	B
TL52	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2018	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2018	All	9 035	7,000	7,000	7,000	7,000	7,000	7,000	G
TL53	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2018	Number of residential properties which are billed for sewerage as at 30 June 2018	All	8208	8,000	8,000	8,000	8,000	8,000	8,000	G
TL54	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2018	Number of residential properties which are billed for refuse removal as at 30 June 2018	All	8 157	8,000	8,000	8,000	8,000	8,000	8,000	G

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Ref	KPI	Unit of Measurement	Ward	Actual performance for 2016/17	Overall Performance 2017/18						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL56	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2018 {(Actual amount spent on projects /Total amount budgeted for capital projects)X100}	% of capital budget spent by 30 June 2018	All	109.83%	0%	0%	0%	70%	70%	174%	B

Table 51: Provision of access to all basic services rendered to residents within available resources

### b) Service Providers Strategic Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. According to AG's office:

- Service provider means a person or institution or any combination of persons and institutions which provide a municipal service
- External service provider means an external mechanism referred to in Section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality

During the year under review the municipality did not appoint any service providers who provided a municipal service to or for the benefit of the local community on behalf of the municipality and therefore this report contains no such details. All other contract appointments are regularly monitored and ensured, that the requirements of the contract are complied with.

### 3.2.2 Municipal Functions

#### a) Analysis of Functions

The table below indicates the functional areas that the municipality are responsible for in terms of the Constitution:

Municipal Function	Municipal Function (Yes/ No)
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	Yes
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes

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Municipal Function	Municipal Function (Yes/ No)
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	No
Pontoons, ferries, jetties, piers and harbors, excluding the regulation of international and national shipping and matters related thereto	No
Stormwater management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Constitution Schedule 5, Part B functions:	
Beaches and amusement facilities	Yes
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 52: Functional Areas

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### COMPONENT A: BASIC SERVICES

This component includes basic service delivery highlights and challenges, includes details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

#### 3.3 WATER PROVISION

##### 3.3.1 Introduction to Water Services

Emthanjeni is totally dependent on groundwater (boreholes) and the effective and sustainable management thereof in order to provide a cost effective water supply is of the greatest importance to the Municipality. Received Water Services Infrastructure Grant (WSIG) funding for Refurbishment of De Aar Boreholes. The Water Conservation/Water Demand Management (WCWDM) strategies are aimed at limiting water losses in order to keep the cost of water at affordable levels. The water losses in the 2017/18 financial year were 26.4% compared to the 21% in the 2016/17 financial year.

There are 2 main reservoirs in De Aar West and East with a capacity of 13.6ML and 12ML respectively. Hanover have a collecting reservoir and a Trappieskop reservoir with a capacity of 1.659ML and 0.42ML respectively. Britstown have 4 small dams and 2 pressure towers. The 4 small dams have a capacity ranging from 0.207ML to 1.189ML. The capacity of the 2 pressure towers are 0.087ML each.

##### 3.3.2 Highlights: Water Services

The table below specify the highlights for the year:

Highlights	Description
Good water quality	100% passing rate of water samples as per SANS 241

Table 53: Water Services Highlights

##### 3.3.3 Challenges: Water Services

The table below specifies the challenges for the year:

Description	Actions to address
Development of 12 additional boreholes in De Aar North	Obtain water use licence (WUL) from Department of Water and Sanitation (DWS) and secure co-funding for the project
Staff shortages within the water section	Fill vacancies with experienced and qualified personnel

Table 54: Water Services Challenges

##### 3.3.4 Service Delivery Levels: Water Services

The table below specifies the service delivery levels for the year:

Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<b>Water: (above min level)</b>		
Piped water inside dwelling	5 024	5 036
Piped water inside yard (but not in dwelling)	2 967	2 967



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Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
Using public tap (within 200m from dwelling)	189	189
Other water supply (within 200m)	0	0
<b>Minimum Service Level and Above sub-total</b>	<b>8 180</b>	<b>8 192</b>
<b>Minimum Service Level and Above Percentage</b>	<b>100</b>	<b>100</b>
<b>Water: (below min level)</b>		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
<b>Below Minimum Service Level sub-total</b>	<b>0</b>	<b>0</b>
<b>Below Minimum Service Level Percentage</b>	<b>0</b>	<b>0</b>
<b>Total number of households</b>	<b>8 180</b>	<b>8 192</b>
<i>Include informal settlements</i>		

Table 55: Water Service Delivery Levels: Households

Access to Water			
Financial year	Number/Proportion of households with access to water points*	Proportion of households with access to piped water	Number /Proportion of households receiving 6 kl free#
2016/17	189	7 991	8 180
2017/18	189	7 991	8 192
* Means access to 25 litres of potable water per day supplied within 200m of a household and with a minimum flow of 10 litres per minute # 6,000 litres of potable water supplied per formal connection per month			

Table 56: Access to Water

### 3.3.5 Employees: Water Services

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	11	7	4	36.4
4 - 6	6	4	2	33.3
7 - 9	5	4	1	20
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
<b>Total</b>	<b>23</b>	<b>16</b>	<b>7</b>	<b>30.4</b>

Table 57: Employees: Water Services

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### 3.3.6 Capital: Water Services

The following table indicates the capital expenditure for this division:

R'000					
Capital Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Development of additional boreholes, De Aar	7 000	7 000	0	7 000	0
New water reservoir (Britstown)	7 000	7 000	0	7 000	0
Machinery and equipment	80	80	0	80	0

Table 58: Capital Expenditure 2017/18: Water Services

### 3.4 WASTE WATER (SANITATION) PROVISION

#### 3.4.1 Introduction to Waste Water (Sanitation) Provision

De Aar Waste Water Treatment Works (WWTW) have been upgraded during the previous financial year just to make the plant operational. There is still the challenge of the Urine Diversion System (UDS) toilets in Hanover and converting it to full waterborne sewerage. We are currently doing it from own funding. However, it is not sufficient and alternative sources of funding will be explored. The Implementation Readiness Study for Britstown Bucket Eradication Programme (BEP) have been completed.

The Department of Water Affairs have approved the Bulk Infrastructure Grant Programme (RBIG) funding for bulk services. We received R14 million from the department for WSIG for the internal sewer reticulation of Britstown as well as the refurbishment of boreholes in De Aar.

#### 3.4.2 Highlights: Waste Water (Sanitation) Provision

The table below specify the highlights for the year:

Highlights	Description
Conversion of 20 UDS toilets	The Municipality successfully converted 20 UDS toilets to flush toilets with septic tanks from own funding

Table 59: Waste Water (Sanitation) Provision Highlights

#### 3.4.3 Challenges: Waste Water (Sanitation) Provision

The table below specifies the challenges for the year:

Description	Actions to address
Co-funding for bulk services for Britstown BEP	Co-funding will be paid over 2 financial years
Shortage of staff in the waste water section	Filling of vacancies with experienced and qualified personnel

Table 60: Waste Water (Sanitation) Provision Challenges

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### 3.4.4 Services Delivery levels: Waste Water (Sanitation) Provision

The table below specifies the different sanitation service delivery levels per households for the financial years 2016/17 and 2017/18 in the areas in which the municipality is responsible for the delivery of the service:

Households		
Description	2016/17	2017/18
	Outcome	Actual
	No.	No.
<b><u>Sanitation/sewerage:</u> (above minimum level)</b>		
Flush toilet (connected to sewerage)	6 275	6 287
Flush toilet (with septic tank)	1 767	1 787
Chemical toilet	0	0
Pit toilet (ventilated)	0	0
Other toilet provisions (above min. service level)	0	0
<b>Minimum Service Level and Above sub-total</b>	<b>8 042</b>	<b>8 074</b>
<b>Minimum Service Level and Above Percentage</b>	<b>98,31</b>	<b>98,31</b>
<b><u>Sanitation/sewerage:</u> (below minimum level)</b>		
Bucket toilet	138	138
Other toilet provisions (below min. service level)	0	0
No toilet provisions	0	0
<b>Below Minimum Service Level sub-total</b>	<b>138</b>	<b>138</b>
<b>Below Minimum Service Level Percentage</b>	<b>1,69</b>	<b>1,69</b>
<b>Total households</b>	<b>8 180</b>	<b>8 212</b>
<b>Including informal settlements</b>		

Table 61: Waste Water (Sanitation) Provision Service Delivery Levels

### 3.4.5 Employees: Waste Water (Sanitation) Provision

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	6	3	3	50
4 - 6	4	4	0	0
7 - 9	2	0	2	100
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
<b>Total</b>	<b>13</b>	<b>8</b>	<b>5</b>	<b>38,5</b>

Table 62: Employees Waste Water (Sanitation) Provision

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### 3.5 ELECTRICITY

#### 3.5.1 Introduction to Electricity

Local Government plays a very important role in the provision of electricity. Section 153 of the Constitution places the responsibility on municipalities to ensure the provision of services to communities in a sustainable manner for economic and social support.

The energy losses for the 2016/17 financial year was 11.62% whilst the losses in the 2017/18 financial year is 17.64%

At present, there is no backlog in the provision of electricity to households. The biggest challenge currently is the portion of Hanover where Eskom is the supplier. Council has initiated a process to ascertain whether it would be possible to take over this area from Eskom to have a uniform system in place.

#### 3.5.2 Highlights: Electricity

The table below specifies the highlights for the year:

Highlights	Description
Funding obtained from the Department of Energy (DOE) for the electricity upgrade in De Aar East as part of the Integrated National Electrification Programme (INEP)	Network is overloaded which results in some areas experience power dips. Therefore, the upgrade is required to increase capacity. The building of a 5 MVA sub-station is in progress towards Nonzwakazi to increase the capacity
Business plans for dark areas where there is no streetlights/lighting	Business plans will be submitted for further lighting in areas like Waterdal, Montana and Nonzwakazi. Also floodlights for Merino Park, Nonzwakazi stadia, Khwezi stadia in Hanover and also De Aar West stadium. The project is currently pending approval

Table 63: Electricity Highlights

#### 3.5.3 Challenges: Electricity

The table below specifies the challenges for the year:

Description	Actions to address
Meter tampering and bypass (Loss in revenue and increased line losses)	Meter controller to do thorough inspections, we currently busy replacing the old seals with LG110 type and PT1 meters are being replaced with Con log or Landis & Gyr type meters
Copper theft (Customers are without power for a long time due to line repairs) in areas like Waterdal	Cases are reported to South African Police Department (SAPD) and copper conductors is to be replaced with aluminium conductors. Application for funding OE has been submitted to DOE
Line losses (Reflecting negatively against the Municipality if above a certain target percentage and impacts on revenue)	Through continuous monitoring we aim to reduce losses even further. Now, we are under the target of National Energy Regulator of South Africa (NERSA) (NERSA target is 22%)
Funding required for the electrification of 4 114 houses as part of a housing project	Business plans and funding applications has been submitted to DOE for the electrification of 4 114 houses

Table 64: Electricity Challenges

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### 3.5.4 Service Delivery Levels: Electricity

The table below specifies the service delivery levels for the year:

Households		
Description	2016/17	2017/18
	Actual	Actual
	No.	No.
<b>Energy: (above minimum level)</b>		
Electricity (at least min. service level)	5 683	5 318
Electricity - prepaid (min. service level)	6 984	7 350
<b>Minimum Service Level and Above sub-total</b>	<b>12 667</b>	<b>12 668</b>
<b>Minimum Service Level and Above Percentage</b>	<b>100</b>	<b>100</b>
<b>Energy: (below minimum level)</b>		
Electricity (< min. service level)	0	0
Electricity - prepaid (< min. service level)	0	0
Other energy sources	0	0
<b>Below Minimum Service Level sub-total</b>	<b>0</b>	<b>0</b>
<b>Below Minimum Service Level Percentage</b>	<b>0</b>	<b>0</b>
<b>Total number of households</b>	<b>12 667</b>	<b>12 668</b>

Table 65: Electricity Service Delivery Levels

### 3.5.5 Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	10	6	4	40
4 - 6	11	9	2	18.2
7 - 9	4	4	0	0
10 - 12	8	7	1	12.5
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	0	0	0	0
<b>Total</b>	<b>34</b>	<b>27</b>	<b>7</b>	<b>20.6</b>

Table 66: Employees: Electricity Services

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### 3.5.6 Capital: Electricity

The following table indicates the capital expenditure for this division:

R'000					
Capital Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Upgrading electrical substation De Aar	6 000	7 500	6 578	922	7 500

Table 67: Capital Expenditure 2017/18: Electricity

### 3.6 WASTE MANAGEMENT (REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

#### 3.6.1 Introduction to Waste Management

Domestic refuse is currently removed on a weekly basis in all residential areas of Emthanjeni. Informal dumping (littering) remains a major challenge, but all areas are regularly cleaned up. Various areas have street cleaners who clear the littering daily. Additional programmes were introduced to improve waste management in the municipal area.

#### 3.6.2 Highlights: Waste Management

The table below specifies the highlights for the year:

Highlights	Description
De Aar, Hanover and Britstown Landfill sites permitted	Approval was obtained from the Department of Environmental and Nature Conservation (DENC)
Cleaning campaigns	Dedicated cleaning campaigns were done throughout the year by councillors and the department. Furthermore, overtime was worked over weekends to clear littering
Establishment of the management team	A management team was established to manage waste in the municipal area
Appointed Waste Management Control Officer	A Waste Management Control Officer was appointed to manage the waste function

Table 68: Waste Management Highlights

#### 3.6.3 Challenges: Waste Management

The table below specifies the challenges for the year:

Description	Actions to address
Lack of machinery to perform waste management and minimise efforts	Acquire additional machinery in 2018/19 financial year
Illegal dumping still evident	Host awareness programmes to educate the communities on keeping the environment clean

Table 69: Waste Management Challenges

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### 3.6.4 Service Delivery Levels: Waste Management

The table below specifies the service delivery levels for the year:

Description	Households	
	2016/17	2017/18
	Actual	Actual
	No.	No.
<b><u>Solid Waste Removal:</u> (Minimum level)</b>		
Removed at least once a week	12 615	11 455
<b>Minimum Service Level and Above sub-total</b>	<b>12 615</b>	<b>11 455</b>
<b>Minimum Service Level and Above percentage</b>	<b>100</b>	<b>100</b>
<b><u>Solid Waste Removal:</u> (Below minimum level)</b>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	0	0
Other rubbish disposal	0	0
No rubbish disposal	0	0
<b>Below Minimum Service Level sub-total</b>	<b>0</b>	<b>0</b>
<b>Below Minimum Service Level percentage</b>	<b>0</b>	<b>0</b>
<b>Total number of households</b>	<b>12 615</b>	<b>11 455</b>

Table 70: Waste Management Service Delivery Levels

### 3.6.5 Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	69	53	16	23.2
4 - 6	17	10	7	41.2
7 - 9	4	2	2	50
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	1	0	1	100
<b>Total</b>	<b>91</b>	<b>65</b>	<b>26</b>	<b>28.6</b>

Table 71: Employees: Waste Management



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## 3.6.6 Capital: Waste Management






R'000					
Capital Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Equipment & Tools	22	22	0	22	0

Table 72: Capital Expenditure 2017/18: Waste Management







## 3.7 HOUSING

### 3.7.1 Introduction to Housing





Emthanjeni Local Municipality is conscious of the fact that in striving to eradicate the total Human Settlements backlog, it would also:

-  Create jobs
-  Empower business
-  Train apprentices in the built environment
-  Supply adequate tenure
-  Transfer skills

The impact, therefore of human settlements investment is much broader than increased rates and taxes or rental incomes. Human settlements development is a significant contributor to local economic development improving the quality of life for households, communities and business. In addition, human settlements development has also been linked to:

-  Better health, due to improved living conditions
-  Improved labour productivity as workers are less susceptible to disease associated with poor living conditions
-  Community pride leading to further investment in the maintenance and upgrading of housing and related infrastructure
-  Indirect forward employment opportunities are generated by new homeowners who have a demand for consumer products such as household appliances and furniture, stimulating production in these sectors
-  Indirect backward employment opportunities are generated through the relationship between the housing sector and the building material supply industry, where the construction of housing creates a demand for products like cement, bricks, glass and wood, and thus stimulates production in these industries
-  The simultaneous investment in infrastructure, such as roads, water and sewerage systems, stimulates economic growth by increasing the accessibility of job opportunities to the unemployed, creating new markets for products as communities become more accessible to suppliers of goods and services via better road networks and creating direct employment opportunities in the construction sector

The Emthanjeni Local Municipality is accredited to perform and implement Human Settlements Projects. The Municipality completed the following phases of its flagship program, Emthanjeni 4114:

-  Hanover 470 Phase 1 and Phase 2
-  De Aar 2386 Phase 1
-  Britstown 838
-  Hanover 600 (Rezoning and Planning)

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### Housing need:

Given the strategic decision to focus on subsidy and gap Housing, the needs can be summarized as follows:

Subsidy	4 114
Gap	250
Total	4 364

Table 73: Housing Needs

### 3.7.2 Highlights: Housing

The table below specifies the highlights for the year:

Highlights	Description
Completion of eight (8) Military Veteran Houses	Beneficiaries were placed in houses during December 2017
Consumer Education Training	Training sessions took place on a monthly basis
Municipal Human Settlements Plan	The Municipal Human Settlement Plan, that guides housing development in area, was reviewed during the financial year

Table 74: Highlights: Housing

### 3.7.3 Challenges: Housing

The table below specifies the challenges for the year:

Description	Actions to address
Eradication of housing backlog	Business plans completed to apply for funding to eradicate the backlog
Performance by contractors	Training provided by to contractors by NHBRC and the Department of Cooperative Governance and Traditional Affairs
Funding from provincial and national government	Regular meetings to be conducted with provincial and national departments
Vandalism of houses	Provision of Housing Consumer Education Training

Table 75: Housing Challenges

### 3.7.4 Housing Statistics

The table below specifies the service delivery levels for the year:

Number 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
2016/17	8 209	7 905	96.3
2017/18	8 209	7 905	96.3

Table 76: Households with Access to Basic Housing

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The following table shows the number of people on the housing waiting list.

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2016/17	4 391	6.7
2017/18	4 364	(0.61)

Table 77: Housing Waiting List

Financial year	Number of houses built	Number of sites serviced
2016/17	8 Military Veterans houses in Nonzwakazi still in progress	Sites were serviced by the Municipality
2017/18	Military Veterans houses completed in December 2017	Eight (8) sites were serviced by the Municipality

Table 78: Houses Built and Sites Services

### 3.7.5 Employees: Housing

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	9	5	4	44.4
7 - 9	1	1	0	0
10 - 12	1	1	0	0
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	12	8	4	33.3

Table 79: Employees: Housing

### 3.8 FREE BASIC SERVICES AND INDIGENT SUPPORT

Indigent applications are processed annually but new applications are assessed and updated monthly. The indigent register was reconciled with the financial system (Abakus) and the pre-paid electricity system. Credit control officials are continuously updating indigent households on the pre-paid electricity system.

New indigent household applications were processed and approved, so that these households received their levied free basic services (FBS) during the month. Indigent households will receive their FBS on the first of the month following the approval of their applications.

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved Indigent Policy of the Municipality, all households earning less than R3 500 per month will receive the free basic services as prescribed by national policy.

## Chapter 2: Good Governance

The table below indicates that 24% of the total number of households received free basic services in the 2016/17 financial year whilst it increased to 27.13% in the 2017/18 financial year:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2016/17	12 615	3 594	28.48	3 594	28.48	3 594	28.48	3 594	28.48
2017/18	12 615	3 559	28.21	3 559	28.21	3 559	28.21	3 559	28.21

Table 80: Free Basic Services to Indigent Households

Electricity									
Financial year	Indigent Households			Non-indigent households			Households in Eskom areas		
	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value	No. of HH	Unit per HH (kwh)	Value
			R'000			R'000			R'000
2016/17	3 594	50	1 998	9 022	0	0	445	50	249
2017/18	3 559	40.90	1 747	8480	40.90	4 162	576	40.90	283

Table 81: Free Basic Electricity Services to Indigent Households

Water						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	R value per HH	Value
			R'000			R'000
2016/17	3 594	118.48	5 108	9 022	30.64	3 317
2017/18	3 559	79.46	3 394	9 057	79.46	8 636

Table 82: Free Basic Water Services to Indigent Households

Sanitation						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	R value per HH	Value	No. of HH	R value per HH	Value
			R'000			R'000
2016/17	3 594	171.71	7 403	9 022	0	0
2017/18	3 559	182.71	7 803	9 057	182.71	19 858

Table 83: Free Basic Sanitation Services to Indigent Households

Refuse Removal						
Financial year	Indigent Households			Non-indigent households		
	No. of HH	Service per HH per week	Value	No. of HH	R value per HH	Value
			R'000			R'000
2016/17	3 594	1 (once)	4 623	9 022	107.08	0
2017/18	3 559	1 (once)	4 866	9 057	113.93	12 382

Table 84: Free Basic Refuse Removal Services to Indigent Households

# Chapter 2: Good Governance

## COMPONENT B: ROAD TRANSPORT

### 3.9 ROADS

#### 3.9.1 Introduction to Roads

During the past year the Municipality tarred 2.4km of streets from MIG funds as well as 0.514km of streets from own funding combined with EPWP funding (Total of 2.914km) and that brings the total of tar roads within the municipal area to 87.3km. At present about 57% of all municipal streets are still gravel roads which cause a great deal of inconvenience following rain and during strong wind.

#### 3.9.2 Highlights: Roads

The table below specifies the highlights for the year:

Highlights	Description
Successfully maintained roads within the whole municipal area	Potholes were fixed on a continue basis in the entire municipal area

Table 85: Roads Highlights

#### 3.9.3 Challenges: Roads

The table below specifies the challenges for the year:

Description	Actions to address
Insufficient Budget	Business Plans were submitted to MIG for the approval of funding

Table 86: Roads Challenges

#### 3.9.4 Statistics: Roads

The table below specifies the service delivery levels for the year:

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2016/17	118.36	0	2.914	118.36
2017/18	118.36	0	0	118.36

Table 87: Gravel Road Infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2016/17	87.814	2.914	0	0	87.814
2017/18	87.814	0	0	0	87.814

Table 88: Tarred Road Infrastructure

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The table below shows the costs involved for the maintenance and construction of roads within the municipal area:

Financial year	New & Replacements	Resealed	Maintained
	R'000		
2016/17	8 465	0	0
2017/18	0	0	875

*The cost for maintenance includes stormwater*

Table 89: Cost of Construction/Maintenance of Roads

### 3.9.5 Employees: Roads

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	20	13	7	35
4 - 6	17	14	3	17.6
7 - 9	1	1	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	37	28	10	27

Table 90: Employees: Roads

### 3.9.6 Capital: Roads

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Tarring of street in Hanover	2 800	2 800	2 297	503	2 297

Table 91: Capital Expenditure 2017/18: Roads

## 3.10 WASTE WATER (STORMWATER)

### 3.10.1 Challenges: Waste Water (Stormwater)

The table below specifies the challenges for the year:

Description	Actions to address
Shortage of staff	Appoint workers to maintain stormwater drainage
Maintenance of stormwater drainage due to budget constraints	Budgetary provision for equipment and personnel

Table 92: Waste Water (Stormwater) Challenges

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### 3.10.2 Services Delivery Statistics

The table below shows the total kilometers of stormwater system maintained and upgraded as well as the kilometers of new stormwater pipes installed:

Stormwater Infrastructure: Kilometres			
Year	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2016/17	0	0	0.56
2017/18	2.891	0	1.4

Table 93: Waste Water (Stormwater) Services Delivery Statistics

### 3.10.3 Employees: Waste Water (Stormwater)

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	3	2	1	33.3
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	3	2	1	33.3

Table 94: Employees: Waste Water (Stormwater)

### 3.10.4 Capital: Waste Water (Stormwater)

R'000					
Capital Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Storm Water Phase 2 De Aar Hanover	10 292	10 292	12 672	-2 380	12 672

Table 95: Capital Expenditure 2017/18: Waste Water (Stormwater)



# Chapter 2: Good Governance

## COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT (LED)

### 3.11 PLANNING

#### 3.11.1 Introduction to Planning

Town Planning and Building Control falls under the Manager: Project Management Unit. There is only one position, namely Building Inspector, currently in this division. The post of Building Inspector is vacant and despite being advertised on several occasions, no suitable candidate was found.

With the implementation of SPLUMA (Act No 16 of 2013), is now a great need of permanent qualified Town Planner who can also execute the function of Land Development Officer (LDO).

The Manager: Project Management Unit currently deal with all issues related to land use and building control.

#### *Spatial Development Framework (SDF) and Land Use Management Scheme (LUMS)*

Both the SDF and LUMS are outdated and do not comply with the current legislation. During a recent evaluation of the current SDF, it was found that it could not be updated, and will have to be redrafted to bring it into line with SPLUMA legislation.

#### *Implementation of SPLUMA*

All municipalities falling under the Pixley ka Seme District Municipality accepted the option of a District Municipal Planning Tribunal (DMPT). Emthanjeni Municipality has complied with all requirements for the implementation of SPLUMA.

#### 3.11.2 Highlights: Planning

The table below specifies the highlights for the year:

Highlights	Description
Speedy approval building plans	All building plans received are currently dealt with within the prescribed legal timeframes. The average time for the approval of building plans is 2 weeks
District Tribunal are fully functional	Several land use applications have been dealt with by the District Tribunal

Table 96: Planning Highlights

#### 3.11.3 Challenges: Planning

The table below specifies the challenges for the year:

Description	Actions to address
Staff shortages/vacant posts	The posts of a Building Control Officer and registered Town Planner will be advertised and the appointments made
Limited office space	New offices must be constructed

Table 97: Planning Challenges

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### 3.11.4 Statistics: Planning

The table below specifies the service delivery levels for the year:

Applications for Land Use Development				
Detail	Formalisation of Townships		Rezoning	
	2016/17	2017/18	2016/17	2017/18
Planning application received	0	0	4	3
Determination made in year of receipt	0	0	1	1
Determination made in following year	0	0	3	2
Applications withdrawn	0	0	0	0
Applications closed	0	0	4	0
Applications outstanding at year end	0	0	3	2
Awaiting DEA&DP decision	0	0	0	0

Table 98: Applications for Land Use Development

Type of service	2016/17	2017/18
Building plans application processed	87	70
Total surface (m <sup>2</sup> )	10 225,02	6 968,56
Approximate value	R25 929 607	R25 561 536
New residential dwellings	10	8
Residential extensions	66	56
New Business buildings	5	0
Business extensions	5	3
Land use applications processed	1	8

Table 99: Additional Performance Town Planning and Building Control

### 3.11.5 Employees: Town Planning

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	1	0	1	100
7 - 9	0	0	0	0
10 - 12	1	1	0	0
13 - 15	2	0	2	100
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	4	1	3	75

Table 100: Employees: Town Planning

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### 3.12 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

The Municipality has been operating without an informed LED Strategy that can outline clear LED challenges, opportunities and map the way forward. The Municipality's IDP does reflect the Investment Plan and economic transformation agenda that will also be included in the LED Strategy to attract investors to invest in the Municipality.

The Municipality is busy with the development of the LED Strategy which is planned to be finalized or approved by Council during December 2018. The Municipality is assisted by the Department of Economic Development and Pixley Ka Seme District Municipality to develop the LED Strategy. This process will assist in identifying possible projects and programs for improving municipal local economic development and job creation.

#### 3.12.1 Highlights: LED

The table below includes the highlights with the implementation of the LED Strategy:

Highlights	Description
Hydroponic project	The Department of Agriculture and the Municipality is in the process to assist this project revival by working with the Enterprise Developer who will fund and change this project to be an effective business model
Schreiner Retail Park Development	The development of this Centre will create job opportunities and create opportunity for investors
De Aar Warehouse Project	The provincial government together with the Municipality has resuscitated the discussions of starting this project and currently we are in a process of developing it as a PPE project, but it's still at planning and lobbying phase
LED One Stop Centre and Conference Centre	For information about possible LED opportunities, training and conference accommodation that will bring tourist
Community Works Programme (CWP) expansion	CWP continue with the sustainment of more than 900 jobs and will also be involved in maintenance of two cooperatives

Table 101: LED Highlights

#### 3.12.2 Challenges: LED

The table below includes the challenges with the implementation of the LED Strategy:

Description	Actions to address
Lack of skilled SMME's to venture in business opportunities	Continue SMME's training with the assistance of the private sector and government agencies (SEDA)
LED Forum not used as information session	LED Forum will be de-centralised to each town to reach all SMME's as their source of information and sharing of ideas with established entrepreneurs
Lack of working relation between renewable energy companies and the Municipality	Arrange a meeting between the relevant role players, councillors and individual Independent Power Producers (IPPs)
Limited budget for LED projects	Funding applications must be submitted and submitted to source additional funding

Table 102: Challenges LED

## Chapter 2: Good Governance

### 3.12.3 Job Creation: EPWP

Details	Jobs created through EPWP projects
	No.
2016/17	43*
2017/18	45
*This refer to the number of Full Time Equivalent (FTE's)	

Table 103: Job Creation Through EPWP Projects

### 3.12.4 Tourism

#### a) Highlights: Tourism

The table below includes the highlights with the implementation of the Tourism Strategy:

Highlights	Description
Data Collection of stakeholders	The collection of data of guesthouses, crafters and others for better support and regulation of this sector within the Municipality
Heritage and Tourism Month Celebration	Joint organisation of this celebration with sector departments to learn about our culture and attract investors
Revival of Tourism Committee	The Tourism Committee has been revived to coordinate activities that relate to this sector and initiate new ideas

Table 104: Highlights: Tourism

#### b) Challenges: Tourism

The table below includes the challenges with the implementation of the Tourism Strategy:

Description	Actions to address
Vacant position for Tourism Officer	Possible appointment of Communication Officer to undertake some of the responsibilities
Non-existence of Tourism Development Forum/Committee	Encourage tourism stakeholders like guesthouse owners, crafters and others to work together
Branding of the Municipality	New Communication Officer will be responsible for this initiative
Tourism attraction maintenance	Lobby for funding to maintain tourism attractions
Budgetary Constrains	Funding applications must be submitted and submitted to source additional funding

Table 105: Challenges: Tourism

### 3.12.5 Employees: LED

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	0	0	0	0
10 - 12	4	3	1	25

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Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	5	4	1	20

Table 106: Employees: Local Economic Development

### COMPONENT D: COMMUNITY AND SOCIAL SERVICES

#### 3.13 LIBRARIES

##### 3.13.1 Introduction to Libraries

The municipality has 5 libraries operational in the area. Library Service is a Provincial Government function and is delivered as an agency service. The communities welcome the service rendered by library staff in all three towns. New books are introduced on a regular basis. The libraries are now also offering free internet services to communities. Library membership is increasing steadily.

##### 3.13.2 Highlights: Libraries

The table below specifies the highlights for the year:

Highlight	Description
Upgrade of the Hennie Liebenberg Junior Library	Upgrade of the library was completed which included the painting of the interior and exterior, installation of ceramic tiles and installation of built in cupboards
Upgrade of Libra library	Upgrade of the library was completed which included the painting of the interior and laying of ceramic tiles
Renovations at WN Scheffers Library	The roof has been painted and all leaks have been sealed
Renovations at Hanover library	A new ceiling was installed and the interior was painted

Table 107: Libraries Highlights

##### 3.13.3 Challenges: Libraries

The table below specifies the challenges for the year:

Description	Actions to address
Late approval of programs	A program plan must be prepared and approved ahead of time so that when the date for a certain program comes we can act accordingly
Periodicals has not been received as from September 2017	Budgetary provision must be made to address the issue

Table 108: Libraries Challenges

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### 3.13.4 Service statistics for Libraries

The table below specifies the service statistics for the year:

Service statistic	2016/17	2017/18
Number of libraries	5	5
Library members	6 028	6 048
Books circulated	36 891	29 113
Exhibitions held	41	19
Internet users	1 025	1 172
New library service points or Wheelie Wagons	0	0
Children programs	5	7
Visits by school groups	238	178
Book group meetings for adults	5	3

Table 109: Service Statistics for Libraries

### 3.13.5 Employees: Library Services

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	10	6	4	40
4 - 6	7	7	0	0
7 - 9	5	5	0	0
10 - 12	1	1	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
Total	23	19	4	17.4

Table 110: Employees: Libraries

## 3.14 CEMETERIES

Procedures and management measures for the operations of cemeteries is regulated in terms of the Cemeteries By-law (No 6 of 2008). The by-law describes a cemetery as “and or part thereof, including the buildings and works thereon, that is owned and controlled by the Municipality, duly set aside and reserved for burials and make available for public use from time to time for burials”.

Emthanjeni's cemeteries includes the following:

De Aar	Britstown	Hanover
Caroluspoort, Kareeville, Barcelona, Nonzwakazi, Old Philipstown Road	N12 Town, Mziwabantu, Proteaville Churches, New Cemetery (Proteaville)	N1 Town, Burgerville

Table 111: Emthanjeni Cemeteries

## Chapter 2: Good Governance

### 3.14.1 Highlights: Cemeteries

The table below specifies the highlights for the year:

Highlights	Description
Prevention of grave reservations	Reservation of graves were stopped because it caused problems with the availability of graves
Close working relation with funeral undertakers	Better management and sharing information
Acceptable level of services	Services were rendered throughout the year with minimal complaints

Table 112: Cemeteries Highlights

### 3.14.2 Challenges: Cemeteries

The table below specifies the challenges for the year:

Description	Actions to address
Management system of cemeteries require improvement	Need to improve the administrative processes by introducing additional forms and regular meetings with affected parties
Continued vandalism, breaking of graves, fencing and invasion	Investigate possibilities of securing cemeteries
Maintenance work not as expected	Stricter control will be implemented
Level of service - Certain funeral undertakers deliver poor quality service	Monitor service delivery and consult with undertakers
Ablution facilities	Source funding to install toilet facilities
Fencing of grave yards	Fence is not good due to vandalism. Investigate possibilities of securing cemeteries
No work space at cemeteries	Construction of a shelter for workers at the cemeteries to do a proper job
Lack of training	More training is needed for cemetery workers to perform work
Burial space becoming insufficient	Planning for acquiring additional land should commence, inclusive of alternative burial methods

Table 113: Cemeteries Challenges

### 3.14.3 Service Statistics for Cemeteries

The table below specifies the service delivery levels for the year:

Type of service	2016/17	2017/18
Burials	542	297

Table 114: Service Statistics for Cemeteries



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### COMPONENT E: SECURITY AND SAFETY

The aim of Council is to ensure the safety of all residents and visitors in this municipal area through law enforcement. Currently municipal law enforcement officers work closely with SAPS to combat crime, while the traffic law enforcement officers are assisting those agencies. Integrated operations are held to prevent crime increase in this municipal area through proper planning. The willingness of the community to report crime assists the different law enforcement agencies tremendously in the fight against crime.

#### 3.15 TRAFFIC SERVICES

##### 3.15.1 Introduction to Traffic Services

The Traffic Department is divided into four sections namely: Driver's License Test Centre, Motor Registrations and Licensing, Vehicle Test Station and Traffic Law Enforcement. These sections are responsible for traffic related matters and monitoring of compliance with by-laws related to the municipality.

##### 3.15.2 Highlights: Traffic Services

The table below specifies the highlights for the year:

Highlights	Description
Combatting fraud and corruption	Traffic officers were dismissed after disciplinary process against them were finalised
New authorisation from the Director: Public Prosecutions for speed law enforcement by camera	The application for speed enforcement was successful and is valid until 31 May 2021
Traffic Officer obtained all qualification rendered at Traffic Colleges	A female Traffic Officer (S De Beer) is now a Grade A Examiner for Drivers Licenses and Examiner of Vehicles
Reduction in road accidents	We have a 21% reduction in road accidents reported from the previous year

Table 115: Traffic Services Highlights

##### 3.15.3 Challenges: Traffic Services

The table below specify the challenge for the year:

Description	Actions to address
Shortage of Traffic Officers	Posts were advertised and will be filled in 2018/19

Table 116: Traffic Services Challenge

##### 3.15.4 Service Statistics for Traffic Services

The table below specifies the service delivery levels for the year:

Details	2016/17	2017/18
Number of road traffic accidents during the year	389	309
Number of by-law infringements attended	112	85
Number of Traffic officers in the field on an average day	3	2
Number of Traffic officers on duty on an average day	8	7
Animals impounded	0	32

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Details	2016/17	2017/18
Motor vehicle licenses processed	38 445	39 783
Learner driver licenses processed	4 507	8 067
R-value of fines collected	3 202 310	1 881 134
Roadblocks held	27	8
Complaints attended to by Traffic Officers	0	14

Table 117: Service Statistics for Traffic Services

### 3.15.5 Employees: Traffic Services

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	5	3	2	40
4 - 6	4	2	2	50
7 - 9	10	5	5	50
10 - 12	3	3	0	0
13 - 15	1	0	1	100
16 - 18	0	0	0	0
19 - 20	0	0	0	0
<b>Total</b>	<b>23</b>	<b>13</b>	<b>10</b>	<b>43.5</b>

Table 118: Employees: Traffic Services

### 3.15.6 Employees: Law Enforcement

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	5	5	0	0
7 - 9	0	0	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>

Table 119: Employees: Law Enforcement

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### 3.15.7 Capital: Traffic Services

The following table indicates the capital expenditure for this division:

R'000					
Capital Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Capex PPE: Buildings	25	25	0	25	0
Computer Equipment	32	32	34	-2	34

Table 120: Capital Expenditure 2017/18: Traffic Services

### 3.16 FIRE SERVICES AND DISASTER MANAGEMENT

#### 3.16.1 Introduction to Fire Services and Disaster Management

Fire services is a voluntary service with volunteers on standby to attend to incidents within the Municipality. The fire station is situated in De Aar and render services to all areas that are part of the Municipality. Britstown and Hanover do not have fire stations, but volunteers are situated in these towns.

#### 3.16.2 Highlights: Fire Services and Disaster Management

The table below specify the highlight for the year:

Highlights	Description
South African National Defense Force (SANDF), assistance	SANDF assisted the Municipality where needed and we are grateful for this assistance
Reduction in response time	The response time to incidents has improved form previous years due to bakkie units that can respond faster

Table 121: Fire Services and Disaster Management Highlight

#### 3.16.3 Challenges: Fire Services and Disaster Management Services

The table below specifies the challenges for the year:

Description	Actions to address
Lack of Fire Fighting Equipment	Source new equipment from own funds, provincial departments and private sector

Table 122: Fire Services and Disaster Management Challenges

#### 3.16.4 Service Statistics for Fire Services and Disaster Management

The table below specifies the service delivery levels for the year:

Details	2016/17	2017/18
Total fires attended in the year	26	24
Total of other incidents attended in the year	0	0
Average turnout time - urban areas	15 min	12 min
Average turnout time - rural areas	±30 min	±30 min
Total Operational call-outs	0	0

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Details	2016/17	2017/18
Reservists and volunteers trained	18	14
Awareness Initiatives on Fire Safety	0	0

Table 123: Service Statistics for Fire Services

### COMPONENT F: SPORT AND RECREATION

#### 3.17 SPORT AND RECREATION

##### 3.17.1 Highlights: Sport and Recreation

The table below specify the highlight for the year:

Highlights	Description
Upgrade of Merinopark sportsgrounds (phase 2)	Obtained R1 million from Solar Capital to upgrade sportsgrounds

Table 124: Sport and Recreation Highlight

##### 3.17.2 Challenges: Sport and Recreation

The table below specify the challenge for the year:

Description	Actions to address
Funding for the upgrade of the new tartar track for De Aar West	The Department of Culture, Art and Sport must provide additional funding for the project

Table 125: Sport and Recreation Challenge

##### 3.17.3 Service Statistics for Sport and Recreation

The table below specifies the service delivery levels for the year:

Type of service	2016/17	2017/18
<b>Community parks</b>		
Number of parks with play park equipment	4	4
Number of wards with community parks	6	6
<b>Swimming pools</b>		
R-value collected from entrance fees	125 076	102 245
<b>Sport fields</b>		
Number of wards with sport fields	6	6
R-value collected from utilization of sport fields	26 699	37 322
<b>Sport halls</b>		
Number of wards with sport halls	1	1
Number of sport associations utilizing sport halls	1	1
R-value collected from rental of sport halls	0	0

Table 126: Service Statistics for Sport and Recreation

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### 3.17.4 Employees: Parks and Cemeteries

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	14	13	1	7.1
4 - 6	1	0	1	100
7 - 9	1	1	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
<b>Total</b>	<b>16</b>	<b>14</b>	<b>2</b>	<b>12.5</b>

Table 127: Employees: Parks and Cemeteries

### 3.17.5 Employees: Sport and Recreation

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	14	10	4	28.6
4 - 6	1	0	1	100
7 - 9	1	1	0	0
10 - 12	0	0	0	0
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
<b>Total</b>	<b>16</b>	<b>11</b>	<b>5</b>	<b>31.3</b>

Table 128: Employees: Sport and Recreation

### 3.17.6 Capital: Sport and Recreation

The following table indicates the capital expenditure for this division:

R'000					
Capital Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Equipment; machine & upgrade	65	65	0	65	0

Table 129: Capital Expenditure 2017/18: Sport and Recreation

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### COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: executive and council; financial services; human resource services; ICT services; legal services; and procurement services.

#### 3.18 EXECUTIVE AND COUNCIL

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

##### 3.18.1 Highlights: Executive and Council

The table below specifies the highlights for the year:

Highlights	Description
Skill development for councillors	Three councillors graduated with certificate on leadership

Table 130: Executive and Council Highlights

##### 3.18.2 Challenges: Executive and Council

The table below specifies the challenges for the year:

Description	Actions to address
Protest marches in the municipal area	Regular interaction with communities to try and resolve their grievances
Electricity Bill of Eskom	Paying off arrears as negotiated with Eskom.
None payment of services by account holders	Radical implementation of credit control policy
Increase in employees' disciplinary cases	Training and workshop to mitigate ill-discipline at workplace

Table 131: Executive and Council Challenges

##### 3.18.3 Employees Corporate Services

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	16	15	1	6.3
4 - 6	9	8	1	11.1
7 - 9	4	2	2	50
10 - 12	6	5	1	16.7
13 - 15	2	2	0	0
16 - 18	0	0	0	0
19 - 20	1	1	0	0
Total	38	33	5	13.2

Table 132: Employees: Corporate Services

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### 3.18.4 Employees: Office of the Municipal Manager

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	0	0	0	0
7 - 9	1	1	0	
10 - 12	1	0	1	100
13 - 15	1	0	1	100
16 - 18	0	0	0	01
19 - 20	0	0	0	0
21 - 25	1	1	0	0
Total	4	2	2	50

Table 133: Employees: Office of the Municipal Manager

### 3.18.5 Employees: Technical Services

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	1	1	0	0
4 - 6	11	8	3	27.3
7 - 9	3	2	1	33.3
10 - 12	2	1	1	50
13 - 15	1	1	0	0
16 - 18	0	0	0	0
19 - 20	1	1	0	0
Total	19	14	5	26.3

Table 134: Employees: Technical Services



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### 3.18.6 Capital: Executive and Council

The following table indicates the capital expenditure for this division:

R'000					
Capital Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Mayoral Vehicle	982	982	605	375	605
Computer equipment	240	240	148	92	148
MSCOA	688	688	423	265	423

Table 135: Capital Expenditure 2017/18: Executive and Council

### 3.19 FINANCIAL SERVICES

#### 3.19.1 Introduction: Financial Services

The Finance Directorate provide various services to the communities of Emthanjeni Municipality, Council and the staff. These services include revenue collection, expenditure management, budget and treasury reporting and supply chain management amongst others.

Financial viability and financial discipline are the pillars under which these services are rendered. The payment of services by consumers are the backbone of any municipality which underpins the financial ability of a municipality to honour its commitments. The mission is to ensure that the payment percentage and culture of the Municipality rises above the 95 % for all the main services throughout the financial year.

#### 3.19.2 Highlights: Financial Services

The table below specifies the highlights for the year:

Highlights	Description
100% Spending of conditional grant MIG	The full allocation received by the Municipality was spent in the financial and no roll-over is needed for MIG
Continuous strive to achieve "Clean Audit Status"	Emthanjeni Municipality received an unqualified audit opinion for the past three financial years and aspire to achieve a clean audit opinion
Non-stop service delivery within Emthanjeni Municipality	Adequate financial resources were availed for continuous service delivery throughout the financial year

Table 136: Financial Services Highlights

#### 3.19.3 Challenges: Financial Services

The table below specifies the challenges for the year:

Description	Actions to address
Non-payment of municipal services by municipal consumers impacts negatively on service delivery	The payment percentage decreases month to month. Stricter implementation of the Credit Control Policy must be applied
Payment of Creditors	Enhancement of financial management principals should lead to greater efficiency of cash flow
Slow and Improper mSCOA Implementation	System developers are not fully mSCOA compliant which impacts negatively on the operations of the Municipality. Staff will attend informative training for the various financial management modules and systems

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Description	Actions to address
Negative cash flow position experienced by the Municipality	Proper cash flow management will be adhered to in combination with the credit control implementation

Table 137: Financial Services Challenges

### 3.19.4 Employees: Financial Services

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	4	4	0	0
4 - 6	30	27	3	10
7 - 9	6	5	1	16.7
10 - 12	5	4	1	20
13 - 15	0	0	0	0
16 - 18	1	1	0	0
19 - 20	1	1	0	0
<b>Total</b>	<b>47</b>	<b>42</b>	<b>5</b>	<b>10.6</b>

Table 138: Employees: Financial Services

### 3.19.5 Capital: Financial and Administrative Services

The following table indicates the capital expenditure for this division:

Capital Projects	R'000				
	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Computer Equipment	210	210	280	-70	280
Office Equipment	130	130	12	118	12
Office Furniture	80	80	0	0	0

Table 139: Capital Expenditure 2017/18: Financial and Administrative Services

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### 3.20 HUMAN RESOURCE SERVICES

#### 3.20.1 Introduction to Human Resource Services

Emthanjeni Municipality currently employs 338 (including non-permanent positions) officials, who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of the Human Resource Management is to render an innovative Human Resource service that address both skills development and administrative support functions

#### 3.20.2 Highlights: Human Resources

The table below specifies the highlights for the year:

Highlights	Description
Annual submission of the Workplace Skills Plans to LGSETA	Electronic submission and confirmation of receipt by LGSETA
Prompt resolution of grievances, disputes and disciplinary matters	Receipt, processing and resolving grievances, disputes and disciplinary cases considering external factors that affects the processes
Leadership capacity building programme completed in the financial year	Councillors and management capacity building programmes funded by LGSETA

Table 140: Human Resources Highlights

#### 3.20.3 Challenges: Human Resources

The table below specifies the challenges for the year:

Description	Actions to address
Transfer of staff from section to section without following due processes	Advise management and supervisors to ensure that the organogram is adhered to and where necessary due process is followed to transfer staff to different sections
Unions are not adhering to the meeting standing orders when submitting their items for discussion at the Local Labour Forum	Agenda items to be submitted in accordance with the meeting standing orders for compliance purposes
Non-adherence to leave procedures by both employees and supervisors compromise proper leave administration	Strengthening leave administration controls to ensure improved leave management by the various departments
Lack of implementation of Employment Equity	Set clear employment equity objectives and targets to achieve compliance with legislation. Put measures in place to improve the implementation of equity in the workplace and ensure a diverse workforce profile

Table 141: Human Resources Challenges

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### 3.20.4 Employees: Human Resources

The following table indicates the staff composition for this division:

Job Level	2017/18			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	0	0	0	0
4 - 6	1	0	1	100
7 - 9	1	1	0	0
10 - 12	2	1	1	50
13 - 15	0	0	0	0
16 - 18	0	0	0	0
19 - 20	0	0	0	0
<b>Total</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>50</b>

Table 142: Employees: Human Resources

### 3.21 PROCUREMENT SERVICES

#### 3.21.1 Highlights: Procurement Services

The table below specifies the highlights for the year:

Highlights	Description
SCM unit are adhering with the SCM Regulations and policies	SCM Officials and bid committee members declare their interest every financial year so that the Municipality do not do business with their family members which is in the service of the state

Table 143: Procurement Services Highlights

#### 3.21.2 Challenges: Procurement Services

The table below specifies the challenges for the year:

Description	Actions to address
Central Supplier Database (CSD) is not accurate, especially on the status of tax clearance certificates of suppliers	National Treasury must give proper training for the utilisation of the CSD to officials of SCM so that they know how to utilise the system when facing problems on supplier information
The non-adherence to the timeframes during the bid evaluation and awarding of tenders	All bid committees and staff must undergo sufficient training so that they understand their roles and responsibilities adequately
Inadequate support and strengthening of the SCM unit	Supply chain officials and all relevant staff must attend training that involves SCM procurement services like MFMP so that they procure to regulations and policy

Table 144: Procurement Services Challenges

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### 3.21.3 Service Statistics for Procurement Services

The table below specifies the service delivery levels for the year:

Description	Total No	Monthly Average	Daily Average
Requests processed	948	79	3
Orders processed	915	76	2
Requests cancelled or referred back	0	0	0
Extensions	0	0	0
Bids received (number of documents)	0	0	0
Bids awarded	0	0	0
Bids awarded ≤ R200 000	R2 852 266	R237 688	R7 814
Appeals registered	None	None	None
Successful Appeals	None	None	None

Table 145: Service Statistics for Procurement Division

### 3.21.4 Details of Deviations for Procurement Services

Type of deviation	Number of deviations	Value of deviations R	Percentage of total deviations value
Clause 36(1)(a)(i)- Emergency	0	0	0
Clause 36(1)(a)(ii)- Sole Supplier	0	0	0
Clause 36(1)(a)(iii)- Unique arts	0	0	0
Clause 36(1)(a)(v)- Impractical/impossible	113	R1 507 798	100%
<b>Total</b>	<b>113</b>	<b>R1 507 798</b>	<b>100%</b>

Table 146: Statistics of Deviations from the SCM Policy

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### COMPONENT H: SERVICE DELIVERY PRIORITIES FOR 2018/19

The main development and service delivery priorities for 2018/19 forms part of the municipality's top layer SDBIP for 2017/18 and are indicated in the table below:

#### 3.22 DEVELOPMENT AND SERVICE DELIVERY PRIORITIES FOR 2018/19

##### 3.22.1 Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL8	Establish ward-based sport forums in the municipal area by 30 June 2019	Number of ward-based sport forums established by 30 June 2019	All	8
TL12	Complete an assessment of current parks to determine the need and submit report with findings to Council by 30 September 2018	Assessment report submitted to Council by 30 September 2018	All	1
TL13	Develop a maintenance plan for parks by 30 June 2019	Maintenance plan developed by 30 June 2019	All	1
TL14	Establishment a municipal animal pound with assistance of other stakeholders by 30 June 2019	Municipal pound established by 30 June 2019	All	1
TL15	Sign a MOU with the Department of Defense by 30 June 2019 for support with fire brigade services	MOU signed by 30 June 2019	All	1
TL16	Review the disaster management plan that includes contingency plans and submit to Council by 30 June 2019	Disaster management plan reviewed and submitted to Council by 30 June 2019	All	1
TL54	90% of approved budget spent by 30 June 2019 for the ward development programme {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent by 30 June 2019	All	90%

Table 147: Service Delivery Priorities- Contribute to the creation of communities where residents and visitors can work, live and play without threat to themselves or their properties

##### 3.22.2 Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL30	Provide free basic services to indigent households as at 30 June 2019	Number of indigent households receiving free basic services as at 30 June 2019	All	3,000

Table 148: Services Delivery Priorities - Contribute to the development and protection of the rights and needs of all residents with a particular focus on the poor

##### 3.22.3 Development and transformation of the institution with the aim of capacitating the municipality in meeting their objectives

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL2	The number of people from employment equity target groups employed (newly appointed) in the three highest levels of management in compliance with the municipality's approved Employment Equity Plan by 30 June 2019	Number of people employed (newly appointed)	All	1

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Ref	KPI	Unit of Measurement	Ward	Annual Target
TL3	0.5% of the personnel budget spent on training as per the approved Skills Development Plan by 30 June 2019 [(Actual total training expenditure/total personnel budget)x100]	% of the personnel budget spent on training by 30 June 2019	All	0.50%
TL7	Develop a maintenance plan for municipal buildings and submit to the Portfolio Committee by 30 June 2019	Maintenance plan developed and submitted by 30 June 2019	All	1
TL9	Review the EEP and submit to the Portfolio Committee by 30 June 2019	EEP reviewed and submitted to the Portfolio Committee by 30 June 2019	All	1
TL10	Limit vacancy rate to 15% of budgeted posts by 30 June 2019 [(Number of funded posts vacant divided by budgeted funded posts)x100]	[(Number of funded posts vacant divided by budgeted funded posts)x100]	All	15%
TL11	Arrange a training session for all supervisors on general management by 30 June 2019	Number of training sessions held by 30 June 2019	All	1
TL40	90% of approved budget spent by 30 June 2019 for the replacement of computer equipment {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	90%

Table 149: Services Delivery Priorities - Development and transformation of the institution with the aim of capacitating the municipality in meeting their objective

### 3.22.4 Maintaining a financially sustainable and viable Municipality

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL32	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2019 ((Total operating revenue-operating grants received)/debt service payments due within the year))	Debt coverage	All	2.5
TL33	Financial viability measured in terms of the outstanding service debtors as at 30 June 2019 (((Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant)	% of outstanding service debtors	All	45%
TL34	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2019 (Available cash+ investments)/ Monthly fixed operating expenditure)	Number of months it takes to cover fix operating expenditure with available cash	All	0.6
TL35	Submit the annual financial statements to the Auditor-General by 31 August 2018	Statements submitted to the AG by 31 August 2018	All	1
TL36	Achievement of a payment percentage of above 70% quarterly {(Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100}	Payment % achieved	All	70%
TL37	Prepare and submit the adjustments budget to Council by the 28 February 2019	Adjustments budget submitted by 28 February 2019	All	1
TL38	Prepare and submit the draft budget to Council by 31 March 2019	Draft budget submitted by 31 March 2019	All	1
TL39	Prepare and submit the final budget to Council by 31 May 2019	Final budget submitted by 31 May 2019	All	1



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Ref	KPI	Unit of Measurement	Ward	Annual Target
TL41	90% of approved budget spent by 30 June 2019 for the Grap Compliance process {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	90%

Table 150: Services Delivery Priorities - Maintaining a financially sustainable and viable Municipality

### 3.22.5 Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL1	Develop Risk based audit plan (RBAP) for 2019/20 and submit to the Audit Committee by 30 June 2019	RBAP for 2019/20 submitted to the Audit Committee by 30 June 2019	All	1

Table 151: Services Delivery Priorities - Promote representative governance through the sustainable utilization of available resources in consultation with the residents of Emthanjeni Municipality

### 3.22.6 Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL4	Launch two key small regeneration programmes by 30 June 2019	Number of programmes launched by 30 June 2019	5	2
TL5	Establish a Youth Centre by 30 June 2019	Youth Centre established by 30 June 2019	6	1
TL6	Upgrade the De Aar Youth Centre by 31 December 2018	Youth Centre upgraded by 31 December 2018	3	1
TL42	Create temporary jobs - FTE's in terms of EPWP by 30 June 2019 (Person days / FTE (230 days))	Number of FTE's created	All	61

Table 152: Service Delivery Priorities - Promote the equitable creation and distribution of wealth in the Emthanjeni municipal area

### 3.22.7 Provision of access to all basic services rendered to residents within the available resources

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL17	Assess all landfill sites to determine compliance and submit a report to Council by 30 June 2019	Assessment report submitted to Council by 30 June 2019	All	1
TL18	Conduct quarterly housing consumer education programs	Number of housing consumer education programs conducted	All	4
TL19	Conduct a quarterly verification of the housing needs register	Number of verification of the housing needs register conducted	All	4
TL20	Service 400 housing sites in De Aar east by 30 June 2019	Number of sites serviced by 30 June 2019	1; 2	400
TL21	Construct 195 BNG houses in Hanover by 30 June 2019	Number of BNG houses constructed by 30 June 2019	6	195
TL22	Construct 2 military veteran houses in De Aar by 30 June 2019	Number of military veteran houses constructed by 30 June 2019	4	2
TL23	90% of approved budget spent by 30 June 2019 for the upgrading and improvement of municipal parks {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	90%
TL24	Review the Human Settlement Plan and submit to Council by 30 June 2019	Human Settlement Plan reviewed and submitted to Council by 30 June 2019	All	1

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Ref	KPI	Unit of Measurement	Ward	Annual Target
TL25	90% of the maintenance budget of waste management spent by 30 June 2019 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent ((Actual expenditure divided by the approved budget)x100)	All	90%
TL26	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2019	Number of residential properties which are billed for water or have pre paid meters as at 30 June 2019	All	8,000
TL27	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2019	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2019	All	7,000
TL28	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2019	Number of residential properties which are billed for sewerage as at 30 June 2019	All	8,000
TL29	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2019	Number of residential properties which are billed for refuse removal as at 30 June 2019	All	8,000
TL31	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2019 {(Actual amount spent on projects /Total amount budgeted for capital projects)x100}	% of capital budget spent by 30 June 2019	All	70%
TL43	70% of the water maintenance budget spent by 30 June 2019 ((Actual expenditure divided by the approved budget)x100)	% of approved water maintenance budget spent	All	70%
TL44	Limit % water unaccounted for quarterly to 22% [(Number of Kilolitres Water Purchased or Purified - Number of Kilolitres Water Sold) / (Number of Kilolitres Water Purchased or Purified) x 100]	% water unaccounted for	All	22%
TL45	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	% water quality level	All	90%
TL46	70% of the waste water maintenance budget spent by 30 June 2019 ((Actual expenditure divided by the approved budget)x100)	% of approved waste water maintenance budget spent	All	70%
TL47	70% of the roads and stormwater maintenance budget spent by 30 June 2019 ((Actual expenditure divided by the approved budget)x100)	% of approved roads and stormwater maintenance budget spent	All	70%
TL48	Limit % electricity unaccounted for to 18% by 30 June 2019 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased ) x 100]	% of electricity unaccounted for	All	18%
TL49	70% of the recreational and swimming pool maintenance budget spent by 30 June 2019 ((Actual expenditure divided by the approved budget)x100)	% of approved recreational areas and swimming pool maintenance budget spent	All	70%
TL50	70% of the electricity maintenance budget spent by 30 June 2019 ((Actual expenditure divided by the approved budget)x100)	% of approved electricity maintenance budget spent	All	90%
TL51	Develop a borehole maintenance plan by 30 June 2019	Plan developed by 30 June 2019	All	1
TL52	90% of approved budget spent by 30 June 2019 for the upgrading of stormwater drainage {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	1; 5	90%

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Ref	KPI	Unit of Measurement	Ward	Annual Target
TL53	Install 300 prepaid electricity meters in the Emthanjeni Municipality area by 30 June 2019	Number of meters installed by 30 June 2019	All	300
TL55	90% of approved budget spent by 30 June 2019 for the resealing of Claude, Alpha (small portion) and Alexander Street in De Aar and Vosburg Street in Britstown {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	6; 7	90%
TL56	90% of approved budget spent by 30 June 2019 for the upgrading of the Britstown sewerage system {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	7	90%
TL57	90% of approved budget spent by 30 June 2019 for the refurbishment of boreholes in Britstown and De Aar {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	90%
TL58	90% of approved budget spent by 30 June 2019 for the upgrading of Waterdal electricity network Phase 1 {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	3	90%
TL59	90% of approved budget spent by 30 June 2019 for the upgrading of electricity network for De Aar East and Nonzwakazi {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	90%
TL60	90% of approved budget spent by 30 June 2019 for the upgrading of De Aar West sports grounds tartar track {(Actual expenditure divided by the total approved budget) x 100}	% of approved budget spent	All	90%

Table 153: Service Delivery Priorities - Provision of access to all basic services rendered to residents within available resources

# Chapter 4: Organisational Development Performance

## CHAPTER 4

### 4.1 NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area - Municipal Transformation and Organizational Development.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2016/17	2017/18
The percentage of a municipality's budget spent on implementing its workplace skills plan	0.001	0.22

Table 154: National KPIs- Municipal Transformation and Organisational Development

### 4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs 340 (including non-permanent positions) and an approved organogram of 413 officials, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

#### 4.2.1 Employment Equity

The Employment Equity Act (1998) Chapter 3, Section 15(1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan".

#### a) Employment Equity targets/actual

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
19	12	22	11	0	0	1	0

Table 155: 2017/18 EE Targets/Actual by Racial Classification

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
30	17	56.7	11	6	54.6	3	0	0

Table 156: 2017/18 EE Targets/Actual by Gender Classification

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### b) Employment Equity vs. Population

Description	African	Coloured	Indian	White	Total
Population numbers	14515	27644	116	3129	45 404
% Population	31.9	60.9	0.3	6.9	100
Number for positions filled	143	191	0	6	340
% for Positions filled	42.1	56.2	0	1.8	100

Table 157: EE Population 2017/18 (including non-permanent officials)

### c) Specific Occupational Categories - Race

The table below indicates the number of employees by race within the specific occupational categories:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	1	4	0	0	0	0	0	0	5
Senior management	6	1	0	2	1	0	0	0	10
Professionally qualified and experienced specialists and mid- management	8	2	0	1	6	6	0	0	23
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	16	24	0	0	3	12	0	0	55
Semi-skilled and discretionary decision making	22	40	0	0	20	29	0	0	111
Unskilled and defined decision making	34	60	0	0	17	8	0	0	119
<b>Total permanent</b>	<b>87</b>	<b>131</b>	<b>0</b>	<b>3</b>	<b>47</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>323</b>
Non- permanent employees	4	1	0	2	5	4	0	1	17
<b>Total</b>	<b>91</b>	<b>132</b>	<b>0</b>	<b>5</b>	<b>52</b>	<b>59</b>	<b>0</b>	<b>1</b>	<b>340</b>

Table 158: Occupational Categories

### 4.2.2 Vacancy Rate

The approved organogram for the Municipality has 413 positions for the 2017/18 financial year. The actual positions filled are 323. Therefore, 90 positions were vacant at the end of 2017/18, resulting in a vacancy rate of 21.8%.

### 4.2.3 Employee Turnover Rate

A high turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/organizational knowledge. Below is a table that shows the employee turnover rate within the municipality. The rate shows a decrease from 8.07% in 2016/17 to 5.9% in 2017/18.

The table below indicates the employee turnover rate over the last two years:

Financial year	Total no appointments at the end of the financial year	New appointments	No Terminations during the year	Employee Turnover Rate
2016/17	338	12	27	8.07%
2017/18	340	23	20	5.9%

Table 159: Employee Turnover Rate

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## 4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

### 4.3.1 Injuries

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The table below indicates the total number of injuries within the different directorates for 2016/17 and 2017/18:

Directorates	2016/17	2017/18
Office of the Municipal Manager	0	0
Corporate Services	0	0
Financial Services	0	0
Infrastructure Services	2	1
Community Services	2	2
<b>Total</b>	<b>4</b>	<b>3</b>

Table 160: Injuries

### 4.3.2 Sick Leave

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken.

The total number of employees that have taken sick leave during the 2017/18 financial year shows an increase when compared with the 2016/17 financial year.

The table below indicates the total number sick leave days taken within the different directorates:

Department	2016/17	2017/18
Office of the Municipal Manager	87	28
Corporate Services	174	232
Financial Services	279	270
Infrastructure Services	636	509
Community Services	943	964
<b>Total</b>	<b>2 119</b>	<b>2 003</b>

Table 161: Sick Leave

### 4.3.3 HR Policies and Plans

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the HR policies and plans that are approved and that still needs to be developed:

Approved policies	
Name of policy	Date approved/ revised
Bursary Policy (Study Aid Policy)	25 June 2015
Bereavement Policy	17 March 2014

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Approved policies	
Bursary Policy (Study Aid Policy)	25 June 2015
Cell Phone	21 January 2012
Education, Training and Development Policy	17 July 2014
Employee Health and Wellness Policy	11 November 2014
Employment Policy	31 August 2007
Essential Users Scheme policy	31 November 2012
Guidelines for Medical Surveillance	25 September 2015
Guidelines and Procedures on Injury on Duty	25 September 2015
Guidelines for Study Assistance Policy	10 May 2016
HIV/Aids	11 November 2014
Incapacity /Health	24 May 2004
Induction Training and Staff Orientation	14 March 2011
Internal Control: Salaries and Grants	6 January 2006
Language	9 August 2008
Overtime Policy	18 March 2016
Recruitment Policy	3 September 2015
Scarce Skills	31 November 2012
Sexual Harassment	31 August 2007
Skill Retention Policy	31 November 2012
Smoking Policy	31 December 2012
Study Assistance Policy	25 September 2014
Succession Planning and Career Pathing Policy	17 July 2014
Task Job Evaluation Policy	11 November 2014
Subsistence and Travelling	28 May 2015
Substance Abuse	11 November 2014
Task Job Evaluation Policy	11 November 2014
Uniform Protective Clothing	27 September 2007
Whistle Blowing Policy	26 January 2016

Table 162: HR Policies and Plans

### 4.4 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose, the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

#### 4.4.1 Skills Matrix

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2017/18)
MM and S57	Female	0	0



## Chapter 4: Organisational Development Performance

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2017/18)
	Male	5	0
Legislators, senior officials and managers	Female	6	3
	Male	1	1
Associate professionals and Technicians	Female	3	0
	Male	10	0
Professionals	Female	0	0
	Male	0	0
Clerks	Female	13	4
	Male	2	2
Service and sales workers	Female	0	0
	Male	0	0
Craft and related trade workers	Female	0	0
	Male	0	0
Plant and machine operators and assemblers	Female	0	0
	Male	0	0
Elementary occupations	Female	7	0
	Male	10	0
Sub total	Female	29	7
	Male	28	3
Total		57	10

Table 163: Skills Matrix

### 4.4.2 Skills Development - Training provided

The Skills Development Act (1998) and the Municipal Systems Act, (2000), require employers to supply employees with the necessary training to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management, utilization and training of staff.

Occupational categories	Gender	Skills programmes & other short courses	
		Total	
		Actual	
MM and S57	Female	0	
	Male	0	
Legislators, senior officials and managers	Female	3	
	Male	1	
Professionals	Female	0	
	Male	0	
Technicians and associate professionals	Female	0	
	Male	0	
Clerks	Female	4	
	Male	2	
Service and sales workers	Female	0	



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Occupational categories	Gender	Skills programmes & other short courses
		Total
		Actual
	Male	0
Craft and related trade workers	Female	0
	Male	0
Plant and machine operators and assemblers	Female	0
	Male	0
Elementary occupations	Female	0
	Male	0
Sub total	Female	7
	Male	3
Total		10

Table 164: Skills Development

### 4.4.3 MFMA Competencies

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, “(1) No municipality or municipal entity may, with effect 1 January 2013, employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations.”

The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				
Accounting officer	1	1	1	1
Chief financial officer	1	1	1	1
Senior managers	2	2	2	2
Any other financial officials	15	15	15	15
Supply Chain Management Officials				
Heads of supply chain management units	1	1	1	1
Supply chain management senior managers	0	0	0	0
Total	20	20	20	20

Table 165: Budget Allocated and Spent for Skills Development

# Chapter 4: Organisational Development Performance

## 4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

### 4.5.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure Salary and Allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2016/17	68 490	255 902	26.76
2017/18	76 134	263 733	28.87

Table 166: Personnel Expenditure

Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2016/17	2017/18		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
<u>Councillors (Political Office Bearers plus Other)</u>				
Salary	3 311	3 623	3 623	3 525
Pension Contributions	198	0	0	0
Medical Aid Contributions	18	0	0	(12)
Motor vehicle allowance	931	1 208	1 208	1 101
Cell phone allowance	365	414	490	666
Housing allowance	0	0	0	0
Other benefits or allowances	0	52	52	0
In-kind benefits	0	0	0	0
Sub Total	4 823	5 297	5 373	5 279
% increase/ decrease	-	9.8%	11.4%	-
<u>Senior Managers of the Municipality</u>				
Salary	4 019	4 052	4 052	3 807
Pension Contributions	805	673	673	504
Medical Aid Contributions	161	115	115	56
Motor vehicle allowance	546	770	770	0
Cell phone allowance	243	62	62	185
Housing allowance	0	0	0	0
Performance Bonus	0	0	0	0
Other benefits or allowances	243	62	62	185
In-kind benefits	0	0	0	0
Sub Total	5 891	6 053	6 053	5 381

## Chapter 4: Organisational Development Performance

Financial year	2016/17	2017/18		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
% increase/ decrease	-	2.7%	2.7%	-
<b>Other Municipal Staff</b>				
Basic Salaries and Wages	44 715	54 607	54 607	51 709
Pension Contributions	8 217	9 228	9 228	7 911
Medical Aid Contributions	1 889	1 865	1 865	2 580
Motor vehicle allowance	1 025	1 150	1 150	1 269
Cell phone allowance	127	317	317	203
Housing allowance	536	1 178	1 178	583
Overtime	3 139	1 334	1 334	3 304
Other benefits or allowances	2 964	1 198	1 198	3 181
<b>Sub Total</b>	<b>62 610</b>	<b>70 877</b>	<b>70 877</b>	<b>70 741</b>
% increase/ decrease	-	13.2%	13.2%	-
<b>Total</b>	<b>73 325</b>	<b>82 228</b>	<b>82 303</b>	<b>81 414</b>
% increase/ decrease	-	12.1%	12.2%	-

Table 167: Personnel Expenditure

# Chapter 5: Financial Performance

## CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2017/18 financial year.

### COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The Statement of Financial Performance provides an overview of the financial performance of the municipality and focuses on the financial health of the Municipality.

#### 5.1 FINANCIAL SUMMARY

The table below indicates the summary of the financial performance for the 2017/18 financial year:

The table below shows a summary of performance against budgets:

Financial Summary						
R'000						
Description	2016/17	2017/18			2017/18 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	30 470	27 763	27 763	31 402	11.59	11.59
Service charges	117 398	119 676	116 876	117 398	(1.940)	0.44
Investment revenue	1 468	931	931	1 468	36.59	36.59
Transfers recognised - operational	40 221	40 761	40 761	41 797	2.48	2.48
Other own revenue	25 235	36 126	32 126	19 150	(88.65)	(67.76)
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>214 793</b>	<b>225 257</b>	<b>218 457</b>	<b>211 216</b>	<b>(6.65)</b>	<b>(3.43)</b>
Employee costs	68 489	76 930	76 602	76 915	(0.02)	0.41
Remuneration of councillors	4 835	5 275	5 350	5 335	1.12	(0.30)
Depreciation & asset impairment	97 335	9 056	9 056	87 787	89.68	89.68
Finance charges	7 128	2 055	2 055	8 025	74.40	74.40
Materials and bulk purchases	69 356	79 832	79 832	71 881	(11.06)	(11.06)
Transfers and grants	362	0	0	516	100.00	100.00
Other expenditure	33 854	58 202	57 166	32 147	(81.05)	(77.83)
<b>Total Expenditure</b>	<b>281 360</b>	<b>231 349</b>	<b>230 061</b>	<b>282 606</b>	<b>18.14</b>	<b>18.59</b>
<b>Surplus/(Deficit)</b>	<b>(66 567)</b>	<b>(6 093)</b>	<b>(11 604)</b>	<b>(71 390)</b>	<b>91.47</b>	<b>83.75</b>
Transfers recognised - capital	10 478	32 292	34 991	29 907	(7.98)	(17.00)
Contributions recognised - capital & contributed assets	0	0	0	0	0	0
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(56 089)</b>	<b>26 199</b>	<b>23 387</b>	<b>(41 484)</b>	<b>163.16</b>	<b>156.38</b>
Capital expenditure & funds sources						
Capital expenditure						
Transfers recognised - capital	10 478	32 292	34 991	29 907	(7.98)	(17.00)

# Chapter 5: Financial Performance

Financial Summary						
R'000						
Description	2016/17	2017/18			2017/18 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Public contributions & donations	0	0	0	0	0	0
Borrowing	9 497	0	0	45	100.00	100.00
Internally generated funds	856	6 790	6 790	1 907	(256.11)	(256.11)
<b>Total sources of capital funds</b>	<b>20 832</b>	<b>39 082</b>	<b>41 781</b>	<b>31 858</b>	<b>(22.67)</b>	<b>(31.15)</b>
Financial position						
Total current assets	74 049	111 476	45 622	84 920	(31.27)	46.28
Total non-current assets	892 116	953 090	1 090 465	859 673	(10.87)	(26.85)
Total current liabilities	72 291	34 159	40 291	92 002	62.87	56.21
Total non-current liabilities	83 632	36 792	36 792	83 832	56.11	56.11
Community wealth/Equity	810 242	993 615	1 059 004	768 758	(29.25)	(37.76)
Cash flows						
Net cash from (used) operating	10 797	38 753	38 910	35 458	(9.29)	(9.74)
Net cash from (used) investing	(21 987)	(38 814)	(41 513)	(31 910)	(21.63)	(30.09)
Net cash from (used) financing	6 451	95	95	(3 388)	102.80	102.80
<b>Cash/cash equivalents at the year end</b>	<b>(4 739)</b>	<b>34</b>	<b>(2 508)</b>	<b>159</b>	<b>78.67</b>	<b>1 676.17</b>
Cash backing/surplus reconciliation						
Cash and investments available	2 784	1 201	969	2 943	59.19	67.09
Application of cash and investments	4 044	(12 104)	(9 588)	0	0	0
<b>Balance - surplus (shortfall)</b>	<b>6 828</b>	<b>(10 902)</b>	<b>(8 619)</b>	<b>2 943</b>	<b>470.41</b>	<b>392.83</b>
Asset management						
Asset register summary (WDV)	806 484	953 418	1 025 172	775 585	(22.93)	(32.18)
Depreciation & asset impairment	61 579	9 056	9 056	62 755	85.57	85.57
Renewal of Existing Assets	11 238	6 790	6 790	6 246	(8.71)	(8.71)
Repairs and Maintenance	10 329	19 397	19 397	11 943	(62.41)	(62.41)
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

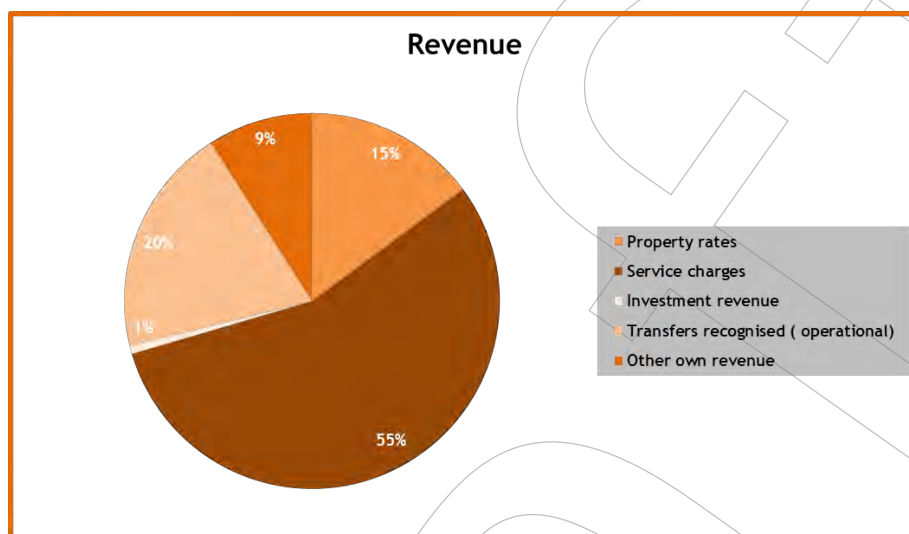
Table 168: Financial Performance 2017/18

Financial Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000				R'000			
2016/17	229 203	225 271	(3 933)	(2)	217 318	281 360	(64 042)	(29)
2017/18	253 448	241 122	(12 325)	(5)	230 061	282 606	(52 545)	(23)

Table 169: Performance Against Budgets

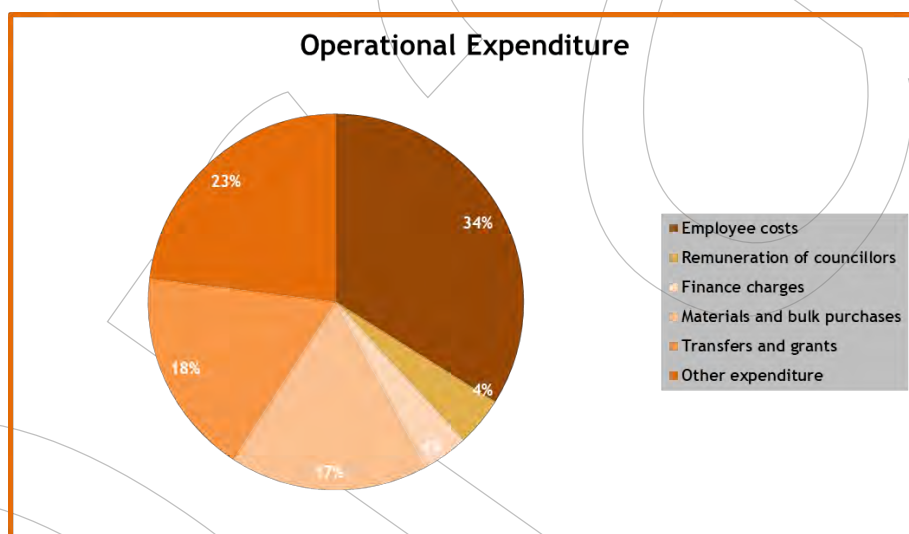
## Chapter 5: Financial Performance

The following graph indicates the various types of revenue items in the municipal budget for 2017/18



Graph 5: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2017/18



Graph 6: Operating Expenditure

# Chapter 5: Financial Performance

## 5.1.1 Revenue collection by Vote

The table below indicates the Revenue collection performance by Vote:

Vote Description	2016/17	2017/18			2017/18 % Variance	
	Actual(Audited Outcome)	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Vote 1 - Executive and Council	4 521	4 245	4 245	2 985	(42.22)	(42.22)
Vote 2 - Finance and Administration	37 060	46 269	46 269	50 983	9.25	9.25
Vote 3 - Planning and Development	1 593	13 378	11 378	3 276	(308.34)	(247.29)
Vote 4 - Health	0	0	0	1	100.00	100.00
Vote 5 - Community and Social Service	1 976	1 683	1 683	1 777	5.29	5.29
Vote 6 - Public Safety	17 107	4 969	4 969	10 701	53.57	53.57
Vote 7 - Sport and Recreation	172	162	162	148	(9.37)	(9.37)
Vote 8 - Road Transport	6 312	472	472	11 937	96.05	96.05
Vote 9 - Other	0	0	0	0	0	0
Vote 10 - Housing Service	691	44	44	1 232	96.46	96.46
Vote 11 - Waste Management	14 002	16 246	16 246	13 558	(19.82)	(19.82)
Vote 12 - Waste Water Management	25 041	26 925	26 925	24 104	(11.70)	(11.70)
Vote 13 - Electricity	83 726	94 497	89 197	77 380	(22.12)	(15.27)
Vote 14 - Water	33 071	48 659	51 858	43 040	(13.06)	(20.49)
<b>Total Revenue by Vote</b>	<b>225 271</b>	<b>257 549</b>	<b>253 448</b>	<b>241 122</b>	<b>(6.81)</b>	<b>(5.11)</b>

Table 170: Revenue by Vote

## 5.1.2 Revenue collection by Source

The table below indicates the revenue collection performance by source for the 2017/18 financial year:

Description	2016/17	2017/18			2017/18 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Property rates	30 752	27 763	27 763	31 790	12.67	12.67
Property rates - penalties & collection charges	281	0	0	388	100.00	100.00
Service Charges - electricity revenue	75 858	58 966	56 166	72 882	19.09	22.94
Service Charges - water revenue	24 128	30 346	30 346	25 895	(17.19)	(17.19)
Service Charges - sanitation revenue	11 622	18 938	18 938	11 865	(59.62)	(59.62)
Service Charges - refuse revenue	6 225	11 301	11 301	6 273	(80.16)	(80.16)
Service Charges - other	440	125	125	484	74.20	74.20
Rentals of facilities and equipment	833	789	789	852	7.33	7.33
Interest earned - external investments	1 390	931	931	1 468	36.59	36.59
Interest earned - outstanding debtors	882	1 259	1 259	1 093	(15.21)	(15.21)
Dividends received	0	0	0	0	0	0

## Chapter 5: Financial Performance

Description	2016/17	2017/18			2017/18 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Fines	16 970	3 720	3 720	9 202	59.57	59.57
Licences and permits	1 441	1 970	1 970	1 630	(20.85)	(20.85)
Agency services	0	0	0	0	0	0
Transfers recognised - operational	40 221	40 761	40 761	41 797	2.48	2.48
Other revenue	3 035	28 120	24 120	5 594	(402.70)	(331.19)
Gains on disposal of PPE	714	268	268	3	(9 734.86)	(9 734.86)
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>214 793</b>	<b>225 257</b>	<b>218 457</b>	<b>211 216</b>	<b>(6.65)</b>	<b>(3.43)</b>
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4						

Table 171: Revenue by Source

### 5.1.3 Operational Services Performance

The table below indicates the Operational services performance for the 2017/18 financial year:

Financial Performance of Operational Services						
Description	2016/17	2017/18			2017/18 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Operating Cost						
Water	32 079	15 250	15 250	25 951	41.24	41.24
Water	32 079	15 250	15 250	25 951	41.24	41.24
Waste Water (Sanitation)	13 923	15 605	15 605	16 251	3.98	3.98
Electricity	97 653	76 082	75 182	96 146	20.87	21.80
Waste Management	10 592	12 880	12 880	11 515	(11.85)	(11.85)
Housing	3 822	2 396	2 396	3 672	34.76	34.76
Component A: sub-total	158 070	122 212	121 312	153 536	20.40	20.99
Roads and Stormwater	20 902	16 664	16 664	22 679	26.52	26.52
Component B: sub-total	20 902	16 664	16 664	22 679	26.52	26.52
Planning and Building Control	12 085	9 872	9 872	12 178	18.93	18.93
Local Economic Development	3 354	3 024	3 024	3 411	11.34	11.34
Tourism	44	614	614	28	(2 110.59)	(2 110.59)
Component C: sub-total	15 484	13 511	13 511	15 616	13.48	13.48
Libraries	3 780	5 133	5 133	4 186	(22.61)	(22.61)
Cemeteries	993	908	908	1 076	15.59	15.59
Child Care Aged Care Social Programmes	0	0	0	0	0	0
Component D: sub-total	4 774	6 040	6 040	5 262	(14.80)	(14.80)
Environmental Protection	0	0	0	0	0	0



## Chapter 5: Financial Performance

Financial Performance of Operational Services						
Description	2016/17	2017/18			2017/18 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000				%	
Operating Cost						
Component E: sub-total	0	0	0	0	0	0
Traffic Services and Law Enforcement	8 241	9 647	9 647	7 240	(33.24)	(33.24)
Component F: sub-total	8 241	9 647	9 647	7 240	(33.24)	(33.24)
Sport and Recreation	4 225	5 220	5 220	4 322	(20.77)	(20.77)
Component G: sub-total	4 225	5 220	5 220	4 322	(20.77)	(20.77)
Financial Services	29 611	22 045	21 805	26 439	16.62	17.53
Corporate Services	11 475	14 004	14 004	11 393	(22.92)	(22.92)
Other	28 578	22 006	21 859	36 119	39.07	39.48
Component H: sub-total	69 664	58 055	57 667	73 950	21.49	22.02
Total Expenditure	281 360	231 349	230 061	282 606	18.14	18.59
In this table operational income (but not levies or tariffs) is offset ageist operational expenditure leaving a net operational expenditure total for each service. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

Table 172: Operational Services Performance

### 5.2 FINANCIAL PERFORMANCE PER MUNICIPAL FUNCTION

The tables below indicate the financial performance per municipal function:

#### 5.2.1 Water Services

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	30 214	48 659	51 858	31 662	(53.69)
Expenditure:					
Employees	2 467	2 838	2 838	2 784	(1.94)
Repairs and Maintenance	1 100	1 622	1 622	634	(155.75)
Other	28 583	10 790	10 790	22 533	52.12
Total Operational Expenditure	32 149	15 250	15 250	25 951	41.24
Net Operational (Service) Expenditure	(1 936)	33 410	36 609	5 710	(485.07)
Variances are calculated by dividing the difference between the actual and original budget by the actual.					

Table 173: Financial Performance: Water Services

# Chapter 5: Financial Performance

## 5.2.2 Waste Water (Sanitation)

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>19 344</b>	<b>26 925</b>	<b>26 925</b>	<b>17 343</b>	<b>(55.25)</b>
<b>Expenditure:</b>					
Employees	4 234	4 328	4 328	4 895	11.57
Repairs and Maintenance	274	5 765	5 765	243	(2275.37)
Other	9 415	5 512	5 512	11 114	50.41
<b>Total Operational Expenditure</b>	<b>13 923</b>	<b>15 605</b>	<b>15 605</b>	<b>16 251</b>	<b>3.98</b>
<b>Net Operational (Service) Expenditure</b>	<b>5 420</b>	<b>11 320</b>	<b>11 320</b>	<b>1 091</b>	<b>(937.09)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 174: Financial Performance: Waste Water (Sanitation) Services

## 5.2.3 Electricity

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>79 508</b>	<b>94 497</b>	<b>89 197</b>	<b>75 463</b>	<b>(25.22)</b>
<b>Expenditure:</b>					
Employees	5 927	6 192	6 192	6 977	11.24
Repairs and Maintenance	2 062	2 510	2 510	2 335	(7.45)
Other	89 665	67 380	66 480	86 834	22.40
<b>Total Operational Expenditure</b>	<b>97 653</b>	<b>76 082</b>	<b>75 182</b>	<b>96 146</b>	<b>20.87</b>
<b>Net Operational (Service) Expenditure</b>	<b>(18 145)</b>	<b>18 415</b>	<b>14 015</b>	<b>(20 683)</b>	<b>189.03</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 175: Financial Performance: Electricity

## Chapter 5: Financial Performance

### 5.2.4 Waste Management

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>10 876</b>	<b>16 246</b>	<b>16 246</b>	<b>11 168</b>	<b>(45.48)</b>
<b>Expenditure:</b>					
Employees	7 240	7 729	7 729	7 157	(8.00)
Repairs and Maintenance	619	798	798	232	(244.25)
Other	2 733	4 353	4 353	4 127	(5.48)
<b>Total Operational Expenditure</b>	<b>10 592</b>	<b>12 880</b>	<b>12 880</b>	<b>11 515</b>	<b>(11.85)</b>
<b>Net Operational (Service) Expenditure</b>	<b>284</b>	<b>3 366</b>	<b>3 366</b>	<b>(348)</b>	<b>1068.34</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 176: Financial Performance: Waste Management

### 5.2.5 Housing

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>690</b>	<b>44</b>	<b>44</b>	<b>1 232</b>	<b>96.46</b>
<b>Expenditure:</b>					
Employees	2 040	2 123	2 123	2 188	2.99
Repairs and Maintenance	1	37	37	20	(80.94)
Other	1 781	236	236	1 464	83.85
<b>Total Operational Expenditure</b>	<b>3 822</b>	<b>2 396</b>	<b>2 396</b>	<b>3 672</b>	<b>34.76</b>
<b>Net Operational (Service) Expenditure</b>	<b>(3 132)</b>	<b>(2 352)</b>	<b>(2 352)</b>	<b>(2 440)</b>	<b>3.61</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 177: Financial Performance: Housing

## Chapter 5: Financial Performance

### 5.2.6 Roads and Stormwater

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	1 089	472	472	33	(1323.68)
<b>Expenditure:</b>					
Employees	7 301	7 824	7 824	7 950	1.58
Repairs and Maintenance	1 678	1 612	1 612	1 728	6.72
Other	11 924	7 228	7 228	13 001	44.41
Total Operational Expenditure	20 902	16 664	16 664	22 679	26.52
Net Operational (Service) Expenditure	(19 813)	(16 192)	(16 192)	(22 646)	28.50
Variances are calculated by dividing the difference between the actual and original budget by the actual.					

Table 178: Financial Performance: Roads and Stormwater

### 5.2.7 LED

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	998	100.00
<b>Expenditure:</b>					
Employees	3 205	2 687	2 687	3 306	18.73
Repairs and Maintenance	3	28	28	0	0
Other	146	309	309	105	(194.42)
Total Operational Expenditure	3 354	3 024	3 024	3 411	11.34
Net Operational (Service) Expenditure	(3 354)	(3 024)	(3 024)	(2 413)	(25.32)
Variances are calculated by dividing the difference between the actual and original budget by the actual.					

Table 179: Financial Performance: LED

## Chapter 5: Financial Performance

### 5.2.8 Planning (Development Management, Spatial Planning and Environmental Management, Building Control, And Property Management)

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>1 593</b>	<b>13 378</b>	<b>11 378</b>	<b>2 278</b>	<b>(487.17)</b>
<b>Expenditure:</b>					
Employees	3 584	6 412	6 412	3 554	(80.44)
Repairs and Maintenance	2 399	2 531	2 531	2 197	(15.19)
Other	6 102	3 953	3 953	6 427	38.49
<b>Total Operational Expenditure</b>	<b>12 085</b>	<b>12 896</b>	<b>12 896</b>	<b>12 178</b>	<b>(5.90)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(10 492)</b>	<b>482</b>	<b>(1 518)</b>	<b>(9 899)</b>	<b>104.87</b>
Variances are calculated by dividing the difference between the actual and original budget by the actual.					

Table 180: Financial Performance: Planning

### 5.2.9 Tourism

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Expenditure:</b>					
Employees	(1)	429	429	7	(6372.22)
Repairs and Maintenance	0	63	63	0	0
Other	45	198	198	21	(834.14)
<b>Total Operational Expenditure</b>	<b>44</b>	<b>690</b>	<b>690</b>	<b>28</b>	<b>(2383.27)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(44)</b>	<b>(690)</b>	<b>(690)</b>	<b>(28)</b>	<b>(2383.27)</b>
Variances are calculated by dividing the difference between the actual and original budget by the actual.					

Table 181: Financial Performance: Tourism

# Chapter 5: Financial Performance

## 5.2.10 Libraries

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>1 177</b>	<b>899</b>	<b>899</b>	<b>897</b>	<b>(0.17)</b>
<b>Expenditure:</b>					
Employees	2 669	3 337	3 337	2 950	(13.12)
Repairs and Maintenance	10	47	47	6	(738.40)
Other	1 102	1 748	1 748	1 230	(42.07)
<b>Total Operational Expenditure</b>	<b>3 780</b>	<b>5 133</b>	<b>5 133</b>	<b>4 186</b>	<b>(22.61)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(2 604)</b>	<b>(4 234)</b>	<b>(4 234)</b>	<b>(3 289)</b>	<b>(28.73)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 182: Financial Performance: Libraries

## 5.2.11 Cemeteries

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>325</b>	<b>523</b>	<b>523</b>	<b>394</b>	<b>(32.76)</b>
<b>Expenditure:</b>					
Employees	585	588	588	646	9.12
Repairs and Maintenance	19	29	29	8	(277.16)
Other	390	292	292	422	30.80
<b>Total Operational Expenditure</b>	<b>993</b>	<b>908</b>	<b>908</b>	<b>1 076</b>	<b>15.59</b>
<b>Net Operational (Service) Expenditure</b>	<b>(668)</b>	<b>(385)</b>	<b>(385)</b>	<b>(682)</b>	<b>43.53</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 183: Financial Performance: Cemeteries

# Chapter 5: Financial Performance

## 5.2.12 Traffic Services and Law Enforcement

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>17 107</b>	<b>4 969</b>	<b>4 969</b>	<b>10 701</b>	<b>53.57</b>
<b>Expenditure:</b>					
Employees	5 742	5 611	5 611	5 145	(9.06)
Repairs and Maintenance	139	734	734	161	(354.79)
Other	2 360	3 302	3 302	1 939	(70.32)
<b>Total Operational Expenditure</b>	<b>8 241</b>	<b>9 647</b>	<b>9 647</b>	<b>7 245</b>	<b>(33.15)</b>
<b>Net Operational (Service) Expenditure</b>	<b>8 866</b>	<b>(4 678)</b>	<b>(4 678)</b>	<b>3 456</b>	<b>235.38</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 184: Financial Performance: Traffic Services and Law Enforcement

## 5.2.13 Swimming Pools and Sport Grounds

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>172</b>	<b>162</b>	<b>162</b>	<b>148</b>	<b>(9.37)</b>
<b>Expenditure:</b>					
Employees	3 368	3 854	3 854	3 458	(11.47)
Repairs and Maintenance	221	527	527	355	(48.63)
Other	636	839	839	576	(45.68)
<b>Total Operational Expenditure</b>	<b>4 225</b>	<b>5 220</b>	<b>5 220</b>	<b>4 388</b>	<b>(18.96)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(4 053)</b>	<b>(5 058)</b>	<b>(5 058)</b>	<b>(4 240)</b>	<b>(19.29)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 185: Financial Performance: Swimming Pools and Sport Grounds

# Chapter 5: Financial Performance

## 5.2.14 Corporate Services

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>81</b>	<b>65</b>	<b>65</b>	<b>66</b>	<b>2.66</b>
<b>Expenditure:</b>					
Employees	5 902	6 197	6 197	6 874	9.86
Repairs and Maintenance	654	689	689	183	(276.62)
Other	4 919	4 821	4 821	4 335	(11.20)
<b>Total Operational Expenditure</b>	<b>11 475</b>	<b>11 707</b>	<b>11 707</b>	<b>11 393</b>	<b>(2.76)</b>
<b>Net Operational (Service) Expenditure</b>	<b>(11 394)</b>	<b>(11 642)</b>	<b>(11 642)</b>	<b>(11 326)</b>	<b>(2.79)</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 186: Financial Performance: Corporate Services

## 5.2.15 Financial Services

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>47 855</b>	<b>46 204</b>	<b>46 204</b>	<b>50 917</b>	<b>9.26</b>
<b>Expenditure:</b>					
Employees	9 372	11 182	11 182	10 057	(11.19)
Repairs and Maintenance	713	1 533	1 533	539	(184.22)
Other	19 527	11 387	11 387	15 830	28.07
<b>Total Operational Expenditure</b>	<b>29 611</b>	<b>24 102</b>	<b>24 102</b>	<b>26 426</b>	<b>8.79</b>
<b>Net Operational (Service) Expenditure</b>	<b>18 244</b>	<b>22 103</b>	<b>22 103</b>	<b>24 491</b>	<b>9.75</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 187: Financial Performance: Financial Services



# Chapter 5: Financial Performance

## 5.2.15 Other

Description	2016/17	2017/18			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
<b>Total Operational Revenue</b>	<b>4 993</b>	<b>4 507</b>	<b>4 507</b>	<b>7 917</b>	<b>43.07</b>
<b>Expenditure:</b>					
Employees	4 855	5 598	5 270	8 968	37.58
Repairs and Maintenance	438	873	873	3 302	73.56
Other	23 215	12 675	12 615	23 791	46.72
<b>Total Operational Expenditure</b>	<b>28 508</b>	<b>19 147</b>	<b>18 759</b>	<b>36 062</b>	<b>46.91</b>
<b>Net Operational (Service) Expenditure</b>	<b>(23 515)</b>	<b>(14 640)</b>	<b>(14 252)</b>	<b>(28 145)</b>	<b>47.98</b>
<i>Variances are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 188: Financial Performance: Other

## 5.3 GRANTS

### 5.3.1 Grant Performance

Description	2016/17	2017/18			2017/18 Variance	
	Actual (Audited Outcome)	Budget	Adjust- ments Budget	Actual	Original Budget	Adjust- ments Budget
	R'000				%	
Operating Transfers and Grants						
National Government:	48 858	72 172	71 672	69 624	(3.66)	(2.94)
Local Government Equitable Share	36 197	37 094	37 094	37 094	0	0
Finance Management	1 625	1 700	1 700	1 700	0	0
Municipal Systems Improvement	0	0	0	0	0	0
EPWP Incentive	558	1 086	1 086	923	(17.60)	(17.60)
Municipal Infrastructure Grant	7 110	12 292	10 292	12 700	3.21	18.96
Integrated National Electrification Program	2 634	6 000	7 500	6 579	8.80	(14.00)
Regional Bulk Infrastructure grant	734	0	0	0	0	0
Water Services Infrastructure grant	0	14 000	14 000	10 628	(31.73)	(31.73)
Provincial Government:	1 841	881	881	2 080	57.64	57.64
Housing	680	0	0	1 194	100.00	100.00
Library Grant	1 161	881	881	886	0.51	0.51
Total Operating Transfers and Grants	50 699	73 053	72 553	71 704	(1.88)	(1.18)
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

Table 189: Grant Performance for 2017/18

# Chapter 5: Financial Performance

## 5.3.2 Conditional Grants

Details	2016/17	2017/18			2017/18 Variance	
	Actual	Budget	Adjusted Budget	Actual	Variance	
					Budget	Adjusted Budget
	R'000				%	
Finance Management	1 625	1 700	1 700	1 700	0.00	0.00
Municipal Systems Improvement	0	0	0	0	0	0
EPWP Incentive	558	1 086	1 086	923	(17.60)	(17.60)
Municipal Infrastructure Grant	7 110	12 292	10 292	12 700	3.21	18.96
Integrated National Electrification Program	2 634	6 000	7 500	6 579	8.80	(14.00)
Financial Recovery Plan	0	0	0	0	0	0
Municipal Disaster Recovery Fund	0	0	0	0	0	0
Housing	680	0	0	1 194	100.00	100.00
Water Services Infrastructure Grant	0	14 000	14 000	10 628	(31.73)	(31.73)
Regional Bulk Infrastructure grant	734	0	0	0	0	0
Total	13 341	35 078	34 578	33 725	(4.01)	(2.53)

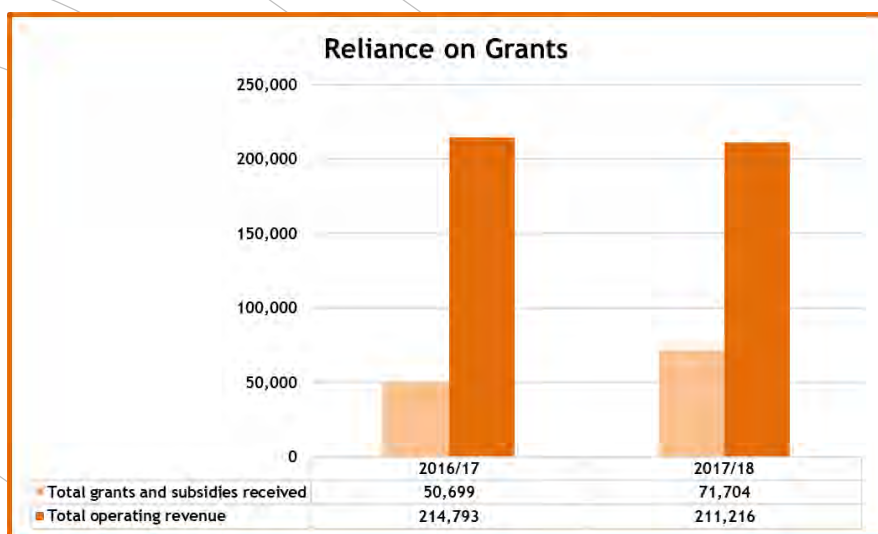
Table 190: Conditional Grant

## 5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants and subsidies received	Total Operating Revenue	Percentage
	R'000		%
2016/17	50 699	214 793	23.60
2017/18	71 704	211 216	33.95

Table 191: Reliance on Grants

The following graph indicates the municipality's reliance on grants as percentage for the last two financial years



Graph 7: Reliance on Grants

# Chapter 5: Financial Performance

## 5.4 ASSET MANAGEMENT

### 5.4.1 Three Largest Assets

Asset 1		
Name	Landfill Site: De Aar	
Description	Landfill Site	
Asset Type	Infrastructure Assets	
Key Staff Involved	Chris Appies	
Asset Value as at 30 June 2018	2016/17 R million	2017/18 R million
	29 530	26 846
Capital Implications	N/A	
Future Purpose of Asset	Landfill Site	
Describe Key Issues	N/A	
Policies in Place to Manage Asset	Asset Management Policy	

Table 192: Asset 1

Asset 2		
Name	De Aar East Reservoir	
Description	Storage	
Asset Type	Infrastructure Assets	
Key Staff Involved	Chris Hendricks	
Asset Value as at 30 June 2018	2016/17 R million	2017/18 R million
	12 208	11 665
Capital Implications	N/A	
Future Purpose of Asset	Storage of Water	
Describe Key Issues	N/A	
Policies in Place to Manage Asset	Asset Management Policy	

Table 193: Asset 2

Asset 3		
Name	De Aar West Reservoir	
Description	Storage	
Asset Type	Infrastructure Assets	
Key Staff Involved	Chris Hendricks	
Asset Value as at 30 June 2018	2016/17 R million	2017/18 R million
	9 224	8 609
Capital Implications	N/A	
Future Purpose of Asset	Storage of Water	
Describe Key Issues	N/A	
Policies in Place to Manage Asset	Asset Management Policy	

Table 194: Asset 3

# Chapter 5: Financial Performance

## 5.4.2 Repairs and Maintenance

Description	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Budget variance
		R' 000			%
Repairs and Maintenance Expenditure	10 329	19 397	19 397	11 943	(62.41)

Table 195: Repairs & Maintenance

## 5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

### 5.5.1 Liquidity Ratio

Description	Basis of calculation	2016/17	2017/18
Current Ratio	Current assets/current liabilities	1.02	0.92
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.86	0.80
Liquidity Ratio	Monetary assets/current liabilities	0.15	0.14

Table 196: Liquidity Financial Ratio

The current ratio indicates a Council's ability to meet its financial obligations such as payment for goods and services supplied. A ratio of 1:1 indicates that unrestricted current assets are available on hand to meet unrestricted current liabilities. It is furthermore an indication of a Council's solvency.

### 5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of calculation	2016/17	2017/18
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.46	0.55
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.39	0.49
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	0.04	0.02

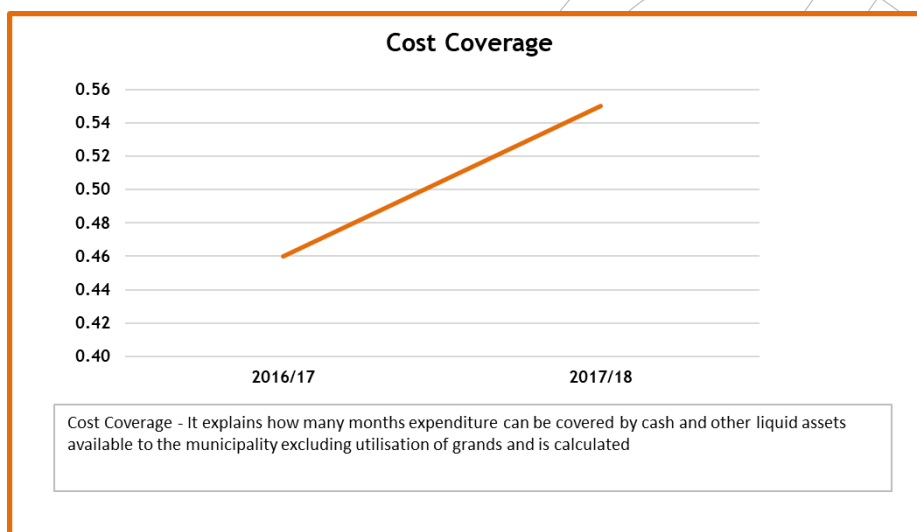
Table 197: Financial Viability National KPAs

#### a) Cost Coverage

This ratio indicates the Municipality's ability to meet its short-term (monthly) expenditures. It takes into consideration all available cash at a particular time including income from investments. The ratio has to be in excess of 1:1. Strict application of the Credit Control Policy and measures implemented to collect outstanding debtors should improve the ratio. However, this ratio should be read in conjunction to other ratios.

## Chapter 5: Financial Performance

The following graph indicates the cost coverage financial viability indicator:

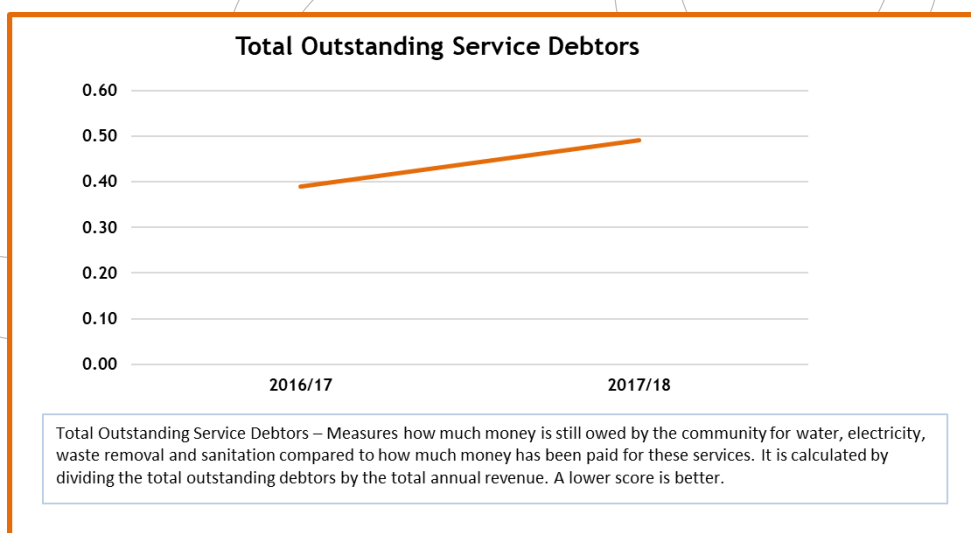


Graph 8: Cost Coverage

### b) Outstanding Service Debtors to Revenue

This ratio indicates how effective revenue collection is being executed by the Municipality. The Municipality should continuously enhance revenue collection mechanisms and enforce debt collection policies.

The following graph indicates the outstanding service to revenue financial viability indicator:



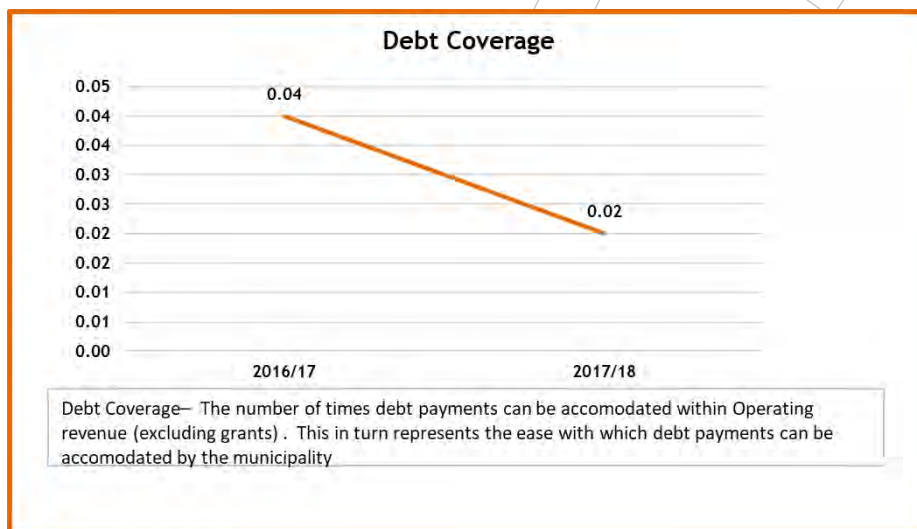
Graph 9: Total Outstanding Service Debtors

### c) Debt Coverage

The debt coverage ratio shows the Municipality's ability to service its debt payments. A debt coverage ratio of 2 is generally considered acceptable assuming the other tests of safety have been met. The higher the debt service ratio, the lower the risk.

## Chapter 5: Financial Performance

The following graph indicates the debt coverage financial viability indicator:



Graph 10: Debt Coverage

### 5.5.3 Borrowing Management

Description	Basis of calculation	2016/17	2017/18
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	(0.64)	(0.65)

Table 198: Borrowing Management

The ratio gives an indication of the total percentage paid on external loans.

### 5.5.4 Employee costs

Description	Basis of calculation	2016/17	2017/18
Employee costs	Employee costs/(Total Revenue - capital revenue)	32%	36%

Table 199: Employee Costs

The ratio gives an indication of the total percentage paid on employee cost. The ratio increased from 32% in 2016/17 to 36% in 2017/18.

### 5.5.5 Repairs & Maintenance

Description	Basis of calculation	2016/17	2017/18
Repairs & Maintenance	R&M (Total Revenue excluding capital revenue)	4.81%	5.65%

Table 200: Repairs & Maintenance

The ratio gives an indication of the total percentage paid on repairs and maintenance. The ratio increased from a 4.81% in 2016/17 to 5.65% in 2017/18. The Municipality should consider maintaining their assets as impairments of these assets might have an effect on service delivery and should increase repairs and maintenance to at least the 8% norm.

# Chapter 5: Financial Performance

## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### 5.6 SOURCES OF FINANCE

#### 5.6.1 Capital Expenditure: Funding Sources

The table below indicates the capital expenditure by funding source for the 2017/18 financial year:

Capital Expenditure: Funding Sources						
Details	2016/17	2017/18				
	Audited outcome	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
Source of Finance						
Description	R'000				%	
External loans	9 497	0	0	45	0	0
Public contributions and donations	0	0	0	0	0	0
Grants and subsidies	9 835	32 292	34 991	20 072	8.36	(42.64)
Own funding	793	6 790	6 790	1 907	0	(71.92)
<b>Total</b>	<b>20 125</b>	<b>39 082</b>	<b>41 781</b>	<b>22 023</b>	<b>6.46</b>	<b>(77.46)</b>
Percentage of Finance						
External loans	47	0	0	0		
Public contributions and donations	0	0	0	0		
Grants and subsidies	49	83	84	91		
Own funding	4	17	16	9		
Capital Expenditure						
Description	R'000				%	
Water and sanitation	1 173	14 080	17 279	10 023	22.72	(41.99)
Electricity	2 589	6 400	7 900	6 579	23.44	(16.72)
Housing	0	0	0	3	0	0
Roads and Stormwater	15 576	15 153	13 153	13 658	(13.20)	3.84
Other	786	3 449	3 449	1 595	0	(53.75)
<b>Total</b>	<b>20 125</b>	<b>39 082</b>	<b>41 781</b>	<b>31 858</b>	<b>6.46</b>	<b>(22.67)</b>
Percentage of Expenditure						
Water and sanitation	6	36	41	31		
Electricity	13	16	19	21		
Housing	0	0	0	0		
Roads and stormwater	77	39	31	43		
Other	4	9	8	5		

Table 201: Capital Expenditure by Funding Source

# Chapter 5: Financial Performance

## 5.6.2 Capital Spending on Largest Capital Projects

Name of Project	2017/18				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Upgrading of Road Network	14 792	14 792	12 672	(0.02)	88.51
Upgrading of Electricity sub-station	4 000	4 000	3 813	(0.00)	81.88
Sewerage Upgrade	5 000	5 000	4 824	(0.00)	137.22
Electricity High Mast	6 000	7 500	6 579	0.01	(85.13)
Stormwater phase 2	2 500	2 500	2 297	(0.01)	28.39

Table 202: Capital Spending on Largest Capital Projects

## 5.6.3 Municipal Infrastructure Grant (MIG) Expenditure on Service Backlogs

The table below indicates the MIG Expenditure on Service Backlogs:

MIG Expenditure on Service Backlogs					
Details	Budget	Adjustments Budget	Actual	Variance	
				Budget	Adjustment Budget
	R'000			%	%
Storm Water	12 292	12 292	12 672	3.00	3.00
Total	12 292	12 292	12 672	3.00	3.00
* MIG is a government grant program designed to fund a reduction in service backlogs mainly: Water; Sanitation; Roads; Electricity. Expenditure on new upgraded and renewed infrastructure. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.					

Table 203: MIG Expenditure on Service Backlogs

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

Cash flow management is critical to the municipality as it enables the organisation to assess whether enough cash is available at any point in time to cover the council's commitments. Cash flow is rigorously managed and monitored on a regular basis.

## 5.7 CASH FLOW

Cash Flow Outcomes				
R'000				
Description	2016/17	2017/18		
	<i>Audited Outcome</i>	Original Budget	Adjusted Budget	Actual
	R'000			
Cash flow from operating activities				
Receipts				
Ratepayers and other	134 909	171 574	166 124	133 446
Government - operating	40 221	40 761	40 761	41 797
Government - capital	10 478	32 292	34 991	29 907



## Chapter 5: Financial Performance

Cash Flow Outcomes				
R'000				
Description	2016/17	2017/18		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
	R'000			
Interest	2 272	1 723	1 723	1 468
Dividends	0	0	0	0
Payments				
Suppliers and employees	(172 579)	(205 542)	(202 634)	(166 656)
Finance charges	(3 365)	(2 055)	(2 055)	(3 820)
Transfers and Grants	0	0	0	0
Net cash from/(used) operating activities	11 935	38 753	38 910	36 142
Cash flows from investing activities				
Receipts				
Proceeds on disposal of PPE	94	268	268	97
Decrease (increase) in non-current debtors	0	0	0	0
Decrease (increase) other non-current receivables	0	0	0	0
Decrease (increase) in non-current investments	0	0	0	0
Payments				
Capital assets	(22 081)	(39 082)	(41 781)	(32 007)
Net cash from/(used) investing activities	(21 987)	(38 814)	(41 513)	(31 910)
Cash flows from financing activities				
Receipts				
Short term loans	0	0	0	0
Borrowing long term/refinancing	9 497	95	3 528	45
Payments				
Repayment of borrowing	(3 046)	0	(3 433)	(3 433)
Net cash from/(used) financing activities	6 451	95	95	(3 388)
Net increase/ (decrease) in cash held	(3 601)	34	(2 508)	843
Cash/cash equivalents at the year begin:	7 524	1 139	3 448	2 784
Cash/cash equivalents at the yearend:	2 784	1 172	940	2 943

Table 204: Cash Flow

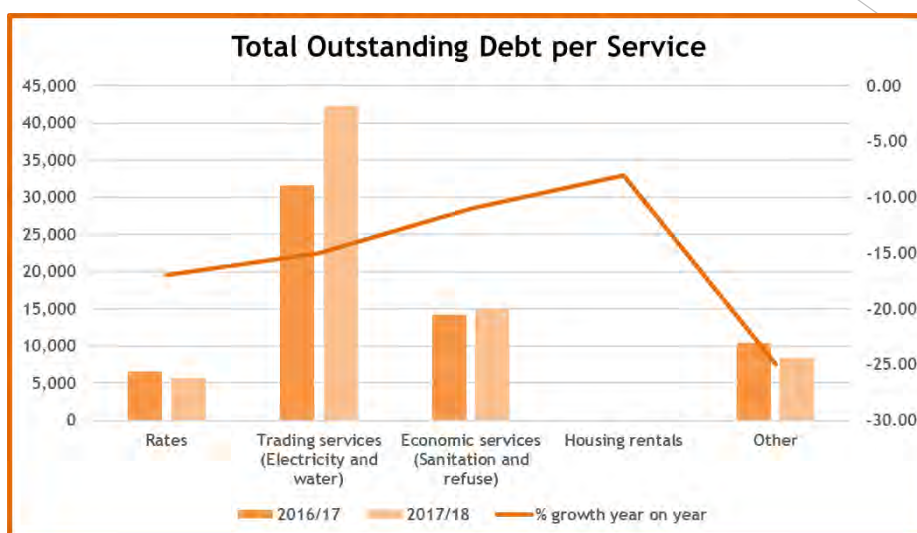
# Chapter 5: Financial Performance

## 5.8 GROSS OUTSTANDING DEBTORS PER SERVICE

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
	R'000					
2016/17	6 550	31 595	14 199	60	10 486	62 890
2017/18	5 726	42 304	15 064	76	8 465	71 635
Difference	(825)	10 709	865	16	(2 021)	8 745
% growth year on year	(13)	34	6	27	(19)	14
Note: Figures exclude provision for bad debt						

Note: Figures exclude provision for bad debt

Table 205: Gross Outstanding Debtors per Service



Graph 11: Total Outstanding Debt per Type of Service

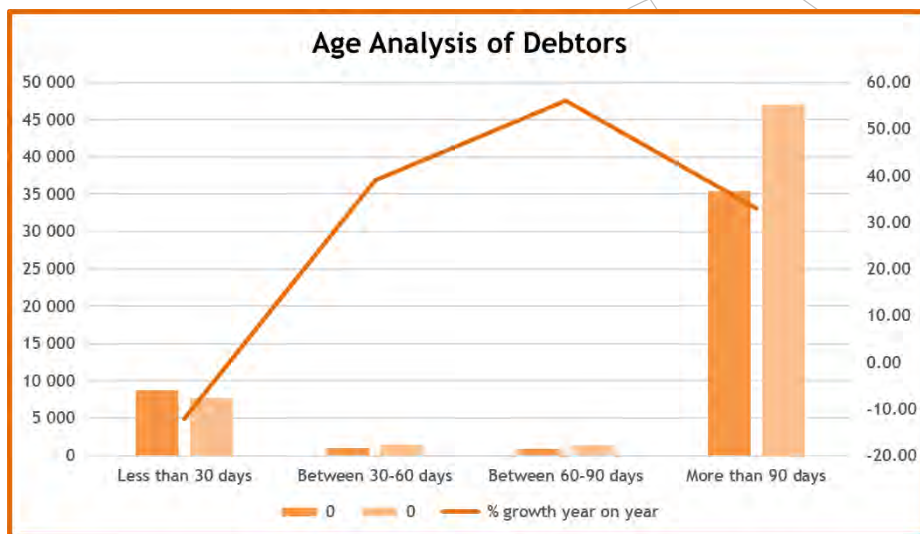
## 5.9 TOTAL DEBTORS AGE ANALYSIS

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000				
2016/17	8 712	1 034	859	35 393	45 999
2017/18	7 705	1 436	1 343	47 064	57 547
Difference	(1 008)	402	484	11 671	11 549
% growth year on year	(12)	39	56	33	25

Note: Figures exclude provision for bad debt.

Table 206: Service Debtor Age Analysis

## Chapter 5: Financial Performance



Graph 12: Service Debtor Age Analysis

### 5.10 BORROWING AND INVESTMENTS

Infrastructure needs to be replaced and therefore borrowings for periods of 15 years are taken up to lessen the impact on consumers.

#### 5.10.1 Actual Borrowings

Actual Borrowings		
R' 000		
Instrument	2016/17	2017/18
	R'000	
Financial Leases	4 702	1 013
<b>Total</b>	<b>4 702</b>	<b>1 013</b>

Table 207: Actual Borrowings

#### 5.10.2 Municipal Investments

Actual Investments		
R'000		
Investment type	2016/17	2017/18
	Actual	
	R'000	
Deposits - Bank	9 688	12 549
Other	28	25
<b>Total</b>	<b>9 716</b>	<b>12 575</b>

Table 208: Municipal Investments

# Chapter 6: Auditor-General Findings

## CHAPTER 6

### COMPONENT A: AUDITOR-GENERAL OPINION 2016/17

#### 6.1 AUDITOR-GENERAL REPORT 2016/17

2016/17	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
<b>Unauthorised expenditure</b>	
The municipality incurred unauthorised expenditure of R76 893 986 during the year under review mainly due to the overspending of the total amount appropriated for a few votes and departments of the municipality's approved budget	Unauthorised expenditure must be investigated and reported to Council
<b>Irregular expenditure</b>	
The municipality incurred irregular expenditure of R8 592 680 during the year under review mainly due to non-compliance with supply chain management (SCM) requirements	Irregular expenditure must be investigated and reported to Council.
<b>Expenditure management</b>	
Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA	Cash flow constraints hampers our ability to pay within 30 days
Reasonable steps were not taken to prevent unauthorised expenditure and irregular expenditure as required by section 62(1)(d) of the MFMA	Budgetary reforms in relation to unauthorised expenditure and irregular expenditure will be strengthened to ensure that these expenditures are controlled
<b>Internal control</b>	
<b>Leadership</b>	
Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management will strengthen internal controls to ensure that compliance is met
Management did not develop and monitor the implementation of action plans to address internal control deficiencies	Management will strengthen internal controls to ensure that compliance is met
<b>Financial and performance management</b>	
Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will strengthen internal controls to ensure that compliance is met
Management did not review and monitor compliance with applicable legislation	Management will strengthen internal controls to ensure that compliance is met

Table 209: AG Report on Financial Performance 2016/17

# Chapter 6: Auditor-General Findings

## COMPONENT B: AUDITOR-GENERAL OPINION 2017/18

### 6.2 AUDITOR-GENERAL REPORT 2017/18

2017/18	
Main issues raised under emphasis of matter	Corrective steps implemented/ to be implemented
<b>Unauthorised expenditure</b>	
Unauthorised expenditure to the amount of R76 893 986 that was incurred in the previous year was still under investigation	Unauthorised expenditure must be investigated and reported to Council
<b>Irregular expenditure</b>	
Irregular expenditure to the amount of R8 592 680 that was incurred in the previous years still under investigation	Irregular expenditure must be investigated and reported to Council
<b>Material losses</b>	
Material losses to the amount of R14 707 508 (2017: R11 080 882) was incurred which represents 17.64% (2017: 11.62%) of total electricity purchased	Management will strengthen internal controls to ensure that compliance is met
<b>Expenditure management</b>	
Reasonable steps were not taken to prevent irregular expenditure	Management will strengthen internal controls to ensure that compliance is met
Reasonable steps were not taken to prevent fruitless and wasteful expenditure	Management will strengthen internal controls to ensure that compliance is met
Reasonable steps were not taken to prevent unauthorised expenditure	Management will strengthen internal controls to ensure that compliance is met
<b>Assets management</b>	
The Municipality did not establish an investment policy that was adopted by Council	Management will strengthen internal controls to ensure that compliance is met
<b>Strategic planning and performance management</b>	
The performance management system and related controls were not maintained or were inadequate	Management will strengthen internal controls to ensure that compliance is met
<b>Procurement and contract management</b>	
The Municipality did not comply with SCM regulations	Management will strengthen internal controls to ensure that compliance is met
<b>Internal control</b>	
<b>Leadership</b>	
Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls	Management will strengthen internal controls to ensure that compliance is met
Management did not develop and monitor the implementation of action plans to address internal control deficiencies	Management will strengthen internal controls to ensure that compliance is met
<b>Financial and performance management</b>	
Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting	Management will strengthen internal controls to ensure that compliance is met
Management did not review and monitor compliance with applicable legislation	Management will strengthen internal controls to ensure that compliance is met

Table 210: AG Report on Financial Performance 2017/18

# List of Abbreviations

## LIST OF ABBREVIATIONS

<b>AG</b>	Auditor-General	<b>LED</b>	Local Economic Development
<b>AFS</b>	Annual Financial Statements	<b>MAYCOM</b>	Executive Mayoral Committee
<b>CAPEX</b>	Capital Expenditure	<b>MFMA</b>	Municipal Finance Management Act (Act No. 56 of 2003)
<b>CBP</b>	Community Based Planning	<b>MIG</b>	Municipal Infrastructure Grant
<b>CFO</b>	Chief Financial Officer	<b>MM</b>	Municipal Manager
<b>CMTPT</b>	Council Meets The People	<b>MMC</b>	Member of Mayoral Committee
<b>COGHSTA</b>	Department of Cooperative Governance, Human settlements and Traditional Affairs	<b>MSA</b>	Municipal Systems Act No. 32 of 2000
<b>DPLG</b>	Department of Provincial and Local Government	<b>MTECH</b>	Medium Term Expenditure Committee
<b>DWA</b>	Department of Water Affairs	<b>NCOP</b>	National Council of Provinces
<b>EE</b>	Employment Equity	<b>NERSA</b>	National Energy Regulator South Africa
<b>EPWP</b>	Extended Public Works Programme	<b>NGO</b>	Non-governmental organisation
<b>EXCO</b>	Executive Committee	<b>NT</b>	National Treasury
<b>FBS</b>	Free Basic Services	<b>OPEX</b>	Operating expenditure
<b>GAMAP</b>	Generally Accepted Municipal Accounting Practice	<b>PMS</b>	Performance Management System
<b>GRAP</b>	Generally Recognised Accounting Practice	<b>PT</b>	Provincial Treasury
<b>HR</b>	Human Resources	<b>SALGA</b>	South African Local Government Association
<b>IDP</b>	Integrated Development Plan	<b>SAMDI</b>	South African Management Development Institute
<b>IFRS</b>	International Financial Reporting Standards	<b>SCM</b>	Supply Chain Management
<b>IMFO</b>	Institute for Municipal Finance Officers	<b>SDBIP</b>	Service Delivery and Budget Implementation Plan
<b>KPA</b>	Key Performance Area	<b>SDF</b>	Spatial Development Framework
<b>KPI</b>	Key Performance Indicator		

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# Annexure A

## Financial Statements

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

**GENERAL INFORMATION**

**Members of the Council:**

ST Sthonga	Mayor
MC Kivedo	Speaker
HJ Rust	Member of Executive Committee
NP Mkontwana	Member of Executive Committee
RR Faul	Whip
AF Jafta	Member
WJ Du Plessis	Member
PD Van Wyk	Member
LE Andrews	Member
J Hoffman	Member
L Billie	Member
MO Moramba	Member
PP Mhlauli	Member
D Vanel	Member
CJ Louw	Member

**Municipal Manager:** I Visser

**Chief Financial Officer:** MR Ludwick

**Grading of Local Authority:** Grade 2

**Auditors:** Auditor-General

**Bankers:** ABSA Bank Limited

**Registered Office:** 45 Dr. Pixley-ka-Seme Drive  
De Aar  
7000

**Physical address:** 45 Dr. Pixley-ka-Seme Drive  
De Aar  
7000

**Postal address:** P.O. Box 42  
De Aar  
7000

**Telephone number:** (053) 632 9100

**Fax number:** (053) 631 0105

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

**APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

I am responsible for the preparation of these annual financial statements, which are set out on pages 10 to 96, in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 33 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's

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**Municipal Manager: I Visser**

**31 August 2018**

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**1. INTRODUCTION**

It gives me great pleasure to present the Annual Financial Statements of Emthanjeni Local Municipality at 30 June 2018.

These Annual Financial Statements have been prepared in accordance with 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). The standards and pronouncements that form the GRAP Reporting Framework for the 2017/2018 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2018 indicates a decrease in Net Assets, a decrease in Non-current Liabilities and an increase in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the deficit generated on the operating account. The decrease in Non-current Liabilities is primarily as a result of the down payments made on finance leases. The increase in Current Liabilities is primarily as a result of the increase in trade payables.

**2. KEY FINANCIAL INDICATORS**

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the Municipality.

**2.1 Financial Statement Ratios:**

Indicator	2018	2017
Surplus / (Deficit) before Appropriations	(43,360,670)	(57,254,390)
Surplus / (Deficit) at the end of the Year	(43,360,670)	(57,254,390)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	26.99%	24.32%
Remuneration of Councillors	1.87%	1.72%
Collection Costs	0.00%	0.06%
Depreciation and Amortisation	22.02%	21.87%
Impairment Losses	8.78%	12.70%
Repairs and Maintenance	4.27%	3.67%
Interest Paid	2.88%	2.53%
Bulk Purchases	21.04%	20.96%
Contracted Services	2.56%	3.04%
Grants and Subsidies Paid	0.16%	0.13%
General Expenses	8.73%	8.90%
Loss on Disposal of Property, Plant and Equipment	0.12%	0.10%
Loss on Sale of Land	0.00%	0.00%
Current Ratio:		
Trade Creditors Days	173	110
Debtors from Exchange Transactions Days	153	127

The ratio for Debtors Days, calculated on net Debtors, remained consistent with that of the previous financial year, due to the provision for impairment made for the year under review.

**2.2 Performance Indicators:**

Indicator	2018	2017
<b>Financial Position</b>		
Debtors Management:		
Outstanding Debtors to Revenue	29.43%	27.61%
Outstanding Service Debtors to Revenue	41.93%	34.84%
Liquidity Management:		
Liquidity Ratio	0.89	1.01
Liability Management:		
Capital Cost as percentage of Own Revenue	6.96%	7.71%
Borrowed Funding as percentage of Own Capital Expenditure	1.98%	1197.79%
Borrowing as percentage of Total Capital Assets	0.14%	92.29%
Safety of Capital:		
Gearing	88.85%	100.81%
Financial Viability:		
Debt Coverage	2.42%	4.39%
Cost Coverage		

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**2. KEY FINANCIAL INDICATORS (continued)**

Indicator	2018	2017
<b>Financial Performance</b>		
Expenditure Management:		
Creditors to Cash and Investments	23.89	17.86
Capital Expenditure on Infrastructure to Total Capital Expenditure	94.98%	0.00%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

**3. OPERATING RESULTS**

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

The services offered by Emthanjeni Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2018 are as follows:

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	809,068,240	874,070,858	7.44%	1,035,617,677	21.88%
Operating income for the year	241,609,728	224,308,238	(7.71)%	253,447,696	4.67%
	<u>1,050,677,969</u>	<u>1,098,379,096</u>		<u>1,289,065,373</u>	
<b>Expenditure:</b>					
Operating expenditure for the year	(284,970,398)	(281,562,628)	(1.21)%	(230,061,194)	(23.87)%
Sundry transfers	-	(7,748,227)	100.00%	-	-
Closing surplus / (deficit)	(765,707,571)	(809,068,240)	5.36%	(1,059,004,179)	27.70%
	<u>(1,050,677,969)</u>	<u>(1,098,379,096)</u>		<u>(1,289,065,373)</u>	

**3.1 Rates and General Services:**

Rates and General Services are all types of services rendered by the Municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	81,683,657	67,777,553	(20.52)%	69,177,945	(18.08)%
Expenditure	(129,618,434)	(111,285,686)	(16.47)%	(108,748,890)	(19.19)%
Surplus / (Deficit)	<u>(47,934,777)</u>	<u>(43,508,133)</u>		<u>(39,570,945)</u>	
Surplus / (Deficit) as % of total income	(58.68)%	(64.19)%		(57.20)%	

*Variance from 2018 budget:*

Due to the fines revenue which was under-budgeted for.

*Variance from 2017 actual:*

No significant fluctuation identified.

**3.2 Housing Services:**

Housing Services are services rendered by the Municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	967,597	690,655	(40.10)%	43,589	(2119.82)%
Expenditure	(3,672,348)	(3,822,031)	3.92%	(2,395,750)	(53.29)%
Surplus / (Deficit)	<u>(2,704,752)</u>	<u>(3,131,377)</u>		<u>(2,352,161)</u>	
Surplus / (Deficit) as % of total income	(279.53)%	(453.39)%		(5396.23)%	

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**3. OPERATING RESULTS (continued)**

*Variance from 2018 budget:*

The municipality under budgeted for this grant received.

*Variance from 2017 actual:*

The municipality received a bigger grant in the current financial year than in the previous year.

**3.3 Waste Management Services:**

Waste Management Services are services rendered by the Municipality for the collection, disposal and purifying of waste (refuse and

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	40,174,986	39,042,618	(2.90)%	43,171,013	6.94%
Expenditure	(36,886,550)	(32,237,665)	(14.42)%	(28,485,156)	(29.49)%
Surplus / (Deficit)	3,288,436	6,804,953		14,685,857	
Surplus / (Deficit) as % of total income	8.19%	17.43%		34.02%	

*Variance from 2018 budget:*

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17.

*Variance from 2017 actual:*

No material fluctuation has been identified.

**3.4 Electricity Services:**

Electricity is bought in bulk from Eskom and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R57 369 038 (2017: R56 758 499). Tariffs levied for electricity are subject to administered adjustments.

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	84,032,681	83,726,226	(0.37)%	89,196,773	5.79%
Expenditure	(96,538,751)	(97,945,794)	1.44%	(75,181,678)	(28.41)%
Surplus / (Deficit)	(12,506,070)	(14,219,568)		14,015,095	
Surplus / (Deficit) as % of total income	(14.88)%	(16.98)%		15.71%	

*Variance from 2018 budget:*

The material fluctuation in respect to Expenditure is the result of the Depreciation Expense, which are not budgeted in full as the significant portion thereof is due to backlog depreciation recognised in terms of GRAP 17.

*Variance from 2017 actual:*

No material fluctuation has been identified.

**3.5 Water Services:**

Water is bought in bulk from various sources and distributed to the consumers by the Municipality. The cost of bulk purchases to the Municipality was R2 568 515 (2017: R2 268 527). Tariffs levied for water are subject to administered adjustments.

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Income	46,093,699	33,071,186	(39.38)%	51,858,376	11.12%
Expenditure	(29,597,205)	(35,006,780)	15.45%	(15,249,720)	(94.08)%
Surplus / (Deficit)	16,496,494	(1,935,594)		36,608,656	
Surplus / (Deficit) as % of total income	35.79%	(5.85)%		70.59%	

*Variance from 2018 budget:*

The municipality under budgeted for expenditure to be incurred for this capital grant received, however, due to better than foreseen expenditure management, most of this grant money was utilised.

*Variance from 2017 actual:*

In the current year the municipality incurred a lot of water capital expenditure, due to the fact an amount of R14 000 000 was received for WSIG capital water expenditure.



**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**4. FINANCING OF CAPITAL EXPENDITURE**

The expenditure on Assets during the year amounted to R29 868 165 (2017: R10 290 371). Full details of Assets are disclosed in Notes 7, 8, 9, 10 and Appendices B, C and E (4) to the Annual Financial Statements.

The capital expenditure of R29 868 165 was financed as follows:

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Grants and Subsidies	30,017,289	-	#DIV/0!	11,505,250	(160.90)%
Own Funds (Accumulated Surplus)	2,250,116	792,913	(183.78)%	6,833,997	67.07%
Borrowings	44,643	9,497,458	99.53%	-	100.00%
	32,312,047	10,290,371		18,339,247	

Source of funding as a percentage of Total Capital Expenditure:

Details	2018	2017
Grants and Subsidies	92.90%	-
Public Contributions	6.96%	7.71%
Borrowings	0.14%	92.29%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies, as well as external loans (finance leases) as the Municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

**5. RECONCILIATION OF BUDGET TO ACTUAL**

**5.1 Operating Budget:**

Details	2018	2017
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(5,363,219)	5,033,000
Revenue variances	16,911,753	(2,187,600)
Expenditure variances:		
Employee Related Costs	(312,612)	(4,180,361)
Remuneration of Councillors	15,816	178,820
Collection Costs	(3,304)	(492,164)
Depreciation and Amortisation	(53,699,692)	(47,349,201)
Impairment Losses	(18,353,509)	(20,424,311)
Repairs and Maintenance	7,242,934	5,027,989
Finance Costs	(6,152,590)	1,794,659
Bulk Purchases	470,375	(1,326,223)
Contracted Services	2,519,553	1,247,226
Grants and Subsidies Paid	(469,452)	11,414,951
General Expenses	15,777,881	10,063,446
Loss on Disposal of Property, Plant and Equipment	(349,572)	(410,774)
Loss on Sale of Land	(1,595,030)	-
Actual surplus before appropriations	(43,360,670)	(41,610,543)

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2018

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**5. RECONCILIATION OF BUDGET TO ACTUAL (continued)**

Details	2018	2017
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(5,363,219)	5,033,000
Executive and Council	(7,288,171)	4,232,480
Finance and Administration	2,044,938	7,885,214
Planning and Development	(13,011,630)	(12,608,620)
Health	116,709	(78,960)
Community and Social Services	(6,215,244)	(16,053,817)
Public Safety	8,094,730	13,799,886
Sports and Recreation	839,012	115,684
Road Transport	7,625,837	3,384,809
Other	(570,014)	(874,606)
Housing Services	(352,591)	(8,617,284)
Waste Management	(15,814,357)	
Waste Water Management	302,652	(18,783,258)
Electricity	(26,521,165)	(5,530,878)
Water	(20,112,162)	(13,514,193)
Actual surplus before appropriations	(76,224,674)	(41,610,543)

Details of the operating results per segmental classification of expenditure are included in Appendix D, whilst operational results are included in Appendices E (1), E (2) and E (3).

**5.2 Capital Budget:**

Details	Actual 2018 R	Actual 2017 R	Percentage Variance %	Budgeted 2018 R	Variance Actual / Budgeted %
Executive and Council	1,076,206	14,629	(7256.47)%	1,925,000	44.09%
Finance and Administration	187,734	37,990	(394.17)%	1,260,000	85.10%
Planning and Development	22,131	-	#DIV/0!	-	-
Community and Social Services	308,998	432,027	28.48%	120,000	(157.50)%
Public Safety	-	-	#DIV/0!	57,000	100.00%
Sports and Recreation	-	-	100.00%	65,000	100.00%
Road Transport	13,657,674	9,504,076	(43.70)%	13,153,000	(3.84)%
Other	-	-	-	-	-
Housing Services	3,319	301,649	100.00%	-	-
Waste Management	32,683	-	100.00%	28,922	(13.00)%
Waste Water Management	9,602,512	-	#DIV/0!	981,000	(878.85)%
Electricity	6,922,768	-	#DIV/0!	7,900,000	12.37%
Water	498,022	-	#DIV/0!	17,279,000	97.12%
	32,312,047	10,290,372		42,768,922	

Details of the results per segmental classification of capital expenditure are included in Appendix C and in Appendix E (4).

**6. ACCUMULATED SURPLUS**

The balance of the Accumulated Surplus as at 30 June 2018 amounted to R768 757 410 (2017: R810 241 808) and is made up as follows:

Capital Replacement Reserve	2,252,793
Accumulated Surplus	763,453,916
	<u>765,706,709</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 22 and the Statement of Change in Net Assets for more detail.

**7. LONG-TERM LIABILITIES**

The outstanding amount of Long-term Liabilities as at 30 June 2018 was R1 013 266 (2017: R4 702 175).

Refer to Note 19 and Appendix "A" for more detail.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**8. EMPLOYEE BENEFIT LIABILITIES**

Non-Current portion of Employee Benefit Liabilities amounted to R35 882 413 as at 30 June 2018 (2017: R32 959 971) and is made up as follows:

Post-retirement Health Care Benefits Liability	32,259,244
Long Service Awards Liability	<u>3,623,169</u>
	<u><u>35,882,413</u></u>

Current portion of Employee Benefit Liabilities amounted to R2 038 889 as at 30 June 2018 (2017: R1 510 647) and is made up as follows:

Post-retirement Health Care Benefits Liability	(1,290,418)
Long Service Awards Liability	<u>(748,471)</u>
	<u><u>(2,038,889)</u></u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the Municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 20 for more detail.

**9. NON-CURRENT PROVISIONS**

Non-current Provisions amounted R49 936 727 as at 30 June 2018 (2017: R42 731 906) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>46,936,726</u>
	<u><u>46,936,726</u></u>

These provisions are made in order to enable the Municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

**10. CURRENT LIABILITIES**

Current Liabilities amounted R93 858 968 as at 30 June 2018 (2017: R69 777 240) and is made up as follows:

Consumer Deposits	Note 13	2,345,572
Payables from Exchange Transactions	Note 14	66,721,130
Payables from Non-exchange Transactions	Note 15	3,588,027
Unspent Conditional Grants and Receipts	Note 16	3,563,863
VAT Payable	Note 17	3,095,635
Bank Overdraft	Note 5	9,882,893
Current Portion of Long-term Liabilities	Note 18	3,733,833
Current Portion of Long-term Liabilities	Note 18	<u>2,038,889</u>
		<u><u>94,969,842</u></u>

Current Liabilities are those liabilities of the Municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the Municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

**11. PROPERTY, PLANT AND EQUIPMENT**

The net value of Property, Plant and Equipment was R775 584 828 as at 30 June 2018 (2017: R806 483 601).

Refer to Note 7 and Appendices "B, C and E (4)" for more detail.

**12. INTANGIBLE ASSETS**

The net value of Intangible Assets were R136 551 as at 30 June 2018 (2017: R61 377).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the Municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

**13. INVESTMENT PROPERTY**

The net value of Investment Properties were R76 955 109 as at 30 June 2018 (2017: R78 557 109).

Investment Property is property 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.

Refer to Note 9 and Appendix "B" for more detail.

**EMTHANJENI LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2018**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**14. HERITAGE ASSETS**

The net value of Heritage Assets were R6 959 273 as at 30 June 2018 (2017: R6 959 273).

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.

Refer to Note 10 and Appendix "B" for more detail.

**15. NON-CURRENT INVESTMENTS**

The Municipality held Investments to the value of R28 054 as at 30 June 2018 (2017: R25 329).

Refer to Note 11 for more detail.

**16. LONG-TERM RECEIVABLES**

Long-term Receivables of R1 601 at 30 June 2018 (2017: R1 489) is made up as follows:

Other Loans	1,601
	1,601
Less: Short-term portion included in Current Assets	-
	<u>1,601</u>

Refer to Note 12 for more detail.

**17. CURRENT ASSETS**

Current Assets amounted R84 919 564 as at 30 June 2018 (2017: R74 048 820) and is made up as follows:

Inventories	Note 2	453,858
Receivables from Exchange Transactions	Note 3	57,010,900
Receivables from Non-exchange Transactions	Note 4	14,087,517
Cash and Cash Equivalents	Note 5	12,826,252
Operating Lease Assets	Note 6	4,542
		<u>84,383,069</u>

The increase in the amount for Current Assets is mainly due to the increased amount for Receivables from Non-exchange Transactions in respect of fines accounted for in accordance with GRAP 23.

Refer to the indicated Notes for more detail.

**18. INTER-GOVERNMENTAL GRANTS**

The Municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 17 and 27, and Appendix "F" for more detail.

**19. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 62.

**20. EXPRESSION OF APPRECIATION**

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

\_\_\_\_\_  
**CHIEF FINANCIAL OFFICER**  
31 August 2018

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

		Actual	
	Note	2018 R	2017 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>84,383,069</b>	<b>73,086,379</b>
Inventories	2	453,858	451,789
Receivables from Exchange Transactions	3	57,010,900	45,036,390
Receivables from Non-exchange Transactions	4	14,087,517	16,891,165
Cash and Cash Equivalents	5	12,826,252	10,702,493
Current Portion of Operating Lease Receivables	6	4,542	4,542
<b>Non-Current Assets</b>		<b>860,126,750</b>	<b>892,115,650</b>
Property, Plant and Equipment	7	776,038,690	806,483,601
Intangible Assets	8	136,551	61,377
Investment Property	9	76,955,109	78,577,109
Heritage Assets	10	6,959,273	6,959,273
Non-current Investments	11	28,054	25,329
Long-term Receivables	12	1,601	1,489
Operating Lease Receivables	6	7,473	7,473
<b>Total Assets</b>		<b>944,509,819</b>	<b>965,202,030</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>94,969,842</b>	<b>72,501,771</b>
Consumer Deposits	13	2,345,572	2,269,439
Payables from Exchange Transactions	14	66,721,130	46,194,088
Payables from Non-exchange Transactions	15	3,588,027	3,539,875
Unspent Conditional Grants and Receipts	16	3,563,863	3,857,622
VAT Payable	17	3,095,635	3,778,650
Bank Overdraft	5	9,882,893	7,918,255
Current Portion of Long-term Liabilities	18	3,733,833	3,433,193
Current Portion of Employee Benefit Liabilities	19	2,038,889	1,510,647
<b>Non-Current Liabilities</b>		<b>83,832,406</b>	<b>83,632,019</b>
Long-term Liabilities	18	1,013,266	4,702,175
Employee Benefit Liabilities	19	35,882,413	36,197,938
Non-current Provisions	20	46,936,726	42,731,906
<b>Total Liabilities</b>		<b>178,802,247</b>	<b>156,133,789</b>
<b>Total Assets and Liabilities</b>		<b>765,707,571</b>	<b>809,068,241</b>
<b>NET ASSETS</b>		<b>765,707,571</b>	<b>809,068,240</b>
Accumulated Surplus / (Deficit)	21	765,707,571	809,068,240
<b>Total Net Assets</b>		<b>765,707,571</b>	<b>809,068,240</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

		Actual	
	Note	2018	2017
		R	Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	22	31,790,141	30,751,648
Property Rates - Penalties imposed and collection charges	23	388,442	281,347
Fines	23	9,201,881	16,970,493
Public Contributions	24	200,000	-
Government Grants and Subsidies Received	25	75,391,900	52,052,578
<b>Revenue from Exchange Transactions</b>			
Service Charges	26	117,824,221	117,311,271
Licences and Permits	27	1,630,387	1,441,035
Rental of Facilities and Equipment	28	851,520	832,789
Interest Earned - External Investments	29	1,468,193	1,390,035
Interest Earned - Outstanding Debtors	29	1,092,857	882,201
Other Revenue	30	1,767,461	1,681,032
Gains on Other Operations	43	2,725	713,809
<b>Total Revenue</b>		<b><u>241,609,728</u></b>	<b><u>224,308,238</u></b>
<b>EXPENDITURE</b>			
Employee Related Costs	32	76,915,008	68,489,476
Remuneration of Councillors	33	5,334,661	4,835,161
Collection Costs	34	3,304	174,499
Depreciation and Amortisation	35	62,755,291	61,579,192
Impairment Losses	36	25,031,854	35,755,660
Repairs and Maintenance	37	12,154,451	10,328,840
Finance Costs	38	8,207,300	7,128,387
Bulk Purchases	39	59,963,876	59,027,026
Contracted Services	40	7,299,107	8,561,247
Grants and Subsidies Paid	41	469,452	361,886
General Expenses	42	24,891,490	25,045,849
Loss on Disposal of Property, Plant and Equipment	44	349,572	273,079
Loss on Sale of Land	31	1,595,030	2,325
<b>Total Expenditure</b>		<b><u>284,970,398</u></b>	<b><u>281,562,628</u></b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b><u>(43,360,670)</u></b>	<b><u>(57,254,390)</u></b>
<b>Refer to Budget Statement for explanation of budget variances</b>			

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018**

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
<b>2017</b>				
Balance at 1 July 2017	2,252,793	871,817,203	874,069,996	874,070,858
Prior Period Error (Note 45)		(7,748,227)	(7,748,227)	(7,748,227)
<b>Restated Balance</b>	<b>2,252,793</b>	<b>864,068,976</b>	<b>866,321,769</b>	<b>866,322,631</b>
Surplus / (Deficit) for the year	-	(57,254,390)	(57,254,390)	(57,254,390)
<b>Balance at 30 June 2017</b>	<b>2,252,793</b>	<b>806,814,585</b>	<b>809,067,378</b>	<b>809,068,240</b>
<b>2018</b>				
Restated Balance at 1 July 2018	2,252,793	806,814,585	809,067,378	809,068,240
Surplus / (Deficit) for the year	-	(43,360,670)	(43,360,670)	(43,360,670)
<b>Balance at 30 June 2018</b>	<b>2,252,793</b>	<b>763,453,916</b>	<b>765,706,709</b>	<b>765,707,571</b>

Details on the movement of the Funds and Reserves are set out in Note 22.

**EMTHANJENI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

		Actual	
	Note	2018 R	2017 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		15,202,099.00	22,851,095
Government Grant and Subsidies		75,098,141.00	49,559,656
Service Charges		99,012,891.00	102,246,868
Interest Received		1,468,192.92	2,272,235
Other Receipts		15,455,690.00	9,810,808
<b>Payments</b>			
Employee Related Costs		(75,621,081)	(71,822,294)
Remuneration of Councillors		(5,334,661)	(4,835,161)
Interest Paid		(4,002,481)	(3,364,773)
Suppliers Paid		(85,367,231)	(118,661,673)
Other Payments		-	22,739,782
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	48	<b><u>35,911,559</u></b>	<b><u>10,796,542</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(32,242,417)	(22,065,484)
Purchase of Intangible Assets	10	(148,610)	(15,655)
Proceeds on Disposal of Property, Plant and Equipment	44	-	96,368
Proceeds on Sale of Land	31	26,970	(2,325)
Decrease / (Increase) in Long-term Receivables	12	(112)	(120)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b><u>(32,364,169)</u></b>	<b><u>(21,987,216)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings	19	-	9,497,458
Repayment of Borrowings	19	(3,388,269)	(3,046,258)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b><u>(3,388,269)</u></b>	<b><u>6,451,200</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b><u>159,121</u></b>	<b><u>(4,739,474)</u></b>
Cash and Cash Equivalents at Beginning of Period	5	2,784,237	7,523,712
Cash and Cash Equivalents at End of Period	5	2,943,359	2,784,237



**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	66,211,332	(65,621,332)	590,000	-	-	590,000	453,858	-	(136,142)	(99.31)%	(23.07)%
Receivables from Exchange Transactions	23,508,686	-	23,508,686	-	-	23,508,686	57,010,900	-	33,502,214	142.51%	142.51%
Receivables from Non-exchange Transactions	11,615,122	-	11,615,122	-	-	11,615,122	14,087,517	-	2,472,394	21.29%	21.29%
Cash and Cash Equivalents	10,141,236	(232,555)	9,908,681	-	-	9,908,681	12,826,252	-	2,917,571	26.48%	29.44%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	4,542	-	4,542	100.00%	100.00%
<b>Non-Current Assets</b>											
Property, Plant and Equipment	947,605,033	71,753,525	1,019,358,558	-	-	1,019,358,558	776,038,690	-	(243,319,868)	(18.11)%	(23.87)%
Intangible Assets	382,117	-	382,117	-	-	382,117	136,551	-	(245,566)	(64.26)%	(64.26)%
Investment Property	5,018,200	65,621,332	70,639,532	-	-	70,639,532	76,955,109	-	6,315,577	1433.52%	8.94%
Heritage Assets	-	-	-	-	-	-	6,959,273	-	6,959,273	100.00%	100.00%
Non-current Investments	28,782	-	28,782	-	-	28,782	28,054	-	(728)	(2.53)%	(2.53)%
Long-term Receivables	-	-	-	-	-	-	1,601	-	1,601	100.00%	100.00%
Operating Lease Receivables	56,120	-	56,120	-	-	56,120	7,473	-	(48,647)	(86.68)%	(86.68)%
<b>Total Assets</b>	<b>1,064,566,628</b>	<b>71,520,969</b>	<b>1,136,087,597</b>	<b>-</b>	<b>-</b>	<b>1,136,087,597</b>	<b>944,509,819</b>	<b>-</b>	<b>(191,577,779)</b>		
<b>Current Liabilities</b>											
Consumer Deposits	2,431,420	-	2,431,420	-	-	2,431,420	2,345,572	-	(85,848)	(3.53)%	(3.53)%
Provisions	3,631,420	-	3,631,420	-	-	3,631,420	2,038,889	-	(1,592,531)	(43.85)%	(43.85)%
Payables from Exchange Transactions	19,127,354	2,699,000	21,826,354	-	-	21,826,354	66,721,130	-	44,894,776	248.83%	205.69%
Payables from Non-exchange Transactions	-	-	-	-	-	-	3,588,027	-	3,588,027	100.00%	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	3,563,863	-	3,563,863	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	3,095,635	-	3,095,635	100.00%	100.00%
Bank Overdraft	8,968,790	-	8,968,790	-	-	8,968,790	9,882,893	-	914,102	10.19%	10.19%
Current Portion of Long-term Liabilities	-	3,433,193	3,433,193	-	-	3,433,193	3,733,833	-	300,639	#DIV/0!	8.76%
<b>Non-Current Liabilities</b>											
Long-term Liabilities	-	-	-	-	-	-	1,013,266	-	1,013,266	100.00%	100.00%
Retirement Benefit Liabilities	-	-	-	-	-	-	35,882,413	-	35,882,413	#DIV/0!	#DIV/0!
Non-current Provisions	36,792,241	-	36,792,241	-	-	36,792,241	46,936,726	-	10,144,485	27.57%	27.57%
<b>Total Liabilities</b>	<b>70,951,225</b>	<b>6,132,193</b>	<b>77,083,418</b>	<b>-</b>	<b>-</b>	<b>77,083,418</b>	<b>178,802,247</b>	<b>-</b>	<b>101,718,829</b>		
<b>Total Assets and Liabilities</b>	<b>993,615,403</b>	<b>65,388,776</b>	<b>1,059,004,179</b>	<b>-</b>	<b>-</b>	<b>1,059,004,179</b>	<b>765,707,571</b>	<b>-</b>	<b>(293,296,608)</b>		
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	993,615,403	65,388,776	1,059,004,179	-	-	1,059,004,179	765,707,571	-	(293,296,608)	(22.94)%	(27.70)%
<b>Total Net Assets</b>	<b>993,615,403</b>	<b>65,388,776</b>	<b>1,059,004,179</b>	<b>-</b>	<b>-</b>	<b>1,059,004,179</b>	<b>765,707,571</b>	<b>-</b>	<b>(293,296,608)</b>		

# **EMTHANJENI LOCAL MUNICIPALITY** **STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

## **Financial Position: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

### **Receivables from Exchange Transactions:**

Management is attempting to enforce the Debt and Credit Collection Policy, resulting a significant lower budgeted amount. The results were however not obtained. The increase however remains consistent with that of the previous year and a sufficient allowance for doubtful debt was provided for all doubtful consumer debtors, excluding Government Debt.

### **Receivables from Non-exchange Transactions:**

The material variance is attributed to the recognition of all fines in accordance with GRAP 23. A higher payment rate was expected, but not received. This resulted in a under budgeted amount regarding the receivables

### **Cash and cash equivalents**

Management does not budget for grants to be unspent at yearend. However, this did occur, resulting in the fluctuation.

### **Operating Lease Receivables:**

The Municipality budgeted for other Non-current Assets, which includes the Operating Lease Assets. The Operating Lease assets are based on the rental income generated, which includes escalations. As these rental contracts are nearing their term, the asset is decreasing. The Municipality overbudgeted for the asset at yearend.

### **Property, Plant and Equipment:**

The significant fluctuation is due to the depreciation expense which increased in comparison to that of the prior year. The Municipality uses a "backlog" depreciation expense approach which resulted in a significant higher balance being budgeted for.

### **Intangible Assets:**

No new material Intangible Assets were purchased during the year. The Municipality uses a "backlog" amortisation expense approach which resulted in a significant higher balance being budgeted for.

### **Inventories**

The municipality transferred all investment property from inventories to PPE in the previous financial year. The municipality under budgeted for stock in the stores at yearend. This resulted in the significant fluctuation.

### **Heritage Assets:**

The transitional provisions of GRAP 103 ended 30 June 2015 and the Heritage Assets were valued and recorded in accordance with GRAP 3. Management has not yet adjusted the budget to take into account the balance.

### **Long-term Receivables:**

Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

### **Provisions:**

An actuarial gain (as determined by the actuaries) resulted in the increase not meeting the expected growth (increase).

### **Payables from Exchange Transactions:**

In relation to the outstanding balance budgeted for, the Municipality's outstanding creditors are material higher largely due to outstanding amounts owed to Eskom. This resulted in the material fluctuation and has caused cash flow constraints experienced by the Municipality.

### **Payables from Non-exchange Transactions:**

The Municipality did not budget for this line item as it is represented by Paid in Advance accounts.

### **Unspent Conditional Grants and Receipts:**

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, unspent WSIG funding was still available which will be used for capital projects in the next financial year.

### **VAT Payable:**

The Municipality did not budget for any VAT to be payable at yearend, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist.

### **Bank Overdraft**

The municipality budgeted for greater revenue enhancement to pay its creditors. This however didn't happen, resulting in the municipality to utilise more of the available overdraft.

### **Long-term Liabilities:**

The municipality does not differentiate the long term liabilities between current and non current portions when they perform their budget, thus resulting in the under budgeted amount

### **Retirement Benefit Liabilities:**

The increase is attributable to the variables within the actuarial valuation, which increased resulting in higher than expected interest costs.

### **Non-current Provisions:**

The calculations pertaining to the provision for landfill sites were amended in the 2018 financial year. The municipality could not foresee this and hence this was not budgeted for.

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	27,762,540	-	27,762,540	-	-	27,762,540	31,790,141	-	4,027,601	14.51%	14.51%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	388,442	-	388,442	100.00%	100.00%
Fines	3,720,000	-	3,720,000	-	-	3,720,000	9,201,881	-	5,481,881	147.36%	147.36%
Public contributions	-	-	-	-	-	-	200,000	-	200,000	#DIV/0!	#DIV/0!
Government Grants and Subsidies Received	73,053,000	2,699,000	75,752,000	-	-	75,752,000	75,391,900	-	(360,100)	3.20%	(0.48)%
<b>Revenue from Exchange Transactions</b>											
Service Charges	119,675,979	(2,800,000)	116,875,979	-	-	116,875,979	117,824,221	-	948,242	(1.55)%	0.81%
Licences and Permits	1,970,388	-	1,970,388	-	-	1,970,388	1,630,387	-	(340,001)	(17.26)%	(17.26)%
Rental of Facilities and Equipment	789,075	-	789,075	-	-	789,075	851,520	-	62,445	7.91%	7.91%
Interest Earned - External Investments	931,000	-	931,000	-	-	931,000	1,468,193	-	537,193	57.70%	57.70%
Interest Earned - Outstanding Debtors	1,259,089	-	1,259,089	-	-	1,259,089	1,092,857	-	(166,232)	(13.20)%	(13.20)%
Other Income	28,119,625	(4,000,000)	24,119,625	-	-	24,119,625	1,767,461	-	(22,352,164)	(93.71)%	(92.67)%
Gains on Other Operations	-	-	-	-	-	-	2,725	-	2,725	100.00%	100.00%
Gains on Disposal of Property, Plant and Equipment	268,000	-	268,000	-	-	268,000	-	-	(268,000)	(100.00)%	(100.00)%
<b>Total Revenue</b>	<b>257,548,696</b>	<b>(4,101,000)</b>	<b>253,447,696</b>	<b>-</b>	<b>-</b>	<b>253,447,696</b>	<b>241,609,728</b>	<b>-</b>	<b>(11,837,968)</b>		
<b>Expenditure</b>											
Employee Related Costs	76,930,252	(327,856)	76,602,396	-	-	76,602,396	76,915,008	-	312,612	(0.02)%	0.41%
Remuneration of Councillors	5,275,150	75,327	5,350,477	-	-	5,350,477	5,334,661	-	(15,816)	1.13%	(0.30)%
Collection Costs	-	-	-	-	-	-	3,304	-	3,304	100.00%	100.00%
Depreciation and Amortisation	9,055,599	-	9,055,599	-	-	9,055,599	62,755,291	-	53,699,692	593.00%	593.00%
Impairment Losses	7,578,345	(900,000)	6,678,345	-	-	6,678,345	25,031,854	-	18,353,509	230.31%	274.82%
Repairs and Maintenance	19,397,385	-	19,397,385	-	-	19,397,385	12,154,451	-	(7,242,934)	(37.34)%	(37.34)%
Finance Costs	2,054,710	-	2,054,710	-	-	2,054,710	8,207,300	-	6,152,590	299.44%	299.44%
Bulk Purchases	60,434,251	-	60,434,251	-	-	60,434,251	59,963,876	-	(470,375)	(0.78)%	(0.78)%
Contracted Services	9,818,660	-	9,818,660	-	-	9,818,660	7,299,107	-	(2,519,553)	(25.66)%	(25.66)%
Grants and Subsidies Paid	-	-	-	-	-	-	469,452	-	469,452	100.00%	100.00%
General Expenses	40,804,893	(135,522)	40,669,371	-	-	40,669,371	24,891,490	-	(15,777,881)	(39.00)%	(38.80)%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	349,572	-	349,572	100.00%	100.00%
Loss on Sale of Land	-	-	-	-	-	-	1,595,030	-	1,595,030	100.00%	100.00%
<b>Total Expenditure</b>	<b>231,349,245</b>	<b>(1,288,051)</b>	<b>230,061,194</b>	<b>-</b>	<b>-</b>	<b>230,061,194</b>	<b>284,970,398</b>	<b>-</b>	<b>54,909,204</b>		
<b>Surplus/(Deficit)</b>	<b>26,199,451</b>	<b>(2,812,949)</b>	<b>23,386,502</b>	<b>-</b>	<b>-</b>	<b>23,386,502</b>	<b>(43,360,670)</b>	<b>-</b>	<b>(66,747,172)</b>	<b>(265.50)%</b>	<b>(285.41)%</b>
<b>Surplus/(Deficit for the Year)</b>	<b>26,199,451</b>	<b>(2,812,949)</b>	<b>23,386,502</b>	<b>-</b>	<b>-</b>	<b>23,386,502</b>	<b>(43,360,670)</b>	<b>-</b>	<b>(66,747,172)</b>		

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

**Financial Performance: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

**Property Rates:**

At the time the budget was compiled, the municipality wrongfully did not change one of it's property rates tarriiffs from the previous year, this was later ammended but not before submitting the budget, resulting in an under budgeted amount.

**Property Rates - Penalties imposed and collection charges:**

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

**Fines:**

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

**Public contributions**

At the time of budget preparation, the municipality had no knowledge that they would receive public contributions (towards hosting the mayoral tournament amongst others)

**Licences and Permits:**

The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it.

**Interest Earned - External Investments:**

Due to unspent conditional grants invested in investment bank accounts, the municipality was able to generate greater interest than budgeted for.

**Interest Earned - Outstanding debtors:**

As previously stated, the municipality budgets for penalties on property rates as interest, resulting in the difference identified.

**Other Income:**

The Municipality was not able to generate the desired revenue.

**Gains on Other Operations:**

The municipality did not budget for an increase in value in the OVK shares, as the shares decreased in value the previous financial year.

**Gains on Disposal of Property, Plant and Equipment:**

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to the economic situation within the municipal boundaries, the desired prices were not reached.

**Collection Costs:**

This expenditure is trivial.

**Depreciation and Amortisation:**

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

**Repairs and Maintenance:**

Due to cost cutting efforts implemented by management, the Municipality was able to save funds comapred to the budgeted expenditure.

**Finance Costs:**

The Municipality incurred finance cost expenditure on large overdue creditors like Eskom. The municipality did not foresee the large aount of creditors and thus also not the finance cost raised on these creditors.

**Contracted Services:**

Due to cost cutting efforts implemented by management, the Municipality was able to save funds on amongst other external consultants used, comapred to the budgeted expenditure.

**Grants and subsidies paid**

The municipality did not budget for the ward committee remuneration

**General Expenditure:**

Due to cost cutting efforts implemented by management, the Municipality was able to save funds comapred to the budgeted expenditure.

**Loss on Disposal of Property, Plant and Equipment:**

The Municipality budgeted for a gain to realise through the sale of some of its assets (by way of auction). But due to the economic situation within the municipal boundaries, the desired prices were not reached. Unverified assets also contributed to the loss.

**Loss on disposal of Land:**

The municipality re-classified property held for sale from inventory to PPE in the previous financial year. This resulted in all of these properties to be re-valued. The municipality did not budget for this loss incurred.

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	1,925,000	-	1,925,000	-	-	1,925,000	1,076,206	-	(848,794)	(144.09)%	(44.09)%
Finance and Administration	1,260,000	-	1,260,000	-	-	1,260,000	187,734	-	(1,072,266)	(185.10)%	(85.10)%
Planning and Development	-	-	-	-	-	-	22,131	-	22,131	100.00%	100.00%
Health	-	-	-	-	-	-	-	-	-	-	-
Community and Social Services	120,000	-	120,000	-	-	120,000	308,998	-	188,998	57.50%	157.50%
Housing	-	-	-	-	-	-	3,319	-	3,319	#DIV/0!	#DIV/0!
Public Safety	57,000	-	57,000	-	-	57,000	-	-	(57,000)	(200.00)%	(100.00)%
Sport and Recreation	65,000	-	65,000	-	-	65,000	-	-	(65,000)	(200.00)%	(100.00)%
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	22,000	-	22,000	-	-	22,000	9,635,195	-	9,613,195	43596.34%	43696.34%
Roads and Transport	15,153,000	(2,000,000)	13,153,000	-	-	13,153,000	13,657,674	-	504,674	(96.67)%	3.84%
Water	14,080,000	3,199,000	17,279,000	-	-	17,279,000	498,022	-	(16,780,978)	(219.18)%	(97.12)%
Electricity	6,400,000	1,500,000	7,900,000	-	-	7,900,000	6,922,768	-	(977,232)	(115.27)%	(12.37)%
Other	-	-	-	-	-	-	-	-	-	-	-

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

Total Capital Expenditure	39,082,000	2,699,000	41,781,000	-	-	41,781,000	32,312,047	-	(9,468,953)		
<i>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</i> The large fluctuations are due to the movement in WIP projects for the year. Furthermore the municipality anticipated for larger capital expenditure but due to amongst others all capital grant moneys not spent, the municipality over budgeted for this.											

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

2018

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	24,941,995	-	24,941,995	-	-	24,941,995	15,202,099	-	(9,739,896)	(39.05)%	(39.05)%
Grants	73,053,000	2,699,000	75,752,000	-	-	75,752,000	75,098,141	-	(653,859)	2.80%	(0.86)%
Service Charges	113,321,180	(2,050,000)	111,271,180	-	-	111,271,180	99,012,891	-	(12,258,289)	(12.63)%	(11.02)%
Interest Received	1,722,867	-	1,722,867	-	-	1,722,867	1,468,193	-	(254,674)	(14.78)%	(14.78)%
Other Receipts	33,310,534	(3,400,000)	29,910,534	-	-	29,910,534	15,455,690	-	(14,454,844)	(53.60)%	(48.33)%
Employee Related Costs	(76,930,252)	2,908,051	(74,022,201)	-	-	(74,022,201)	(75,621,081)	-	(1,598,880)	(1.70)%	2.16%
Remuneration of Councillors	(5,275,150)	-	(5,275,150)	-	-	(5,275,150)	(5,334,661)	-	(59,511)	1.13%	1.13%
Interest Paid	(2,054,710)	-	(2,054,710)	-	-	(2,054,710)	(4,002,481)	-	(1,947,771)	94.80%	94.80%
Suppliers Paid	(123,336,287)	-	(123,336,287)	-	-	(123,336,287)	(85,367,231)	-	37,969,055	(30.78)%	(30.78)%
Other Payments	-	-	-	-	-	-	-	-	-	100.00%	100.00%
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(39,082,000)	(2,699,000)	(41,781,000)	-	-	(41,781,000)	(32,391,027)	-	9,389,973	(17.12)%	(22.47)%
Proceeds on Disposal of Property, Plant and Equipment	268,000	-	268,000	-	-	268,000	26,970	-	(241,030)	(89.94)%	(89.94)%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	(112)	-	(112)	100.00%	100.00%
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	94,769	3,338,424	3,433,193	-	-	3,433,193	-	-	(3,433,193)	100.00%	100.00%
Loans repaid	-	(3,433,193)	(3,433,193)	-	-	(3,433,193)	(3,388,269)	-	44,924	#DIV/0!	(1.31)%
Increase / (Decrease) in Consumer Deposits	-	94,769	94,769	-	-	94,769	-	-	(94,769)	#DIV/0!	(100.00)%
<b>Cash and Cash Equivalents at End of the Year</b>	<b>33,945</b>	<b>(2,541,949)</b>	<b>(2,508,004)</b>	<b>-</b>	<b>-</b>	<b>(2,508,004)</b>	<b>159,121</b>	<b>-</b>	<b>2,667,125</b>		
<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
The material fluctuation is mainly attributable to the material creditors paid at yearend and the new finance lease entered into during the year. A detailed cash flow breakdown has been provided, due to the fact that the municipal budget may differ in where some items are accounted for in relationship to how it is disclosed in the AFS. The cashflow calculation and disclosure as per the AFS was rigorously looked at by the AG.											

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

2017

Description	Original Total Budget R	Budget Adjustments R	Final Adjustments Budget R	Shifting of Funds R	Virement R	Final Budget R	Actual Outcome R	Unauthorised Expenditure R	Variance R	Actual Outcome as % of Original Budget R	Actual Outcome as % of Final Budget R
<b>FINANCIAL POSITION</b>											
<b>Current Assets</b>											
Inventories	65,555,774	-	65,555,774	-	-	65,555,774	451,789	-	(65,103,985)	(99.31)%	(99.31)%
Receivables from Exchange Transactions	22,823,967	-	22,823,967	-	-	22,823,967	45,036,390	-	22,212,423	97.32%	97.32%
Receivables from Non-exchange Transactions	11,276,818	-	11,276,818	-	-	11,276,818	16,891,165	-	5,614,347	49.79%	49.79%
Cash and Cash Equivalents	11,043,222	(595,789)	10,447,433	-	-	10,447,433	10,702,493	-	255,060	(3.09)%	2.44%
Current Portion of Operating Lease Receivables	-	-	-	-	-	-	4,542	-	4,542	100.00%	100.00%
<b>Non-Current Assets</b>											
Property, Plant and Equipment	932,113,624	(2,400,000)	929,713,624	-	-	929,713,624	806,483,601	-	(123,230,023)	(13.48)%	(13.25)%
Intangible Assets	457,575	-	457,575	-	-	457,575	61,377	-	(396,199)	(86.59)%	(86.59)%
Investment Property	5,004,000	(600)	5,003,400	-	-	5,003,400	78,577,109	-	73,573,709	1470.29%	1470.47%
Heritage Assets	-	-	-	-	-	-	6,959,273	-	6,959,273	100.00%	100.00%
Non-current Investments	28,639	-	28,639	-	-	28,639	25,329	-	(3,310)	(11.56)%	(11.56)%
Long-term Receivables	-	-	-	-	-	-	1,489	-	1,489	100.00%	100.00%
Operating Lease Receivables	82,689	-	82,689	-	-	82,689	7,473	-	(75,216)	100.00%	100.00%
<b>Total Assets</b>	<b>1,048,386,309</b>	<b>(2,996,389)</b>	<b>1,045,389,919</b>	<b>-</b>	<b>-</b>	<b>1,045,389,919</b>	<b>965,202,030</b>	<b>-</b>	<b>(80,187,889)</b>		
<b>Current Liabilities</b>											
Consumer Deposits	2,289,134	-	2,289,134	-	-	2,289,134	2,269,439	-	(19,695)	(0.86)%	(0.86)%
Provisions	2,971,980	-	2,971,980	-	-	2,971,980	1,510,647	-	(1,461,333)	(49.17)%	(49.17)%
Payables from Exchange Transactions	16,352,308	2,400,000	18,752,308	-	-	18,752,308	46,194,088	-	27,441,780	182.49%	146.34%
Payables from Non-exchange Transactions	-	-	-	-	-	-	3,539,875	-	3,539,875	100.00%	100.00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	3,857,622	-	3,857,622	100.00%	100.00%
VAT Payable	-	-	-	-	-	-	3,778,650	-	3,778,650	100.00%	100.00%
Bank Overdraft	9,337,571	-	9,337,571	-	-	9,337,571	7,918,255	-	(1,419,316)	(15.20)%	(15.20)%
Current Portion of Long-term Liabilities	687,608	-	687,608	-	-	687,608	3,433,193	-	2,745,585	399.30%	399.30%
<b>Non-Current Liabilities</b>											
Long-term Liabilities	-	-	-	-	-	-	4,702,175	-	4,702,175	#DIV/0!	#DIV/0!
Retirement Benefit Liabilities	26,321,074	-	26,321,074	-	-	26,321,074	36,197,938	-	9,876,864	100.00%	100.00%
Non-current Provisions	17,455,196	-	17,455,196	-	-	17,455,196	42,731,906	-	25,276,709	144.81%	144.81%
<b>Total Liabilities</b>	<b>75,414,871</b>	<b>2,400,000</b>	<b>77,814,871</b>	<b>-</b>	<b>-</b>	<b>77,814,871</b>	<b>156,133,789</b>	<b>-</b>	<b>78,318,918</b>		
<b>Total Assets and Liabilities</b>	<b>972,971,437</b>	<b>(5,396,389)</b>	<b>967,575,048</b>	<b>-</b>	<b>-</b>	<b>967,575,048</b>	<b>809,068,241</b>	<b>-</b>	<b>(158,506,807)</b>		
<b>Net Assets (Equity)</b>											
Accumulated Surplus / (Deficit)	972,971,437	(5,396,389)	967,575,048	-	-	967,575,048	809,068,240	-	(158,506,807)	(16.85)%	(16.38)%
<b>Total Net Assets</b>	<b>972,971,437</b>	<b>(5,396,389)</b>	<b>967,575,048</b>	<b>-</b>	<b>-</b>	<b>967,575,048</b>	<b>809,068,240</b>	<b>-</b>	<b>(158,506,807)</b>		

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

**Financial Position: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

**Receivables from Exchange Transactions:**

Similar to the previous financial year, management is attempting to enforce the Debt and Credit Collection Policy, resulting a significant lower budgeted amount. The results were however not obtained. The increase however remains consistent with that of the previous year and a sufficient allowance for doubtful debt was provided for all doubtful consumer debtors, excluding Government Debt.

**Receivables from Non-exchange Transactions:**

The material variance is attributed to the recognition of all fines in accordance with GRAP 23. The budgeting process has not yet been adjusted to account for this increase.

**Operating Lease Receivables:**

The remaining Operating Lease Asset balance is immaterial and has therefore not been budgeted for.

**Inventories**

The reason for this fluctuation is due to a prior period error recognised in the 2017 financial year. This error had to effect that all properties carried as held for sale (inventory) were to be transferred to Investment Properties. The municipality could not foresee and thus budget for this.

**Investment Properties**

The reason for this fluctuation is due to a prior period error recognised in the 2017 financial year. This error had to effect that all properties carried as held for sale (inventory) were to be transferred to Investment Properties. The municipality could not foresee and thus budget for this.

**Intangible Assets:**

Due to the amortisation expense during the year. The Municipality planned investment in Intangible Assets (purchase) during year, which did not occur.

**Heritage Assets:**

The transitional provisions of GRAP 103 ended in the previous year (i.e. 30 June 2015) and the Heritage Assets were valued and recorded in accordance with GRAP 3. Management has not yet adjusted the budget to take into account the balance.

**Non-current Investments:**

The remaining Non-current Investment balance is immaterial. Management budgeted to a significant increase in the value of these assets, which did not occur.

**Long-term Receivables:**

Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.

**Provisions:**

An actuarial gain (as determined by the actuaries) resulted in the increase not meeting the expected growth (increase).

**Payables from Exchange Transactions:**

In relation to the outstanding balance at 30 June 2017, the Municipality's outstanding creditors are material higher due to Eskom being paid after yearend. This resulted in the material fluctuation

**Payables from Non-exchange Transactions:**

The Municipality did not budget for this line item as it is represented by Paid in Advance accounts.

**Unspent Conditional Grants and Receipts:**

Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, unspent MIG funding was still available which will be used for capital projects in the next financial year.

**VAT Payable:**

The Municipality did not budget for any VAT to be payable at yearend, but due to the fact that the Municipality is on the cash-basis of accounting and all debtors were not recovered at yearend, a balance does exist.

**Bank Overdraft:**

At yearend, the Municipality paid the material portion of its outstanding creditors resulting in the Cash Balance being in overdraft. However, the municipality anticipated for more creditors to be paid, resulting in the difference.

**Current Portion of Long-term Liabilities:**

Please refer to the explanation provided under the 'Long-term Liabilities'.

**Long-term Liabilities:**

The Municipality planned to obtain a new loan to finance certain capital purchases. The loan was however not obtained during the year.

**Retirement Benefit Liabilities:**

The increase is attributable to the variables within the actuarial valuation, which increased resulting in higher than expected interest costs.

**Non-current Provisions:**

Although the Municipality did not budget for the Landfill Site Rehabilitation Provision, this is a requirement by the standards and was therefore included in the Financial Statements.



**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	30,665,305	-	30,665,305	-	-	30,665,305	30,751,648	-	86,343	0.28%	0.28%
Property Rates - Penalties imposed and collection charges	-	-	-	-	-	-	281,347	-	281,347	100.00%	100.00%
Fines	6,942,895	(4,061,000)	2,881,895	-	-	2,881,895	16,970,493	-	14,088,598	144.43%	488.87%
Government Grants and Subsidies Received	55,812,000	(3,627,000)	52,185,000	-	-	52,185,000	52,052,578	-	(132,422)	(6.74)%	(0.25)%
<b>Revenue from Exchange Transactions</b>											
Service Charges	106,383,404	5,309,854	111,693,258	-	-	111,693,258	117,311,271	-	5,618,013	10.27%	5.03%
Licences and Permits	2,508,232	-	2,508,232	-	-	2,508,232	1,441,035	-	(1,067,197)	(42.55)%	(42.55)%
Rental of Facilities and Equipment	785,723	-	785,723	-	-	785,723	832,789	-	47,066	5.99%	5.99%
Interest Earned - External Investments	805,600	-	805,600	-	-	805,600	1,390,035	-	584,435	72.55%	72.55%
Interest Earned - Outstanding Debtors	954,090	-	954,090	-	-	954,090	882,201	-	(71,889)	(7.53)%	(7.53)%
Other Income	27,194,751	(600,000)	26,594,751	-	-	26,594,751	1,681,032	-	(24,913,719)	(93.82)%	(93.68)%
Gains on Other Operations	-	-	-	-	-	-	713,809	-	713,809	100.00%	100.00%
Gains on Disposal of Property, Plant and Equipment	129,600	-	129,600	-	-	129,600	-	-	(129,600)	(100.00)%	(100.00)%
<b>Total Revenue</b>	<b>232,181,600</b>	<b>(2,978,146)</b>	<b>229,203,454</b>	<b>-</b>	<b>-</b>	<b>229,203,454</b>	<b>224,308,238</b>	<b>-</b>	<b>(4,895,216)</b>		
<b>Expenditure</b>											
Employee Related Costs	69,837,719	(2,280,000)	67,557,719	-	-	67,557,719	68,489,476	-	931,757	(1.93)%	1.38%
Remuneration of Councillors	5,046,248	-	5,046,248	-	-	5,046,248	4,835,161	-	(211,087)	(4.18)%	(4.18)%
Collection Costs	-	-	-	-	-	-	174,499	-	174,499	100.00%	100.00%
Depreciation and Amortisation	7,336,936	-	7,336,936	-	-	7,336,936	61,579,192	-	54,242,256	739.30%	739.30%
Impairment Losses	8,900,685	(1,460,000)	7,440,685	-	-	7,440,685	35,755,660	-	28,314,975	301.72%	380.54%
Repairs and Maintenance	16,770,984	-	16,770,984	-	-	16,770,984	10,328,840	-	(6,442,144)	(38.41)%	(38.41)%
Finance Costs	5,468,355	-	5,468,355	-	-	5,468,355	7,128,387	-	1,660,032	30.36%	30.36%
Bulk Purchases	57,122,623	-	57,122,623	-	-	57,122,623	59,027,026	-	1,904,403	3.33%	3.33%
Contracted Services	9,845,845	(1,963,350)	7,882,495	-	-	7,882,495	8,561,247	-	678,752	(13.05)%	8.61%
Grants and Subsidies Paid	-	-	-	-	-	-	361,886	-	361,886	#DIV/0!	#DIV/0!
General Expenses	35,634,285	7,057,854	42,692,139	-	-	42,692,139	25,045,849	-	(17,646,290)	(29.71)%	(41.33)%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	273,079	-	273,079	100.00%	100.00%
<b>Total Expenditure</b>	<b>215,963,680</b>	<b>1,354,504</b>	<b>217,318,184</b>	<b>-</b>	<b>-</b>	<b>217,318,184</b>	<b>281,560,303</b>	<b>-</b>	<b>64,242,119</b>		
<b>Surplus/(Deficit)</b>	<b>16,217,920</b>	<b>(4,332,650)</b>	<b>11,885,270</b>	<b>-</b>	<b>-</b>	<b>11,885,270</b>	<b>(57,252,066)</b>	<b>-</b>	<b>(69,137,336)</b>	<b>(453.02)%</b>	<b>(581.71)%</b>
<b>Surplus/(Deficit for the Year)</b>	<b>16,217,920</b>	<b>(4,332,650)</b>	<b>11,885,270</b>	<b>-</b>	<b>-</b>	<b>11,885,270</b>	<b>(57,252,066)</b>	<b>-</b>	<b>(69,137,336)</b>		

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

**Financial Performance: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

**Property Rates - Penalties imposed and collection charges:**

The Property Rates - Penalties imposed and collection charges is budgeted for under Interest Received.

**Fines:**

For the financial years presented, all fines (irrespective whether they are recoverable) were recognised. The relating debtor was tested for impairment in order to reflect the recoverable amount at yearend.

**Licences and Permits:**

The Municipality anticipated an increase in the revenue generated from motor registrations, but due to the fact that the Municipality does not have control over this revenue, it has over-budgeted for it.

**Rental of Facilities and Equipment:**

The Municipality was able to generate more than the budgeted revenue through their rentals. This is due to the market demand, which increased, together with the annual increase in the tariffs.

**Interest Earned - External Investments:**

Due to unspent conditional grants invested in investment bank accounts, the municipality was able to generate greater interest than budgeted for.

**Other Income:**

The Municipality was not able to generate the desired revenue.

**Gains on Other Operations:**

Due to the fair value adjustment made to Non-current Investments which were not anticipated and budgeted for.

**Gains on Disposal of Property, Plant and Equipment:**

Management budgeted for a profit on sale of asset-related items. This however to not realise due to the number of assets written-off at yearend.

**Collection Costs:**

Due to the debt collection not being achieved as budgeted for, the collection costs paid did not achieve the budgeted expenditure. Collection costs are furthermore budgeted for as a General Expenditure, but separately disclosed for Financial Statement

**Depreciation and Amortisation:**

Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog depreciation is specifically excluded from the budgeted figure.

**Repairs and Maintenance:**

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

**Finance Costs:**

New finance leases were incurred during the financial year (which were not originally budgeted for) resulting in the over expenditure. There was also interest on overdue creditors, not budgeted for.

**Contracted Services:**

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

**General Expenditure:**

Due to cost cutting efforts implemented by management, the Municipality was able to save funds compared to the budgeted expenditure.

**Loss on Disposal of Property, Plant and Equipment:**

Management budgeted for a profit on sale of asset-related items. This however to not realise due to the number of assets written-off at yearend.

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	137,474	-	137,474	-	-	137,474	14,629	-	(122,845)	(189.36)%	(89.36)%
Finance and Administration	1,735,482	-	1,735,482	-	-	1,735,482	37,990	-	(1,697,492)	(197.81)%	(97.81)%
Planning and Development	-	-	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Health	-	-	-	-	-	-	-	-	-	100.00%	100.00%
Community and Social Services	295,990	-	295,990	-	-	295,990	432,027	-	136,037	(54.04)%	45.96%
Housing	-	-	-	-	-	-	301,649	-	301,649	-	-
Public Safety	63,360	-	63,360	-	-	63,360	-	-	(63,360)	(200.00)%	(100.00)%
Sport and Recreation	75,000	-	75,000	-	-	75,000	-	-	(75,000)	(200.00)%	(100.00)%
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-
Waste Management	1,009,922	-	1,009,922	-	-	1,009,922	-	-	(1,009,922)	(200.00)%	(100.00)%
Roads and Transport	4,199,769	-	4,199,769	-	-	4,199,769	9,504,076	-	5,304,307	26.30%	126.30%
Water	7,822,250	(2,400,000)	5,422,250	-	-	5,422,250	-	-	(5,422,250)	(169.32)%	(100.00)%
Electricity	5,400,000	-	5,400,000	-	-	5,400,000	-	-	(5,400,000)	(200.00)%	(100.00)%
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure</b>	<b>20,739,247</b>	<b>(2,400,000)</b>	<b>18,339,247</b>	<b>-</b>	<b>-</b>	<b>18,339,247</b>	<b>10,290,372</b>	<b>-</b>	<b>(8,048,875)</b>		

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

**Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual**  
The difference between the Actual and Budgeted Expenditure is due to all grants not being spent in full during the year.

2017

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	27,998,818	-	27,998,818	-	-	27,998,818	22,851,095	-	(5,147,723)	(18.39)%	(18.39)%
Grants	55,812,000	(3,627,000)	52,185,000	-	-	52,185,000	49,559,656	-	(2,625,344)	(11.20)%	(5.03)%
Service Charges	99,901,644	(3,055,443)	96,846,201	-	-	96,846,201	102,246,868	-	5,400,667	2.35%	5.58%
Interest Received	805,600	-	805,600	-	-	805,600	2,272,235	-	1,466,635	182.06%	182.06%
Other Receipts	34,953,886	(550,000)	34,403,886	-	-	34,403,886	9,810,808	-	(24,593,079)	(71.93)%	(71.48)%
Employee Related Costs	(67,691,170)	851,154	(66,840,016)	-	-	(66,840,016)	(71,822,294)	-	(4,982,278)	6.10%	7.45%
Remuneration of Councillors	(4,947,606)	-	(4,947,606)	-	-	(4,947,606)	(4,835,161)	-	112,445	(2.27)%	(2.27)%
Interest Paid	(5,468,355)	-	(5,468,355)	-	-	(5,468,355)	(3,364,773)	-	2,103,582	(38.47)%	(38.47)%
Suppliers Paid	(117,474,678)	(5,094,504)	(122,569,182)	-	-	(122,569,182)	(118,661,673)	-	3,907,509	1.01%	(3.19)%
Other Payments	-	-	-	-	-	-	22,739,782	-	22,739,782	(100.00)%	(100.00)%
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(20,739,247)	2,400,000	(18,339,247)	-	-	(18,339,247)	(22,065,484)	-	(3,726,237)	6.39%	20.32%
Purchase of Intangible Assets	-	-	-	-	-	-	(15,655)	-	(15,655)	(100.00)%	(100.00)%
Proceeds on Disposal of Property, Plant and Equipment	129,600	-	129,600	-	-	129,600	96,368	-	(33,232)	(25.64)%	(25.64)%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	(120)	-	(120)	#DIV/0!	#DIV/0!
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised	-	-	-	-	-	-	9,497,458	-	9,497,458	#DIV/0!	#DIV/0!
Loans repaid	(687,608)	-	(687,608)	-	-	(687,608)	(3,046,258)	-	(2,358,650)	343.02%	343.02%
Increase / (Decrease) in Consumer Deposits	97,700	-	97,700	-	-	97,700	-	-	(97,700)	(100.00)%	(100.00)%
<b>Cash and Cash Equivalents at End of the Year</b>	<b>2,690,583</b>	<b>(9,075,793)</b>	<b>(6,385,210)</b>	-	-	<b>(6,385,210)</b>	<b>(4,737,149)</b>	-	<b>1,648,061</b>		
<b>Cash Flow: Explanation of Variances between Approved Budget and Actual</b>											
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:											
Management implemented cost saving procedures, resulting in less expenditure incurred (see Contracted Services, Repairs and Maintenance and General Expenditure) and more funds being generated. A detailed cash flow breakdown has been provided, due to the fact that the municipal budget may differ in where some items are accounted for in relationship to how it is disclosed in the AFS. The cashflow calculation and disclosure as per the AFS was rigorously looked at by the AG.											

**EMTHANJENI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

**RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:**

Description	2018	2017
	R	R
<b>Net Surplus/(Deficit) per the Statement of Financial Performance</b>	<b>(43,360,670)</b>	<b>(57,252,066)</b>
<b>Revenue from Non-exchange Transactions</b>		
Property Rates	(4,027,601)	(86,343)
Property Rates - Penalties imposed and collection charges	(388,442)	(281,347)
Fines	(5,481,881)	(14,088,598)
Public contributions	(200,000)	-
Government Grants and Subsidies Received	360,100	132,422
<b>Revenue from Exchange Transactions</b>		
Service Charges	(948,242)	(5,618,013)
Licences and Permits	340,001	1,067,197
Rental of Facilities and Equipment	(62,445)	(47,066)
Interest Earned - External Investments	(537,193)	(584,435)
Interest Earned - Outstanding Debtors	166,232	71,889
Other Revenue	22,352,164	24,913,719
Gains on Other Operations	(2,725)	(713,809)
Gains on Disposal of Property, Plant and Equipment	268,000	129,600
Profit on Sale of Land		
<b>Expenditure</b>		
Employee Related Costs	312,612	931,757
Remuneration of Councillors	(15,816)	(211,087)
Collection Costs	3,304	174,499
Depreciation and Amortisation	53,699,692	54,242,256
Impairment Losses	18,353,509	28,314,975
Repairs and Maintenance	(7,242,934)	(6,442,144)
Finance Costs	6,152,590	1,660,032
Bulk Purchases	(470,375)	1,904,403
Contracted Services	(2,519,553)	678,752
Grants and Subsidies Paid	469,452	361,886
General Expenses	(15,777,881)	(17,646,290)
Loss on Disposal of Property, Plant and Equipment	349,572	273,079
Loss on Disposal of Land	1,595,030	-
<b>Net Surplus/Deficit per Approved Budget</b>	<b>23,386,502</b>	<b>11,885,270</b>

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

##### 1.1 Changes In Accounting Policy And Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2018 and 30 June 2017, the Municipality has adopted the accounting framework as set out in point

The Municipality changes an Accounting Policy only in the following instances:

- (a) if it is required by a Standard of GRAP; or
- (b) when it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

##### 1.2 Critical Judgements, Estimations And Assumptions

In the application of the Municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

##### 1.2.1 Revenue Recognition

Accounting Policy 13.2 on Revenue from Exchange Transactions and Accounting Policy 13.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the Municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

##### 1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the Municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the Municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

##### 1.2.4 Useful lives of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets

As described in Accounting Policies 3.3, 5.2 and 6.2 the Municipality depreciates its property, plant and equipment, investment property and amortises its intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 1. BASIS OF PRESENTATION (continued)

##### **1.2.5 Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories**

Accounting Policy 8 on Impairment of assets Accounting Policy 11.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the Municipality. Significant estimates and judgements are made relating to property, plant and equipment impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of non-Cash generating Assets and GRAP 26: Impairment of Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the Net Realisable Value for inventories involves significant judgment by management. During the year the estimated impairments to property, plant and equipment made are disclosed in note 10 to the AFS, whilst no impairments were made to intangible assets or inventory.

##### **1.2.6 Water inventory**

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 2 of the accounting policy to the Annual Financial Statements.

##### **1.2.7 Defined Benefit Plan Liabilities**

As described in Accounting Policy 13, the Municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the Municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 21 to the Annual Financial Statements.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### **1.2.8 Provisions and contingent liabilities**

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 9.84% (2017: 9.51%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 9.84% (2017: 9.51%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 9.84% (2017: 9.51%).

#### **1.2.9 Budget information**

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements.

#### **1.3 Presentation Currency**

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the Municipality's functional currency.

#### **1.4 Going Concern Assumption**

The Annual Financial Statements have been prepared on a going concern basis.

#### **1.5 Offsetting**

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

#### **1.6 Standards, Amendments To Standards And Interpretations Issued but not yet effective**

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

GRAP 18 Segment Reporting - issued March 2005  
GRAP 20 Related Party Disclosures (Revised)  
GRAP 32 Service Concession Arrangement Grantor  
GRAP 34 Separate Financial Statements  
GRAP 35 Consolidated Financial Statements  
GRAP 36 Investments in Associates and Joint Ventures  
GRAP 37 Joint Arrangements  
GRAP 38 Disclosure of Interests in Other Entities  
GRAP 108 Statutory Receivables  
GRAP 109 Accounting by Principals and Agents  
GRAP 110 Living and Non- Living Resources  
IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset  
IGRAP 18 Recognition and Derecognition of Land  
IGRAP 19 Liabilities to Pay Levies

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 1. BASIS OF PRESENTATION (continued)

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these

Related Parties - GRAP 20

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

#### 2. NETT ASSETS

Included in the nett assets of the Municipality, are the following reserves that are maintained in terms of specific requirements:

##### 2.1.1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.

Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.



## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 3. PROPERTY, PLANT AND EQUIPMENT

##### 3.1 Initial Recognition

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 year.

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

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

##### 3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost, less accumulated depreciation and accumulated

Subsequent to initial recognition property, plant and equipment are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of property, plant and equipment as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 3.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the Municipality. 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

<b>Infrastructure</b>	<b>Years</b>	<b>Buildings</b>	<b>Years</b>
Roads and Paving	45 - 50		<b>30 - 100</b>
Electricity	45 - 50	<b>Other</b>	
Water	15 - 100	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
<b>Community</b>		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

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.

#### 3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

#### 3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the Municipality will obtain ownership by the end of the lease term.

#### 3.6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

#### 3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the Municipality in terms of the asset management policy.

#### 3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 4. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

##### **4.1 Initial Recognition**

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

##### **4.2 Subsequent Measurement**

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

##### **4.3 Derecognition of Heritage assets**

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

#### 5. INTANGIBLE ASSETS

##### **5.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

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### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 5. INTANGIBLE ASSETS (continued)

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

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### 5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at its cost less any accumulated amortisation and any accumulated

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

<i>Intangible asset</i>	<i>Years</i>
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use, as per Accounting Policy 8: *Impairment of assets*. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

#### 5.3 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 6. INVESTMENT PROPERTY

##### 6.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

#### 6. INVESTMENT PROPERTY (continued)

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties; and
- Property that is being constructed or developed for future use as investment property.

##### 6.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in the Statement of Financial Performance for the period in which it arises.

##### 6.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) 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.

#### 7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

## **EMTHANJENI LOCAL MUNICIPALITY**

### **ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

#### **7.1 Impairment of Cash generating assets**

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

#### **7.2 Impairment of Non-Cash generating assets**

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 7. IMPAIRMENT OF ASSETS (continued)

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- (i) to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### 8. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The Municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

##### Initial recognition

##### 8.1 Financial Assets - Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial Asset at fair value
- Financial Asset at fair amortised cost
- Financial Asset at cost

Financial asset at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured 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.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 8. FINANCIAL INSTRUMENTS (continued)

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Long-term Investments	Financial asset at fair value
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

#### 8.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- Financial Liabilities measured at fair value or
- Financial Liabilities measured at amortised cost
- Financial Liabilities measured at cost

The Municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long-term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank Overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current Portion of Long-term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

#### 8.3 Initial and Subsequent Measurement

##### 8.3.1 Financial Assets:

*Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.*

*Financial Assets measured at fair value* are initially measured at fair value excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

#### Fair value methods and assumptions

##### 8.3.2 Financial Liabilities:

#### Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

#### Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.



## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 8. FINANCIAL INSTRUMENTS (continued)

##### 8.4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

##### Financial assets carried at amortised cost

Accounts receivable encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

##### Impairment of 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 shall not be reversed.

##### 8.5 Derecognition of Financial Assets

The Municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### 8.6 Derecognition of Financial Liabilities

The Municipality derecognises Financial Liabilities when, and only when, the Municipality's obligations are discharged, cancelled or they expire.

#### 9. INVENTORIES

##### 9.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 9. INVENTORIES (continued)

##### 9.2 Subsequent Measurement

###### Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

###### Water inventory

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

###### Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a FIFO cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

###### Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

#### 10. REVENUE RECOGNITION

##### 10.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 10. REVENUE RECOGNITION (continued)

##### 10.2 Revenue from Exchange Transactions

###### 10.2.1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

###### 10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

###### 10.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

###### 10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

###### 10.2.5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

###### 10.2.6 Sale of Goods (including Houses)

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

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor
- 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 costs incurred or to be incurred in respect of the transaction can be measured reliably.

###### 10.2.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

###### 10.2.8 Dividends

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

##### 10.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 10. REVENUE RECOGNITION (continued)

##### 10.3.1 Rates And Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

##### 10.3.2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. An entity assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

##### 10.3.3 Government Grants And Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

##### Conditional Grants and receipts

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

##### 10.3.4 Revenue From Recovery of Unauthorised, Irregular, Fruitless And Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act, 2003 (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

##### 10.3.5 Donations

Donations are recognised on a cash receipt basis, or, where the donation is in the form of property, plant and equipment, when the risk and rewards of ownership have transferred to the entity. Donations are measured at fair value.

#### 11. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the Municipality has a present legal or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

##### Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 12. EMPLOYEE BENEFITS

##### 12.1 Short-Term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The Municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The Municipality recognises the expected cost of performance bonuses only when the Municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

##### 12.2 Post-Employment Benefits

The Municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

###### 12.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

###### 12.2.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

##### 12.3 Post-Retirement Health Care Benefits:

The Municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

##### 12.4 Long-Service Allowance

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance 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-term incentives are accounted for through the statement of financial performance.

##### 12.5 Defined Benefit Pension Plans

The Municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

The Municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information disclosed previously.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 13. LEASES

##### **Lease Classification**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

##### **13.1 The Municipality As Lessee**

###### **Finance leases**

Where the Municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

###### **Operating leases**

The Municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### **13.2 The Municipality As Lessor**

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

##### **13.3 Determining Whether An Arrangement Contains A Lease**

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

#### 14. BORROWING COSTS

The Municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The Municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

#### 15. GRANTS-IN-AID

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

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

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax, 1991 (Act No. 89 of 1991).

#### 17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). 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.

#### 18. IRREGULAR EXPENDITURE

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

#### 19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that 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.

#### 20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 40 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 41 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

#### 21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

The Municipality changed its accounting policy from IPSAS 20 to GRAP 20 with no effect on the financial information disclosed

#### 22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

## EMTHANJENI LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

#### 23. COMPARATIVE INFORMATION

##### 23.1 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

##### 23.2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or under spending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2017 to 30 June 2018.

#### 24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

#### 25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

#### 26. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the Municipality.



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>1. GENERAL INFORMATION</b>		
Emthanjeni Municipality (the Municipality) is a local government institution in De Aar, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the Municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).		
<b>2. INVENTORIES</b>		
Consumable Stores	426,746	422,255
Property Stock	-	-
Water - at cost	27,112	29,534
<b>Total Inventories</b>	<b>453,858</b>	<b>451,789</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R1.0739 per kilolitre (2017: R1.0077 per kilolitre).

No inventory was written off during the year. The cost of Inventories recognised as an expense during the period was R450 991 (2017: R450 991).

No Inventories have been pledged as collateral for Liabilities of the Municipality.

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2018</b>			
Service Debtors:	147,785,916	(90,852,112)	56,933,803
Electricity	25,122,605	(13,036,504)	12,086,101
Refuse	17,464,360	(12,836,311)	4,628,049
Town Commonage	3,504,194	(3,477,902)	26,292
Rental of municipal buildings	1,479,151	(1,402,790)	76,361
Sewerage	34,258,666	(23,822,995)	10,435,671
Water	65,956,940	(36,275,610)	29,681,330
Other Receivables	395,581	(318,485)	77,097
<b>Total Receivables from Exchange Transactions</b>	<b>148,181,497</b>	<b>(91,170,597)</b>	<b>57,010,900</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2017</b>			
Service Debtors:	127,494,235	(82,547,355)	44,946,880
Electricity	23,107,539	(13,157,427)	9,950,112
Refuse	14,756,615	(9,890,798)	4,865,818
Town Commonage	3,107,633	(3,052,050)	55,583
Rental of municipal buildings	1,228,274	(1,168,206)	60,068
Sewerage	29,184,352	(19,851,017)	9,333,335
Water	56,109,822	(35,427,857)	20,681,965
Other Receivables	387,038	(297,527)	89,511
<b>Total Receivables from Exchange Transactions</b>	<b>127,881,273</b>	<b>(82,844,882)</b>	<b>45,036,390</b>

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2018, the Municipality is owed R3 915 667 (30 June 2017: R4 138 884) by National and Provincial Government.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)**

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2018**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	5,085,376	972,817	793,698	18,270,714	25,122,605
Less: Provision for Impairment	(1,035,753)	(390,683)	(366,541)	(11,243,527)	(13,036,504)
<b>Net Balances</b>	<b>4,049,623</b>	<b>582,134</b>	<b>427,157</b>	<b>7,027,187</b>	<b>12,086,101</b>
<b>Refuse:</b>					
Gross Balances	488,876	331,987	313,242	16,330,254	17,464,360
Less: Provision for Impairment	(209,456)	(266,002)	(259,162)	(12,101,691)	(12,836,311)
<b>Net Balances</b>	<b>279,420</b>	<b>65,985</b>	<b>54,080</b>	<b>4,228,564</b>	<b>4,628,049</b>
<b>Sewerage:</b>					
Gross Balances	923,323	656,106	603,239	32,075,998	34,258,666
Less: Provision for Impairment	(401,419)	(450,081)	(428,073)	(22,543,422)	(23,822,995)
<b>Net Balances</b>	<b>521,904</b>	<b>206,025</b>	<b>175,166</b>	<b>9,532,576</b>	<b>10,435,671</b>
<b>Water:</b>					
Gross Balances	2,838,856	1,270,050	1,445,327	60,402,707	65,956,940
Less: Provision for Impairment	(577,672)	(705,845)	(764,169)	(34,227,923)	(36,275,610)
<b>Net Balances</b>	<b>2,261,183</b>	<b>564,205</b>	<b>681,158</b>	<b>26,174,783</b>	<b>29,681,330</b>
<b>Town Commonage</b>					
Gross Balances	33,616	33,616	35,946	3,401,016	3,504,194
Less: Provision for Impairment	(33,410)	(33,410)	(35,740)	(3,375,343)	(3,477,902)
<b>Net Balances</b>	<b>206</b>	<b>206</b>	<b>206</b>	<b>25,672</b>	<b>26,292</b>
<b>Rental of municipal buildings</b>					
Gross Balances	72,305	35,041	23,247	1,348,558	1,479,151
Less: Provision for Impairment	(33,285)	(21,612)	(20,433)	(1,327,460)	(1,402,790)
<b>Net Balances</b>	<b>39,021</b>	<b>13,429</b>	<b>2,814</b>	<b>21,098</b>	<b>76,361</b>
<b>Other Receivables:</b>					
Gross Balances	21,921	8,365	6,273	359,024	395,581
Less: Provision for Impairment	(5,091)	(4,598)	(4,172)	(304,623)	(318,485)
<b>Net Balances</b>	<b>16,829</b>	<b>3,766</b>	<b>2,100</b>	<b>54,401</b>	<b>77,097</b>

As at 30 June Receivables of R49 842 714 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	3,307,982	3,220,972	132,188,271	138,717,224
Less: Provision for Impairment	(1,872,231)	(1,878,291)	(85,123,989)	(88,874,511)
<b>Net Balances</b>	<b>1,435,751</b>	<b>1,342,682</b>	<b>47,064,281</b>	<b>49,842,714</b>

**As at 30 June 2017**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Electricity:</b>					
Gross Balances	5,719,772	709,064	602,250	16,076,453	23,107,539
Less: Provision for Impairment	(720,040)	(354,131)	(305,750)	(11,777,506)	(13,157,428)
<b>Net Balances</b>	<b>4,999,733</b>	<b>354,933</b>	<b>296,499</b>	<b>4,298,947</b>	<b>9,950,112</b>
<b>Refuse:</b>					
Gross Balances	427,094	227,879	208,885	13,892,757	14,756,615
Less: Provision for Impairment	(161,952)	(169,974)	(162,932)	(9,395,940)	(9,890,798)
<b>Net Balances</b>	<b>265,142</b>	<b>57,905</b>	<b>45,953</b>	<b>4,496,817</b>	<b>4,865,817</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Sewerage:</b>					
Gross Balances	878,618	497,099	456,438	27,352,197	29,184,352
Less: Provision for Impairment	(374,236)	(359,053)	(343,941)	(18,773,787)	(19,851,018)
<b>Net Balances</b>	<b>504,382</b>	<b>138,046</b>	<b>112,497</b>	<b>8,578,410</b>	<b>9,333,335</b>
<b>Water:</b>					
Gross Balances	2,613,110	1,198,364	1,133,939	51,164,408	56,109,822
Less: Provision for Impairment	(681,044)	(722,452)	(742,284)	(33,282,077)	(35,427,857)
<b>Net Balances</b>	<b>1,932,066</b>	<b>475,912</b>	<b>391,655</b>	<b>17,882,332</b>	<b>20,681,965</b>
<b>Town Commonage</b>					
Gross Balances	35,109	33,324	34,774	3,004,426	3,107,633
Less: Provision for Impairment	(33,688)	(32,818)	(33,543)	(2,952,000)	(3,052,050)
<b>Net Balances</b>	<b>1,422</b>	<b>505</b>	<b>1,230</b>	<b>52,426</b>	<b>55,583</b>
<b>Rental of municipal buildings</b>					
Gross Balances	73,757	26,323	24,260	1,103,933	1,228,274
Less: Provision for Impairment	(39,812)	(22,564)	(22,151)	(1,083,679)	(1,168,206)
<b>Net Balances</b>	<b>33,945</b>	<b>3,759</b>	<b>2,109</b>	<b>20,255</b>	<b>60,068</b>
<b>Other Receivables:</b>					
Gross Balances	20,405	7,393	32,706	326,534	387,038
Less: Provision for Impairment	(7,294)	(4,328)	(23,529)	(262,376)	(297,527)
<b>Net Balances</b>	<b>13,111</b>	<b>3,064</b>	<b>9,177</b>	<b>64,159</b>	<b>89,511</b>

As at 30 June Receivables of R37 286 589 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	2,699,445.46	2,493,252.30	112,920,709.46	118,113,407.22
Less: Provision for Impairment	(1,665,321)	(1,634,132)	(77,527,365)	-80,826,817.96
<b>Net Balances</b>	<b>1,034,125</b>	<b>859,121</b>	<b>35,393,344</b>	<b>37,286,589</b>

**3.2 Summary of Receivables from Exchange Transactions by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2018</b>				
<u>Current:</u>				
0 - 30 days	7,206,118	1,617,007	641,147	-
<u>Past Due:</u>				
31 - 60 Days	2,550,270	432,687	325,025	-
61 - 90 Days	2,576,499	362,791	281,682	-
+ 90 Days	125,421,600	4,098,858	2,667,813	-
Sub-total	137,754,487	6,511,343	3,915,667	-
Less: Provision for Impairment	(87,441,780)	(3,728,817)	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>50,312,707</b>	<b>2,782,526</b>	<b>3,915,667</b>	<b>-</b>
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2017</b>				
<u>Current:</u>				
0 - 30 days	7,127,254	2,033,041	1,570,012	-
<u>Past Due:</u>				
31 - 60 Days	1,994,360	484,498	220,588	-
61 - 90 Days	1,906,817	425,855	160,580	-
+ 90 Days	106,169,146	4,563,859	2,187,704	-
Sub-total	117,197,577	7,507,253	4,138,884	-
Less: Provision for Impairment	(77,935,512)	(4,909,371)	-	-
<b>Total Trade Receivables by Customer Classification</b>	<b>39,262,065</b>	<b>2,597,882</b>	<b>4,138,884</b>	<b>-</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>		
<b>3.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	(82,844,882)	(64,777,207)
Impairment Losses recognised	(8,325,715)	(18,067,675)
Impairment Losses reversed	-	-
<b>Balance at end of year</b>	<b>(91,170,597)</b>	<b>(82,844,882)</b>

In determining the recoverability of Receivables, the Municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Included in the Municipality's Receivables balance are debtors with a carrying amount of R49 842 714 (2017: R37 286 589) which are past due at the reporting date for which the Municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits (see Note 13), which are not covering the total outstanding debt. The average age of these receivables is 155 days (2017: 128 days).

No provision has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Consumer Deposits, which are not covering the total outstanding debt and vacant property respectively.

**3.4 Ageing of impaired Receivables from Exchange Transactions**

Current:

0 - 30 Days	2,229,392	1,944,566
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Past Due:

31 - 60 Days	1,872,231	1,665,321
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61 - 90 Days	1,878,291	1,634,132
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+ 90 Days	85,123,989	77,527,365
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<b>Total</b>	<b>91,103,903</b>	<b>82,771,384</b>
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**3.5 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2018</b>			
Assessment Rates Debtors	41,291,465	(35,565,794)	5,725,672
Payments made in Advance	-	-	-
Sundry Deposits	980,695	-	980,695
Sundry Debtors	96,282,115	(88,900,965)	7,381,150
<b>Total Receivables from Non-exchange Transactions</b>	<b>138,554,276</b>	<b>(124,466,759)</b>	<b>14,087,517</b>
	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2017</b>			
Assessment Rates Debtors	33,587,342	(27,037,052)	6,550,291
Payments made in Advance	-	-	-
Sundry Deposits	985,765	-	985,765
Sundry Debtors	88,935,564	(79,580,454)	9,355,110
<b>Total Receivables from Non-exchange Transactions</b>	<b>123,508,671</b>	<b>(106,617,506)</b>	<b>16,891,165</b>

**Sundry Deposits** are in respect of cash deposits made to Eskom for the supply of electricity and cash deposits made to various fuel stations. Included in the total is an amount of R900 000 (2017: R900 000) in respect of a deposit paid to Eskom. The remaining R80 695 is with regards to deposits held by fuel stations.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the Municipality. Included in sundry debtors is an amount of R96 217 986 for gross traffic fines outstanding as well R88 900 965 impairment on these fines.

**EMTHANJENI LOCAL MUNICIPALITY**  
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**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)**

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the Municipality's banker, plus one percent per annum on the outstanding balance. The Municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The Municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the Municipality's financial liabilities.

The Management of the Municipality is of the opinion that the carrying value of Receivables approximate their fair values.

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2018**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	1,239,454	661,701	563,681	38,826,630	41,291,465
Less: Provision for Impairment	(391,153)	(411,504)	(372,575)	(34,390,562)	(35,565,794)
<b>Net Balances</b>	<b>848,301</b>	<b>250,197</b>	<b>191,106</b>	<b>4,436,068</b>	<b>5,725,672</b>
<b>Payments made in Advance:</b>					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sundry Deposits:</b>					
Gross Balances	-	-	-	980,695	980,695
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>980,695</b>	<b>980,695</b>
<b>Sundry Debtors:</b>					
Gross Balances	-	-	-	96,282,115	96,282,115
Less: Provision for Impairment	-	-	-	(88,900,965)	(88,900,965)
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,381,150</b>	<b>7,381,150</b>

As at 30 June Receivables of R14 364 724 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	661,701	563,681	136,089,440	137,314,822
Less: Provision for Impairment	(411,504)	(372,575)	(123,291,527)	(124,075,606)
<b>Net Balances</b>	<b>250,197</b>	<b>191,106</b>	<b>12,797,913</b>	<b>13,239,216</b>

**As at 30 June 2017**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates:</b>					
Gross Balances	1,014,371	370,014	333,352	31,869,605	33,587,342
Less: Provision for Impairment	(213,050)	(181,696)	(168,496)	(26,473,809)	(27,037,052)
<b>Net Balances</b>	<b>801,321</b>	<b>188,318</b>	<b>164,856</b>	<b>5,395,796</b>	<b>6,550,291</b>
<b>Payments made in Advance:</b>					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
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**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)**

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Sundry Deposits:</b>					
Gross Balances	-	-	-	985,765	985,765
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	-	-	-	<b>985,765</b>	<b>985,765</b>
<b>Sundry Debtors:</b>					
Gross Balances	214,895	-	-	88,720,669	88,935,564
Less: Provision for Impairment	-	-	-	(79,580,454)	(79,580,454)
<b>Net Balances</b>	<b>214,895</b>	-	-	<b>9,140,215</b>	<b>9,355,110</b>

As at 30 June Receivables of R15 874 950 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>All Receivables:</b>				
Gross Balances	370,014	333,352	121,576,039	122,279,405
Less: Provision for Impairment	(181,696)	(168,496)	(106,054,263)	(106,404,455)
<b>Net Balances</b>	<b>188,318</b>	<b>164,856</b>	<b>15,521,776</b>	<b>15,874,950</b>

**4.2 Summary of Assessment Rates Debtors by Customer Classification**

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
<b>As at 30 June 2018</b>				
<u>Current:</u>				
0 - 30 days	1,084,252	58,162	97,040	-
<u>Past Due:</u>				
31 - 60 Days	542,725	37,398	81,578	-
61 - 90 Days	449,509	32,628	81,544	-
+ 90 Days	35,239,201	958,401	2,629,028	-
Sub-total	37,315,686	1,086,589	2,889,190	-
Less: Provision for Impairment	(34,744,542)	(821,252)	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>2,571,144</b>	<b>265,337</b>	<b>2,889,190</b>	<b>-</b>
<b>As at 30 June 2017</b>				
<u>Current:</u>				
0 - 30 days	760,035	104,663	149,673	-
<u>Past Due:</u>				
31 - 60 Days	219,145	28,197	122,672	-
61 - 90 Days	189,912	20,769	122,672	-
+ 90 Days	26,962,613	1,113,570	3,793,422	-
Sub-total	28,131,705	1,267,199	4,188,438	-
Less: Provision for Impairment	(26,039,024)	(998,028)	-	-
<b>Total Rates Debtors by Customer Classification</b>	<b>2,092,681</b>	<b>269,171</b>	<b>4,188,438</b>	<b>-</b>

**4.3 Reconciliation of Provision for Impairment**

Balance at beginning of year	(106,617,505)	(87,545,484)
Impairment Losses recognised	(17,849,253)	(19,072,022)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
<b>Balance at end of year</b>	<b>(124,466,758)</b>	<b>(106,617,505)</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)</b>		
The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.		
In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the Municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.		
No Provision for Impairment has been made in respect of Government Debt as these amounts are considered to be fully recoverable. The Municipality holds collateral over these balances in the form of Rates Assessment Deposits, which are not covering the total outstanding debt and vacant property respectively.		
Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.		
<b>5. CASH AND CASH EQUIVALENTS</b>		
Current Investments	12,549,215	9,687,754
Bank Accounts	274,347	1,012,139
Bank Overdraft	(9,882,893)	(7,918,255)
Petty Cash	2,690	2,600
<b>Total Bank, Cash and Cash Equivalents</b>	<b><u>2,943,359</u></b>	<b><u>2,784,237</u></b>
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
<b>5.1 Current Investment Deposits</b>		
Term Deposits	8,482,603	9,610,662
Call Deposits	4,066,612	77,092
<b>Total Current Investment Deposits</b>	<b><u>12,549,215</u></b>	<b><u>9,687,754</u></b>
<b>Call Deposits</b> are investments with a maturity period of less than 3 months and earn interest rates varying from 1.60% to 5.55% per annum.		
<b>Notice Deposits</b> are investments with a maturity period of less than 12 months and earn interest rates varying from 1.50% to 7.25% per annum.		
Deposits attributable to Unspent Conditional Grants	5,934,870	3,857,622
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b><u>5,934,870</u></b>	<b><u>3,857,622</u></b>
Deposits of R5 934 870 (2017: R3 857 622) are ring-fenced and attributable to Unspent Conditional Grants.		
<b>5.2 Bank Accounts</b>		
Cash in Bank	274,347.05	1,012,139
Bank Overdraft	(9,882,893)	(7,918,255)
<b>Total Bank Accounts</b>	<b><u>(9,608,546)</u></b>	<b><u>(6,906,117)</u></b>
The Municipality has the following bank accounts:		
<b>Primary Bank Account</b>		
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081</i>		
Cash book balance at beginning of year	(7,918,255)	(7,320,915)
Cash book balance at end of year	<u>(9,882,893)</u>	<u>(7,918,255)</u>
Bank statement balance at beginning of year	3,335,589	(1,878,735)
Bank statement balance at end of year	<u>437,253</u>	<u>3,335,589</u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>5. CASH AND CASH EQUIVALENTS (continued)</b>		
<b>Current Accounts</b>		
<i>Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007</i>		
Cash book balance at beginning of year	130,028	51,495
Cash book balance at end of year	<u>224,487</u>	<u>130,028</u>
Bank statement balance at beginning of year	130,028	51,495
Bank statement balance at end of year	<u>224,487</u>	<u>130,028</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162</i>		
Cash book balance at beginning of year	(171,360)	86,773
Cash book balance at end of year	<u>30,263</u>	<u>(171,360)</u>
Bank statement balance at beginning of year	(117,732)	86,773
Bank statement balance at end of year	<u>30,263</u>	<u>(117,732)</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4081 497 012</i>		
Cash book balance at beginning of year	1,053,471	68,176
Cash book balance at end of year	<u>19,597</u>	<u>1,053,471</u>
Bank statement balance at beginning of year	1,043,787	426,715
Bank statement balance at end of year	<u>19,597</u>	<u>1,043,787</u>
<b>Term Deposits</b>		
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906</i>		
Cash book balance at beginning of year	9,593,735	12,155,762
Cash book balance at end of year	<u>8,463,785</u>	<u>9,593,735</u>
Bank statement balance at beginning of year	9,593,735	12,155,762
Bank statement balance at end of year	<u>8,463,785</u>	<u>9,593,735</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i>		
Cash book balance at beginning of year	16,927	16,074
Cash book balance at end of year	<u>18,817</u>	<u>16,927</u>
Bank statement balance at beginning of year	16,074	16,074
Bank statement balance at end of year	<u>18,817</u>	<u>16,074</u>
<b>Call Deposits</b>		
<i>First National Bank - De Aar Branch - Call Account Number 62338612105 / 808</i>		
Cash book balance at beginning of year	2,592	2,487
Cash book balance at end of year	<u>2,344</u>	<u>2,592</u>
Bank statement balance at beginning of year	2,487	2,487
Bank statement balance at end of year	<u>2,344</u>	<u>2,487</u>
<i>Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001</i>		
Cash book balance at beginning of year	42,634	1,425,470
Cash book balance at end of year	<u>144,054</u>	<u>42,634</u>
Bank statement balance at beginning of year	1,425,470	1,425,470
Bank statement balance at end of year	<u>142,156</u>	<u>1,425,470</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 388910356-002</i>		
Cash book balance at beginning of year	24,365	1,035,740
Cash book balance at end of year	<u>26,007</u>	<u>24,365</u>
Bank statement balance at beginning of year	1,035,740	1,035,740
Bank statement balance at end of year	<u>26,007</u>	<u>1,035,740</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 002</i>		
Cash book balance at beginning of year	50	50
Cash book balance at end of year	<u>50</u>	<u>50</u>
Bank statement balance at beginning of year	50	50
Bank statement balance at end of year	<u>50</u>	<u>50</u>



**EMTHANJENI LOCAL MUNICIPALITY**  
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	2018 R	2017 R
<b>5. CASH AND CASH EQUIVALENTS (continued)</b>		
<i>First National Bank - De Aar Branch - Call Account Number 62630879221</i>		
Cash book balance at beginning of year	7,452	-
Cash book balance at end of year	<u>7,562</u>	<u>7,452</u>
Bank statement balance at beginning of year	7,452	-
Bank statement balance at end of year	<u>7,562</u>	<u>7,452</u>
<i>First National Bank - De Aar Branch - Call Account Number 62746296616</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>76,278</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>76,278</u>	<u>-</u>
<i>First National Bank - De Aar Branch - Call Account Number 62755965583</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>45,911</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>45,911</u>	<u>-</u>
<i>ABSA Bank Limited Call Deposit Account Number 9325381089</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	<u>3,764,405</u>	<u>-</u>
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	<u>3,764,405</u>	<u>-</u>
<b>5.3 Cash and Cash Equivalents</b>		
Cash Floats and Advances	2,690	2,600
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<u><b>2,690</b></u>	<u><b>2,600</b></u>

The Municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

The Municipality has provided Eskom Holdings Limited with a written guarantee, which have special conditions attached, to the value of R6 160 000.

The management of the Municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

**6. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	12,015	13,729
Operating Lease Revenue recorded	-	(1,714)
Operating Lease Revenue effected	-	-
<b>Total Operating Lease Receivables</b>	<u><b>12,015</b></u>	<u><b>12,015</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)	(4,542)	(4,542)
<b>Total Operating Lease Receivables</b>	<u><b>7,473</b></u>	<u><b>7,473</b></u>

**6.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the Municipality with lease terms of between 2 to 5 (2017: 2 to 5) years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

**6.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	4,542	4,542
2 to 5 years	7,473	7,473
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<u><b>12,015</b></u>	<u><b>12,015</b></u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R0 (2017: decrease of R1 714) in current year income.

The following restrictions have been imposed by the Municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018	2017
R	R

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**7. PROPERTY, PLANT AND EQUIPMENT**

**30 June 2018**

**Reconciliation of Carrying Value**

Description	Buildings	Land	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
	R		R	R	R	R	R	R	R
<b>Carrying values at 1 July 2017</b>	<b>99,324,912</b>	<b>13,837,216</b>	<b>675,168,021</b>	<b>530,490</b>	<b>2,666,438</b>	<b>2,851,877</b>	<b>4,716,357</b>	<b>7,387,426</b>	<b>806,483,601</b>
Cost	205,567,202	13,837,216	1,923,228,777	2,424,667	8,272,632	7,709,994	8,783,818	10,653,629	2,180,477,935
- Completed Assets	205,332,202	13,837,216	1,901,261,046	2,424,667	8,272,632	7,709,994	8,783,818	10,653,629	2,158,275,204
- Under Construction	235,000	-	21,967,731	-	-	-	-	-	22,202,731
Accumulated Impairment Losses	-	-	-	(15,308)	(47,864)	(18,877)	(553,676)	-	(635,725)
Accumulated Depreciation	(106,242,289)	-	(1,248,060,756)	(1,878,870)	(5,558,330)	(4,839,240)	(3,513,785)	(3,266,203)	(1,373,359,473)
Acquisitions	-	-	-	778,891	158,598	36,025	604,706	44,643	1,622,863
Capital under Construction - Additions	-	-	30,689,184	-	-	-	-	-	30,689,184
Depreciation	(5,529,359)	-	(52,240,203)	(252,211)	(417,769)	(422,069)	(256,682)	(3,563,563)	(62,681,855)
Transfer to Investment Property	-	-	-	-	-	-	-	-	-
Carrying value of Disposals	(9,630)	-	-	(9,205)	(34,843)	(7,185)	-	-	(60,863)
- Cost	(9,630)	-	-	(18,365)	(221,741)	(40,486)	(520,907)	-	(811,130)
- Accumulated Impairment Losses	-	-	-	-	973	181	357,185	-	358,338
- Accumulated Depreciation	-	-	-	9,159	185,926	33,121	163,722	-	391,928
Impairment Losses	-	-	-	(5,183)	(5,155)	(3,903)	-	-	(14,240)
<b>Carrying values at 30 June 2018</b>	<b>93,785,924</b>	<b>13,837,216</b>	<b>653,617,003</b>	<b>1,042,782</b>	<b>2,367,270</b>	<b>2,454,746</b>	<b>5,064,381</b>	<b>3,868,506</b>	<b>776,038,690</b>
Cost	205,557,572	13,837,216	1,953,917,961	3,185,193	8,209,489	7,705,533	8,867,617	10,698,272	2,211,978,853
- Completed Assets	205,322,572	13,837,216	1,901,261,046	3,185,193	8,209,489	7,705,533	8,867,617	10,698,272	2,159,086,938
- Under Construction	235,000	-	52,656,915	-	-	-	-	-	52,891,915
Accumulated Impairment Losses	-	-	-	(20,490)	(52,046)	(22,599)	(196,491)	-	(291,626)
Accumulated Depreciation:	(111,771,648)	-	(1,300,300,959)	(2,121,921)	(5,790,173)	(5,228,188)	(3,606,746)	(6,829,766)	(1,435,649,400)

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**30 June 2017**

**Reconciliation of Carrying Value**

Description	Buildings	Land	Infrastructure Assets	Computer Equipment	Furniture and Fittings	Machinery Equipment	Transport Assets	Leased Assets	Total
<b>Carrying values at 1 July 2016</b>	<b>104,855,493</b>	<b>13,837,216</b>	<b>726,782,563</b>	<b>578,914</b>	<b>3,142,230</b>	<b>3,203,782</b>	<b>5,134,650</b>	<b>938,663</b>	<b>858,473,512</b>
Cost	205,567,202	13,837,216	1,923,228,777	2,423,578	8,563,397	7,783,848	8,763,568	1,156,171	2,171,323,756
- Completed Assets	205,332,202	13,837,216	1,901,261,046	2,423,578	8,563,397	7,783,848	8,763,568	1,156,171	2,149,121,025
- Under Construction	235,000	-	21,967,731	-	-	-	-	-	22,202,731
Accumulated Impairment Losses	-	-	-	(19,622)	(39,899)	(17,345)	(196,491)	-	(273,356)
Accumulated Depreciation	(100,711,708)	-	(1,196,446,214)	(1,825,042)	(5,381,268)	(4,562,722)	(3,432,427)	(217,508)	(1,312,576,889)
Acquisitions	-	-	-	157,683	60,791	132,434	442,006	9,497,458	10,290,372
Capital under Construction - Additions	-	-	-	-	-	-	-	-	-
Depreciation	(5,530,581)	-	(51,614,542)	(166,351)	(469,321)	(432,714)	(281,455)	(3,048,695)	(61,543,659)
Carrying value of Disposals	-	-	-	(39,474)	(58,648)	(50,014)	(221,660)	-	(369,796)
- Cost	-	-	-	(156,593)	(351,555)	(206,288)	(421,756)	-	(1,136,192)
- Accumulated Impairment Losses	-	-	-	4,596	649	78	-	-	5,322
- Accumulated Depreciation	-	-	-	112,524	292,259	156,196	200,096	-	761,075
Transfer to non-current assets	-	-	-	-	-	-	-	-	-
Impairment Losses	-	-	-	(282)	(8,613)	(1,610)	(357,185)	-	(367,691)
<b>Carrying values at 30 June 2017</b>	<b>99,324,912</b>	<b>13,837,216</b>	<b>675,168,021</b>	<b>530,490</b>	<b>2,666,438</b>	<b>2,851,877</b>	<b>4,716,357</b>	<b>7,387,426</b>	<b>806,483,601</b>
Cost	205,567,202	13,837,216	1,923,228,777	2,424,667	8,272,632	7,709,994	8,783,818	10,653,629	2,180,477,935
- Completed Assets	205,332,202	13,837,216	1,901,261,046	2,424,667	8,272,632	7,709,994	8,783,818	10,653,629	2,158,275,204
- Under Construction	235,000	-	21,967,731	-	-	-	-	-	22,202,731
Accumulated Impairment Losses	-	-	-	(15,308)	(47,864)	(18,877)	(553,676)	-	(635,725)
Accumulated Depreciation:	(106,242,289)	-	(1,248,060,756)	(1,878,870)	(5,558,330)	(4,839,240)	(3,513,785)	(3,266,203)	(1,373,359,473)

Refer to Appendices B, C and E (4) for more detail on Property, Plant and Equipment, including those in the course of construction.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**7. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**7.2 Work-in Progress**

<b>30 June 2018</b>	<b>Buildings</b>	<b>Roads</b>	<b>Electricity</b>	<b>Water</b>	<b>Sewerage</b>	<b>Total</b>
Opening balance at 1 July	235,000	13,159,695	5,829,646	734,279	2,244,113	22,202,731
Additions	-	13,028,779	6,578,948	4,824,098	5,803,498	30,235,322
Transferred to Completed Projects	-	-12,926,237	-12,408,593	-	-2,244,113	-27,578,943
Closing balance at 30 June	235,000	13,262,236	-	5,558,377	5,803,498	24,859,111
<b>30 June 2017</b>	<b>Buildings</b>	<b>Roads</b>	<b>Electricity</b>	<b>Water</b>	<b>Sewerage</b>	<b>Total</b>
Opening balance at 1 July	235,000	6,639,457	2,390,399	-	1,164,950	10,429,807
Additions	-	6,520,238	3,439,246	734,279	1,079,162	11,772,925
Transferred to Completed Projects	-	-	-	-	-	-
Closing balance at 30 June	235,000	13,159,695	5,829,646	734,279	2,244,113	22,202,731

**Projects taking a significant amount of time to complete:**

De Aar Sport Facility: During the 2015 financial year, the municipality received funding for the construction of a sport facility (athletics field). The municipality performed a feasibility study and spent R235 000 on the study. No further costs have been incurred on the project and the remaining funds have been included as Unspent Conditional Grants.

Please refer to Note 17: Unspent Conditional Grants for the unspent portion withheld.

No retention funds are applicable to the project.

Roads and Storm Water Project: During the 2016 financial year, the municipality embarked on the upgrading of roads and storm water within various towns within the municipal boundaries. Due to contractors not performing, the project is taking longer than expected. The municipality withheld a significant portion of the contractors retention funds and this has been deducted for the costs.

The projects are funded by the MIG and all unspent portions have been disclosed in Note 17: Unspent Conditional Grants.

All retention funds withheld on the projects have been included in Note 15: Payables from Exchange Transactions

**Projects halted during current or previous financial year:**

None were halted during the current or previous financial year.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>7. PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>7.2 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.		
<b>7.3 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal</b>		
No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.		
<b>7.4 Assets pledged as security</b>		
The Municipality did not pledge any of its assets as security.		
<b>7.5 Impairment of Property, Plant and Equipment</b>		
Impairment Losses reversed on Property, Plant and Equipment to the amount of 344 091 (2017: R368 038) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 36.		
The amount disclosed for impairment losses on Property, Plant and Equipment does not include individually material amounts of impairment losses.		
The recoverable service amount of the relevant assets of Property, Plant and Equipment has been determined on the basis of their fair value less cost to sell. The asset has only been partially impaired as it still in use.		
<b>7.6 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
A change in the estimated useful life of various assets of the Municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Land and Buildings	-	(255,561)
Infrastructure Assets	(15,283)	(276,780)
Other Assets	(1,181,684)	(296,054)
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>(1,196,967)</b>	<b>(828,394)</b>
The change in estimates will result in a decrease of R1 196 967 (2016: R828 394) in the depreciation expense for the Municipality over the next three financial years.		
<b>7.7 Land and Buildings carried at Fair Value</b>		
The Municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
<b>8. INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation	<b>136,551</b>	<b>61,377</b>
The movement in Intangible Assets is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>61,377</b>	<b>82,117</b>
Cost	2,021,431	2,005,776
Accumulated Amortisation	(1,960,055)	(1,923,660)
Acquisitions	148,610	15,655
Amortisation	(73,436)	(36,395)
<b>Carrying values at 30 June</b>	<b>136,551</b>	<b>61,377</b>
Cost	2,170,042	2,021,431
Accumulated Amortisation	(2,033,491)	(1,960,055)
The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 35).		
All of the Municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the Municipality.		
No restrictions apply to any of the Intangible Assets of the Municipality.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**8. INTANGIBLE ASSETS (continued)**

Refer to Appendix "B" for more detail on Intangible Assets.

**8.1 Significant Intangible Assets**

The Municipality has a Financial Accounting System, Sebata, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R53 542 (2017: R0).

**8.2 Intangible Assets with Indefinite Useful Lives**

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

**8.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting date.

**9. INVESTMENT PROPERTY**

At Fair Value	<b>76,955,109</b>	<b>78,577,109</b>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>78,577,109</b>	<b>77,862,509</b>
Fair Value	78,577,109	77,862,509
Accumulated Impairment Losses	-	-
Net Gains / (Losses) from Fair Value Adjustments	-	714,600
Disposals during the Year	(1,622,000)	-
<b>Carrying values at 30 June</b>	<b>76,955,109</b>	<b>78,577,109</b>
Fair Value	76,955,109	78,577,109
Accumulated Impairment	-	-
<b>Estimated Fair Value of Investment Property at 30 June</b>	<b>76,955,109</b>	<b>78,577,109</b>

In the 2017 financial year, the municipality revisited all property carried as held for sale. This was done to ensure the intention of the properties are still relevant. After this exercise was completed, the municipality decided to transfer relevant properties from inventory to Investment Property.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	-	-
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the Municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the Municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**9.1 Investment Property carried at Fair Value**

The Municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties and the professional judgement of the valuer from time to time when the circumstances requires.

**9.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the Municipality at the reporting

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>10. HERITAGE ASSETS</b>		
At Cost less Accumulated Impairment Losses	<u>6,959,273</u>	<u>6,959,273</u>

The movement in Heritage Assets is reconciled as follows:

	Historical Sites	Cultural Buildings	Historical Assets	Total
<b>Carrying values at 1 July 2017</b>	<b>294,501</b>	<b>5,340,072</b>	<b>1,324,700</b>	<b>6,959,273</b>
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
<b>Carrying values at 30 June 2018</b>	<b>294,501</b>	<b>5,340,072</b>	<b>1,324,700</b>	<b>6,959,273</b>
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-
	Historical Sites	Cultural Buildings	Historical Assets	Total
<b>Carrying values at 1 July 2016</b>	<b>294,501</b>	<b>5,340,072</b>	<b>1,324,700</b>	<b>6,959,273</b>
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment	-	-	-	-
Acquisitions	-	-	-	-
Impairment Losses Recognised	-	-	-	-
<b>Carrying values at 30 June 2017</b>	<b>294,501</b>	<b>5,340,072</b>	<b>1,324,700</b>	<b>6,959,273</b>
Cost	294,501	5,340,072	1,324,700	6,959,273
Accumulated Impairment Losses	-	-	-	-

All of the Municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Heritage Assets of the Municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**10.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the Municipality at the reporting date.

**11. NON-CURRENT INVESTMENTS**

<b>Listed</b>		
Listed Shares	<u>28,054</u>	<u>25,329</u>
<b>Total Investments</b>		
All Investments	28,054	25,329
Less: Short-term Portion transferred to Current Investments	-	-
<b>Total Non-current Investments</b>	<u>28,054</u>	<u>25,329</u>
<b>Market valuation of Listed Investments</b>		
Listed Shares	<u>28,054</u>	<u>25,329</u>

Listed Shares are investments in shares of public companies with no specific maturity dates or interest

The Management of the Municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>12. LONG-TERM RECEIVABLES</b>		
Other Loans	1,601	1,489
Less: Provision for Impairment	-	-
	<u>1,601</u>	<u>1,489</u>
Less: Current Portion transferred to Current Receivables	-	-
Other Loans	<u>-</u>	<u>-</u>
<b>Total Long-term Receivables</b>	<u><b>1,601</b></u>	<u><b>1,489</b></u>

The Municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the Municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the Municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

**13. CONSUMER DEPOSITS**

Electricity and Water	2,345,572	2,269,439
<b>Total Consumer Deposits</b>	<u><b>2,345,572</b></u>	<u><b>2,269,439</b></u>

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

No interest is paid on Consumer Deposits held.

The management of the Municipality is of the opinion that the carrying value of Consumer Deposits approximates their fair values.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>14. PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Creditors	11,985,921	3,332,725
Eskom Creditor	19,049,401	16,897,377
Payments Received in Advance	5,403,724	5,781,291
Retentions	2,366,091	662,859
Staff Bonuses	2,340,968	2,291,457
Sundry Deposits	337,652	321,751
Other Creditors	18,451,627	11,191,946
Department of Housing	42,859	-
Salary Control Account	(4,459)	(966)
Accrued Leave	6,747,346	5,715,647
<b>Total Payables</b>	<b>66,721,130</b>	<b>46,194,088</b>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The Municipality did default on payment of its Creditors. However, other than the payment arrangement entered with Eskom, no terms for payment have been re-negotiated by the Municipality.

The significant increase in 2018 pertaining to other creditors was mostly attributable to the increase in the amount owed to Eskom. Although the amount classified under "Eskom Creditor" agrees to the Eskom statement, Eskom classifies an additional portion owed by the municipality in a suspense account. The amount in the suspense account manually gets added back to the main account on a monthly term based on a payment arrangement between the two parties. The municipality created a suspense account of their own which matches the one of Eskom which at yearend amounted to R14 029 107. This Suspense account forms part of "other creditors". The remaining portion of "other creditors" are attributable to money owed to DSL as well as unallocated deposits.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

**15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Payments Received in Advance	3,588,027	3,539,875
<b>Total Payables</b>	<b>3,588,027</b>	<b>3,539,875</b>

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The Municipality did default on payment of its Creditors. However, no terms for payment have been re-negotiated by the Municipality.

The management of the Municipality is of the opinion that the carrying value of Creditors approximates their fair values.

**16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**16.1 Conditional Grants from Government**

	<b>3,563,863</b>	<b>3,857,622</b>
National Government Grants	0	1,763,161
Provincial Government Grants	3,524,675	2,055,273
Local Government Grants	39,188	39,188

**16.2 Other Conditional Receipts**

Public Contributions	-	-
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<b>Total Conditional Grants and Receipts</b>	<b>3,563,863</b>	<b>3,857,622</b>
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The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 27 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The Municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**17. VAT PAYABLE**

<b>VAT Payable</b>	<b>3,095,635</b>	<b>3,778,650</b>
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The Municipality has financial risk policies in place to ensure that payments are affected before the due date.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>18. LONG-TERM LIABILITIES</b>		
Annuity Loans	(0)	(0)
Finance Lease Liability	4,747,099	8,135,368
Sub-total	4,747,099	8,135,368
Less: Current Portion transferred to Current Liabilities	(3,733,833)	(3,433,193)
Annuity Loans	-	-
Finance Lease Liability	(3,733,833)	(3,433,193)
<b>Total Long-term Liabilities</b> (Neither past due, nor impaired)	<b>1,013,266</b>	<b>4,702,175</b>

**18.1 Summary of Arrangements**

Annuity Loans are repaid over periods of 0 (2017: 5 to 10) years and at interest rates varying from 0% to 0% (2017: 9.60% to 12.00%) per annum. Annuity Loans are not secured.

The management of the Municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**18.2 Breach of Loan Agreement**

The Municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the Municipality.

**19. EMPLOYEE BENEFIT LIABILITIES**

Post-retirement Health Care Benefits Liability	32,259,244	32,632,206
Long Service Awards Liability	3,623,169	3,565,732
<b>Total Employee Benefit Liabilities</b>	<b>35,882,413</b>	<b>36,197,938</b>

**19.1 Post-retirement Health Care Benefits Liability**

Balance at beginning of Year	33,804,539	37,181,976
Contributions to Provision	1,761,677	2,170,687
Increase due to Discounting	3,213,578	3,325,019
Expenditure incurred	(1,172,333)	(1,106,676)
Actuarial (Gains) /Losses	(4,057,799)	(7,766,467)
Balance at end of Year	33,549,662	33,804,539
Transfer to Current Employee benefits	(1,290,418)	(1,172,333)
<b>Total Post-retirement Health Care Benefits Liability</b>	<b>32,259,244</b>	<b>32,632,206</b>

The Municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the Municipality. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the Municipality is liable for a certain portion of the medical aid membership fee. The Municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R			
<b>19. EMPLOYEE BENEFIT LIABILITIES (continued)</b>					
The members of the Post-employment Health Care Benefit Plan are made up as follows:					
In-service Members (Employees)	44	48			
In-service Non-members (Employees)	275	270			
Continuation Members (Retirees, widowers and orphans)	29	27			
<b>Total Members</b>	<b>348</b>	<b>345</b>			
The liability in respect of past service has been estimated as follows:					
In-service Members	19,165,935	19,924,674			
Continuation Members	14,383,727	13,879,865			
<b>Total Liability</b>	<b>33,549,662</b>	<b>33,804,539</b>			
The Municipality makes monthly contributions for health care arrangements to the following Medical Aid					
- Bonitas					
- Keyhealth					
- LA Health					
- Samwumed					
The Current-service Cost for the year ending 30 June 2018 is estimated to be R1 761 677, whereas the cost for the ensuing year is estimated to be R1 755 368					
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>					
Discount Rate	9.56%	9.67%			
Health Care Cost Inflation Rate	7.38%	7.96%			
Net Effective Discount Rate	2.03%	1.58%			
Expected Retirement Age - Females	59	59			
Expected Retirement Age - Males	63	63			
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>					
Balance at the beginning of the year	33,804,539	37,181,976			
Current service costs	1,761,677	2,170,687			
Interest cost	3,213,578	3,325,019			
Benefits paid	(1,172,333)	(1,106,676)			
Actuarial losses / (gains)	(4,057,799)	(7,766,467)			
<b>Total Recognised Benefit Liability</b>	<b>33,549,662</b>	<b>33,804,539</b>			
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>					
Present value of fund obligations	33,549,662	33,804,539			
<b>Total Benefit Liability</b>	<b>33,549,662</b>	<b>33,804,539</b>			
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>					
Current service cost	1,761,677	2,170,687			
Interest cost	3,213,578	3,325,019			
Expenditure incurred	(1,172,333)	(1,106,676)			
Actuarial losses / (gains)	(4,057,799)	(7,766,467)			
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 32)</b>	<b>(254,877)</b>	<b>(3,377,437)</b>			
<b>The history of experienced adjustments is as follows:</b>					
	2018 R	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	33,549,662	33,804,539	37,181,976	34,976,976	32,350,240
<b>Deficit</b>	<b>33,804,539</b>	<b>37,181,976</b>	<b>34,976,976</b>	<b>34,976,976</b>	<b>32,350,240</b>
Experienced adjustments on Plan Liabilities	37,607,461	41,571,006	39,087,630	36,064,964	32,891,138

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>19. EMPLOYEE BENEFIT LIABILITIES (continued)</b>		
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	5,939,500	6,652,500
Effect on the long service award liability	38,888,000	39,350,000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	4,206,700	4,587,400
Effect on the long service award liability	29,200,000	29,301,000
The Municipality expects to make a contribution of R1 755 368 (2017: R1 761 677) to the Defined Benefit Plans during the next financial year.		
Refer to Note 56 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the Municipality's other retirement funds that is Provincially and Nationally administered.		
<b>19.2 Long Service Awards Liability</b>		
Balance at beginning of Year	3,904,046	3,764,576
Contributions to Provision	392,180	397,341
Increase due to Discounting	311,594	303,193
Expenditure incurred	(338,314)	(362,510)
Actuarial (Gains) /Losses	102,134	(198,554)
Balance at end of Year	<u>4,371,640</u>	<u>3,904,046</u>
Transfer to Current Employee benefits	(748,471)	(338,314)
<b>Total Long Service Awards Liability</b>	<u><b>3,623,169</b></u>	<u><b>3,565,732</b></u>
The Municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.		
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
At year end, 319 (2017: 320) employees were eligible for Long-services Awards.		
The Current-service Cost for the year ending 30 June 2018 is estimated to be R392 180 (2017: R369 911), whereas the cost for the ensuing year is estimated to be R413 229 (2016: R397 341).		
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	8.39%	8.34%
Cost Inflation Rate	6.03%	6.15%
Net Effective Discount Rate	2.23%	2.05%
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Balance at the beginning of the year	3,904,046	3,764,576
Current service costs	392,180	397,341
Interest cost	311,594	303,193
Benefits paid	(338,314)	(362,510)
Actuarial losses / (gains)	102,134	(198,554)
<b>Total Recognised Benefit Liability</b>	<u><b>4,371,640</b></u>	<u><b>3,904,046</b></u>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	4,371,640	3,904,046
<b>Total Benefit Liability</b>	<u><b>4,371,640</b></u>	<u><b>3,904,046</b></u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>19. EMPLOYEE BENEFIT LIABILITIES (continued)</b>		
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>		
Current service cost	392,180	397,341
Interest cost	311,594	303,193
Benefits paid	(338,314)	(362,510)
Actuarial losses / (gains)	102,134	(198,554)
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 32)</b>	<b>467,594</b>	<b>139,470</b>

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	750,900	751,500
Effect on the long service award liability	4,608,000	4,123,000
<b>Decrease:</b>		
Effect on the aggregate of the current service cost and the interest cost	661,100	654,500
Effect on the long service award liability	4,155,000	3,703,000

The Municipality expects to make a contribution of R338 314 (2017: R362 510) to the Defined Benefit Plans during the next financial year.

**20. NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Land-fill Sites	46,936,726	42,731,907
<b>Total Non-current Provisions</b>	<b>46,936,726</b>	<b>42,731,907</b>
<b>The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:</b>		
Balance at beginning of year	42,731,907	7,030,107
Contributions to provision	4,204,820	35,701,800
	46,936,726	42,731,907
Transfer to current provisions	-	-
<b>Balance at end of year</b>	<b>46,936,726</b>	<b>42,731,907</b>

**20.1 Rehabilitation of Land-fill Sites**

The Municipality will incur rehabilitation cost on its three dumping/landfill sites in the periods 2029/30 for Britstown (remaining useful life 13 years), 2026/27 for Hanover (remaining useful life 11 years) and 2026/27 for De Aar (remaining useful life 10 years). Provision has been made for the net present value of this cost. As at 30 June 2018 there were no foreseeable future events that may have an effect on below dates and or values.

	Proposed Rehabilitation	Total area Size (m <sup>2</sup> )	Unit cost (R/m <sup>2</sup> )		
Britstown Landfill	2029/2030	11623.00	510.04	2,471,878	2,250,435
De Aar Landfill	2026/2027	183214.00	413.16	42,105,743	38,333,706
Hanover Landfill	2026/2027	8139.00	545.69	2,359,106	2,147,766
				<b>46,936,726</b>	<b>42,731,907</b>

**21. ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

Capital Replacement Reserve (CRR)	2,252,793	2,252,793
Accumulated Surplus / (Deficit) due to the results of Operations	763,454,778	806,815,447
<b>Total Accumulated Surplus</b>	<b>765,707,571</b>	<b>809,068,240</b>

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

			2018 R	2017 R
<b>22. PROPERTY RATES</b>				
	<b>Property Valuations</b>	<b>Actual Levies</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>R000's</b>	<b>R000's</b>		
Residential	3,975,923,000	3,258,602,779	22,338,443	22,227,944
Commercial	275,714,000	236,074,000	4,375,183	3,381,620
State	310,591,000	316,296,000	5,076,515	5,142,084
<b>Total Property Rates</b>	<b>4,562,228,000</b>	<b>3,810,972,779</b>	<b>31,790,141</b>	<b>30,751,648</b>
Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2017.				
Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.				
A general rate is applied as follows to property valuations to determine property rates:				
Residential Properties: 1.1100 c/R (2017: 1.3632 c/R)				
Business Properties: 1.5950 c/R (2017: 1.4200 c/R)				
State Owned Properties: 1.9027 c/R (2017: 1.7950 c/R)				
A rebate of 100.00% (2017: 100.00%) was allowed on residential properties whose market value is R 28 000 and less and agriculture properties are levied as per Government Gazette of 2009.				
Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.				
<b>23. FINES</b>				
Penalties for Consumers			168,605	272,422
Traffic Fines			9,033,276	16,698,071
<b>Total Fines</b>			<b>9,201,881</b>	<b>16,970,493</b>
<b>24. PUBLIC CONTRIBUTIONS</b>				
Conditional			-	-
Unconditional			200,000	-
<b>Total Public Contributions</b>			<b>200,000</b>	<b>-</b>
During the 2018 Financial year the municipality received a public contribution towards funding the Mayoral Cup				
<b>25. GOVERNMENT GRANTS AND SUBSIDIES</b>				
National Equitable Share			37,094,000	36,197,000
Provincial: Housing Accreditation			930,000	680,000
Provincial: Sports, Arts and Culture (Library Grant)			885,543	1,161,000
<b>Operational Grants</b>			<b>38,909,543</b>	<b>38,038,000</b>
<b>Conditional Grants</b>			<b>36,482,357</b>	<b>14,014,578</b>
National: EPWP			1,000,079	610,047
National: FMG			1,700,000	1,625,000
National: MIG			14,055,711	8,029,531
National: Integrated National Electrification Programme (INEP)			7,500,000	3,000,000
National: Water Services Infrastructure Grant			12,226,567	-
National: Regional Bulk Infrastructure Grant (RBIG)			-	750,000
<b>Total Government Grants and Subsidies</b>			<b>75,391,900</b>	<b>52,052,578</b>
<b>Government Grants and Subsidies:</b>				
Conditional Grants - Capital			30,017,289	10,477,819
Conditional Grants - Operational			6,465,068	3,536,760
Unconditional Grants - Capital			-	-
Unconditional Grants - Operational			38,909,543	38,038,000
<b>Total Government Grants and Subsidies</b>			<b>75,391,900</b>	<b>52,052,578</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Summary of Transfers:</b>		
Conditions met - transferred to Revenue: Operating Expenses	45,374,611	41,574,760
Conditions met - transferred to Revenue: Capital Expenses	30,017,289	10,477,819
<b>Total Transfers</b>	<b>75,391,900</b>	<b>52,052,578</b>
<b>Operational Grants:</b>		
<b>25.1 National: Equitable Share</b>	<b>37,094,000</b>	<b>36,197,000</b>
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R148 (2017: R148), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.		
<b>25.2 Provincial: Sports, Arts and Culture (Library Grant)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	885,543	1,161,000
Conditions met - transferred to Operating Revenue	(885,543)	(1,161,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>-</b>	<b>-</b>
This grant was allocated for the upgrading of library equipment and operating expenses.		
<b>25.3 Provincial: Housing Accreditation</b>		
Balance unspent at beginning of year	-	-
Current year receipts	930,000	680,000
Conditions met - transferred to Operating Revenue	(930,000)	(680,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>-</b>	<b>-</b>
This grant was allocated to improve capacity within the administration of the Municipality in respect to the Housing Department as well as other operational expenses.		
<b>Conditional Grants:</b>		
<b>25.4 National: Expanded Public Works Programme</b>		
Balance unspent at beginning of year	389,953	-
Current year receipts	696,047	1,000,000
Conditions met - transferred to Operating Revenue	(1,000,079)	(610,047)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>85,921</b>	<b>389,953</b>
This grant was used for the upgrading of Roads facilities. At yearend, not all conditions were met, resulting in an unspent amount being disclosed		
<b>25.5 National: Financial Management Grant (FMG)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1,700,000	1,625,000
Conditions met - transferred to Operating Revenue	(1,700,000)	(1,625,000)
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>-</b>	<b>-</b>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.		



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>25.6 National: Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	1,763,711	3,034,934
Current year receipts	12,292,000	6,758,308
Conditions met - transferred to Operating Revenue	(1,355,442)	(919,767)
Conditions met - transferred to Capital Revenue	(12,700,269)	(7,109,765)
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>-</b>	<b>1,763,711</b>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix B).

At yearend, all conditions were met in respect to the upgrading of infrastructure. This resulted in no unspent portion being recognised at yearend.

**25.7 National: Municipal Systems Improvement Grant (MSIG)**

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>-</b>	<b>-</b>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations.

**25.8 Provincial: Department of Water Affairs**

Balance unspent at beginning of year	15,621	15,621
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>15,621</b>	<b>15,621</b>

This grant was used to cover the cost relating to new water meters and the installation thereof. Not all conditions attached to the grant were met. An unspent portion has been recognised.

**25.9 Provincial: Sports, Arts and Culture (Phundahlwazi Upgrade)**

Balance unspent at beginning of year	150,000	150,000
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>150,000</b>	<b>150,000</b>

This grant was allocated for the upgrade of the Phandulwazi Library in accordance with the submitted business plan. Not all conditions were met at yearend, causing an unspent portion to be recognised.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>25.10 Provincial: Department of Health</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>-</b>	<b>-</b>

The grant was received for the construction of the electricity lines to the new hospital.

**25.11 Provincial: Department of Education**

Balance unspent at beginning of year	1,232,100	1,232,100
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>1,232,100</b>	<b>1,232,100</b>

At yearend, not all conditions were met in respect to the construction of the athletics field as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.

**25.12 Provincial: Department of Roads**

Balance unspent at beginning of year	267,600	267,600
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>267,600</b>	<b>267,600</b>

This grant was allocated for the construction and upgrading of roads within the Nonzwakazi area. At yearend, not all conditions were met in respect to the revitalization of the roads as all funds received were not spent. This resulted in the unspent portion being recognised at yearend.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>25. GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>25.13 Provincial: Department of Roads</b>		
Balance unspent at beginning of year	267,600	267,600
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: VAT portion released	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>267,600</b>	<b>267,600</b>
This grant was allocated for the construction and upgrading of roads within the municipal boundaries. All conditions attached to the grant were not met, resulting in an unspent portion being recognised.		
<b>25.14 National: Integrated National Electrification Programme (INEP)</b>		
Balance unspent at beginning of year	-	257,034
Current year receipts	7,500,000	2,742,966
Conditions met - transferred to Revenue: Operating Expenses	(921,052)	(366,224)
Conditions met - transferred to Revenue: Capital Expenses	(6,578,948)	(2,633,776)
Conditions met - transferred to Revenue: VAT portion released	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>-</b>	<b>-</b>
This grant was allocated for the construction and upgrading of electricity networks within the municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.		
<b>25.15 Other Local Government</b>		
Balance unspent at beginning of year	39,188	39,188
Current year receipts	-	-
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>39,188</b>	<b>39,188</b>
The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. At yearend, not all conditions were met, resulting in the unspent portion being recognised		
<b>25.16 National: Regional Bulk Infrastructure Grant (RBIG)</b>		
Balance unspent at beginning of year	0	-
Current year receipts	-	750,000
Conditions met - transferred to Operating Revenue	-	-
Conditions met - transferred to Capital Revenue	-	(734,279)
Conditions met - transferred to Other Revenue (Own Income)	-	(15,721)
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>0</b>	<b>0</b>
To develop new, refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to develop new, refurbish, upgrade and replace ageing waste water infrastructure of regional significance; to pilot regional Water Conservation and Water Demand Management projects or facilitate and contribute to the implementation of local Water Conservation and Water Demand Management projects that will directly impact on bulk infrastructure requirements.		
<b>25.17 National: Water Services Infrastructure Grant (WSIG)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	14,000,000	-
Conditions met - transferred to Operating Revenue	(1,488,496)	-
Conditions met - transferred to Capital Revenue	(10,738,071)	-
Conditions met - transferred to Other Revenue (Own Income)	-	-
Other Adjustments / Refunds	-	-
<b>Conditions still to be met - transferred to Current liabilities (see Note 17)</b>	<b>1,773,433</b>	<b>-</b>
The Water Services Infrastructure Grant was used for rehabilitation of boreholes as well as for sewer projects. At the end of the year not all funds were utilised, resulting in an unspent portion being recognised.		
<b>25.18 Changes in levels of Government Grants</b>		
Based on the allocations set out in the Division of Revenue Act, 2014 (Act No. 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>26. SERVICE CHARGES</b>		
Sale of Electricity	73,251,139	74,895,874
Sale of Water	25,951,316	24,128,376
Refuse Removal	6,272,700	6,224,871
Sewerage and Sanitation Charges	11,864,720	11,621,706
Other Service Charges	484,346	440,444
<b>Total Service Charges</b>	<b>117,824,221</b>	<b>117,311,271</b>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>27. LICENSES AND PERMITS</b>		
DTSL License income	1,150,528	1,058,010
Other	479,859	383,025
<b>Total Licenses and permits</b>	<b>1,630,387</b>	<b>1,441,035</b>
<b>28. RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental Revenue from Halls	113,675	104,664
Rental Revenue from Land	692,081	677,562
Rental Revenue from Other Facilities	45,764	50,563
<b>Total Rental of Facilities and Equipment</b>	<b>851,520</b>	<b>832,789</b>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
<b>29. INTEREST EARNED</b>		
<b>Property Rates:</b>		
Interest / Penalties Raised	388,442	281,347
	<b>388,442</b>	<b>281,347</b>
<b>External Investments:</b>		
Bank Account	219,554	115,660
Investments	1,248,639	1,274,374
Other Deposits	-	-
	<b>1,468,193</b>	<b>1,390,035</b>
<b>Outstanding Debtors:</b>		
Long-term Debtors	2,075	1,135
Outstanding Billing Debtors	1,090,782	881,066
	<b>1,092,857</b>	<b>882,201</b>
<b>Total Interest Earned</b>	<b>2,949,492</b>	<b>2,553,583</b>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	1,468,193	1,390,035
Loans and Receivables	1,481,299	1,163,548
	<b>2,949,492</b>	<b>2,553,583</b>
Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 43.		
<b>30. OTHER REVENUE</b>		
Building Plan Fees	87,117	97,067
Grave Fees	393,790	325,448
Sundries Levies	1,033,964	979,831
Bad Debts Recovered	76,560	-
Reconnection Fees	22,549	72,935
Tender Documents	-	21,500
Other Non-material Income	153,481	184,251
<b>Total Other Revenue</b>	<b>1,767,461</b>	<b>1,681,032</b>
The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>31. PROFIT (LOSS) ON SALE OF LAND</b>		
Proceeds on Sale of Land	(1,595,030)	(2,325)
Cost of Sale of Land	-	-
<b>Total Profit on Sale of Land</b>	<b>(1,595,030)</b>	<b>(2,325)</b>
<b>32. EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	56,613,991	52,042,224
Basic Salaries and Wages	49,389,396	47,054,403
Long Service Awards	574,114	196,827
Leave Encashed	2,047,291	556,337
Performance Bonuses	569,358	394,305
Service Bonuses	4,033,832	3,840,352
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	10,842,258	10,946,378
Group Life	47,943	44,369
Medical	1,485,558	1,485,221
Pension	8,158,283	8,305,802
Industrial Council Levy	32,975	31,473
Skills Development Levy	618,046	599,989
UIF	499,453	479,524
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4,736,026	4,334,437
Allowances	3,086,949	3,144,764
Pensioners Allowances	1,649,077	1,189,674
Housing Benefits and Allowances	632,733	649,178
Overtime Payments	3,877,283	3,755,225
Defined Benefit Plan Expense:	(254,877)	(3,377,437)
Current Service Cost	1,761,677	2,170,687
Interest Cost	3,213,578	3,325,019
Net Actuarial (gains)/losses recognised	(1,172,333)	(1,106,676)
Vested Past Service Cost	(4,057,799)	(7,766,467)
Long-service Award Liability Expense:	467,594	139,470
Current Service Cost	392,180	397,341
Interest Cost	311,594	303,193
Net Actuarial (gains)/losses recognised	(338,314)	(362,510)
Vested Past Service Cost	102,134	(198,554)
<b>Total Employee Related Costs</b>	<b>76,915,008</b>	<b>68,489,476</b>

No advances were made to employees.

Included in Employee Related Costs is an amount of R8 158 283 (2017: R8 305 802) paid by the Municipality to Defined Contribution Plans at rates specified by the rules of the plans.

**Remuneration of Section 57 Employees:**

**Remuneration of the Municipal Manager**

Annual Remuneration	1,165,804	858,082
Service Bonus	76,770	71,507
Performance Bonus	189,840	120,816
Car and Other Allowances	425,644	392,086
Company Contributions to UIF, Medical and Pension Funds	175,041	169,640
<b>Total</b>	<b>2,033,099</b>	<b>1,612,131</b>

**Remuneration of the Chief Financial Officer**

Annual Remuneration	961,673	840,000
Service Bonus	127,555	70,000
Performance Bonus	174,164	81,765
Car and Other Allowances	241,033	239,604
Company Contributions to UIF, Medical and Pension Funds	116,846	164,337
<b>Total</b>	<b>1,621,271</b>	<b>1,395,706</b>

**Remuneration of the Director: Corporate Services**

Annual Remuneration	674,635	405,546
Service Bonus	36,866	46,169
Performance Bonus	119,341	-
Car and Other Allowances	174,922	69,728
Company Contributions to UIF, Medical and Pension Funds	122,528	98,194
<b>Total</b>	<b>1,128,292</b>	<b>619,636</b>

The post was vacant from 1 January 2017 to 30 June 2017.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>32. EMPLOYEE RELATED COSTS (continued)</b>		
<i>Remuneration of the Director: Community and Development Services</i>		
Annual Remuneration	568,999	625,378
Service Bonus	43,250	-
Performance Bonus	-	85,115
Car and Other Allowances	215,704	178,158
Company Contributions to UIF, Medical and Pension Funds	159,341	281,384
<b>Total</b>	<b>987,294</b>	<b>1,170,035</b>
<i>Remuneration of the Director: Infrastructure and Housing Services</i>		
Annual Remuneration	729,057	676,361
Service Bonus	60,755	56,590
Performance Bonus	86,013	81,609
Car and Other Allowances	154,585	132,000
Company Contributions to UIF, Medical and Pension Funds	142,621	147,339
<b>Total</b>	<b>1,173,031</b>	<b>1,093,898</b>
No compensation was payable to key management personnel in terms of GRAP 25 as at 30 June.		
<b>33. REMUNERATION OF COUNCILLORS</b>		
Mayor	795,671	742,878
Speaker	645,781	567,344
Councillors	2,519,109	2,358,125
Company Contributions to UIF, Medical and Pension Funds	31,252	40,969
Other Allowances (Cellular Phones, Housing, Transport, etc)	1,342,849	1,125,846
<b>Total Councillors' Remuneration</b>	<b>5,334,661</b>	<b>4,835,161</b>
<b>Remuneration of Councillors:</b>		
<i>In-kind Benefits</i>		
Councillors may utilise official Council transportation when engaged in official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
<b>34. COLLECTION COSTS</b>		
Commission Paid	3,304	174,499
<b>Total Collection Costs</b>	<b>3,304</b>	<b>174,499</b>
<b>35. DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	62,681,855	61,542,797
Amortisation: Intangible Assets	73,436	36,395
<b>Total Depreciation and Amortisation</b>	<b>62,755,291</b>	<b>61,579,192</b>
<b>36. IMPAIRMENT LOSSES</b>		
<b>36.1 Impairment Losses on Fixed Assets</b>		
<b>Impairment Losses Recognised:</b>	(344,099)	368,038
Property, Plant and Equipment	(344,099)	368,038
Intangible Assets	-	-
	<b>(344,099)</b>	<b>368,038</b>
<b>36.2 Impairment Losses on Financial Assets</b>		
<b>Impairment Losses Recognised:</b>	25,375,953	35,387,622
Receivables from Exchange Transactions	7,526,699	16,315,600
Receivables from Non-exchange Transactions	17,849,254	19,072,022
	<b>25,375,953</b>	<b>35,387,622</b>
<b>Total Impairment Losses</b>	<b>25,031,854</b>	<b>35,755,660</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>37. REPAIRS AND MAINTENANCE</b>		
Materials	10,595,644	8,695,165
Labour	1,558,807	1,633,675
<b>Total Repairs and Maintenance</b>	<b><u>12,154,451</u></b>	<b><u>10,328,840</u></b>
<b>38. FINANCE COSTS</b>		
Bank Overdraft	50,676	78,853
Finance Leases	1,095,005	1,319,632
Overdue Creditors	2,856,799	1,859,480
Current Borrowings	-	42,290
Landfill Provision	4,204,820	3,828,132
<b>Total Interest Paid on External Borrowings</b>	<b><u>8,207,300</u></b>	<b><u>7,128,387</u></b>
The weighted average capitalisation rate on funds borrowed generally is 0.00% per annum (2017: 10.00% per annum).		
<b>39. BULK PURCHASES</b>		
Electricity	57,395,360	56,758,499
Water	2,568,515	2,268,527
<b>Total Bulk Purchases</b>	<b><u>59,963,876</u></b>	<b><u>59,027,026</u></b>
Bulk Purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the Municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from various sources.		
<b>40. CONTRACTED SERVICES</b>		
Professional Fees	2,477,511	3,256,652
Security Services	2,336,749	2,159,126
Pre-Paid Commission	2,484,848	3,145,469
<b>Total Contracted Services</b>	<b><u>7,299,107</u></b>	<b><u>8,561,247</u></b>
<b>41. GRANTS AND SUBSIDIES PAID</b>		
Other Grants and Subsidies Paid	469,452	361,886
<b>Total Grants and Subsidies</b>	<b><u>469,452</u></b>	<b><u>361,886</u></b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>42. GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Advertising	116,747	257,089
Assessment Rates and Municipal Charges	6,512,505	6,098,625
Audit Fees	3,151,741	2,397,315
Bank Charges	805,168	402,352
Branding of the Municipality	6,133	34,255
Cleaning Materials	153,893	157,126
Conference Fees	19,842	79,404
Driving License Fees	191,672	95,609
Electricity Rural Water Pumps	1,913,868	2,052,452
Entertainment	136,011	265,393
Festivals	184,200	-
Fuel and Oil	3,174,008	2,623,438
Grave Excavations	110,180	98,610
HR Employee Wellness	1,029,703	1,453,723
IDP Review	-	11,500
Insurance	903,229	831,225
Internal Audit	31,679	18,784
Legal Costs	206,367	196,438
Levies: SALGA	716,112	706,559
License Fees and Subscriptions	364,730	116,961
Lost due to theft	137,829	-
Motor Vehicle Expenses	97,630	155,942
Performance Appraisal	-	-
Printing and Stationery	1,043,495	1,682,485
Protective Clothing	137,940	292,258
Sundry Expenses	22,895	1,880,025
Strategic Planning Expenses	75,654	87,391
Telephone Cost	1,879,007	1,652,962
Tourism Strategy	-	16,709
Training Costs	50,412	50,218
Travelling and Subsistence	1,583,741	1,291,417
Water	124,406	39,586
Youth Development Programme	10,690	-
<b>Total General Expenses</b>	<b>24,891,490</b>	<b>25,045,849</b>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the Municipality and not direct attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered. During the current financial year, the municipality incurred a loss due to theft with break in worth R137 829, this amount is disclosed separately above.

No other extra-ordinary expenses were incurred.

**43. OTHER GAINS AND LOSSES**

Change in Fair Value of Financial Assets designated as at FVTPL	2,725	(791)
Change in Fair Value of Investment Property	-	714,600
<b>Net Other Gains and Losses</b>	<b>2,725</b>	<b>713,809</b>

No other gains or losses have been recognised in respect of Loans and Receivables or Held-to-Maturity Investments, other than as disclosed in Note 12 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Notes 4, 5 and 30).

**44. GAINS / LOSSES ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**

Proceeds on Sale of Assets	60,000	96,368
Assets Disposed at Carrying Value:	(409,572)	(369,448)
Cost of Disposed Assets	(801,500)	(2,213,275)
Accumulated Depreciation of Disposed Assets	391,928	1,838,157
Accumulated Impairment of Disposed Assets	-	5,670
<b>Total Gains / Losses on Disposal of Capital Assets</b>	<b>(349,572)</b>	<b>(273,079)</b>

**45. CHANGE IN ACCOUNTING POLICY**

There were no changes in Accounting Policies for the current financial year.



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>46. CORRECTION OF ERROR</b>		
Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2017 and 30 June 2018. The columns below represent the original 2017 audited figures (on the right), whilst the column on the left represent the restated 2017 figures, after taken into account prior period errors. Details of the adjustments are as follows:		
<b>Statement of Financial Position:</b>		
Inventories	451,789	451,789
Receivables from Exchange Transactions	45,036,390	45,998,831
Receivables from Non-exchange Transactions	16,891,165	16,891,165
Cash and Cash Equivalents	10,702,493	10,702,493
Current Portion of Operating Lease Receivables	4,542	4,542
Property, Plant and Equipment	806,483,601	781,633,578
Intangible Assets	61,377	61,377
Investment Property	78,577,109	78,577,109
Heritage Assets	6,959,273	6,959,273
Non-current Investments	25,329	25,329
Long-term Receivables	1,489	1,489
Operating Lease Receivables	7,473	7,473
Consumer Deposits	(2,269,439)	(2,269,439)
Payables from Exchange Transactions	(46,194,088)	(42,937,518)
Payables from Non-exchange Transactions	(3,539,875)	(3,539,875)
Unspent Conditional Grants and Receipts	(3,857,622)	(3,857,622)
VAT Payable	(3,778,650)	(4,974,347)
Bank Overdraft	(7,918,255)	(7,254,599)
Current Portion of Long-term Liabilities	(3,433,193)	(3,433,193)
Current Portion of Retirement Benefit Liabilities	(1,510,647)	(1,510,647)
Long-term Liabilities	(4,702,175)	(4,702,175)
Employee Benefit Liabilities	(36,197,938)	(36,197,938)
Non-current Provisions	(42,731,906)	(8,012,647)
Accumulated Surplus - Opening Balance	(864,234,132)	(864,234,132)
Accumulated Surplus - Prior Period Error	7,748,226	
Accumulated Surplus - Surplus (Loss) for the Year	47,417,665	41,609,684
	<u>0</u>	<u>0</u>

**Statement of Financial Performance:**

Finance Cost	3,763,615
Repairs and maintenance	(1,896,098)
Service charges	1,418,338
Depreciation and amortisation	2,450,752
Impairment losses	348
Gains/losses with disposals of assets	(226,819)
General expenses	95,087
Contracted Services	202,758
	<u>5,807,980</u>

The details of the reclassifications of correction of errors made are as follows:

**46.1 VAT input not claimed in previous years**

The municipality obtained the services of OMA Chartered Accountants for revenue enhancement purposes. The amount of R1 058 987.92 was discovered to have not been claimed for input VAT for the periods 1 July 2012 to 30 June 2016

The effect of the adjustment is as follows:

<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus	(1,058,988)	(1,058,988)
Increase / (decrease) in VAT Payable/Receivable	1,058,988	1,058,988
	<u>-</u>	<u>-</u>

**46.2 Finance cost incurred on overdue creditors account but never accounted for.**

The municipality incurred interest on their overdue Eskom account in the 2017 financial year, this was however not accounted for.

The effect of the adjustment is as follows:

<b>Statement of Financial Position:</b>		
(Increase) / decrease in Accumulated Surplus	918,023	-
(Increase) / decrease in Creditors from exchange transactions	(918,023)	(918,023)
	<u>-</u>	<u>-</u>
<b>Statement of Financial Performance:</b>		
Increase / (Decrease) in finance cost	-	918,023
	<u>-</u>	<u>-</u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>46.3 Dept. Labour invoices not previously accounted for.</b>		
The municipality incurred compensation fund expenditure in previous years which were never accounted for. This relates to the following financial years: 2010;2011;2013;2014;2015;2016		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	2,059,463	2,059,463
(Increase) / decrease in Creditors from exchange transactions	(2,059,463)	(2,059,463)
	<u>-</u>	<u>-</u>
<b>46.4 WIP additions previously allocated as expenditure</b>		
The municipality incurred expenditure capital in nature for project T1/2016 which was wrongfully allocated to repairs and maintenance.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(1,896,098)	-
Increase / (decrease) in Property, Plant & Equipment	1,896,098	1,896,098
Statement of Financial Performance:		
Increase / (Decrease) in repairs & maintenance	-	(1,896,098)
	<u>(0)</u>	<u>-</u>
<b>46.5 Allocation of pre-paid arrear payments from the unreconciled bank items</b>		
In the 2017 financial year, consumers paid amounts totalling R455,897.24 for their arrear accounts. This amount was paid over from Contour (the pre-paid electricity service provider) and was originally accounted for along with the other amounts received for pre-paid sales.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	455,897	-
Increase / (decrease) in cash and cash equivalents	(455,897)	(455,897)
Statement of Financial Performance:		
(Increase) / Decrease in service charges	-	455,897
	<u>-</u>	<u>-</u>
<b>46.6 Movements in the Fixed Asset Register</b>		
Whilst compiling the 2018 Fixed Asset Register (and sub-sequently the Annual Financial Statements) it came to light that retrospective corrections were needed to me made. These included the effect of assets being verified in the 2018 financial year which were already written off in the previous years as well as the effect of taking a more comprehensive approach with regards to calculations pertaining to the accounting for landfill sites.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(23,041,936)	(25,266,216)
Increase / (decrease) in PPE	23,041,936	23,041,936
Statement of Financial Performance:		
(Increase) / Decrease in gains with disposal of PPE	-	(226,819)
Increase / (Decrease) in depreciation and amortisation	-	2,450,752
Increase / (Decrease) in impairment losses	-	348
	<u>0</u>	<u>0</u>
<b>46.7 Expenditure previously wrongfully accounted for as PPE</b>		
Expenditure previously wrongfully accounted for as PPE		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
Increase / (decrease) in PPE	(2,188)	(2,188)
(Increase) / decrease in Accumulated Surplus	2,188	2,188
	<u>-</u>	<u>-</u>
<b>46.8 Provision for landfill sites was wrongfully accounted for under PPE</b>		
Whilst compiling the 2017 AFS, a journal was written to account for prior 2017 movements in the landfill sites provision. This journal was written once against the long term provisions which were correct, but was written a second time against PPE which were incorrect. The prior period error relates to the journal posted against PPE.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	129,744	129,744
Increase / (decrease) in PPE	(129,744)	(129,744)
	<u>-</u>	<u>-</u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>46.9 Accounting for movement in prior years Provision for Landfill Sites</b>		
During the 2018's calculation for provision for landfill site, the municipality noticed the provision made for prior years had changed due to ammendments in the calculations thereof.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	35,633,936	31,873,667
Increase / (decrease) in Non Current Provisions	(35,633,936)	(34,719,259)
Statement of Financial Performance:		
Increase / (Decrease) in finance cost	-	2,845,592
	<u>-</u>	<u>-</u>
<b>46.10 VAT Payment made not previously allocated</b>		
The municipality made a payment to SARS for the 2016/02 VAT return. This payment went through the bank but was never allocated from the unreconciled items of the bank account.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in VAT	112,672	112,672
Increase / (decrease) in Cash and cash equivalents	(112,672)	(112,672)
	<u>-</u>	<u>-</u>
<b>46.11 Retentions not accounted for previously</b>		
Retentions to the amount of R43,921.72 on contract T1/2016 in 2017 was not accounted for.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
Increase / (decrease) in PPE	43,922	43,922
(Increase) / decrease in Creditors from exchange transactions	(43,922)	(43,922)
	<u>-</u>	<u>-</u>
<b>46.12 Expenditure not cleared form unreconciled bank items.</b>		
During the 2017 financial year the municipality incurred expenses towards fleet cards and credit cards. These expenditure items were however never allocated.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	95,087	-
Increase / (decrease) in Cash and cash equivalents	(95,087)	(95,087)
Statement of Financial Performance:		
Increase / (Decrease) in General expenses	-	95,087
	<u>-</u>	<u>-</u>
<b>46.13 Expenditure wrongfully captured in the 2018 AFS in stead of the 2017 AFS</b>		
During the 2017 financial year the municipality incurred expenses towards the drafting of the AFS. This expenditure was however only captured in the 2018 AFS.		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(175,770)	-
(Increase) / decrease in Creditors from Exchange Transactions	196,028	(196,028)
Increase / (decrease) in VAT Payable/Receivable	(20,258)	20,258
Statement of Financial Performance:		
Increase / (Decrease) in Contracted Services	-	175,770
	<u>-</u>	<u>-</u>
<b>46.14 Correction of Unmetered Consumption</b>		
During the 2017 financial year the municipality wrongfully included pre-paid electricity to calculate the unmetered consumption		
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	962,441	-
Increase / (decrease) in Receivables From Exchange Transactions	(962,441)	(962,441)
Statement of Financial Performance:		
(Increase) / Decrease in Service Charges	-	962,441
	<u>-</u>	<u>-</u>
<b>46.15 Expenditure captured in wrong year</b>		
During the 2017 financial year the municipality incurred expenditure for Sol Plaatjie Traffic Systems. This expenditure was however only accounted for in 2018		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
The effect of the adjustment is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	26,988	
Increase / (decrease) in VAT Payable/Receivable		3,778
(Increase) / decrease in Payables From Exchange Transactions		(30,766)
Statement of Financial Performance:		
(Increase) / Decrease in Contracted Services	(26,988)	26,988
	<u>-</u>	<u>-</u>

**46.16 Expenditure captured in wrong year**

During the 2016 financial year the municipality incurred expenditure for SALGA. This expenditure was however only accounted for in 2018

The effect of the adjustment is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	8,368	(8,368)
(Increase) / decrease in Payables From Exchange Transactions	(8,368)	8,368
Statement of Financial Performance:		
(Increase) / Decrease in Contracted Services		
	<u>-</u>	<u>-</u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>47. CHANGE IN ESTIMATE</b>		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2018. Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well, this effect is however not quantified as estimating it is impracticable. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(1,196,967)	(828,394)
Increase / (Decrease) in Amortisation due to adjustments to Useful Lives of Intangible Assets	-	(674,679)
<b>Increase / (Decrease) in Depreciation of PPE</b>	<b><u>(1,196,967)</u></b>	<b><u>(1,503,073)</u></b>
Depreciation and Amortisation as previously stated	63,952,258	63,082,265
Adjustment due to Change in Accounting Estimate	(1,196,967)	(1,503,073)
<b>Depreciation and Amortisation as per Note 35</b>	<b><u>62,755,291</u></b>	<b><u>61,579,192</u></b>
<b>48. CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	(43,360,670)	(57,254,390)
Adjustment for:		
Depreciation and Amortisation	62,755,291	61,579,192
Impairment Losses on Property, Plant and Equipment	(344,099)	368,038
Losses / (Gains) on Disposal of Property, Plant and Equipment	349,572	273,079
Fair Value adjustment of Investment Property	-	(714,600)
Fair Value adjustment of Non-current Investment	(2,725)	791
Profit on Sale of Land	1,595,030	2,325
Contribution to Retirement Benefit Liabilities	212,717	(3,237,967)
Contribution to Non-current Provisions	4,204,821	39,215,754
Contribution to Long Service Awards Liability	-	-
Contribution to Impairment Provision	-	-
<b>Operating surplus before working capital changes</b>	<b><u>25,409,938</u></b>	<b><u>40,232,222</u></b>
Decrease / (Increase) in Inventories	(2,069)	(74,462)
Decrease / (Increase) in Receivables from Exchange Transactions	(11,974,509)	(14,815,113)
Decrease / (Increase) in Receivables from Non-exchange Transactions	2,803,648	(21,967,831)
Decrease / (Increase) in Operating Lease Assets	-	1,714
Increase / (Decrease) in Consumer Deposits	76,133	76,791
Increase / (Decrease) in Payables from Exchange Transactions	20,527,041	6,633,151
Increase / (Decrease) in Payables from Non-exchange Transactions	48,152	1,759,064
Increase / (Decrease) in Conditional Grants and Receipts	(293,759)	(1,138,854)
Increase / (Decrease) in Payables from VAT Payable	(683,015)	89,864
<b>Cash generated by / (utilised in) Operations</b>	<b><u>35,911,560</u></b>	<b><u>10,796,546</u></b>
<b>49. NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
During the 2018 financial year, the Municipality acquired R44 643 (2017: R9 497 458) of equipment under a finance lease. This acquisition will be reflected in the Cash Flow Statement over the term of the finance lease via lease repayments.		
<b>50. FINANCING FACILITIES</b>		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	(437,253)	(3,335,589)
- Amount unused / (Overspent)	2,437,253	5,335,589
	<b><u>2,000,000</u></b>	<b><u>2,000,000</u></b>
Unsecured Credit Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	50,000	50,000
	<b><u>50,000</u></b>	<b><u>50,000</u></b>
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	-	-
- Amount unused	800,000	800,000
	<b><u>800,000</u></b>	<b><u>800,000</u></b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>51. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities (See Note 19)	4,747,099	8,135,368
Used to finance Property, Plant and Equipment - at cost	(4,747,099)	(1,684,168)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities	-	-
<b>Cash invested for Repayment of Long-term Liabilities</b>	<b>-</b>	<b>-</b>

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

**52. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**52.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	76,893,986	236,890,706
Unauthorised Expenditure current year	31,744,135	76,893,986
Written off by Council	-	(236,890,706)
Unauthorised Expenditure awaiting authorisation	<b>108,638,121</b>	<b>76,893,986</b>

Incident	Disciplinary Steps / Criminal Proceedings
Budgeted votes exceeded:-	Council to write off expenditure.
Unknown - R32,160 (R0)	
Executive and Council - R6 335 883 (R1 486 419)	
Finance and Administration - R1 378 718 (R4 458 260)	
Planning and Development - R2 633 883 (R3 417 403)	
Community and Social Services - R5 930 191 (8 062 651)	
Roads and Transport - R0 (R5 712 714)	
Other - R537 853 (R726 738)	
Housing - R1 290 329 (R1 422 246)	
Waste Management - R648 735 (R7 667 873)	
Electricity - R12 956 383 (R25 169 522)	
Water - R0 (R20 256 578)	

**52.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1,859,480	1,375,886
Fruitless and Wasteful Expenditure current year	2,856,799	1,859,480
Written off by Council	-	(1,375,886)
Fruitless and Wasteful Expenditure awaiting to be written off	<b>4,716,279</b>	<b>1,859,480</b>

Incident	Disciplinary Steps / Criminal Proceedings
Interest paid to Creditors on overdue accounts - R 2 856 799 (2017: R 1 859 480)	

**52.3 Irregular Expenditure**

Reconciliation of Irregular Expenditure:

Opening balance	8,592,680	69,170,694
Irregular Expenditure current year	25,308,807	8,592,680
Irregular Expenditure of prior years identified in current year	2,859,000	-
Written off by Council	-	(69,170,694)
Irregular Expenditure awaiting to be written off	<b>36,760,487</b>	<b>8,592,680</b>

Incident	Disciplinary Steps / Criminal Proceedings
The Irregular Expenditure identified was inspected and it can be categorised as follows:	Council to write off expenditure.
The required number of quotations (3) were not obtained. These items were also not reported to council as a deviation during the financial year and is therefore irregular = R638 311	
Contracts were not in place for service providers. This amounted to irregular expenditure of R27 529 495	

The Municipality is still in process of ensuring the completeness of its Irregular Expenditure (as disclosed above), as this an on-going process.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R	
<b>53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>			
<b>53.1 Contributions to organised local government - SALGA</b>			
Opening Balance	125,148	-	
Council Subscriptions	716,112	697,773	
Amount Paid - current year	(537,084)	(572,625)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>304,176</b>	<b>125,148</b>	
<b>53.2 Audit Fees</b>			
Opening Balance	(0)	-	
Current year Audit Fee	3,151,741	2,397,315	
Amount Paid - current year	(682,067)	(2,397,315)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>2,469,674</b>	<b>(0)</b>	
<b>53.3 VAT</b>			
The net of VAT input payables and VAT output receivables are shown in Note 19. All VAT returns have been submitted by the due date throughout the year.			
<b>53.4 PAYE, Skills Development Levy and UIF</b>			
Opening Balance	(0)	-	
Current year Payroll Deductions	10,182,600	9,498,574	
Amount Paid - current year	(10,182,600)	(9,498,574)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>(0)</b>	<b>(0)</b>	
<b>53.5 Pension and Medical Aid Deductions</b>			
Opening Balance	-	-	
Current year Payroll Deductions and Council Contributions	15,880,823	15,239,898	
Amount Paid - current year	(15,880,823)	(15,239,898)	
Amount Paid - previous years	-	-	
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>	
<b>53.6 Councillor's arrear Consumer Accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
<b>30 June 2018</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Van Wyk PD	27,534	2,855	24,679
Councillor Hoffman SJ	5,714	2,185	3,529
Councillor Mhlauti PP	12,121	1,937	10,184
Councillor Vanel D	11,350	1,624	9,726
Councillor Louw CJ	3,678	1,253	2,424
Councillor Faul RR	17,619	110	17,509
<b>Total Councillor Arrear Consumer Accounts</b>	<b>78,016</b>	<b>9,965</b>	<b>68,051</b>
<b>30 June 2017</b>	<b>Total</b>	<b>Outstanding up to 90 days</b>	<b>Outstanding more than 90 days</b>
Councillor Van Wyk PD	35,900	3,862	32,039
Councillor Faul RR	16,283	1,530	14,753
Councillor Swanepoel B	14,194	527	13,667
Councillor Vanel D	14,258	1,393	12,866
Councillor Louw CJ	11,784	1,196	10,589
Councillor Swanepoel F	11,436	937	10,499
Councillor Mhlauti PP	11,106	1,393	9,713
Councillor Nyl GL	10,598	1,911	8,688
Councillor Hoffman SJ	9,123	2,278	6,845
<b>Total Councillor Arrear Consumer Accounts</b>	<b>134,684</b>	<b>15,025</b>	<b>119,659</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R

2017  
R

**53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
<b>30 June 2018</b>		
Councillor Van Wyk PD	30,010	> 90 days
Councillor Hoffman SJ	8,123	> 90 days
Councillor Mhlauti PP	10,216	> 90 days
Councillor Vanel D	12,414	> 90 days
Councillor Louw CJ	9,958	> 90 days
Councillor Faul RR	17,582	> 90 days
	Highest amount outstanding	Ageing
<b>30 June 2017</b>		
Councillor Van Wyk PD	36,720	> 90 days
Councillor Louw CJ	17,344	> 90 days
Councillor Faul RR	16,283	> 90 days
Councillor Vanel D	16,066	> 90 days
Councillor Swanepoel B	14,767	> 90 days
Councillor Hoffman SJ	12,932	> 90 days
Councillor Swanepoel F	12,224	> 90 days
Councillor Mhlauti PP	11,517	> 90 days
Councillor Nyl GL	10,688	> 90 days

**53.7 Non-Compliance with the Municipal Finance Management Act**

The Municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:

Description	Chapter	Section	Sub-section
General Responsibilities	7	52	(d)
Revenue Management	8	64	(3)
Monthly Budget Statements	8	71	(i) to (v)
Mid-year Budget and Performance Assessment	8	72	(1) to (3)
Information to be placed on Websites of Municipalities	8	75	(1) to (2)
The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.		122	(1)
Money owed by the municipality was not always paid within 30 days.		65	(2)
Reasonable steps were not taken to prevent irregular, fruitless and wasteful and unauthorised expenditure		62	(1)
The municipality did not establish an investment policy that was adopted by council		13	2
Supply Chain Management Policy to comply with Prescribed Framework	11	112	

**53.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
Deviations for the month was largely due to the fact that services required was of specialized nature that could only be performed by one service provider. Other deviations occurred due to service providers who provided quotes, were not able to deliver all requirements.	July 2017	Various Suppliers	76,981	45,433	122,414.55
The biggest deviating factor for the month was due to timeframe constraints. The server required immediate attention and deviations occurred because of this. Other deviations were due to not all service providers who provided quotes being able to deliver on all requirements.	August 2017	Various Suppliers	172,721	40,509	213,229.51
Deviations pre-dominantly occurred due to the fact that services required were only able to be delivered by less than the required 3 service providers and thus less than 3 quotes were obtained.	September 2017	Various Suppliers	125,097	13,986	139,083.84
Deviations for the month was largely due to the fact that services required was of specialized nature that could only be performed by one service provider. Other deviations occurred due to service providers who provided quotes, were not able to deliver all requirements as well as time constraints on services required.	October 2017	Various Suppliers	99,176	6,422	105,598.15
Deviations for the month was largely due to the fact that services required was of specialized nature that could only be performed by one service provider. Other deviations occurred due to service providers who provided quotes, were not able to deliver all requirements as well as time constraints on services required.	November 2017	Various Suppliers	83,406	5,092	88,497.46
Deviations occurred due to the fact that not all service providers who quoted are registered on the CSD. In other instances less than 3 service providers provided quotes.	December 2017	Various Suppliers	94,643	5,928	100,570.76
None were identified	January 2018	N.A.	-	-	-
Deviations for the month was largely due to the fact that services required was of specialized nature that could only be performed by one service provider. Other deviations occurred due to service providers who provided quotes, were not able to deliver all requirements.	February 2018	Various Suppliers	145,615	-	145,615.29



**EMTHANJENI LOCAL MUNICIPALITY**  
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2018  
R

2017  
R

**53. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**

Reasons	Month	Successful Bidder	One Quotation	Two Quotations	Total
Contributing towards deviations for the month was the immediate repairs required to a service vehicle used in the electrical department. Other deviations occurred due to the specialized nature of the service required and the lack of service providers able to perform these services.	March 2018	Various Suppliers	217,888	4,300	222,187.71
Deviations occurred due to the fact that not all service providers who quoted are registered on the CSD. Other deviations are due to the fact the original service provider (i.e. the installers of the alarm systems) are the only ones able to repair it.	April 2018	Various Suppliers	81,212	8,500	89,712.48
The biggest contributing factor towards deviations for the month was due to an original bidder appointed to deliver a service pulling out. This resulted in the timeframe of the required service becoming a problem due to the immediate requirement thereof. 2 quotes were received.	May 2018	Various Suppliers	81,382	194,707	276,088.82
Due to, amongst others, the slow delivery of some service providers, the municipality decided to deviate because the service was needed urgently.	June 2018	Various Suppliers	92,855	29,371	122,226.20

**53.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA**

Material Electricity and Water Losses were as follows and are not recoverable:

**Electricity:**

		Lost Units	Tariff	Value
<b>30 June 2018</b>	Unaccounted Electricity Losses	<u>15,066,448</u>	<u>0.9762</u>	<u>14,707,508</u>
<b>30 June 2017</b>	Unaccounted Electricity Losses	<u>11,423,590</u>	<u>0.9700</u>	<u>11,080,882</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

**Volumes in kWh/year:**

System Input Volume	58,769,142	58,223,924
Billed Consumption	<u>43,702,694</u>	<u>46,800,334</u>
Unaccounted	15,066,448	11,423,590
Normal distribution losses - % of electricity purchases	<u>(4,701,531)</u>	<u>(4,657,914)</u>
Distribution Loss	<u>10,364,917</u>	<u>6,765,676</u>
Percentage Distribution Loss	17.64%	11.62%

**Water:**

		Lost Units	Tariff	Value
<b>30 June 2018</b>	Unaccounted Water Losses	<u>904,346</u>	<u>1.0739</u>	<u>971,160</u>
<b>30 June 2017</b>	Unaccounted Water Losses	<u>712,371</u>	<u>1.0077</u>	<u>717,856</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

**54. COMMITMENTS FOR EXPENDITURE**

**54.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

- **Approved and Contracted for:-**  
*Infrastructure*

	<u>16,653,622</u>	<u>7,074,473</u>
	<u>16,653,622</u>	<u>7,074,473</u>
<b>Total Capital Commitments</b>	<u>16,653,622</u>	<u>7,074,473</u>

This expenditure will be financed from:

Government Grants	16,653,622	7,074,473
Own Resources	-	-
	<u>16,653,622</u>	<u>7,074,473</u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**2018**  
**R**                      **2017**  
**R**

**54. COMMITMENTS FOR EXPENDITURE (continued)**

**54.2 Lease Commitments**

Non-cancellable Operating Lease Commitments are disclosed in Note 7.

**54.3 Other Commitments**

The Municipality has entered into a contract with E-Valuations for the compilation of the valuation roll and supplementary valuation rolls and the maintenance of all properties in the municipal areas of jurisdiction for the financial 1 July 2017 to 30 June 2022. At yearend, the remaining contract value amounted to R166 343 (2017: R166 343).

The Municipality furthermore entered into a contract with OMA Chartered Accountants for the review and identification of possible VAT savings. To date no savings have been claimed and the Municipality does not have any outstanding commitment in respect to the contractor.

The Municipality has entered into a contract with Ignite Advisory Services for the Performance management system in Emthanjani Municipality. At yearend, the remaining contract value amounted to R0 (2017: R53 363).

The municipality has entered into a contract with PBICT Media and Publishing (Pty) Ltd for the performing of the employee wellness program. At yearend, the remaining contract value was R5,387,908 (2017: R0)

**55. FINANCIAL INSTRUMENTS**

**55.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the Municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
<b>Non-current Investments</b>			
Listed Investments	Fair value	28,054	25,329
<b>Long-term Receivables</b>			
Other Loans	Amortised cost	1,601	1,489
<b>Receivables from Exchange Transactions</b>			
Electricity	Amortised cost	12,086,101	9,950,112
Refuse	Amortised cost	4,628,049	4,865,818
Town Commonage	Amortised cost	26,292	55,583
Rental of municipal buildings	Amortised cost	76,361	60,068
Sewerage	Amortised cost	10,435,671	9,333,335
Water	Amortised cost	29,681,330	20,681,965
Other Receivables	Amortised cost	77,097	89,511
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	5,725,672	6,550,291
Payments made in Advance	Amortised cost	-	-
Sundry Deposits	Amortised cost	980,695	985,765
Sundry Debtors	Amortised cost	7,381,150	9,355,110
<b>Cash and Cash Equivalents</b>			
Call Deposits	Amortised cost	4,066,612	77,092
Notice Deposits	Amortised cost	8,482,603	9,610,662
Bank Balances	Amortised cost	274,347	1,012,139
Cash Floats and Advances	Fair value	2,690	2,600
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial Assets at Amortised Cost:</b>			
Long-term Receivables	Other Loans	1,601	1,489
Receivables from Exchange Transactions	Electricity	12,086,101	9,950,112
Receivables from Exchange Transactions	Refuse	4,628,049	4,865,818
Receivables from Exchange Transactions	Sewerage	10,435,671	9,333,335
Receivables from Exchange Transactions	Town Commonage	26,292	55,583
Receivables from Exchange Transactions	Rental of municipal buildings	76,361	60,068
Receivables from Exchange Transactions	Water	29,681,330	20,681,965
Receivables from Exchange Transactions	Other Debtors	77,097	89,511
Receivables from Non-exchange Transactions	Assessment Rates Debtors	5,725,672	6,550,291
Receivables from Non-exchange Transactions	Payments made in Advance	-	-
Receivables from Non-exchange Transactions	Sundry Deposits	980,695	985,765
Receivables from Non-exchange Transactions	Sundry Debtors	7,381,150	9,355,110

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

		2018 R	2017 R
<b>55. FINANCIAL INSTRUMENTS (continued)</b>			
Cash and Cash Equivalents	Call Deposits	4,066,612	77,092
Cash and Cash Equivalents	Notice Deposits	8,482,603	9,610,662
Cash and Cash Equivalents	Bank Balances	274,347	1,012,139
		<u>83,923,579</u>	<u>72,628,937</u>
<b>Financial Assets at Fair Value:</b>			
Non-current Investments	Listed Investments	28,054	25,329
Cash and Cash Equivalents	Cash Floats and Advances	2,690	2,600
		<u>30,744</u>	<u>27,929</u>
<b>Total Financial Assets</b>		<u><b>83,954,323</b></u>	<u><b>72,656,866</b></u>
<b>FINANCIAL LIABILITIES:</b>			
In accordance with GRAP 104.13 the Financial Liabilities of the Municipality are classified as follows:			
	<u><b>Financial Liabilities</b></u>	<u><b>Classification</b></u>	
<b>Long-term Liabilities</b>			
Finance Leases	Amortised cost	1,013,267	4,702,175
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	11,985,921	3,332,725
Payments Received in Advance	Amortised cost	5,403,724	5,781,291
Retentions	Amortised cost	2,366,091	662,859
Staff Bonuses	Amortised cost	2,340,968	2,291,457
Sundry Deposits	Amortised cost	337,652	321,751
Other Creditors	Amortised cost	18,451,627	11,191,946
Salary Control Account	Amortised cost	(4,459)	(966)
Accrued Leave	Amortised cost	6,747,346	5,715,647
<b>Payables from Non-exchange Transactions</b>			
Payments Received in Advance	Amortised cost	3,588,027	3,539,875
<b>Bank Overdraft</b>			
Bank Overdraft	Amortised cost	(9,882,893)	(7,918,255)
<b>Current Portion of Long-term Liabilities</b>			
Finance Leases	Amortised cost	(3,733,833)	(3,433,193)
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial Liabilities at Amortised Cost:</b>			
Long-term Liabilities	Finance Leases	1,013,267	4,702,175
Payables from Exchange Transactions	Trade Creditors	11,985,921	3,332,725
Payables from Exchange Transactions	Payments Received in Advance	5,403,724	5,781,291
Payables from Exchange Transactions	Retentions	2,366,091	662,859
Payables from Exchange Transactions	Staff Bonuses	2,340,968	2,291,457
Payables from Exchange Transactions	Sundry Deposits	337,652	321,751
Payables from Exchange Transactions	Other Creditors	18,451,627	11,191,946
Payables from Exchange Transactions	Salary Control Account	(4,459)	(966)
Payables from Exchange Transactions	Accrued Leave	6,747,346	5,715,647
Payables from Non-exchange Transactions	Payments Received in Advance	3,588,027	3,539,875
Bank Overdraft	Bank Overdraft	(9,882,893)	(7,918,255)
Current Portion of Long-term Liabilities	Finance Leases	(3,733,833)	(3,433,193)
		<u>38,613,439</u>	<u>26,187,313</u>
<b>Total Financial Liabilities</b>		<u><b>38,613,439</b></u>	<u><b>26,187,313</b></u>

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018	2017
R	R

**55. FINANCIAL INSTRUMENTS (continued)**

**55.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Long-term Investments**

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

**Loan Receivables/Payables**

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the Municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the Municipality and other parties as well as the current payment ratios of the Municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the Municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2018, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the Municipality have been reclassified during the year.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

**Level 1:-**

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

**Level 2:-**

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:-**

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

			2018 R	2017 R
<b>55. FINANCIAL INSTRUMENTS (continued)</b>				
<b>30 June 2018</b>	<b>Level 1 R</b>	<b>Level 2 R</b>	<b>Level 3 R</b>	<b>Total R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Listed Investments	28,054	-	-	28,054
Cash and Cash Equivalents	-	2,690	-	2,690
<b>Total Financial Assets</b>	<b>28,054</b>	<b>2,690</b>	<b>-</b>	<b>30,744</b>
<b>Total Financial Instruments</b>	<b>28,054</b>	<b>2,690</b>	<b>-</b>	<b>30,744</b>
<b>30 June 2017</b>	<b>Level 1 R</b>	<b>Level 2 R</b>	<b>Level 3 R</b>	<b>Total R</b>
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Listed Investments	25,329	-	-	25,329
Cash and Cash Equivalents	-	2,600	-	2,600
<b>Total Financial Assets</b>	<b>25,329</b>	<b>2,600</b>	<b>-</b>	<b>27,929</b>
<b>Total Financial Instruments</b>	<b>25,329</b>	<b>2,600</b>	<b>-</b>	<b>27,929</b>

**55.3 Capital Risk Management**

The Municipality manages its capital to ensure that the Municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The Municipality's overall strategy remains unchanged from 2010.

The capital structure of the Municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 19, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

**Gearing Ratio**

In terms of the Municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95.00%, reducing 90.00%. This aggressive ratio is as a result of the development challenges faced by the Municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	4,747,099	8,135,368
Cash and Cash Equivalents	2,943,359	2,784,237
Net Debt	<b>7,690,458</b>	<b>10,919,605</b>
Equity	<b>765,707,571</b>	<b>809,068,240</b>
<b>Net debt to equity ratio</b>	<b>1.00%</b>	<b>1.35%</b>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the Municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**55.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018	2017
R	R

**55. FINANCIAL INSTRUMENTS (continued)**

Due to the largely non-trading nature of activities and the way in which they are financed, Municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The Municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the Municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**55.5 Significant Risks**

It is the policy of the Municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the Municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the Municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the Municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 56.8 to the Annual Financial Statements.

**55.6 Market Risk**

The Municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

**55.6.1 Foreign Currency Risk Management**

The Municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018	2017
R	R

**55. FINANCIAL INSTRUMENTS (continued)**

**55.6.2 Interest Rate Risk Management**

*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.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The Municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The Municipality is not exposed to credit interest rate risk as the Municipality has no borrowings.

The Municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 56.8 below:

***Cash and Cash Equivalents:***

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Municipality's:

Surplus for the year ended 30 June 2018 would have increased / decreased by R267 (2017: R257). This is mainly attributable to the Municipality's exposure to interest rates on its variable rate investments.

**55.7 Credit Risk Management**

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Municipality. The Municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Municipality uses its own trading records to assess its major customers. The Municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The Municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The Municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the Municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>55. FINANCIAL INSTRUMENTS (continued)</b>		
<p>The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:</p> <ul style="list-style-type: none"> <li>• The application of section 118(3) of the Municipal Systems Act (MSA), which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;</li> <li>• A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;</li> <li>• The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;</li> <li>• The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;</li> <li>• Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.</li> </ul> <p>There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.</p> <p>The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.</p> <p>Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.</p> <p>Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.</p> <p>The Municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.</p> <p>The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:</p>		
Fixed Deposit Investments	28,054	25,329
Long-term Receivables	1,601	1,489
Receivables from Exchange Transactions	57,010,900	45,036,390
Receivables from Non-exchange Transactions	14,087,517	16,891,165
Bank, Cash and Cash Equivalents	2,943,359	2,784,237
<b>Maximum Credit and Interest Risk Exposure</b>	<b>74,071,430</b>	<b>64,738,611</b>
<p>The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:</p>		
	%	%
Consumer Debtors:		
- Household	88.25%	85.35%
- Industrial / Commercial	4.88%	5.65%
- National and Provincial Government	6.87%	9.00%
- Other Classes	0.00%	0.00%
<b>Total Credit Risk</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Bank and Cash Balances</b>		
ABSA Bank Ltd	(1,350,430)	2,574,517
First National Bank	2,344	2,592
Nedbank	144,054	42,634
Standard Bank	250,544	154,443
Cash Equivalents	2,690	2,600
<b>Total Bank and Cash Balances</b>	<b>(950,798)</b>	<b>2,776,786</b>
<b>Credit quality of Financial Assets:</b>		



**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>55. FINANCIAL INSTRUMENTS (continued)</b>		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>Long-term Receivables</b>		
Group 1	1,601	1,489
<b>Total Long-term Receivables</b>	<u><u>1,601</u></u>	<u><u>1,489</u></u>
<b>Receivables from Exchange Transactions</b>		
Counterparties without external credit rating:-		
Group 1	3,915,667	4,138,884
Group 2	53,095,233	41,859,948
Group 3	91,170,597	82,844,883
	<u><u>148,181,497</u></u>	<u><u>128,843,715</u></u>
<b>Total Receivables from Exchange Transactions</b>	<u><u>148,183,098</u></u>	<u><u>128,845,204</u></u>
<b>Receivables from Non-exchange Transactions</b>		
Group 1	2,889,190	4,188,438
Group 2	2,836,481	2,361,851
Group 3	35,565,794	25,040,996
<b>Total Receivables from Non-exchange Transactions</b>	<u><u>41,291,465</u></u>	<u><u>31,591,286</u></u>

**Credit quality Groupings:**

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

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

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**55. FINANCIAL INSTRUMENTS (Continued)**

**55.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term funding and liquidity management requirements. The Municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 50 is a listing of additional undrawn facilities that the Municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The Municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2018</b>								
Non-interest Bearing			70,309,157	70,309,157				
- Payables from Exchange transactions	15	0.00%	66,721,130	66,721,130				
- Payables from Non-exchange transactions	16	0.00%	3,588,027	3,588,027				
Variable Interest Rate Instruments			15,234,383	12,017,636	2,134,743	1,065,602	16,402	-
- Bank Overdraft	5	9.50%	9,882,893	9,882,893	-	-	-	-
- Fintec	19	Various	210,136	105,068	105,068	-	-	-
- Absa Vehicle Management Solutions	19	Various	4,999,980	1,999,992	1,999,992	999,996	-	-
- Tshimologong Technologies	19	124.44%	141,373	29,683	29,683	65,606	16,401.53	-
			<b>85,543,540</b>	<b>82,326,793</b>	<b>2,134,743</b>	<b>1,065,602</b>	<b>16,402</b>	<b>-</b>
<b>30 June 2017</b>								
Non-interest Bearing			46,477,393	46,477,393	-	-	-	-
- Payables from Exchange transactions	15	0.00%	42,937,518	42,937,518	-	-	-	-
- Payables from Exchange transactions	16	0.00%	3,539,875	3,539,875	-	-	-	-
Variable Interest Rate Instruments			17,433,605	9,496,817	2,242,218	4,463,043	1,231,526	-
- Bank Overdraft	5	9.50%	7,254,599	7,254,599	-	-	-	-
- Fintec			1,179,041	242,226	242,226	463,059	231,530	-
- Absa Vehicle Management Solutions	19	Various	8,999,965	1,999,992	1,999,992	3,999,984	999,996.06	-
			<b>63,910,998</b>	<b>55,974,210</b>	<b>2,242,218</b>	<b>4,463,043</b>	<b>1,231,526</b>	<b>-</b>

The Municipality has access to financing facilities, the total unused amount which is R2 437 253 (2017: R121 265), at the reporting date. The Municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The Municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

**55.9 Other Price Risks**

The Municipality is not exposed to equity price risks arising from equity investments as the Municipality does not trade these investments.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**2018**  
**R**

**2017**  
**R**

**56. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) 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.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the Municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R8 158 283 (2016: R8 305 802) represents contributions payable to these plans by the Municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED CONTRIBUTION SCHEMES**

**Cape Joint Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the investment reserve of the fund amounted to R1,967 (30 June 2012: R0) million, with a funding level of 99.7% (30 June 2012: 99.4%). The contribution rate paid by the members (9.00%) and the municipalities (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

**Cape Joint Retirement Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2015.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R18,322 (30 June 2014: R17,212 million, with funding levels of 112.1% and 100.0% (30 June 2014: 112.6% and 99.9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7.50%) and the municipalities (19.50%) is sufficient to fund the benefits accruing

**Municipal Councillors Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R1 310,754 (30 June 2009: R1 357,463) million. The contribution rate paid by the members (13.75%) and the municipalities (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018      2017  
R           R

**56. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (continued)**

**SALA Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R10 439.2 (30 June 2012: R8 753.4) million, with funding levels of 100.0% (30 June 2012: 100.0%). The contribution rate paid by the members (8.6%) and Council (20.78%) is sufficient to fund the benefits accruing from the fund in the future.

**SAMWU Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R2 445.9 (30 June 2005: R1 511.5) million, with funding levels of 100.0% (30 June 2009: 100.0%). The contribution rate paid by the members (7.50%) and Council (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

**57. RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**57.1 Interest of Related Parties**

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Manuel MF	Director: Chief Financial Officer	Institute of Municipal Finance Officers (section 21 company)
Manuel MF	Director: Chief Financial Officer	Director - Qala Kancini Consultants
Jack JP	Director: Chief Financial Officer	Director - Qrs Ambulance Services
Appies CP	Director: Community Services	Director - Kca Trading Enterprise
Visser I	Municipal Manager	Director - Siyathemba Social Projects Development
Maramba MO	Councillor	Director - M And M Labour Solutions
Mhlauli PP	Councillor	Director - Ncedisa Bakery Primary Co-Operative Limited

**57.2 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Sundry Charges R	Service Charges R	Total Charges R
<b>For the Year ended 30 June 2018</b>				
Councillors	38,690	9,308	89,257	137,254
Municipal Manager and Section 57 Personnel	32,073	47,043	9,364	88,480
<b>Total Services</b>	<b>70,763</b>	<b>56,350</b>	<b>98,620</b>	<b>225,734</b>
<b>For the Year ended 30 June 2017</b>				
Councillors	34,173	7,449	79,769	121,391
Municipal Manager and Section 57 Personnel	17,272	77,189	8,643	103,104
<b>Total Services</b>	<b>51,445</b>	<b>84,637</b>	<b>88,412</b>	<b>224,495</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**57.3 Loans granted to Related Parties**

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

**57.4 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>57. RELATED PARTY TRANSACTIONS (continued)</b>		
<b>57.5 Purchases from Related Parties</b>		
During the 2018 financial year, the municipality acquired the services Imbokotho electrical civils. One of the municipal employees is the spouse of one of the directors of the entity.		
<b>58. CONTINGENT LIABILITIES</b>		
<b>Department of Safety and Liaison: Motor Registration Fees</b>	<b>1,981,493</b>	<b>1,137,668</b>
The Municipality received correspondence in 2018 from the Department of Safety and Liaison (DSL) informing us that the Municipality owes the DSL outstanding amounts for Motor Registration Fees. The amount that DSL claims that the Municipality owes, amounted to R3 879 377.		
The Municipality is disputing this claim as it has made regular and continuous payments to the DSL. Motor registration fees were deposited directly into the bank account of DSL.		
The Chief Financial Officers and delegations of both the EM and DSL met and previously agreed that a proper investigation should be conducted into these claims of outstanding fees.		
In the 2018 financial year, after thorough calculations and reconciliations performed for the year by the municipality and scrutinizing correspondence received from the DSL, it came to light that there is still a difference between the two parties relating to the amount felt that is owed at yearend. The municipality is putting reliance on their calculation and support as well as the fact that to date the DSL has not made their calculations available for scrutinization. The difference between the two amounts felt still outstanding by respective parties (R1 981 493) is thus disclosed as a contingent liability, pending a formal investigation.		
<b>Telkom SA Limited</b>	<b>35,568</b>	<b>35,568</b>
The Municipality has been summonsed for an amount of R35 568, plus interest at 15.5% per annum. The Municipality is busy addressing this matter.		
<b>Katy Sigonyela</b>	<b>50,000</b>	<b>50,000</b>
The Municipality is being sued by the abovementioned plaintiff for a erf paid for, but never transferred. The erf in question is Erf 405, Nonzwakazi. The Municipality is still investigating the matter.		
<b>Fujitsu</b>	<b>244,672</b>	<b>-</b>
The Municipality is being sued by the abovementioned plaintiff for licence fees. At yearend the municipality was still in conversation with Fujitsu with a possible conclusion nearing.		
<b>Actophambili Roads (Pty) Ltd</b>	<b>630,267</b>	<b>-</b>
The Municipality is being sued by the abovementioned plaintiff for professional fees delivered regarding a capital project. The Municipality is still investigating the matter.		
<b>59. CONTINGENT ASSETS</b>		
The Municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.		
<b>60. IN-KIND DONATIONS AND ASSISTANCE</b>		
The Municipality did not receive any In-kind Donations and Assistance during the year under review.		
<b>61. PRIVATE PUBLIC PARTNERSHIPS</b>		
The Municipality was not a party to any Private Public Partnerships during the year under review.		
<b>62. EVENTS AFTER THE REPORTING DATE</b>		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2018.		

**EMTHANJENI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018	2017
R	R

**63. COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 46).

**64. GOING CONCERN ASSESSMENT**

The following issues were identified pertaining to events or conditions that could cast doubt on the municipality's ability to remain a going concern:

- (a) Current liabilities exceed current assets - Although the current liabilities exceed the current assets, it needs to be kept in mind that the municipality had to re-allocate their previously disclosed inventory land to Investment property (Non Current Assets). Had this not been the case, the municipality would still be within the acceptable norm.
- (b) Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account.
- (c) Payment arrangement Eskom - The municipality currently has a payment arrangement with Eskom to settle outstanding debt. Based on previous years expenditure, the municipality will need to utilise some +- R60,000,000 of the available budget to service the Eskom creditor, this amount excludes amounts in arrears.
- (d) Bank account in overdraft - Due to the slow paying nature of the municipality's debtors, it had to utilize the overdraft facility from the bank in order to help settle creditors overdue accounts.

Partly as a result of the above, the municipality has awarded a tender to a service provider who'll amongst others be embarking on a rigorous revenue enhancement project. This entails for the mentioned service provider to physically inspect all consumers, ensuring completeness and correct classification of all debtors. They will also attempt to lessen leakages and or illegal connections by way of physical inspection. Furthermore, the municipality has recently started to enforce a strict in house debt collection policy, resulting in overdue debtors needing to settle a portion of their overdue accounts before re-connection can take place. These steps are taken to service the municipality's debt.

Management also considered the following mitigating matters relating to the Going Concern:

- (a) The Municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (b) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (c) As the Municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2017	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2018
	R				R	R	R	R
<b>FINANCE LEASES</b>								
Fintech	1,156,171	Various	Various	12/1/2018	618,887	-	417,051	201,836
Absa Vehicle Management Solutions	9,497,458	Various	Various	2019/09/01	7,516,481	-	3,016,142	4,500,339
Tshimologong Technologies	44,643	124.44%	Di380	9/1/2020	-	44,643	(281)	44,924
<b>Total Finance Leases</b>	<b>10,698,272</b>				<b>8,135,368</b>	<b>44,643</b>	<b>3,432,912</b>	<b>4,702,175</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>10,698,272</b>				<b>8,135,368</b>	<b>44,643</b>	<b>3,432,912</b>	<b>4,702,175</b>

**FINANCE LEASES:**

**Fintech Loans (Various):**

Structured secured 3 year finance leases for the purchase of IT equipment. Original finance lease amount of R1 156 171 and is repayable monthly in fixed instalments of capital and fixed rate interest (15.53%) of R40 371 .

**Absa Vehicle Management Solutions Finance Lease (Various):**

Structured secured 3 year finance leases for the lease of motor vehicles. Original finance lease amount of R9 497 456 and is repayable monthly in fixed instalments of capital and fixed rate interest (ranging from 7.93% to 26)% of approximately R282 997.

**Tshimologong Technologies**

Structured secured 3 year finance leases for the lease of office equipment. Original finance lease amount of R44 643 and is repayable monthly in fixed instalments of capital and fixed rate interest 124.44% of approximately R5 077.54.

**Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.**

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings											
Land	13,837,216	-	-	-	(9,630)	13,827,586	-	-	-	-	13,827,586
Buildings	205,332,202	-	-	235,000	-	205,567,202	106,241,427	5,529,359	-	111,770,785	93,796,416
Total	219,169,418	-	-	235,000	(9,630)	219,394,788	106,241,427	5,529,359	-	111,770,785	107,624,002
Infrastructure											
Electricity											
Electricity Network	192,681,361	12,752,414	-	-	-	205,433,775	129,928,580	4,895,863	-	134,824,443	70,609,332
Roads											
Roads and Stormwater Network	1,248,408,799	13,547,683	-	13,262,236	-	1,275,218,719	808,904,195	26,344,273	-	835,248,468	439,970,251
Solid Waste											
Landfill Sites	39,462,241	-	-	-	-	39,462,241	6,214,861	2,989,728	-	9,204,589	30,257,652
Sanitation											
Sewer Network	108,317,649	1,141,235	-	5,913,973	-	115,372,858	71,550,924	3,374,421	-	74,925,345	40,447,513
Water											
Water Network	312,390,995	480,996	-	5,558,377	-	318,430,368	231,462,195	14,635,919	-	246,098,114	72,332,254
Total	1,901,261,046	27,922,329	-	24,734,586	-	1,953,917,961	1,248,060,756	52,240,203	-	1,300,300,959	653,617,002
Leased Assets											
Office Equipment	1,156,171	44,643	-	-	-	1,200,814	602,898	397,744	-	1,000,642	200,172
Motor Vehicles	9,497,458	-	-	-	-	9,497,458	2,663,305	3,165,819	-	5,829,124	3,668,334
Total	10,653,629	44,643	-	-	-	10,698,272	3,266,203	3,563,563	-	6,829,766	3,868,506
Other Assets											
Computer Equipment											
Computer Hardware Including Operating Systems	2,424,667.38	778,890.86	-	-	-18,364.96	3,185,193.28	1,894,177.53	257,393.54	-9,159.47	2,142,411.60	1,042,781.68
Furniture And Office Equipment											
Advertising Boards	3,344,840.67	-	-	-	-	3,344,840.67	1,674,932.39	223,038.50	-	1,897,970.88	1,446,869.79
Air Conditioners Individual Fixed and Movable	472,096.43	13,050.00	-	-	-19,803.42	465,343.01	367,922.27	25,624.63	-15,647.60	377,899.29	87,443.72
Domestic and Hostel Furniture	60,426.00	-	-	-	-1,399.00	59,027.00	43,464.83	2,106.99	-1,230.48	44,341.34	14,685.66
Fixtures and Fittings	465,248.60	-	-	-	-80,410.00	384,838.60	379,152.21	15,643.22	-68,909.51	325,885.92	58,952.68
Office Equipment including Fax Machines	816,089.50	-	-	-	-23,340.00	792,749.50	660,017.42	35,030.42	-20,811.50	674,236.34	118,513.16
Office Furniture	3,113,931.00	145,548.20	-	-	-96,788.95	3,162,690.25	2,480,704.81	121,479.72	-80,299.03	2,521,885.50	640,804.75



**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R
Machinery and Equipment											
Audiovisual Equipment	213,699.23	22,125.00	-	-	-6,050.88	229,773.36	119,773.62	22,387.00	-4,367.49	137,793.14	91,980.22
Domestic Equipment (Non Kitchen Appliances)	132,674.58	11,885.96	-	-	-2,183.21	142,377.33	102,035.76	8,200.19	-2,004.06	108,231.89	34,145.44
Fire Arms	41,488.00	-	-	-	-9,872.00	31,616.00	33,748.89	1,525.29	-8,713.94	26,560.25	5,055.75
Fire Fighting Equipment	55,105.00	-	-	-	-4,000.00	51,105.00	47,246.88	1,000.50	-3,587.44	44,659.95	6,445.05
Gardening Equipment	154,326.91	-	-	-	-	154,326.91	129,280.52	3,772.74	-	133,053.26	21,273.65
Kitchen Appliances	166,491.24	-	-	-	-190.00	166,301.24	118,806.32	9,243.47	-171.00	127,878.78	38,422.45
Laboratory Equipment Agricultural	9,300.00	-	-	-	-	9,300.00	7,439.83	372.07	-	7,811.90	1,488.10
Laboratory Equipment Medical Testing	10,872.70	-	-	-	-	10,872.70	7,082.00	957.18	-	8,039.18	2,833.52
Machines For Textile Production	1,393.00	-	-	-	-	1,393.00	1,128.33	15.67	-	1,144.00	249.00
Medical and Allied Equipment	25,031.84	-	-	-	-	25,031.84	19,914.69	1,202.78	-	21,117.47	3,914.37
Meters Prepaid	19,027.58	-	-	-	-13,927.58	5,100.00	16,947.11	402.63	-12,444.03	4,905.71	194.29
Music Instruments	130,000.00	-	-	-	-	130,000.00	92,669.32	5,384.66	-	98,053.98	31,946.02
Pumps, Plumbing, Purification, Sanitation and Allied Equipment	60,368.36	-	-	-	-	60,368.36	52,956.70	1,341.29	-	54,297.98	6,070.38
Radio Equipment	100,884.79	-	-	-	-	100,884.79	51,272.11	10,902.99	-	62,175.10	38,709.70
Road Construction and Maintenance Equipment	4,998,440.83	-	-	-	-	4,998,440.83	2,773,182.26	311,704.03	-	3,084,886.30	1,913,554.53
Security and Access Control Units	129,178.92	-	-	-	-	129,178.92	73,687.56	8,337.36	-	82,024.92	47,154.00
Telecommunication Equipment	528,893.95	-	-	-	-	528,893.95	472,655.95	1,080.19	-	473,736.14	55,157.80
Workshop Equipment and Loose Tools Fixed	38,335.00	2,014.04	-	-	-	40,349.04	30,576.29	1,562.19	-	32,138.48	8,210.55
Workshop Equipment and Loose Tools Movable	894,482.29	-	-	-	-4,262.55	890,219.74	707,712.78	36,579.48	-2,013.69	742,278.57	147,941.18
Transport Assets											
Bicycles	2,400.00	-	-	-	-	2,400.00	2,400.00	-	-	2,400.00	-
Motor Vehicles	3,575,857.57	604,706.03	-	-	-520,906.97	3,659,656.63	1,839,567.77	143,740.44	-520,906.97	1,462,401.24	2,197,255.40
Trailers and Accessories	233,020.57	-	-	-	-	233,020.57	114,300.59	4,134.56	-	118,435.15	114,585.42
Trucks	4,972,539.65	-	-	-	-	4,972,539.65	2,111,192.84	108,807.00	-	2,219,999.84	2,752,539.81
Total	27,191,112	1,578,220	-	-	(801,500)	27,967,832	16,425,950	1,362,971	(750,266)	17,038,654	10,929,178
Total	2,158,275,204	29,545,192	-	24,969,586	(811,130)	2,211,978,853	1,373,994,336	62,696,095	(750,266)	1,435,940,164	776,038,688

**ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2018**

ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2019											
Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Heritage	R	R	R	R	R	R	R	R	R	R	R
Historic buildings	5,634,573	-	-	-	-	5,634,573	-	-	-	-	5,634,573
Collectables and other	475,500	-	-	-	-	475,500	-	-	-	-	475,500
Jewelry	849,200	-	-	-	-	849,200	-	-	-	-	849,200
Total	6,959,273	-	-	-	-	6,959,273	-	-	-	-	6,959,273

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2018**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Investment Properties											
Land	78,577,109	-	-	-	(1,622,000)	76,955,109	-	-	-	-	76,955,109
<b>Total</b>	<b>78,577,109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,955,109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,955,109</b>

**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2018**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets											
Computer Software	2,021,431	148,610	-	-	-	2,170,041	1,960,054	73,436	-	2,033,490	136,551
<b>Total</b>	<b>2,021,431</b>	<b>148,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,170,041</b>	<b>1,960,054</b>	<b>73,436</b>	<b>-</b>	<b>2,033,490</b>	<b>136,551</b>
<b>Total Asset Register</b>	<b>2,245,833,017</b>	<b>29,693,802</b>	<b>-</b>	<b>24,969,586</b>	<b>(811,130)</b>	<b>2,298,063,276</b>	<b>1,375,954,389</b>	<b>62,769,531</b>	<b>(750,266)</b>	<b>1,437,973,654</b>	<b>860,089,622</b>

# EMTHANJENI LOCAL MUNICIPALITY

## APPENDIX C

### SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive and Council	1,233,044	1,076,206	-	(536,813)	1,772,437	1,022,591	229,960	(533,445)	719,106	1,053,331
Finance and Administration	3,145,263	187,734	-	(60,034)	3,272,962	2,170,617	293,282	(43,948)	2,419,951	853,011
Planning and Development	219,457,459	22,131	235,000	(9,630)	219,704,959	106,391,629	5,628,336	-	112,019,965	107,684,994
Community and Social Services	5,432,348	308,998	-	(119,437)	5,621,908	3,901,066	305,132	(104,120)	4,102,077	1,519,831
Health	78,398	-	-	(2,567)	75,831	65,363	2,549	(2,182)	65,731	10,100
Housing	14,885,748	3,319	-	(65,951)	14,823,116	7,858,803	624,450	(54,990)	8,428,263	6,394,853
Roads and Transport	404,631,394	13,555,133	13,262,236	(16,696)	431,432,067	267,071,471	11,705,885	(11,581)	278,765,775	152,666,292
Electricity	1,024,029,974	12,752,414	-	-	1,036,782,388	675,136,676	22,328,124	-	697,464,800	339,317,588
Waste Management	142,494,280	1,141,235	5,913,973	-	149,549,489	77,080,505	6,021,508	-	83,102,013	66,447,475
Water	342,887,296	498,022	5,558,377	-	348,943,694	233,295,613	15,556,869	-	248,852,482	100,091,212
<b>Total</b>	<b>2,158,275,204</b>	<b>29,545,192</b>	<b>24,969,586</b>	<b>(811,130)</b>	<b>2,211,978,853</b>	<b>1,373,994,336</b>	<b>62,696,095</b>	<b>(750,266)</b>	<b>1,435,940,164</b>	<b>776,038,688</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

<b>2017 Actual Income</b>	<b>2017 Actual Expenditure</b>	<b>2017 Surplus/ (Deficit)</b>	<b>Description</b>	<b>2018 Actual Income</b>	<b>2018 Actual Expenditure</b>	<b>2018 Surplus/ (Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
4,520,966	(9,162,649)	(4,641,682)	Executive and Council	2,985,085	(20,968,060)	(17,982,975)
36,097,878	(31,687,227)	4,410,651	Finance and Administration	50,983,064	(38,477,802)	12,505,262
1,592,681	(15,439,352)	(13,846,671)	Planning and Development	1,000,253	(15,530,258)	(14,530,005)
-	(20,669)	(20,669)	Health	960	(36,968)	(36,008)
1,975,601	(19,711,440)	(17,735,840)	Community and Social Services	1,777,156	(19,039,671)	(17,262,515)
690,655	(3,822,031)	(3,131,377)	Housing	967,597	(3,672,348)	(2,704,752)
17,106,919	(8,241,274)	8,865,645	Public Safety	10,700,812	(7,284,361)	3,416,451
171,528	(4,224,739)	(4,053,211)	Sport and Recreation	148,009	(4,367,011)	(4,219,002)
-	-	-	Environmental Protection	-	-	-
39,042,618	(32,237,665)	6,804,953	Waste Management	40,174,986	(36,886,550)	3,288,436
6,311,981	(22,798,336)	(16,486,355)	Roads and Transport	14,088,317	(22,654,363)	(8,566,046)
33,071,186	(35,006,780)	(1,935,594)	Water	46,093,699	(29,597,205)	16,496,494
83,726,226	(97,945,794)	(14,219,568)	Electricity	84,032,681	(96,538,751)	(12,506,070)
-	(1,264,672)	(1,264,672)	Other		(1,259,940)	(1,259,940)
<b>224,308,238</b>	<b>(281,562,628)</b>	<b>(57,254,390)</b>	<b>Total</b>	<b>252,952,620</b>	<b>(296,313,289)</b>	<b>(43,360,669)</b>

**EMTHANJENI LOCAL MUNICIPALITY**

**APPENDIX E(1)**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2018**

Description	2018										2017				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
<b>REVENUE - STANDARD</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Governance and Administration:</b>															
Executive and Council	4,245,253		4,245,253	-	-	4,245,253	2,985,085	-	(1,260,168)	(29.68)%	(29.68)%	-	-	-	4,520,966
Finance and Administration	46,268,761		46,268,761	-	-	46,268,761	50,983,064	-	4,714,303	10.19%	10.19%	-	-	-	36,097,878
<b>Community and Public Safety:</b>															
Community and Social Services	1,683,178		1,683,178	-	-	1,683,178	1,777,156	-	93,978	5.58%	5.58%	-	-	-	1,975,601
Sport and Recreation	161,873		161,873	-	-	161,873	148,009	-	(13,864)	(8.56)%	(8.56)%	-	-	-	171,528
Public Safety	4,968,840		4,968,840	-	-	4,968,840	10,700,812	-	5,731,972	115.36%	115.36%	-	-	-	17,106,919
Housing	43,589		43,589	-	-	43,589	967,597	-	924,008	2119.82%	2119.82%	-	-	-	690,655
Health	-		-	-	-	-	960	-	960			-	-	-	-
<b>Economic and Environmental Services:</b>															
Planning and Development	13,378,000	(2,000,000)	11,378,000	-	-	11,378,000	1,000,253	-	(10,377,747)	(92.52)%	(91.21)%	-	-	-	1,592,681
Road Transport	472,040		472,040	-	-	472,040	14,088,317	-	13,616,277	2884.56%	2884.56%	-	-	-	6,311,981
<b>Trading Services:</b>															
Electricity	94,496,773	(5,300,000)	89,196,773	-	-	89,196,773	84,032,681	-	(5,164,092)	(11.07)%	(5.79)%	-	-	-	83,726,226
Water	48,659,376	3,199,000	51,858,376	-	-	51,858,376	46,093,699	-	(5,764,677)	(5.27)%	(11.12)%	-	-	-	33,071,186
Waste Management	43,171,013		43,171,013	-	-	43,171,013	40,174,986	-	(2,996,027)	(6.94)%	(6.94)%	-	-	-	39,042,618
<b>Other:</b>															
Other	-		-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	-
<b>Total Revenue - Standard</b>	<b>257,548,696</b>	<b>(4,101,000)</b>	<b>253,447,696</b>	<b>-</b>	<b>-</b>	<b>253,447,696</b>	<b>252,952,620</b>	<b>-</b>	<b>(495,076)</b>	<b>(0.19)%</b>	<b>(0.20)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>224,308,238</b>
<b>EXPENDITURE - STANDARD</b>															
<b>Governance and Administration:</b>															
Executive and Council	14,864,730	75,327	14,940,057	-	-	14,940,057	20,968,060	-	6,028,003	41.06%	40.35%	-	-	-	9,162,649
Budget and Treasury Office	36,048,718	(240,281)	35,808,437	-	-	35,808,437	38,477,802	-	2,669,365	6.74%	7.45%	-	-	-	31,687,227
<b>Community and Public Safety:</b>															
Community and Social Services	12,953,546	(223,097)	12,730,449	-	-	12,730,449	19,039,671	-	6,309,222	46.98%	49.56%	-	-	-	19,711,440
Sport and Recreation	5,219,887		5,219,887	-	-	5,219,887	4,367,011	-	(852,876)	(16.34)%	(16.34)%	-	-	-	4,224,739
Public Safety	9,647,119		9,647,119	-	-	9,647,119	7,284,361	-	(2,362,758)	(24.49)%	(24.49)%	-	-	-	8,241,274
Housing	2,395,750		2,395,750	-	-	2,395,750	3,672,348	-	1,276,598	53.29%	53.29%	-	-	-	3,822,031
Environmental Protection	-		-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	-
Health	152,717		152,717	-	-	152,717	36,968	-	(115,749)	(75.79)%	(75.79)%	-	-	-	20,669
<b>Economic and Environmental Services:</b>															
Planning and Development	12,896,375		12,896,375	-	-	12,896,375	15,530,258	-	2,633,883	20.42%	20.42%	-	-	-	15,439,352
Road Transport	16,663,923		16,663,923	-	-	16,663,923	22,654,363	-	5,990,440	35.95%	35.95%	-	-	-	22,798,336
<b>Trading Services:</b>															
Electricity	76,081,678	(900,000)	75,181,678	-	-	75,181,678	96,538,751	-	21,357,073	26.89%	28.41%	-	-	-	97,945,794
Water	15,249,720		15,249,720	-	-	15,249,720	29,597,205	-	14,347,485	94.08%	94.08%	-	-	-	35,006,780
Waste Management	28,485,156		28,485,156	-	-	28,485,156	36,886,550	-	8,401,394	29.49%	29.49%	-	-	-	32,237,665
<b>Other:</b>															
Other	689,926		689,926	-	-	689,926	1,259,940	-	570,014	82.62%	82.62%	-	-	-	1,264,672
<b>Total Expenditure - Standard</b>	<b>231,349,245</b>	<b>(1,288,051)</b>	<b>230,061,194</b>	<b>-</b>	<b>-</b>	<b>230,061,194</b>	<b>296,313,289</b>	<b>-</b>	<b>66,252,095</b>	<b>28.64%</b>	<b>28.80%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>281,562,628</b>
<b>Surplus/(Deficit) for the year</b>	<b>26,199,451</b>	<b>(2,812,949)</b>	<b>23,386,502</b>	<b>-</b>	<b>-</b>	<b>23,386,502</b>	<b>(43,360,669)</b>	<b>-</b>	<b>(66,747,171)</b>	<b>(254.77)%</b>	<b>(285.41)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(57,254,390)</b>

**EMTHANJENI LOCAL MUNICIPALITY**

**APPENDIX E(2)**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2018**

Description	2,018										2,017				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - Executive and Council	4,245,253	-	4,245,253	-	-	4,245,253	2,985,085	-	(1,260,168)	(29.68)%	(29.68)%	-	-	-	4,520,966
Vote 2 - Finance and Administration	46,268,761	-	46,268,761	-	-	46,268,761	50,983,064	-	4,714,303	10.19%	10.19%	-	-	-	36,097,878
Vote 3 - Planning and Development	13,378,000	(2,000,000)	11,378,000	-	-	11,378,000	1,000,253	-	(10,377,747)	(92.52)%	(91.21)%	-	-	-	1,592,681
Vote 4 - Health	-	-	-	-	-	-	960	-	960	#DIV/0!	-	-	-	-	-
Vote 5 - Community and Social Services	1,683,178	-	1,683,178	-	-	1,683,178	1,777,156	-	93,978	5.58%	5.58%	-	-	-	1,975,601
Vote 6 - Public Safety	4,968,840	-	4,968,840	-	-	4,968,840	10,700,812	-	5,731,972	115.36%	115.36%	-	-	-	17,106,919
Vote 7 - Sports and Recreation	161,873	-	161,873	-	-	161,873	148,009	-	(13,864)	(8.56)%	(8.56)%	-	-	-	171,528
Vote 8 - Road Transport	472,040	-	472,040	-	-	472,040	14,088,317	-	13,616,277	2884.56%	2884.56%	-	-	-	6,311,981
Vote 9 - Other	-	-	-	-	-	-	-	-	-	100.00%	100.00%	-	-	-	-
Vote 10 - Housing Services	43,589	-	43,589	-	-	43,589	967,597	-	924,008	2119.82%	2119.82%	-	-	-	690,655
Vote 11 - Waste Management	26,924,695	-	26,924,695	-	-	26,924,695	14,853,266	-	(12,071,429)	(44.83)%	(44.83)%	-	-	-	-
Vote 12 - Waste Water Management	16,246,318	-	16,246,318	-	-	16,246,318	25,321,720	-	9,075,402	55.86%	55.86%	-	-	-	39,042,618
Vote 13 - Electricity	94,496,773	(5,300,000)	89,196,773	-	-	89,196,773	84,032,681	-	(5,164,092)	(11.07)%	(5.79)%	-	-	-	83,726,226
Vote 14 - Water	48,659,376	3,199,000	51,858,376	-	-	51,858,376	46,093,699	-	(5,764,677)	(5.27)%	(11.12)%	-	-	-	33,071,186
Total Revenue by Vote	257,548,696	(4,101,000)	253,447,696	-	-	253,447,696	252,952,620	-	(495,076)	(0.19)%	(0.20)%	-	-	-	224,308,238
EXPENDITURE BY VOTE															
Vote 1 - Executive and Council	14,864,730	75,327	14,940,057	-	-	14,940,057	20,968,060	-	6,028,003	41.06%	40.35%	-	-	-	9,162,649
Vote 2 - Finance and Administration	36,048,718	(240,281)	35,808,437	-	-	35,808,437	38,477,802	-	2,669,365	6.74%	7.45%	-	-	-	31,687,227
Vote 3 - Planning and Development	12,896,375	-	12,896,375	-	-	12,896,375	15,530,258	-	2,633,883	20.42%	20.42%	-	-	-	15,439,352
Vote 4 - Health	152,717	-	152,717	-	-	152,717	36,968	-	(115,749)	(75.79)%	(75.79)%	-	-	-	20,669
Vote 5 - Community and Social Services	12,953,546	(223,097)	12,730,449	-	-	12,730,449	19,039,671	-	6,309,222	46.98%	49.56%	-	-	-	19,711,440
Vote 6 - Public Safety	9,647,119	-	9,647,119	-	-	9,647,119	7,284,361	-	(2,362,758)	(24.49)%	(24.49)%	-	-	-	8,241,274
Vote 7 - Sports and Recreation	5,219,887	-	5,219,887	-	-	5,219,887	4,367,011	-	(852,876)	(16.34)%	(16.34)%	-	-	-	4,224,739
Vote 8 - Road Transport	16,663,923	-	16,663,923	-	-	16,663,923	22,654,363	-	5,990,440	35.95%	35.95%	-	-	-	22,798,336
Vote 9 - Other	689,926	-	689,926	-	-	689,926	1,259,940	-	570,014	82.62%	82.62%	-	-	-	1,264,672
Vote 10 - Housing Services	2,395,750	-	2,395,750	-	-	2,395,750	3,672,348	-	1,276,598	53.29%	53.29%	-	-	-	3,822,031
Vote 11 - Waste Management	11,434,993	-	11,434,993	-	-	11,434,993	15,177,920	-	3,742,927	32.73%	32.73%	-	-	-	-
Vote 12 - Waste Water Management	12,935,880	-	12,935,880	-	-	12,935,880	21,708,630	-	8,772,750	67.82%	67.82%	-	-	-	32,237,665
Vote 13 - Electricity	76,081,678	(900,000)	75,181,678	-	-	75,181,678	96,538,751	-	21,357,073	26.89%	28.41%	-	-	-	97,945,794
Vote 14 - Water	15,249,720	-	15,249,720	-	-	15,249,720	29,597,205	-	14,347,485	94.08%	94.08%	-	-	-	35,006,780
Total Expenditure by Vote	227,234,962	(1,288,051)	225,946,911	-	-	225,946,911	296,313,290	-	68,017,936	29.93%	30.10%	-	-	-	281,562,628
Surplus/(Deficit) for the year	30,313,734	(2,812,949)	27,500,785	-	-	27,500,785	(43,360,670)	-	(68,513,612)	(226.01)%	(249.13)%	-	-	-	(57,254,390)

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX E(3)**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

Description	2018										2017				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Property Rates	27,762,540	-	27,762,540	-	-	27,762,540	31,790,141	-	4,027,601	14.51%	14.51%	-	-	-	30,751,648
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	388,442	-	388,442	100.00%	#DIV/0!	-	-	-	281,347
Service Charges - Electricity	56,203,499	13,866	56,217,365	-	-	56,217,365	73,251,139	-	17,033,774	30.33%	30.30%	-	-	-	74,895,874
Service Charges - Water	25,863,997	2,088,650	27,952,647	-	-	27,952,647	25,951,316	-	(2,001,331)	0.34%	(7.16)%	-	-	-	24,128,376
Service Charges - Sanitation	15,971,785	1,376,330	17,348,115	-	-	17,348,115	11,864,720	-	(5,483,395)	(25.71)%	(31.61)%	-	-	-	6,224,871
Service Charges - Refuse	8,226,222	1,831,008	10,057,230	-	-	10,057,230	6,272,700	-	(3,784,530)	(23.75)%	(37.63)%	-	-	-	11,621,706
Service Charges - Other	117,901	-	117,901	-	-	117,901	484,346	-	366,445	310.81%	310.81%	-	-	-	440,444
Rental of Facilities and Equipment	789,075	-	789,075	-	-	789,075	851,520	-	62,445	7.91%	7.91%	-	-	-	832,789
Interest Earned - External Investments	931,000	-	931,000	-	-	931,000	1,468,193	-	537,193	57.70%	57.70%	-	-	-	1,390,035
Interest Earned - Outstanding Debtors	1,259,089	-	1,259,089	-	-	1,259,089	1,092,857	-	(166,232)	(13.20)%	(13.20)%	-	-	-	882,201
Fines	3,720,000	-	3,720,000	-	-	3,720,000	9,201,881	-	5,481,881	147.36%	147.36%	-	-	-	16,970,493
Licences and Permits	1,970,388	-	1,970,388	-	-	1,970,388	1,630,387	-	(340,001)	(17.26)%	(17.26)%	-	-	-	1,441,035
Public contributions	-	-	-	-	-	-	200,000	-	200,000	#DIV/0!	#DIV/0!	-	-	-	-
Transfers Recognised - Operational	41,210,000	(1,227,000)	39,983,000	-	-	39,983,000	45,374,611	-	5,391,611	10.11%	13.48%	-	-	-	41,574,759
Other Revenue	28,119,625	(4,000,000)	24,119,625	-	-	24,119,625	1,767,461	-	(22,352,164)	(93.71)%	(92.67)%	-	-	-	1,681,032
Gains on Other Operations	-	-	-	-	-	-	2,725	-	2,725	100.00%	100.00%	-	-	-	713,809
Gains on Disposal of PPE	268,000	-	268,000	-	-	268,000	-	-	(268,000)	(100.00)%	(100.00)%	-	-	-	-
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	212,413,121	82,854	212,495,975	-	-	212,495,975	211,592,440	-	(903,535)	(0.43)%	(0.43)%	-	-	-	213,830,418
Expenditure															
Employee Related Costs	76,930,252	(327,856)	76,602,396	-	-	76,602,396	76,915,008	-	312,612	(0.02)%	0.41%	-	-	-	68,489,476
Remuneration of Councillors	5,275,150	75,327	5,350,477	-	-	5,350,477	5,334,661	-	(15,816)	1.13%	(0.30)%	-	-	-	4,835,161
Collection Costs	-	-	-	-	-	-	3,304	-	3,304	100.00%	100.00%	-	-	-	174,499
Depreciation and Amortisation	9,055,599	-	9,055,599	-	-	9,055,599	62,755,291	-	53,699,692	593.00%	593.00%	-	-	-	61,579,192
Impairment Losses	7,578,345	(900,000)	6,678,345	-	-	6,678,345	25,031,854	-	18,353,509	230.31%	274.82%	-	-	-	35,755,660
Repairs and Maintenance	19,397,385	-	19,397,385	-	-	19,397,385	12,154,451	-	(7,242,934)	(37.34)%	(37.34)%	-	-	-	10,328,840
Finance Costs	2,054,710	-	2,054,710	-	-	2,054,710	8,207,300	-	6,152,590	299.44%	299.44%	-	-	-	7,128,387
Bulk Purchases	60,434,251	-	60,434,251	-	-	60,434,251	59,963,876	-	(470,375)	(0.78)%	(0.78)%	-	-	-	59,027,026
Contracted Services	9,818,660	-	9,818,660	-	-	9,818,660	7,299,107	-	(2,519,553)	(25.66)%	(25.66)%	-	-	-	8,561,247
Grants and Subsidies Paid	-	-	-	-	-	-	469,452	-	469,452	100.00%	100.00%	-	-	-	361,886
General Expenses	40,804,893	(135,522)	40,669,371	-	-	40,669,371	24,891,490	-	(15,777,881)	(39.00)%	(38.80)%	-	-	-	25,045,849
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	349,572	-	349,572	100.00%	100.00%	-	-	-	273,079
Loss on Sale of Land	-	-	-	-	-	-	1,595,030	-	1,595,030	100.00%	100.00%	-	-	-	2,325
Total Expenditure	231,349,245	(1,288,051)	230,061,194	-	-	230,061,194	284,970,398	-	54,909,204	23.73%	23.87%	-	-	-	281,562,628
Surplus/(Deficit)	(18,936,124)	1,370,905	(17,565,219)	-	-	(17,565,219)	(73,377,958)	-	(55,812,739)	294.74%	317.75%	-	-	-	(67,732,210)
Transfers Recognised - Capital	14,602,000	(2,400,000)	12,202,000	-	-	12,202,000	30,017,289	-	17,815,289	122.01%	146.00%	-	-	-	10,477,819
Surplus/(Deficit) for the Year	(4,334,124)	(1,029,095)	(5,363,219)	-	-	(5,363,219)	(43,360,670)	-	(37,997,451)	876.70%	708.48%	-	-	-	(57,254,391)

**EMTHANJENI LOCAL MUNICIPALITY**

**APPENDIX E(4)**

**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2018**

Description	2018										2017				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE															
Multi-year Expenditure															
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 2 - Finance and Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 3 - Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 4 - Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 5 - Community and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 6 - Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 8 - Road Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 9 - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 11 - Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Water Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 14 - Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Multi-year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Single-year Expenditure															
Vote 1 - Executive and Council	1,925,000	-	1,925,000	-	-	1,925,000	1,076,206	-	(848,794)	(44.09%)	(44.09%)	-	-	-	14,629
Vote 2 - Finance and Administration	1,260,000	-	1,260,000	-	-	1,260,000	187,734	-	(1,072,266)	(85.10%)	(85.10%)	-	-	-	37,990
Vote 3 - Planning and Development	-	-	-	-	-	-	22,131	-	22,131	100.00%	100.00%	-	-	-	-
Vote 5 - Community and Social Services	120,000	-	120,000	-	-	120,000	308,998	-	188,998	157.50%	157.50%	-	-	-	432,027
Vote 6 - Public Safety	57,000	-	57,000	-	-	57,000	-	-	(57,000)	(100.00%)	(100.00%)	-	-	-	-
Vote 7 - Sports and Recreation	65,000	-	65,000	-	-	65,000	-	-	(65,000)	(100.00%)	(100.00%)	-	-	-	-
Vote 8 - Road Transport	15,153,000	(2,000,000)	13,153,000	-	-	13,153,000	13,657,674	-	504,674	(9.87%)	3.84%	-	-	-	9,504,076
Vote 9 - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 10 - Housing Services	-	-	-	-	-	-	3,319	-	3,319	100.00%	100.00%	-	-	-	301,649
Vote 11 - Waste Management	28,922	-	28,922	-	-	28,922	32,683	-	3,761	13.00%	13.00%	-	-	-	-
Vote 12 - Waste Water Management	981,000	-	981,000	-	-	981,000	9,602,512	-	8,621,512	878.85%	878.85%	-	-	-	-
Vote 13 - Electricity	6,400,000	1,500,000	7,900,000	-	-	7,900,000	6,922,768	-	(977,232)	8.17%	(12.37%)	-	-	-	-
Vote 14 - Water	14,080,000	3,199,000	17,279,000	-	-	17,279,000	498,022	-	(16,780,978)	(96.46%)	(97.12%)	-	-	-	-
Total Capital Expenditure - Single-year	40,069,922	2,699,000	42,768,922	-	-	42,768,922	32,312,047	-	(10,456,875)			-	-	-	10,290,372
Total Capital Expenditure - Vote	40,069,922	2,699,000	42,768,922	-	-	42,768,922	32,312,047	-	(10,456,875)			-	-	-	10,290,372
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	1,925,000	-	1,925,000	-	-	1,925,000	1,076,206	-	(848,794)	(44.09%)	(44.09%)	-	-	-	14,629
Budget and Treasury Office	909,840	-	909,840	-	-	909,840	187,734	-	(722,106)	(79.37%)	(79.37%)	-	-	-	37,990
Corporate Services	350,160	-	350,160	-	-	350,160	-	-	(350,160)	(100.00%)	(100.00%)	-	-	-	-
Community and Public Safety:															
Community and Social Services	120,000	-	120,000	-	-	120,000	308,998	-	188,998	157.50%	157.50%	-	-	-	432,027
Sport and Recreation	65,000	-	65,000	-	-	65,000	-	-	(65,000)	(100.00%)	(100.00%)	-	-	-	-
Public Safety	57,000	-	57,000	-	-	57,000	-	-	(57,000)	(100.00%)	(100.00%)	-	-	-	-
Housing Services	-	-	-	-	-	-	3,319	-	3,319	100.00%	100.00%	-	-	-	301,649
Economic and Environmental Services:															
Planning and Development	-	-	-	-	-	-	22,131	-	22,131	100.00%	100.00%	-	-	-	-
Road Transport	15,153,000	(2,000,000)	13,153,000	-	-	13,153,000	13,657,674	-	504,674	(9.87%)	3.84%	-	-	-	9,504,076
Trading Services:															
Electricity	6,400,000	1,500,000	7,900,000	-	-	7,900,000	6,922,768	-	(977,232)	8.17%	(12.37%)	-	-	-	-
Water	14,080,000	3,199,000	17,279,000	-	-	17,279,000	498,022	-	(16,780,978)	(96.46%)	(97.12%)	-	-	-	-
Waste Management	1,009,922	-	1,009,922	-	-	1,009,922	9,635,195	-	8,625,273	854.05%	854.05%	-	-	-	-
Other:															
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	40,069,922	2,699,000	42,768,922	-	-	42,768,922	32,312,047	-	(10,456,875)			-	-	-	10,290,372
FUNDED BY:															
National Government	13,905,250	(2,400,000)	11,505,250	-	-	11,505,250	30,017,289	-	18,512,039	115.87%	160.90%	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Transfers and Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers Recognised - Capital	13,905,250	(2,400,000)	11,505,250	-	-	11,505,250	30,017,289	-	18,512,039	115.87%	61.67%	-	-	-	-
Internally Generated Funds	6,833,997	-	6,833,997	-	-	6,833,997	2,250,116	-	(4,583,881)	(67.07%)	(67.07%)	-	-	-	792,913
Borrowings	-	-	-	-	-	-	44,643	-	44,643	100.00%	100.00%	-	-	-	9,497,458
Total Capital Funding	20,739,247	(2,400,000)	18,339,247	-	-	18,339,247	32,312,047	-	13,972,800			-	-	-	10,290,371



**EMTHANJENI LOCAL MUNICIPALITY**

**APPENDIX E(5)**

**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018**

Description	2018							2017	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Property Rates, Penalties and Collection Charges	24,941,995	-	24,941,995	24,941,995	15,202,099	(9,739,896)	(39.05)%	(39.05)%	22,851,095
Service Charges	113,321,180	(2,050,000)	111,271,180	111,271,180	99,012,891	(12,258,289)	(12.63)%	(11.02)%	102,246,868
Other Revenue	33,310,534	(3,400,000)	29,910,534	29,910,534	15,455,690	(14,454,844)	(53.60)%	(48.33)%	9,810,808
Government - Operating	40,761,000	-	40,761,000	40,761,000	45,374,611	4,613,611	11.32%	11.32%	38,785,070
Government - Capital	32,292,000	2,699,000	34,991,000	34,991,000	29,723,530	(5,267,470)	(7.95)%	(15.05)%	10,774,586
Interest	1,722,867	-	1,722,867	1,722,867	1,468,193	(254,674)	(14.78)%	(14.78)%	2,272,235
<b>Payments</b>									
Suppliers and Employees	(205,541,689)	2,908,051	(202,633,638)	(202,633,638)	(166,322,974)	36,310,664	(19.08)%	(17.92)%	(172,579,346)
Finance Charges	(2,054,710)	-	(2,054,710)	(2,054,710)	(4,002,481)	(1,947,771)	94.80%	94.80%	(3,364,773)
Transfers and Grants	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>38,753,177</b>	<b>157,051</b>	<b>38,910,228</b>	<b>38,910,228</b>	<b>35,911,559</b>	<b>(2,998,668)</b>			<b>10,796,542</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	268,000	-	268,000	268,000	26,970	(241,030)	(89.94)%	(89.94)%	94,043
Decrease / (Increase) in Non-current Debtors	-	-	-	-	-	-	-	-	-
Decrease / (Increase) Other Non-current Receivables	-	-	-	-	(112)	(112)	(100.00)%	(100.00)%	(120)
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-	-
<b>Payments</b>									
Capital Assets	(39,082,000)	(2,699,000)	(41,781,000)	(41,781,000)	(32,391,027)	9,389,973	(17.12)%	(22.47)%	(22,081,139)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(38,814,000)</b>	<b>(2,699,000)</b>	<b>(41,513,000)</b>	<b>(41,513,000)</b>	<b>(32,364,169)</b>	<b>9,148,831</b>			<b>(21,987,216)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Increase / (Decrease) in Consumer Deposits	-	94,769	94,769	94,769	-	(94,769)	#DIV/0!	(100.00)%	-
New Loans raised	94,769	3,338,424	3,433,193	3,433,193	-	(3,433,193)	(100.00)%	(100.00)%	9,497,458
<b>Payments</b>									
Loans repaid	-	(3,433,193)	(3,433,193)	(3,433,193)	(3,388,269)	44,924	#DIV/0!	(1.31)%	(3,046,258)
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>94,769</b>	<b>-</b>	<b>94,769</b>	<b>94,769</b>	<b>(3,388,269)</b>	<b>(3,483,038)</b>			<b>6,451,200</b>
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>33,945</b>	<b>(2,541,949)</b>	<b>(2,508,004)</b>	<b>(2,508,004)</b>	<b>159,121</b>	<b>2,667,125</b>			<b>(4,739,474)</b>
Cash / Cash Equivalents at the Year begin:	1,138,500	2,309,394	3,447,894	3,447,894	2,784,237	(663,657)	144.55%	(19.25)%	7,523,712
Cash / Cash Equivalents at the Year end:	1,172,446	(232,555)	939,890	939,890	2,943,359	2,003,468	151.04%	213.16%	2,784,237

# EMTHANJENI LOCAL MUNICIPALITY

## APPENDIX F

### DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

#### Grants and Subsidies Received 30 June 2018

Name of Grant	Name of Organ of State or Municipal Entity	Opening Balance	Total Receipts	Total Expenses	Net Grant	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
			Total	Total	Total		Yes / No	
Equitable Share	Nat Treasury	-	37,094,000	(37,094,000)	-	-	Yes	N/a
Library Grant	Provincial	-	885,543	(885,543)	-	-	Yes	N/a
EPWP	Nat Treasury	389,953	696,047	(1,000,079)	85,921	-	Yes	N/a
MIG	Nat Treasury	1,763,711	12,292,000	(14,055,711)	-	-	Yes	N/a
FMG	Nat Treasury	-	1,700,000	(1,700,000)	-	-	Yes	N/a
WSIG	Nat Treasury	-	14,000,000	(12,226,567)	1,773,433	-	Yes	N/a
RBIG	Nat Treasury	-	-	-	-	-	Yes	N/a
DWA	Provincial	15,621	-	-	15,621	-	Yes	N/a
Nonzwakazi Revitalisation	Provincial	-	-	-	-	-	Yes	N/a
Phandulwazi Upgrade	Provincial	150,000	-	-	150,000	-	Yes	N/a
Housing Accreditation	Provincial	-	930,000	(930,000)	-	-	Yes	N/a
Department of Health	Provincial	-	-	-	-	-	Yes	N/a
Department of Education	Provincial	1,232,100	-	-	1,232,100	-	Yes	N/a
Department of Roads	Provincial	267,600	-	-	267,600	-	Yes	N/a
Fire Equipment	Provincial	39,188	-	-	39,188	-	Yes	N/a
INEP	Nat Treasury	-	7,500,000	(7,500,000)	-	-	Yes	N/a
<b>Total Grants and Subsidies Received</b>		<b>3,858,172</b>	<b>75,097,590</b>	<b>(75,391,900)</b>	<b>3,563,862</b>			

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX G**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2018

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
R	R	R	R	R	R	R	R
<b>Mayor</b> Sthonga ST		558,940		230,713	6,018	-	795,671
<b>Speaker</b> Kivedo MC		447,152		193,451	5,178	-	645,781
<b>Councillors</b>							
AF Jaftha		227,002		120,067	2,056	-	349,125
HJ Rust		289,405		66,812	2,072	-	358,289
WJ Du Plessis		176,884		103,361	1,960	-	282,206
PD Van Wyk		176,884		103,361	2,427	-	282,673
LE Andrews		176,885		103,361	2,427	-	282,673
SJ Hoffman		176,884		103,361	2,427	-	282,673
L Billie		176,885		103,361	2,427	-	282,673
RR Faul		176,884		103,361	2,427	-	282,673
MO Maramba		176,885		103,361	2,685	-	282,931
PP Mhlauli		176,884		103,361	2,427	-	282,673
D Vanel		176,884		103,361	2,427	-	282,673
CJ Louw		176,884		103,361	2,427	-	282,673
NP Mkontwana		233,858		122,355	3,065	-	359,277
<b>Total for Councillors</b>	-	<b>3,525,201</b>	-	<b>1,767,012</b>	<b>42,448</b>	-	<b>5,334,661</b>
<b>Municipal Manager</b> Visser I	-	918,913	266,610	425,644	175,041	246,892	2,033,099
<b>Chief Financial Officer</b>							
Manuel MF	-	380,517	301,719	100,823	73,522	182,400	1,038,981
Jack JP	-	129,749	-	96,686	11,927	-	238,362
Ludwick MR	114,378	154,629	-	43,524	31,398	-	343,929
<b>Director: Community Services</b> Msengana TW	-	568,999	43,250	215,704	159,341	-	987,294
<b>Director: Corporate Services</b>							
Appies CP	100,136	258,946	36,866	60,196	79,847	-	535,991
Jack MR	-	216,726	119,341	114,726	42,681	98,827	592,301
<b>Director: Infrastructure and Technical Services</b> Owies MJV	-	729,057	146,768	154,585	142,621	-	1,173,031
<b>Total for Senior Managers</b>	<b>214,513</b>	<b>3,357,536</b>	<b>914,553</b>	<b>1,211,888</b>	<b>716,378</b>	<b>528,119</b>	<b>6,942,987</b>
<b>Total for Management</b>	<b>214,513</b>	<b>6,882,737</b>	<b>914,553</b>	<b>2,978,900</b>	<b>758,826</b>	<b>528,119</b>	<b>12,277,648</b>

30 June 2017

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
R	R	R	R	R	R	R	R
<b>Mayor</b> Sthonga ST	-	532,324	-	203,680	6,874	-	742,878
<b>Speaker</b>							
Freddie MM	-	45,709	-	17,831	406	-	63,946
Kivedo MC	-	403,742	-	158,713	4,889	-	567,344
<b>Councillors</b>							
GL Nyl	-	23,680	-	10,501	193	-	34,375
M Malherbe	-	17,222	-	8,350	195	-	25,767
AF Jaftha	-	218,369	-	99,029	2,290	-	319,689
GL Nkumbi	-	17,222	-	8,350	143	-	25,716
NS Thomas	-	17,222	-	8,350	180	-	25,752
B Swanepoel	-	22,102	-	9,976	181	-	32,259
J Jood	-	17,222	-	8,350	160	-	25,732
HJ Rust	-	261,699	-	44,239	2,095	-	308,033
WJ Du Plesis	-	166,337	-	81,684	1,776	-	249,797
G Jonas	-	17,222	-	8,350	143	-	25,716
F Swanepoel	-	17,222	-	8,350	180	-	25,752
PD Van Wyk	-	152,966	-	73,334	2,059	-	228,359
LE Andrews	-	152,966	-	73,334	2,059	-	228,359
SJ Hoffman	-	152,966	-	73,334	1,958	-	228,258
L Billie	-	152,966	-	73,334	2,059	-	228,359
RR Faul	-	152,966	-	73,334	2,059	-	228,359
MO Maramba	-	152,966	-	73,334	2,164	-	228,464
PP Mhlauli	-	152,966	-	73,334	1,958	-	228,258
D Vanel	-	152,966	-	73,334	2,059	-	228,359
CJ Louw	-	152,966	-	73,334	1,958	-	228,258
NP Mkontwana	-	202,235	-	90,445	2,658	-	295,338
<b>Total for Councillors</b>	-	<b>3,310,514</b>	-	<b>1,408,376</b>	<b>40,291</b>	-	<b>4,823,127</b>
<b>Municipal Manager</b> Visser I	-	858,082	192,323	286,255	169,640	105,831	1,612,131
<b>Chief Financial Officer</b> Manuel MF	-	840,000	151,765	239,604	164,337	0	1,395,706
<b>Director: Community Services</b> Diamane EV	-	405,546	46,169	69,728	49,077	49,117	619,636
<b>Director: Corporate Services</b> Jack MR	-	625,378	85,115	178,158	121,481	159,903	1,170,035
<b>Director: Infrastructure and Technical Services</b> Owies MJV	-	676,361	138,199	132,000	133,005	14,333	1,093,898
<b>Total for Senior Managers</b>	-	<b>3,405,367</b>	<b>613,570</b>	<b>905,745</b>	<b>637,540</b>	<b>329,185</b>	<b>5,891,406</b>
<b>Total for Management</b>	-	<b>6,715,881</b>	<b>613,570</b>	<b>2,314,121</b>	<b>677,831</b>	<b>329,185</b>	<b>10,714,534</b>

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX H**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018**

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2017	2016	
1. FINANCIAL POSITION						
A. Asset Management / Utilisation						
1.	Capital Expenditure to Total Expenditure	10% - 20%	Total Operating Expenditure	10.18%	3.53%	The Municipality financed acquisitions through an external loan (finance lease).
			Taxation Expense	-	-	
			Total Capital Expenditure	32,312,047	10,290,372	
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	PPE, Investment Property & Intangible Impairment	-0.04%	0.04%	The Impairment figure reported is immaterial and is the result of assets being damaged during the normal course of business.
			PPE at Carrying Value	(344,099)	368,038	
			IP at Carrying Value	776,038,690	806,483,601	
			Intangible Assets at Carrying Value	76,955,109	78,577,109	
				136,551	61,377	
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	Total Repairs and Maintenance Expenditure	1.42%	1.17%	As a number of Infrastructure Assets are new, the required maintenance on these items are not yet as high as it will be later in their useful lives.
			PPE at Carrying Value	12,154,451	10,328,840	
			Investment Property at Carrying Value	776,038,690	806,483,601	
				76,955,109	78,577,109	
B. Debtors Management						
1.	Collection Rate	95%	Gross Debtors Closing Balance	81.28%	82.35%	Management is attempting to increase the recoverability rate and a service provider has been appointed to assist the Municipality with this.
			Gross Debtors Opening Balance	189,472,962	161,468,615	
			Bad Debts Written-off	161,468,615	135,340,778	
			Billed Revenue	-	-	
				149,614,362	148,062,919	
2.	Bad Debts Written-off as % of Provision for Bad Debt	100%	Consumer Debtors Bad Debts Written-off	0.00%	0.00%	
			Consumer Debtors Current Bad Debt Provision	-	-	
				126,736,391	109,881,934	
3.	Net Debtors Days	30 Days	Gross Debtors	153 Days	127 Days	Management is attempting to increase the recoverability rate and a service provider has been appointed to assist the Municipality with this.
			Bad Debts Provision	189,472,962	161,468,615	
			Billed Revenue	126,736,391	109,881,934	
				149,614,362	148,062,919	
C. Liquidity Management						
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 - 3 Months	Cash and Cash Equivalents	0 Months	0 Months	As required by the MFMA, management is committed to pay outstanding debt within the 30 day legislative deadline.
			Unspent Conditional Grants	12,826,252	10,702,493	
			Overdraft	3,563,863	3,857,622	
			Short-term Investments	9,882,893	7,918,255	
			Total Annual Operational Expenditure	-	-	
				284,970,398	281,562,628	
2.	Current Ratio	1.5 - 2:1	Current Assets	0.89	1.01	
			Current Liabilities	84,383,069	73,086,379	
				94,969,842	72,501,771	
C. Liability Management						
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%	Interest Paid	-0.64%	-0.65%	
			Redemption	1,208,591	1,208,591	
			Total Operating Expenditure	(3,026,003)	(3,026,003)	
			Taxation Expense	284,970,398	281,562,628	
				-	-	
2.	Debt (Total Borrowings) / Revenue	45%	Total Debt	2.42%	4.39%	
			Total Operating Revenue	4,747,099	8,135,368	
			Operational Conditional Grants	241,609,728	225,726,576	
				45,374,611	40,220,691	
C. Sustainability						
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%	Cash and Cash Equivalents	100.00%	100.00%	
			Bank Overdraft	12,826,252	10,702,493	
			Unspent Grants	9,882,893	7,254,599	
			Net Assets	3,563,863	3,857,622	
			Accumulated Surplus	765,707,571	822,624,448	
				765,707,571	822,624,448	

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX H**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018**

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2017	2016	
2. FINANCIAL PERFORMANCE						
A. Efficiency						
1.	Net Operating Surplus Margin	= or > 0%		-17.95%	-22.79%	
			Total Operating Revenue	241,609,728	225,726,576	
			Depreciation - Revalued Portion	-	-	
			Total Operating Expenditure	284,970,398	277,172,986	
			Taxation Expense	-	-	
2.	Net Surplus / Deficit Electricity	0% - 15%		-14.88%	-16.98%	
			Total Electricity Revenue	84,032,681	83,726,226	
			Total Electricity Expenditure	96,538,751	97,945,794	
3.	Net Surplus / Deficit Water	= or > 0%		35.79%	-5.85%	
			Total Water Revenue	46,093,699	33,071,186	
			Total Water Expenditure	29,597,205	35,006,780	
4.	Net Surplus / Deficit Refuse	= or > 0%		8.19%	17.43%	
			Total Waste Management	40,174,986	39,042,618	
			Total Waste Management	36,886,550	32,237,665	
B. Distribution Losses						
1.	Electricity Distribution Losses (Percentage)	7% - 10%		25.64%	19.62%	
			Number of Units Purchased and/or Generated	58,769,142	58,223,924	
			Number of Units Sold	43,702,694	46,800,334	
2.	Water Distribution Losses (Percentage)	15% - 30%		36.44%	32.97%	The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they
			Number of Kilolitres Purchased and/or Purified	2,481,703	2,160,715	
			Number of Kilolitres Sold	1,577,357	1,448,344	
C. Revenue Management						
1.	Growth in Number of Active Consumer Accounts	None		-13.32%	-13.32%	
			Number of Active Debtors Accounts (Previous)	32,154	32,154	
			Number of Active Debtors Accounts (Current)	27,870	27,870	
2.	Revenue Growth (%)	= CPI		7.04%	8.31%	
			CPI	7.04%	8.31%	
			Total Revenue (Previous)	225,726,576	208,402,845	
			Total Revenue (Current)	241,609,728	225,726,576	
3.	Revenue Growth (%) - Excluding Capital Grants	= CPI		-1.70%	8.24%	
			CPI	-1.70%	8.24%	
			Total Revenue, excluding Capital Grants (Previous)	215,248,757	198,864,267	
			Total Revenue, excluding Capital Grants (Current)	211,592,440	215,248,757	
D. Expenditure Management						
1.	Creditors Payment Period (Trade Creditors)	30 Days		173 Days	110 Days	
			Trade Creditors	49,486,949	31,422,049	
			Contracted Services	7,299,107	8,358,489	
			Repairs and Maintenance	12,154,451	12,224,938	
			General Expenses	24,891,490	24,950,763	
			Bulk Purchases	59,963,876	59,027,026	
			Capital Credit Purchases	-	-	
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		24.51%	31.18%	
			Irregular, Fruitless & Wasteful and Unauthorised Expenditure	69,842,860	86,428,124	
			Total Operating Expenditure	284,970,398	277,172,986	
			Taxation Expense	-	-	
3.	Remuneration as % of Total Operating Expenditure	25% - 40%		28.86%	26.45%	
			Employee / Personnel Related Cost	76,915,008	68,489,476	
			Councillors Remuneration	5,334,661	4,835,161	
			Total Operating Expenditure	284,970,398	277,172,986	
			Taxation Expense	-	-	
4.	Contracted Services % of Total Operating Expenditure	2% - 5%		2.56%	3.02%	
			Contracted Services	7,299,107	8,358,489	
			Total Operating Expenditure	284,970,398	277,172,986	
			Taxation Expense	-	-	

**EMTHANJENI LOCAL MUNICIPALITY**  
**APPENDIX H**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2018**

Ratio		Norm / Range	Input Description	Data Inputs and Results		Management Comments (#)
				2017	2016	
E. Grant Dependency						
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	None		7.10%	51.45%	
			Internally Generated Funds	2,250,116	856,461	
			Borrowings	44,643	9,497,458	
			Total Capital Expenditure	32,312,047	20,125,465	
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		6.96%	4.26%	
			Internally Generated Funds	2,250,116	856,461	
			Total Capital Expenditure	32,312,047	20,125,465	
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	None		78.56%	81.31%	
			Total Revenue	241,609,728	225,726,576	
			Government Grant and Subsidies	75,391,900	50,698,510	
			Public Contributions and Donations	-	-	
			Capital Grants	30,017,289	10,477,819	
3. BUDGET IMPLEMENTATION						
A. Efficiency						
1.	Capital Expenditure Budget Implementation Indicator	95% - 100%		77.34%	109.74%	The Municipality planned to finance some of its capital needs through a loan. This loan was however not obtained during the year.
			Actual Capital Expenditure	32,312,047	20,125,465	
			Budgeted Capital Expenditure	41,781,000	18,339,247	
2.	Operating Expenditure Budget Implementation Indicator	95% - 100%		123.87%	127.54%	The unfavourable ratio is due to non-cash items, such as depreciation and impairment losses being recognised, which was not fully budgeted for.
			Actual Operating Expenditure	284,970,398	277,172,986	
			Budgeted Operating Expenditure	230,061,194	217,318,184	
3.	Operating Revenue Budget Implementation Indicator	95% - 100%		95.33%	98.48%	
			Actual Operating Revenue	241,609,728	225,726,576	
			Budgeted Operating Revenue	253,447,696	229,203,454	
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		103.44%	105.00%	More revenue generated than budgeted for.
			Actual Service Charges and Property Rates Revenue	149,614,362	149,481,257	
			Budgeted Service Charges and Property Rates Revenue	144,638,519	142,358,563	
Interpretation of Results:						
	The green colour indicates that the result is within the norm and is acceptable.					
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.					
	Data should be captured in the blue coloured cell to calculate a ratio.					
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.					

## Annexure B

### Report of the Auditor General

# Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Emthanjeni Local Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Emthanjeni Local Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Emthanjeni Local Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (DoRA).

### Basis for opinion

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

### Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. As stated in note 46, numerous matters indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.



## **Emphasis of matters**

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

### **Unauthorised expenditure**

8. As disclosed in note 52.1 to the financial statements, unauthorised expenditure to the amount of R76 893 986 that was incurred in the previous years was still under investigation.

### **Irregular expenditure**

9. As disclosed in note 52.3 to the financial statements, irregular expenditure to the amount of R8 592 680 that was incurred in the previous years was still under investigation.

### **Significant uncertainties**

10. With reference to note 58 to the financial statements, the municipality is the defendant in multiple-claim lawsuits. The municipality is opposing some of the claims as it believes the claims to be won in favour of the municipality. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements

### **Restatement of corresponding figures**

11. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2017, were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2018.

### **Material losses – electricity**

12. As disclosed in note 53.9 to the financial statements, material electricity losses to the amount of R14 707 508 (2017: R11 080 882) was incurred which represents 17.64% (2017: 11.62%) of total electricity purchased. Technical losses were due to inherent resistance of conductors, transformers and other electrical equipment. Non-technical losses were due to tampering of meters, incorrect ratios used on bulk meters, faulty meters and illegal electricity connections.

## **Other matters**

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

### **Unaudited disclosure notes**

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

## Unaudited supplementary schedules

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

### **Responsibilities of the accounting officer for the financial statements**

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

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

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

## Report on the audit of the annual performance report

### **Introduction and scope**

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
21. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be



included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2018:

Objective	Pages in the annual performance report
Objective 1: Provision of access to all basic services rendered to residents within the available resources	X – X

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

#### Objective 1 – Provision of access to all basic services rendered to residents within the available resources

##### Various Indicators

25. The indicators and targets listed below were approved in the service delivery and budget implementation plan (SDBIP) but were not included in the annual performance report. This change was also not approved.

Indicator number	Indicator Description	Initial target
TL16	90% of approved budget spent by 30 June 2018 for the paving of streets {(Actual expenditure divided by the total approved budget) x 100}	90%
TL18	90% of approved budget spent by 30 June 2018 for the resealing of existing tar roads {(Actual expenditure divided by the total approved budget) x 100}	90%
TL19	90% of approved budget spent by 30 June 2018 for the development of additional boreholes, De Aar {(Actual expenditure divided by the total approved budget) x 100}	90%

Indicator number	Indicator Description	Initial target
TL23	90% of approved budget spent by 30 June 2018 for the provision of sufficient street lights for dark areas {(Actual expenditure divided by the total approved budget) x 100}	90%
TL24	90% of approved budget spent by 30 June 2018 to install 5 high mast & 80 street lights {(Actual expenditure divided by the total approved budget) x 100}	90%
TL25	90% of approved budget spent by 30 June 2018 to increase notified maxi sum Removal (NMD) Bulk electricity Supply by 4.2 MVA {(Actual expenditure divided by the total approved budget) x 100}	90%
TL 26	90% of approved budget spent by 30 June 2018 for the new Water Reservoir (Britstown) {(Actual expenditure divided by the total approved budget) x 100}	90%
TL 27	90% of approved budget spent by 30 June 2018 for the upgrading of De Aar Waste Water Treatment Works Phase 2 {(Actual expenditure divided by the total approved budget) x 100}	90%

#### Various Indicators

26. The targets for the indicators approved in the SDBIP listed below were not consistent with the reported targets in the annual performance report and were changed without obtaining the necessary approval.

Indicator Number	Indicator Description	Initial Target	Revised Target
TL5	70% of the water maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	90%	70%
TL6	Limit % water unaccounted for quarterly to 22% [(Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / (Number of Kiloliters Water Purchased or Purified) x 100]	19.5%	22%
TL7	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	95%	90%



Indicator Number	Indicator Description	Initial Target	Revised Target
TL8	70% of the waste water maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	90%	70%
TL9	70% of the roads and stormwater maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)X100)	90%	70%
TL11	70% of the recreational and swimming pool maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)X100)	90%	70%
TL12	70% of the electricity maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	90%	70%

#### Various Indicators

27. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 19 out of the 23 indicators relating to this objective and I could therefore not determine if reported measures taken to improve performance should have been included in the annual performance report. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements and the measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and measures taken to improve performance in the annual performance report of the indicators listed below. In addition, the systems and processes that enable reliable reporting of achievements against the indicators were not adequately designed and/or implemented.

Indicator number	Indicator Description	Reported Achievement
TL5	70% of the water maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	40.27%
TL6	Limit % water unaccounted for quarterly to 22% [(Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / (Number of Kiloliters Water Purchased or Purified) x 100]	26.9%
TL7	Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	100%

Indicator number	Indicator Description	Reported Achievement
TL8	70% of the waste water maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	147%
TL9	70% of the roads and stormwater maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)X100)	17.64%
TL10	Limit % electricity unaccounted for to 18% by 30 June 2018 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased ]X100]	17.64%
TL11	70% of the recreational and swimming pool maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)X100)	58.07%
TL12	70% of the electricity maintenance budget spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	77%
TL15	90% of approved budget spent by 30 June 2018 for the upgrading of Stormwater drainage {(Actual expenditure divided by the total approved budget) x 100}	100%
TL17	90% of approved budget spent by 30 June 2018 for general maintenance to transformers of the municipality {(Actual expenditure divided by the total approved budget) x 100}	105.92%
TL20	90% of approved budget spent by 30 June 2018 for the installation of prepaid electricity meters {(Actual expenditure divided by the total approved budget) x 100}	93.94%
TL28	90% of approved budget spent by 30 June 2018 for the upgrading and improvement of municipal parks {(Actual expenditure divided by the total approved budget) x 100}	90%
TL29	90% of approved budget spent by 30 June 2018 for the maintenance of Commonage {(Actual expenditure divided by the total approved budget) x 100}	45.74%



Indicator number	Indicator Description	Reported Achievement
TL33	90% of the maintenance budget of waste management spent by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	90%
TL51	Number of formal residential properties that receive piped water (credit and prepaid water) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2018	12 667
TL52	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2018	7 000
TL53	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2018	8 000
TL54	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2018	8 000
TL56	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2018 {(Actual amount spent on projects /Total amount budgeted for capital projects)X100}	8 000

## Other matter

28. I draw attention to the matter below.

### Achievement of planned targets

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

### Introduction and scope

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

### Annual financial statements and annual reports

32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities and revenue identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulted in the financial statements receiving an unqualified audit opinion.

### Expenditure management

33. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
34. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R25 308 807, as disclosed in note 52.3, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the irregular expenditure was caused by contracts in which the municipality participated in but did however not meet all the supply chain management regulation 32 requirements.
35. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R 2 856 799, as disclosed in note 52.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless & wasteful expenditure was caused by interest charged on overdue accounts.
36. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R31 744 135, as disclosed in note 52.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on votes.

### Asset management

37. The municipality did not establish an investment policy that was adopted by council, as required by section 13(2) of the MFMA and municipal investment regulation 3(1)(a) .

### Strategic planning and performance management

38. The performance management system and related controls were not maintained or were inadequate as it did not describe how the performance monitoring, reviewing, reporting and



improvement processes should be conducted and managed, as required by municipal planning and performance management reg 7(1).

#### Procurement and contract management

39. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
40. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Similar non-compliance was also reported in the prior year.
41. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
42. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 preferential procurement regulation. Similar non-compliance was also reported in the prior year.
43. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5). Similar non-compliance was also reported in the prior year.
44. Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5.
45. Awards were made to providers who were in the service of other state institutions or whose directors were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44.
46. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e).
47. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. This non-compliance was identified in the procurement processes for bulk purchases of water supply from farmers.
48. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA

#### Human Resource Management

49. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1)(d) of the MSA.



## Utilisation of conditional grants

50. Performance in respect of programmes funded by the Municipal Infrastructure Grant (MIG), Water Services Infrastructure Grant (WSIG) and the Integrated National Electrification Programme (INEP) were not evaluated, as required by section 12(5) of the DoRA.

## Other information

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

## Internal control deficiencies

55. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
56. The leadership of the municipality did not exercise their oversight responsibility to ensure that proper internal control procedures were developed and implemented that would enable the municipality to produce an accurate and complete set of annual financial statements and annual performance report. Furthermore, there was no follow up on instances of non-compliance throughout the year for monitoring and guidance.
57. Management did not exercise oversight responsibility by developing and monitoring the implementation of action plans to address internal control deficiencies.
58. The financial statements and the annual performance report had material misstatements that were subsequently corrected, which are attributable to the weaknesses in the design and implementation of internal controls and lack of review processes by senior management and the accounting officer.

59. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.
60. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting.

#### Other reports

61. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
62. The Directorate for Priority Crime Investigation (Hawks) are investigating allegations of irregularities in the supply chain management processes applied by the municipality. These proceedings were in progress at the date of this report.

*Auditor General*

Kimberley

30 November 2018



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## **Annexure – Auditor-general’s responsibility for the audit**

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

### **Financial statements**

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

### **Communication with those charged with governance**

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