



# Annual Report 2015/2016

*Good to Great*

**Setsoto Local Municipality**

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# Chapter 1-Component A: Mayor's Foreword

## Chapter 1-Component A: Mayor's Foreword

### (a) Vision

During the integrated Development Plan review process, which was the last in the current term of office of the current political leadership, the community focusing on identified needs, development issues, predetermined objectives that are aligned to the Millennium Development Goals, National Development Goals, Medium Term Strategic Framework 2014-2019, National Outcomes, Free State Growth and Development Strategies and the Thabo Mofutsanyana District Integrated Development Plan, reaffirmed their common aspiration and local identity of all concerned parties of a "preferred future". A statement that describes how our future would look like if the municipality achieves its ultimate aims, and is reflected in the shared vision that drives the municipality towards a compelling future, preferable 2030, which is beneficial to the citizenry of the municipality:

*"A unified viable and progressive municipality"*

### (b) Key Policy Development

In preparing for the strategy formulation process that was going to be implemented during the financial year under review, it was important that the municipality ensures that the general guidelines related to crosscutting dimensions are adequately considered when designing strategies and projects planned. To facilitate these requirements, a set of localised strategy guidelines were formulated regarding the following priorities:

- Spatial Development Framework
- Poverty Alleviation
- Environmental Sustainability
- Local Economic Development
- Organisational Development and Transformation
- Good Governance and Public Participation
- Financial Viability and Management
- Infrastructure and Service Delivery
- Policy Formulation and Implementation
- Performance Management Systems

To align this to the Millennium Development Goals, The National Development Plan, National Outcomes, Medium Term Strategic Framework, Free State Growth and Development Strategies, Thabo Mofutsanyana District Municipality Integrated Development Plan and the Back to Basic Approach, the above was narrowed to the following Local Government Five Year Strategic Agenda:

1. Infrastructure and Service Delivery
2. Local Economic Development
3. Organisational Development and Transformation
4. Financial Viability and Management
5. Good Governance and Public Participation

# Chapter 1-Component A: Mayor's Foreword

These Key Performance Areas were used throughout the planning process to guide the strategy formulation, project identification, project cost, project prioritisation and integration to ensure smooth alignment. Before the formulation of specific development strategies, SWOT analysis was done on the organisational readiness to embark on such a mission to achieve the vision. An investigation was done on the amount of financial, human, institutional and natural resources which could be available in implementing the activities in order to achieve the predetermined objectives.

An Enterprise Risk Management Assessment was done on those issues that could tamper the municipality to achieve these predetermined objectives. Since implementation of the strategies will put tremendous pressure on human and financial resources of the municipality, it was important to identify creative and innovative solutions for coping with human and financial resources constraints.

## (c) Key Service Delivery Improvements

For the period under review, and in line with what the municipality has identified as targets in the Service Delivery and Budget Implementation Plan 2015/2016, the municipality implemented the following projects and programmes:

- Development of parks in both Clocolan and Moemaneng to the value of R 12 000 000.00 through EPIP
- Creation of 259 job opportunities through CWP
- Creation of 1 044 job opportunities through EPWP
- Construction of Marquard/Moemaneng Waste Water Treatment Works valued at R 65 000 000
- Construction of the Meqheleng Sport Stadium to the value of R 68 500 000
- Supplied 9 991 kilolitres of water to all towns through water tankering at a cost of R 5 800 000 during the water shortage through drought.

In order to enhance internal control and oversight, the following committee were functional for the period under review:

- Municipal Public Accounts Committee
- Audit and Performance Audit Committee
- Assets and Liability Committee
- Training Committee
- IDP Steering Committee
- Budget Steering Committee
- Municipal Manager's IDP Coordinating Committee
- ICT Steering Committee

These committee assisted the municipality with the provision of sustainable services to our communities and provided an accountable, transparent platforms at all levels of governance.

## (d) Public Participation

In our endeavour to engage communities in municipal planning and budgeting, Chapters 4 and 5 of the Municipal Systems Act, 32 of 2000, was evoked, as well as The Municipal Finance Management Act, 56 of 2003. There has been IDP Community Representative Fora held throughout the year to ensure that community needs are taken into consideration during planning, when the draft IDP 2015/2016 and the

## Chapter 1-Component A: Mayor's Foreword

Budget 2015/2016 were adopted, the municipality embarked on Mayoral Roadshows to ensure that further inputs are received from communities and all relevant stakeholders, solicited and consolidated into the final product that was approved by council.

Ward Councillors held monthly ward meetings in their respective wards to ensure that there is feedback to and from communities on municipal affairs. Their reports found trajectory into municipal planning through the office of the Speaker to the Office of the Municipal Manager. Speaker will be spearheading the process of establishing new ward committees for the term of office for the next financial year, we urge all community organisation to partake in this endeavour to ensure that or democracy is truly participatory.

### **(e) Future Actions**

We will embarking on numerous projects as contain in Chapter 3 of the IDP 2016/2017 and through community participation processes identify projects that this council will be embarking upon for its term of office. The Council would be reviewing the current IDP as per the legislative requirements within a prescribed period in order to amend the IDP and ensure that there is synergy between the IDP, the ANC local government election manifesto and the Operation Hlasela injunctions

### **(f) Agreements/Partnerships**

The current partnerships will be reviewed and intensified if necessary, and those that are no longer adding value would be cancelled and council will forge ahead to ensure that all future agreements/partnerships benefit the communities of the municipality.

### **(g) Conclusions**

My sincere gratitude to the outgoing Mayor, Councillor Jakobo T B, and his entire Executive Committee members, the Speaker and members of the Council of Class 2011-2016, for all their efforts to make us realise our vision and making it a reality. I am also humbled by the trust bestowed upon me by the leadership of this glorious organisation, the ANC, to be leading this municipality during this term of political leadership. I am committed to working with all concerned as we enter the first year of our term of office.

Many thanks also goes to the Municipal Manager, Mr. Ramakarane STR, his Senior Management and the entire workforce for the sterling work being done within the limited fiscal and human resources capital. With their expertise and tacit knowledge, I am positive that the municipality is indeed moving from Good to Great, and that our future is indeed headed to a place where we would like our people experience of local government to be a pleasant one.

I thank you.

**COUNCILLOR MAOKE N**

**MAYOR**

**August 31, 2016**

# Chapter 1-Component B: Executive Summary

## Chapter 1-Component B: Executive Summary

### 1.1 Municipal Manager's Overview

This annual report is a comprehensive report on municipal activities throughout the year under review. The report is intended to give Council and all stakeholders and other interested people information about the municipality's activities and financial performance as at 30 June 2016. The MFMA required the municipalities to prepare and disclose their annual reports, and many require the annual report to be filed at registry. This report will also provide information to be used for audit purpose of this municipality for the financial year 2015/2016. The performance of the each department is detailed in this report per their respective divisions.

The Department of engineering services is responsible for providing basic services under the following sectors:

- 1.1. Water
- 1.2. Sanitation
- 1.3. Electricity
- 1.4. Roads and storm water
- 1.5. Housing

All these are provided through a project management unit and each sector is therefore responsible for maintenance of the provided infrastructure in order to ensure effective, efficient and sustainable service delivery. The department is devoted to improve the quality of life of its community by providing efficient, sustainable, reliable and affordable infrastructure and to ensure continuous upgrade and maintenance of the existing infrastructure.

This department is also mandated to ensure adequate services land through which residents can develop quality formal housing and receive security of tenure. An increase in population growth in Setsoto Local Municipality implies an increasing urgency for development of infrastructure for our communities that can support this increase in population.

Infrastructure is the foundation that enables economic growth and development. Local government is mandated to construct and maintain a range of infrastructure that facilitates local economic activities and create an enabling environment for economic growth. The department had included key priority projects on the IDP 2016/2017 to secure funding in order to fulfill this mandate.

The mandate of the Department is service delivery component and intends to strive to continuously improve how we render services to communities. The experience over a period has shown that it changed approach it required in the way we extend and reach out to the communities to ensure that those areas which were not previously serviced are better off. The municipality is also taking into consideration realities in the Municipality. As service delivery department our mandate is as follows:

- Provision of waste disposal system, which is efficient, safe and cost effective,
- Refuse removal and street cleaning,
- To ensure that the environment is conducive and not harmful to the health and wellbeing of communities,
- Create sustainable economic growth and alleviate poverty by maximizing local agriculture and industrial opportunities and exploitation of international export markets through Local Economic Development initiatives,
- Promotion of Tourism development,
- Provision and maintenance of cemeteries,

# Chapter 1-Component B: Executive Summary

- Maintenance of parks and greening of open spaces,
- Provision of security to municipal property and personnel,
- Safety of road users through traffic services,
- Assisting in promotion of healthy and cultural lifestyle to communities through sports, arts and recreation programmes,
- Maintenance of municipal properties and facilities.
- Provision of disaster management service to the community affected as a result of man-made and other natural disasters,
- Provide an efficient and effective Fire Services,

## 1.2 Municipal Functions, Populations and Environmental Overview

### T 1.2.1 Introduction to Municipal function, Populations and Environmental Overview

The municipality was established in terms of section 14 of the Local Government: Municipal Structures Act, 117 of 1998, and was published in Provincial Gazette number 184, dated 28 September 2000. Setsoto is a category B municipality with collective executive system combined with a ward participatory system as contemplated in section 3(b) of the Determination of Types of Municipalities Act, 1 of 2000.

The powers and function as assigned to the municipality are stipulated in sections 156 and 229 of the Constitution and sections 83 and 84 of Local Government: Municipal Structures act, 117 of 1998 as amended. More specifically, the powers and functions of the municipality relating to sections 84 of the said act which were promulgated in Provincial Gazette number 126 dated 30 June 2005 and are:

Section 84(1) (e) Solid waste

Section 84(1) (f) Roads

Section 84(1) (j) Firefighting

Section 84(1) (l) Cemeteries

Section 84(1) (n) relating to any of the above

The administrative structure of the municipality consists of five departments and four administrative units with the Municipal Manager as the accounting Officer and head of the administration situated in Ficksburg. The other three towns in the municipality are Senekal, Marquard, Clocolan and their neighbourhood areas.

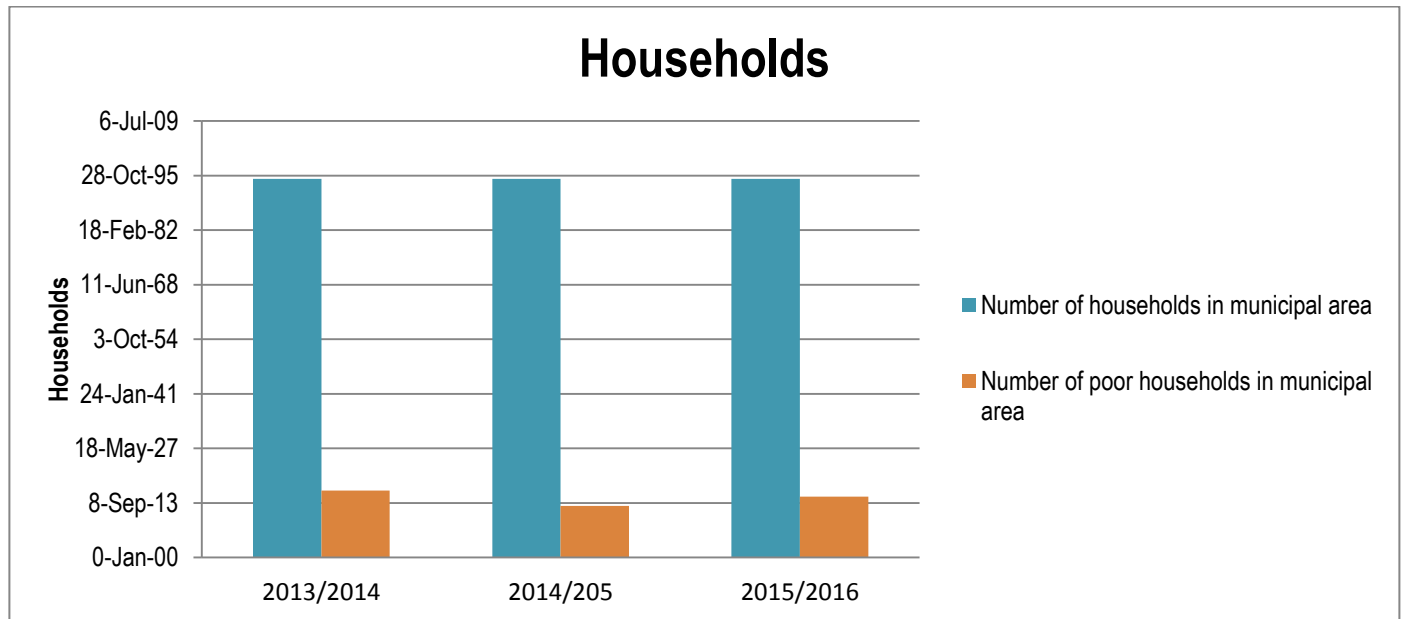
# Chapter 1-Component B: Executive Summary

## T 1.2.2 Population Details

Population Details									
Age	Population								
	2013/2014			2014/2015			2015/2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 – 4	6 591	6 559	13 150		6 559	6 559	6 591	6 559	13 150
Age: 5 – 9	6 159	6 145	12 304		6 145	6 145	6 159	6 145	12 304
Age: 10 – 19	11 106	10 907	22 013		10 907	10 907	11 106	10 907	22 013
Age: 20 – 29	9 959	10 512	20 471		10 512	10 512	9 959	10 512	20 471
Age: 30 – 39	6 986	8 063	15 049		8 063	8 063	6 986	8 063	15 049
Age: 40 – 49	5 776	6 432	12 208		6 432	6 432	5 776	6 432	12 208
Age: 50 – 59	3 641	4 970	8 611		4 970	4 970	3 641	4 970	8 611
Age: 60 – 69	2 134	3 359	5 493		3 359	3 359	2 134	3 359	5 493
Age: 70+	1 256	3 018	4 274		3 018	3 018	1 256	3 018	4 274

Source: Statistics SA

## T.1.2.3 Households



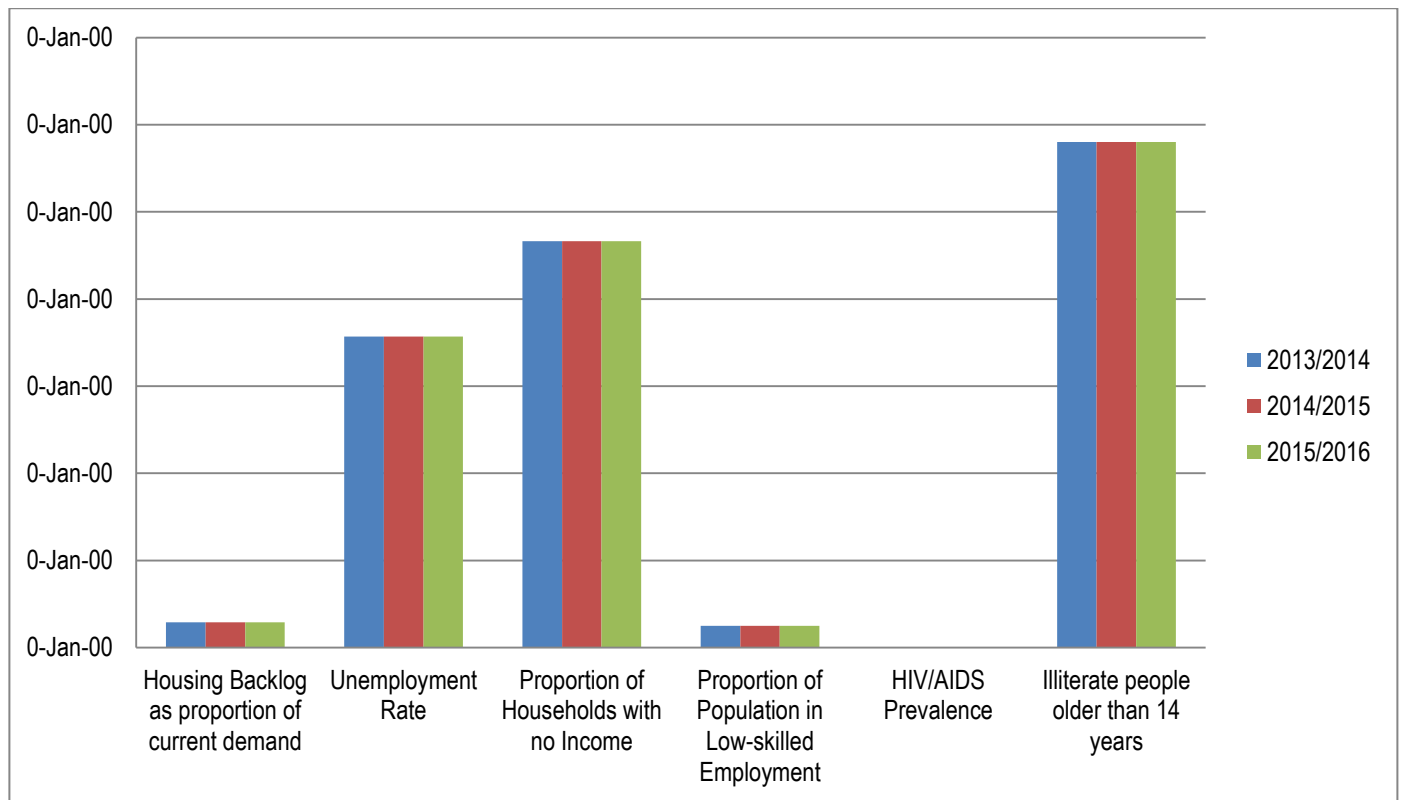


# Chapter 1-Component B: Executive Summary

## T 1.2.4 Socio Economic Status

Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2013/2014	3%	36%	47%	2%		58%
2014/2015	3%	36%	47%	2%		58%
2015/2016	3%	36%	47%	2%		58%

## T 1.2.5 Socio Economic Status



## Chapter 1-Component B: Executive Summary

### T 1.2.6 Overview of Neighbourhoods within the Municipality

Settlement Type	Households	Population
Marquard		1 033
Moemaneng Extension 1		940
Moemaneng Extension 2		1 038
Moemaneng Extension 3		1 848
Moemaneng Extension 4		2 187
Moemaneng Extension 7		1 239
Moemaneng Extension 8		838
Moemaneng SP		4 409
Motampelong		1 191
Riverside		779
<b>Sub-Total</b>	<b>4 460</b>	<b>15 502</b>
Ficksburg		5 400
Boitumelo		1 532
Ha Molo		311
Itumeleng Zone 3		630
Katlehong		3 197
Khaphamadi		646
Marallaneng		727
Masaleng		2 184
Meqheleng 1		590
Meqheleng 2		1 633
Meqheleng 3		1 210
Meqheleng 4		975
Meqheleng 5		1 745
Meqheleng 6		2 822
Meqheleng 7		5 223
Meqheleng 8		10 529
Vukazenzele		1 894
<b>Sub-Total</b>	<b>13 621</b>	<b>41 248</b>

## Chapter 1-Component B: Executive Summary

Settlement Type	Households	Population
Senekal		3 466
Matwabeng Extension 4		9 883
Matwabeng Extension 5		2 450
Matwabeng Extension 6		413
Matwabeng SP		992
Matwabeng Zone 1		1 254
Matwabeng Zone 2		6 037
Matwabeng Zone 3		1 048
<b>Sub-Total</b>	<b>9 387</b>	<b>25 543</b>
Clocolan		1 349
Diamong		934
Dipotomaneng		1 616
Hlohlohwane Extension 6		6 707
Mandela Park		1 650
Matikareng		962
Mokodumela		994
Ntsharebone		732
Sunflower Park		2 024
Thethe		634
Sub-Total	6 219	17 602
Rural	2 913	12 703
Informal	1 000	
<b>Total</b>	<b>37 600</b>	<b>112 598</b>

### T 1.2.7 Natural Resources

Major Natural Resource	Relevance to Community
Caledon River	Water
Sandstone	Mining
Diamond	Mining
Cherries	Farming
Asparagus	Farming
Peaches	Farming
Appels	Farming

# Chapter 1-Component B: Executive Summary

## T 1.2.8 Comment on Background Data

The background data is mainly in terms of census 2011 as provided by the statistic South Africa, which is the reason as to why the information is only given in the sub-totals in the number of household. The information from Statistic South Africa is aggregated to a ward level not as per the way the template is designed. This challenge need to be addressed when the template is being reviewed. We also need to have mechanisms as to how we account for the information during and in between the census as it is not captured in the template.

## 1.3 Service Delivery Overview

### T 1.3.1 Service Delivery Introduction

The Constitutional objectives for local government are set in section 152 and are as follows:

- To provide democratic and accountable government of local communities
- To ensure the provision of services to communities in a sustainable manner
- To promote social and economic development
- To promote a safe and healthy environment
- To encourage the involvement of communities and community organisation in matters of local government

A central challenge for municipality have been its viability and ability to build strong department capable of delivering on the principles of section 53 of the Constitution which states that:

..'A municipality must structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic development of the community, and participate in national and provincial development programmes'.

'If the municipality can achieve the above objectives consistently, within the financial and administrative capacity, it could be described as a functional, well-performing municipality". The following are the focus areas of the municipality:

#### **Universal access to water**

All household within the municipality has access to water above the minimum service level.

#### **Universal access to sanitation**

All household within the municipality has access to sanitation above the minimum service level.

#### **Universal access to electricity**

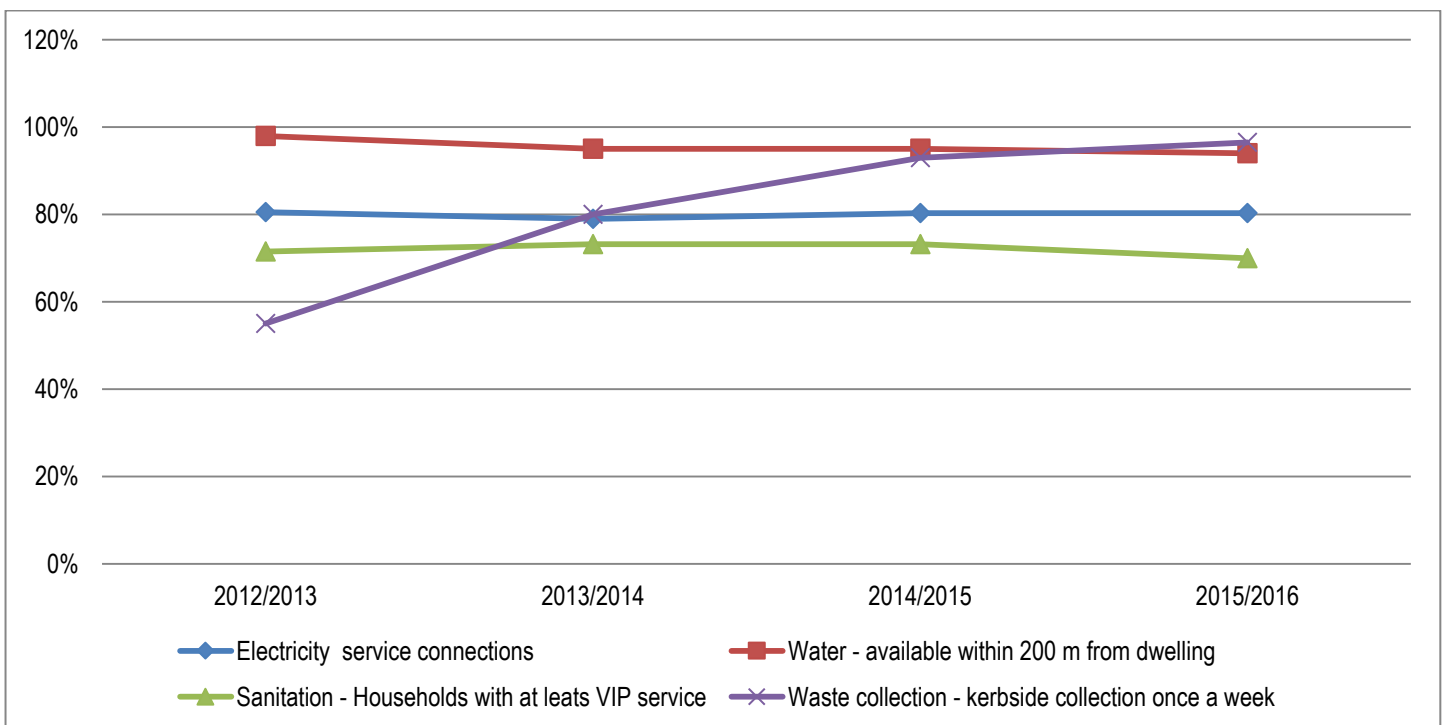
All household within the municipality has access to electricity above minimum service level.

# Chapter 1-Component B: Executive Summary

## Eradication of informal settlement

The municipality is not a housing authority, in collaboration with the Free State Department of Human Settlement it is ensuring that houses are provided. The land is identified and acquired that is utilised for township establishment and also assurance is done on the necessary studies and applications for township establishment. The process of finalising the processes of rolling-out SPLUMA has been completed and the municipality is confident that the process will kick-start smoothly from the beginning of the next financial year and that it will impact positively in our endeavours to eradicate informal settlements.

### T 1.3.2 Proportion of households with access to basic services



### T 1.3.3 Comment on access to basic services

Over the years the municipality has been increasing its ability to provide services to local communities, the provision of water has been almost to the maximum and the electricity has been minimal over the four year period. Sanitation lacked behind and the municipality is doing all in its power to address the situation. Provision for refuse removal has steadily increased to twice a month and we hope to increase the frequency in the following financial year.

# Chapter 1-Component B: Executive Summary

## 1.4 Financial Health Overview

### T 1.4.1 Financial Health Overview

The financial services department is headed by the Chief Financial Officer and comprises of the following divisions:

- Revenue Management
- Budget and Financial Reporting
- Assets Management
- Expenditure Management
- Supply Chain Management

#### Property Valuation and Property Rates

Valuation on land and buildings is performed every five years, the current properties and land within the municipality has a combined market value of R 5 522 740 319. Interim valuations are being done on an annual basis and the year under review was no different. The current valuation roll has been implemented from the 01 July 2014. A total of R 43 603 981 has been received from property rates, Rates were levied on an annual basis with equal payments over a period of twelve months. Interest we levied at prime plus 1% per annum and it totalled R 19 993 457 on outstanding rates and services. A general rate of R0.04 is applied to property valuation to determine assessment rates. Rebates of 85% are granted to residential, commercial, small holdings and farm property owners.

#### Revenue Management

Revenue Management Division is responsible to ensure that revenue budgeted for the five main and other services tariffs, namely:

- Assessments Rates and collection being R 43,603,981
- Electricity and total collection being R 65,740,375
- Water and total collection being R 37,327,423
- Sanitation and total collection being R 18,668,068
- Refuse Removal and total collection being R 21,819,987
- Other service charges and total collected being R 130,740

#### Credit Control and Debt Management

Credit Control and Debt Management section is responsible for revenue collection as well as the management of indigents within the municipality. The municipality approved and subsidised 5 817 indigents and the amount of R 20 315 947 has been spent in respect of the free basic services. Of the **R 20 315 947**, R1.207 956 was for free basic electricity, R 19 056 579 was for water, sanitation, refuse, and rates and taxes. The balance thereof relates to support on pauper burial to destitute people. During the year under review, total amount of R 63 924 640 was written off as bad debt but still subjected to being handed over to lawyers for litigations. The collection rate for the period under review after taking into account the bad debt written off is 75% of the billed amount.

#### Supply Chain Management

During the period under scrutiny, a total of 5 tenders were awarded to the value of R 1 309 930. From these tenders a total of 0 tenders were awarded to locally based companies to the value of R 0. As required by law, regulations and policies, all procurement in excess of R 30 000.00 but below R 200 000.00 were advertised on the website and municipal notice boards for a period of seven days. 33 quotations were advertised to the value of R 2 721 652 and of these quotations 3 were from companies within the municipal area to the value of R 482 361.

## Chapter 1-Component B: Executive Summary

### Budget and Financial Reporting

The application of sound financial management principles for the compilation of the municipality's budget is essential and critical to ensure that the municipality remains financial viable and those sustainable municipal services are provided economically and equitably to all the citizenry. The year under review, the total of R 627 974 006 has been spent on operational approved budgets of about R 306 983 067, this includes non-cash items, representing 48.88% of the total adjustments expenditure budget for the year. These non-cash items are items such as depreciation, debt impairment year end provision and municipal interdepartmental charges.

The budget has been prepared in terms of the required Standard Chart of Accounts requirement as the municipality is a pilot site for the implementation of National Treasury project. Cash flow management and forecasting is a crucial step in determining if the budget is funded over a Medium-Term Revenue and Expenditure Framework. Cash flow management consists of taking the necessary steps to maintain adequate levels of cash to meet the operational and capital requirements and to obtain the maximum yield on short-term investments. During the period under examination, the municipality closed the financial year with a positive bank balance of R 3 561 590 as against the previous financial year of R 574 105.

The Annual Financial Statements of the municipality have been prepared in accordance with Generally Recognised Accounting Principles. In terms of paragraph 63 of the Framework for the Preparation of Annual Financial Statements, the application of Generally Recognised Accounting Principles normally results in financial statements that convey what is generally understood as a fair presentation of such information.

### Expenditure Management

The municipality has efficiently and effectively through much effort managed to maintain the operational expenditure within the approved budget, meaning that the municipality did not exceed its approved budget, however, when we include the non-cash items, namely, depreciation, amortisation costs and debt impairment provision and other general bulk expenditure for the year, the municipality's expenditure exceeded the income by R 148 904 544. (2014:166 427 214).

The municipality closed its financial year at 30 June 2015 with a positive bank balance of R 3 561 590, after processing payments to our creditors of R 334 521 695. Again, what is worth mentioning is that the Capital Expenditure for the 2015/2016 is 100% spent, which is the same as the previous financial year. The municipality does not owe Eskom and it meet all its financial obligations.

### T 1.4.2 Financial Overview 2015/2016

Financial Overview: 2015/16				R' 000
Details	Original budget	Adjustment Budget	Actual	
Income:				
Grants	218,834	223,834	267,736	
Taxes, Levies and tariffs	205,282	216,181	185,621	
Other	32,512	33,337	25,712	
Sub Total	456,628	473,352	479,069	
Less: Expenditure	405,999	419,352	627,974	
Net Total*	50,629	54,000	-148,905	
* Note: surplus/(defecit)				T 1.4.2

## Chapter 1-Component B: Executive Summary

### T 1.4.3 Operating Ratios

Operating Ratios	
Detail	%
Employee Cost	29.0%
Repairs & Maintenance	
Finance Charges & Impairment	0.1%
	<i>T 1.4.3</i>

### T 1.4.4 Comment on Operating Ratios

#### Employee Costs

The ration of personnel expenditure to operating expenditure is widely used as an indicator of the sustainability of the municipal budget and expenditures. Total remuneration includes employee's related costs and councillors' remuneration. The norm in terms of Circular 71 ranges between 24% and 40%, however, the employee cost ration for the year under review is 41.80%

#### Repairs and Maintenance

In terms of mSCOA which was implemented from the beginning of the year under review, the municipality does not report on repairs and maintenance as a standalone item, The expenditure is now accounted through project driven accounting practice.

#### Finance Charges

This is the cost of provision for servicing the loans and all the debt that the municipality has incurred. It is calculated by dividing the total finance charges cost by the total operating expenditure, the current ratio is 0.1% as compared to the expected norm of 6%-8%% in terms of MFMA, Circular 71. The municipality has sufficient capacity to could exploit the opportunities of incurring more debt to at least 8% of the finance cost against total operating expenditure, for the purpose of acquiring assets to improve service delivery.

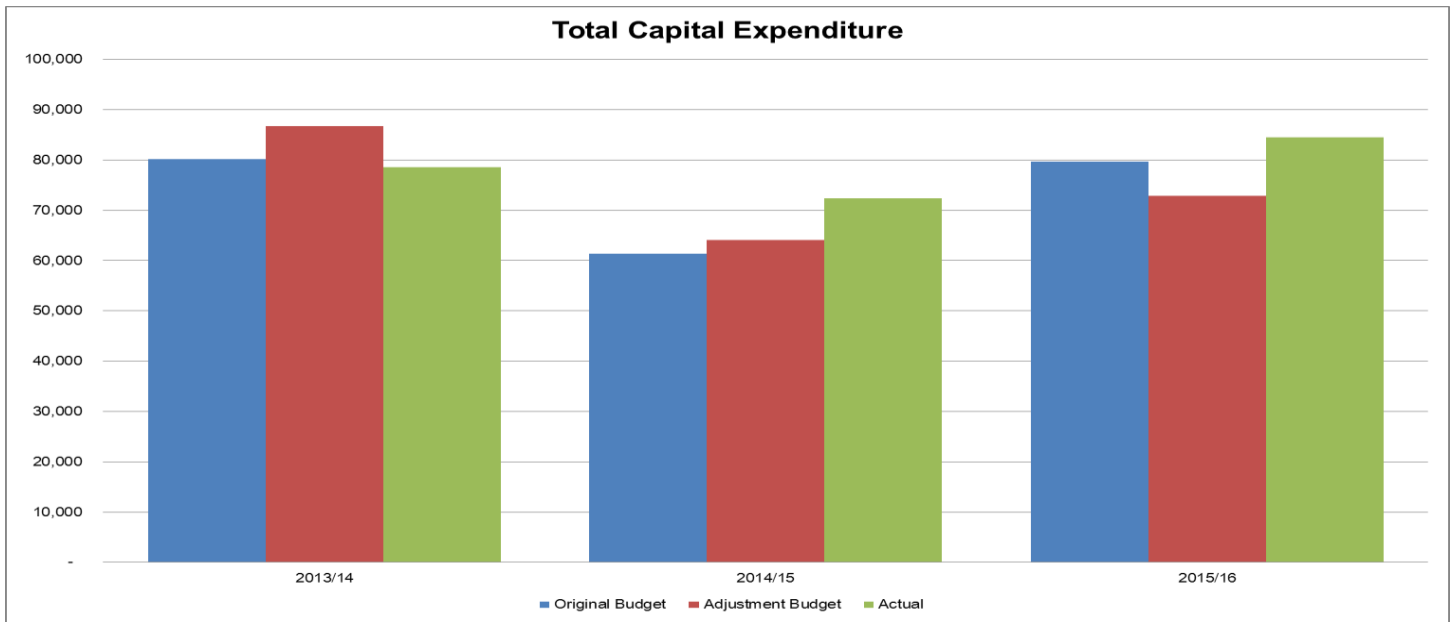
### T 1.4.5 Total Capital Expenditure

Total Capital Expenditure: 2013/14 to 2015/16			
	R'000		
Detail	2013/14	2014/15	2015/16
Original Budget	80,109	61,377	79,624
Adjustment Budget	86,672	64,040	72,890
Actual	78,601	72,420	84,466
			<i>T 1.4.4</i>



# Chapter 1-Component B: Executive Summary

## T 1.4.6 Total Capital Expenditure



### T 1.4.6.1 Comment of Capital Expenditure

Capital expenditure is mainly funded out of grants received from National Government. For the past two years the municipality's has spent all its allocations. This trend can only be intensified and we believe that with the expertise and skills the Department of Engineering Services and in particular the Project Management Unit, the municipality will continue to put up new infrastructure to make the lives of the residents more enjoyable and worthwhile.

## 1.5 Organisational Development Overview

### T 1.5.1 Organisational Development Performance

The municipal workforce is made up of 683 employees. The Department of Corporate Services renders a support service regarding employee management, employee expenditure, employee relations and employee development.

#### Recruitment and Selection

All sections 54A and 56 Managers positions have been filled since 2012 and some critical position filled after the approval by Council on the 07 February 2014. The entire organisational structure need to be phased in by the end of the financial year 2016/2017. That temporary employees must not be appointed on a full-time position, however, those who have been appointed temporary for over a period of 12 months be appointed permanently in line with amended Labour Relations Act 2014, section 198B.

That our organisational structure be reviewed to critically relook into the feasibility and sustainability of having 509 vacant positions, most of which are not necessary. Increase capacity on HR to find incumbents who will deal with the issue of policy development/plans and reviews.

## Chapter 1-Component B: Executive Summary

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That the process of job evaluation be speeded up to enable a process of performance to unfold. That a Labour Relations section be capacitated to enhance the speedy resolution of disciplinary matters.

### **Organisational Development**

The municipality has embarked on an intensified process of finalising all the outstanding job descriptions, this process was started before the end of the year under analysis. All the relevant Human Resource Policies are in place and adopted by council. The municipality, during its processes of moving into automation of the Performance Management System, has proposed that the motto from the next term of council be "Good to Great", which will be replacing "Re Sebeletsa Katleho".

The Electronic performance Management System will be tested in the first quarter of the new financial year and will be rolled out fully by the third quarter. The municipality is striving to be fully compliant by the end of 2015/2016, if it cannot receive a clean audit for the period under review, it is definitely going to happen at the end of the new financial year.

### **Employee Wellness**

The programme is well underway and all our employees receives the necessary attention and referrals when needed.

## **1.6 Auditor General Report**

### **1.6.1 Auditor General Report 2015/2016**

The municipality received an unqualified audit opinion for the 2015/2016 financial year.

## Chapter 1-Component B: Executive Summary

### 1.7 Statutory Annual Report Process

#### T 1.7.1 Statutory Annual report Process

.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft Annual Report 2014/2015 to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

#### T 1.7.1.1 Comment on the Annual Report Process

The Annual Report 2015/2016 is compiled in accordance with the requirements of section 121 of the Municipal Finance Management Act, 56 of 2003, section 46 of the Municipal Systems Act, 46 of 2000, as well as the format prescribed by National Treasury. The purpose of the report is:

- To provide feedback on the activities of the municipality for the past twelve months;
- To provide a report on performance in service delivery and budget implementation plan for the year under assessment; and
- To promote accountability to the community for the decisions made from 01 July 2015 to 30 June 2016

## **Chapter 1-Component B: Executive Summary**

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This Annual Report 2015/2016 has been developed according to the provision of Circular 63 of the Municipal Finance Management Act, 56 of 2003, which indicates that the real transparency and accountability can only be achieved where there is a clear link between the strategic objectives agreed with the community, the Integrated development Plan, the Budget, the Service Delivery and Budget Implementation Plan, in year reports, the Annual Financial Statements and the Annual Performance. The municipality compiled the Annual Report 2015/2016 for submission to the Auditor General by the 31 August 2016 and this report was submitted on Wednesday, 31 August 2016.

# Chapter 2-Governance

## Chapter 2-Governance

### Component A: Political and Administrative Governance

#### T 2.0.1 Introduction to Governance

In its most abstract sense, governance is a theoretical concept referring to the actions and processes by which stable practices and organisations arise and persists. These actions and processes may operate in formal and informal organisations of any size; and they may function for any purpose, good or evil, for profit or loss.

Conceiving of governance in this way, one apply the concept to the state, to corporations, to non—profits, to non-governmental, to partnerships and other associations, to project teams, and to any number of human engaged in some purposeful activity.

Most theories of governance as a process arose of neoclassical economics. These theories build deductive models, based on the assumptions of modern economics, to show how rational actors may come to establish and sustain formal organisations, such networks and practices for governing the commons. Most of these theories draw on transaction cost economic. Underneath are examples of combination of different governance processes that are pertinent in our municipality, which are not going to be explained further:

- Public Governance;
- Participatory Governance; and
- Contemporary Governance.

#### T 2.2.0 Introduction to Political and Administrative Governance

Setsoto Local Municipality is a category B Municipality with a Collective Executive with Ward Participatory System, the council has its committees (Section 79 Committees) including Audit & Performance Committee and Oversight Committee. The council's role is to debate issues publicly and to facilitate political debate and discussion, The council plays a very active role in the operations of the Municipality. Apart from their functions as decision makers,

Councillors are also actively involved in community work and the various social programmes in the municipal area. Political and administrative governance in the municipality consists of a set of processes, customs, policies, laws, regulations and institutions affecting the way people direct, administer or control an organisation. Political and administrative governance also includes the relationships amongst the many role-players involved in the organisation. The principal role-players include communities, management and councillors. Other stakeholders includes employees, service providers, customers, businesses, political parties, other organisations and regulators.

### 2.1 Political Governance

The municipality consist of thirty-five councillors, of which eighteen are ward councillors and seventeen are party proportional representative councillors. Of these twenty-five are from the African National Congress, six are from the Democratic Alliance, one an Independent Councillor, two from the Congress of the People and one from the Freedom Front+. The political structure in terms of the Local Government: Municipal Structure Act, 117 of 1998 are as depicted below.

## Chapter 2-Governance

### T 2.1.2 Introduction to Political Governance

Mr. T. Jakobo	Mayor			
Mr. P. Mhloni	Speaker			
Mr. T. Makhalanyane	Chief Whip (ANC) from 01 July 2016 till 25 January 2016			
Mr W M Selasi	Chief Whip (ANC) from 25 January 2016 till 30 June 2016			
Mr. C. Marwick	Chief Whip (DA)			
<b>Executive Committee</b>				
Mr. T. Jakobo	Chairperson			
Mr. T. Makhalanyane	Member			
Mr. E. Strydom	Member			
Me. A. Mahlangu	Member			
Me. M. Mthimkhulu	Member			
Mr. K. Koalane	Member			
Mr. T. Makae	Member			
<b>Councillors</b>				
Initials	Sumame	Ward /PR	Male / Female	Unit
M M	Mothibeli	Ward Councillor	Female	Marquard
D L	Mohapi	Ward Councillor	Female	Marquard
M L	Mthimkulu	Ward Councillor	Female	Senekal
K S	Mokhuoane	Ward Councillor	Male	Senekal
D M	Motsei	Ward Councillor	Female	Senekal
W M	Selasi	Ward Councillor	Male	Senekal
M	Mabeleng	Ward Councillor	Male	Senekal
T B	Jakobo	Ward Councillor	Male	Clocolan
M C	Nakasi	Ward Councillor	Female	Clocolan
R H	Bath	Ward Councillor	Male	Ficksburg
K E	Koalane	Ward Councillor	Male	Clocolan
M M	Hlakane	Ward Councillor	Male	Ficksburg
P M	Thamae	Ward Councillor	Male	Ficksburg
T E	Makae	Ward Councillor	Male	Ficksburg
T G	Makhalanyane	Ward Councillor	Male	Ficksburg
R V	Mohala	Ward Councillor	Female	Ficksburg
L F	Kere	Ward Councillor	Male	Ficksburg
P I	Mavaleliso	Ward Councillor	Male	Ficksburg
M S	Maduna	Proportional Councillor	Male	Senekal
M H	Semahla	Proportional Councillor	Female	Ficksburg
M M	Maphisa	Proportional Councillor	Female	Senekal
T M	Muso	Proportional Councillor	Female	Ficksburg

## Chapter 2-Governance

T J	Tsolo	Proportional Councillor	Male	Ficksburg
M D	Malebo	Proportional Councillor	Female	Ficksburg
M A	Mahlangu	Proportional Councillor	Female	Ficksburg
M P	Mohlomi	Proportional Councillor	Male	Ficksburg
S S	Fuso	Proportional Councillor	Male	Senekal
M J	Raboroko	Proportional Councillor	Female	Clocolan
T V	Mohase	Proportional Councillor	Male	Ficksburg
E P	Strydom	Proportional Councillor	Male	Marquard
L J	Setai	Proportional Councillor	Male	Marquard
C P	Marwick	Proportional Councillor	Male	Clocolan
B J	Du Toit	Proportional Councillor	Male	Ficksburg
C M	Lubbe	Proportional Councillor	Male	Senekal
A C	Bester	Proportional Councillor	Female	Senekal

### T 2.1.3 Political Decision-Making

#### Council Decision Making

The difference between number of items tabled and not resolved relates to items being referred back for more information. A total of 184 council resolutions were taken and 184 resolutions were implemented and therefore percentage of council items implemented according to the progress report is 100%.

#### Executive Committee Decision Making

The difference between number of items tabled and items resolved relates to items being either referred back for more information or items recommended forward to Council for resolution. A total of 262 Executive Committee resolutions were taken and 262 resolutions were implemented therefore the percentage of Executive Committee items implemented according to the progress report is 100%.

#### Council Meetings

Meeting	Date	No of Items	No Resolved / Noted	No of Items Implemented (based on responses provided)	Items not Implemented	Reason
Council Meeting	30/07/2015	35	33	33	n/a	n/a
	04/08/2015	1	1	1	n/a	n/a
	15/10/2015	32	25	25	n/a	n/a
	01/12/2015	28	26	26	n/a	n/a
	25/01/2016	20	19	19	n/a	n/a
	25/02/2016	1	0	0	n/a	n/a
	29/02/2016	30	30	30	n/a	n/a
	17/03/2016	1	1	1	n/a	n/a
	31/03/2016	27	27	27	n/a	n/a
	31/05/2016	23	20	20	n/a	n/a
	07/06/2016	2	2	2	n/a	n/a
		200	184	184	0	

## Chapter 2-Governance

### Executive Committee Meetings

Meeting	Date	No of Items	No Resolved / Noted	No of Items Implemented (based on responses provided)	Items not Implemented	Reason
Executive Committee Meetings	21/07/2015	41	30	30	n/a	n/a
	30/07/2015	Only approval of minutes				
	18/08/2015	22	22	22	n/a	n/a
	22/09/2015	52	26	26	n/a	n/a
	27/10/2015	30	21	21	n/a	n/a
	15/10/2015	Only approval of minutes				
	17/11/2015	36	25	25	n/a	n/a
	15/12/2015	47	33	33	n/a	n/a
	01/12/2015	Only approval of minutes				
	25/01/2016	Only approval of minutes				
	17/02/2016	47	26	26	n/a	n/a
	29/02/2016	Only approval of minutes				
	31/03/2016	Only approval in minutes				
	15/03/2016	48	31	31	n/a	n/a
	17/05/2016	65	48	48	n/a	n/a
	31/05/2016	Only approval of minutes				
		388	262	262	0	n/a

## 2.2 Administrative Governance

### T 2.2.1 Introduction to Administrative Governance

The municipal administration can be defined as a multilevel/met governance. This is widely defined as governing of the governing. It represents established ethical principles or norms that shape and steer the entire governing process. The quality of governance that the municipality is displaying is that of good governance, this relates to consistent management, cohesive policies, guidance processes and decision rights for a given area of responsibility, and proper oversight and accountability.

### Component B: Intergovernmental Relations

#### T 2.3.0 Introduction to Co-operative Governance and Intergovernmental Relations

Our people's focus is mainly on the audited financial statements and the Auditor General's report on those audited annual financial statements, but they do not consider the effort and intergovernmental interactions that took place to produce such credible annual financial statements. During the course of the year under examination, a lot of intergovernmental activities took place to ensure that communities receives sustainable, uninterrupted services on a daily basis. There have been a lot of interdepartmental, sector departmental meetings that took place to ensure that challenges are identified and mitigated upon as soon as possible to ensure smooth running of the administration and service provision.

The systems that are in place included processes through which the municipality's objectives are set and pursued in the context of social, regulatory, political, technological, economical and market environment. These included mechanisms put in place to monitor actions, policies and decisions of the municipality and its service providers. Financial Health



## Chapter 2-Governance

South Africa has an intergovernmental system that is based on the principle of cooperation between the three spheres of government-local, provincial and national. While responsibility for certain functions is allocated to a specific sphere, many other functions are shared among the three spheres. However, the Constitution specifically envisages that as municipalities develop the necessary capacity, the administration of many functions that are currently the responsibility of national and provincial governments will be assigned to municipalities. Whilst this has been taking place, very often the devolution has only been partial-with municipalities not being given the necessary funds, scope of responsibility or without their being subject to clear forms of accountability for their performance.

Over the medium-term, government is planning for more functions to be devolved to municipalities. There is therefore a need for clear principles to guide such assignments to ensure that there are appropriate incentives, funding and accountability arrangements.

The assignment of functions to local government has a direct bearing on the local fiscal framework. Ideally, the framework should provide municipalities with access to revenue sources that are commensurate with powers and functions that they are responsible for. In this regard, it is important to keep in mind that the whole local government fiscal framework is designed to fund local government, and not just the transfers from national government.

### **T 2.3.1 National intergovernmental Structures**

The following intergovernmental for a play an important role in cooperative governance and in shaping policy and resource decisions:

#### **Extended Cabinet**

This is made up of National Cabinet Ministers, extended to Provincial Premiers and the Chairperson of SALGA. It is the highest cooperative governance mechanism, advising the national cabinet when it finalises the fiscal; framework and the division of revenue on which the MTERF budgets are based.

#### **The President's Coordinating Council**

Chair of this forum is the President of the country and it constitutes nine provincial Premiers, the Chairperson of SALGA, Mayors' of Metros and the National Ministers responsible for cross-cutting functions such as provincial and local government affairs, public service and administration, and finance. Other Ministers may be invited to participate.

#### **The Budget Council and Budget Forum**

Established in terms of the Intergovernmental Fiscal Relations Act of 1997. The Budget Council consists of Minister of Finance and the Members of the Executive Councils responsible for finance in each province. The Budget Forum consists of the members of the Budget Council plus the representatives of SALGA. It provides a forum for discussing financial matters relating to the local government fiscal framework.

## Chapter 2-Governance

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These are sectoral fora made up of national ministers for concurrent functions and their provincial counterparts. SALGA represents local government on a number of these fora.

#### T 2.3.2 Provincial Intergovernmental Structures

Over and above the provincial structures as above being in place in the province, the following are the once that the municipality is taking active role in:

- Provincial Waste Management Forum
- Free State Traffic Management Committee
- Free State Umbrella Fire Protection Association
- Provincial Fire and Disaster Advisory Forum
- Cross Border Crime Prevention Forum
- Provincial Security Managers Forum
- South African Emergency Services Institute
- Provincial IDP Managers Forum
- Provincial Planning Forum
- Provincial PMS Managers Forum

#### T 2.3.3 Relationships with Municipal Entities

The municipality does not have a municipal entity

#### T 2.3.4 District Intergovernmental Structures

The following are at the district level:

- District Municipal Chief Fire Officers Forum
- District Disaster Management Forum
- Thabo Mofutsanyana District Municipality Traffic Management Committee

### Component C: Public Accountability and Participation

#### T 2.4.0 Overview of Public Accountability and Participation

The municipality recognises the need to provide its community with feedback more especially on issues reflected or covered in the Municipal IDP. In order for the community to be well informed about these developments, different methods or channels have been used to give and receive feedback between both the municipality and the public/community.

## Chapter 2-Governance

### 2.4 Public Meetings

#### T 2.4.1 Communication, Participation and Forums

#### T 2.4.2 Ward Committees

#### T 2.4.3 Public Meetings

Nature and Purpose of the meeting	Date of events	Number of Participating Municipal Councillor's	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Ward 01 public meeting, to address issues relating to service delivery.	03 November 2015	1	1	84	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 02 Community meeting, to afford community members an opportunity to make inputs for the development of the ward.	04 November 2015	1	1	63	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 03 Public meeting, to get suggestions from community members on issues affecting them wherein the office of the Speaker was invited	11 October 2015	1	1	37	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 04 public meeting, to address issues relating to service delivery	02 December	02	0	96	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 05	03 January 2016	1	0	114	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos

## Chapter 2-Governance

Ward 06	16 January 2016	1	1	134	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 07	21 August 2015	1	0	54	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 08	05 January 2016	1	0	66	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 09	17 November 2015	1	0	77	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 10 Ward Committee meeting, to compile a report about door to door conducted by them together with Community Development worker	NA	0	1 Community Development worker	6	NO	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 11 Public meeting, to attend to issues relating to service delivery	17 November 2015	1	1	49	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Imbizos
Ward 12 public meeting, to attend to issues relating to service delivery	23 January 2016	1	0	52	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development

## Chapter 2-Governance

						workers and Im-bizos
,Ward 13 public meeting, to attend to issues relating to service delivery	23 October 230	2	1	89	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Im-bizos
Ward 14, The ward councillor called the meetings without knowledge of ward committee members and community development worker.	The meetings were held without knowledge of the office of the Speaker, hence we cannot declare dates on which meetings were held. However at some instances especially on programmes held by our office, such ward committee members were invited and responded positively.	NA	NA	NA		By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Im-bizos
Ward 15 Public meeting, responding to community needs by bringing different government departments to discuss their roles and responsibilities.	07 January 2015	01	01	64	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Im-bizos
Ward 16 Public meeting, to discuss issues relating to service delivery	23 November 2015	02	1	70	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Im-bizos
Ward 17 Public meeting, to deliberate and discuss issues relating to service delivery wherein Eskom personnel was offered an opportunity to explain to the community about services rendered by Eskom.	03 August 2015	01	0	41	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Im-bizos
Ward 18 Public meeting, to discuss issues relating to sites, home affairs, drought in close collaboration with the department of Water and sanitation.	12 August 2015	1	1	90	Yes	By municipal website, via press, Naledi FM, Councillors, ward committee members and community development workers and Im-bizos

## Chapter 2-Governance

### T 2.4.3.1 Comment on the Effectiveness of the Public Meetings held

Key benefits for the municipality and the public from the meetings held

- Removal of bucket toilets and dumping sites will free community members from unhygienic conditions;
- Change of ownership and offering of title deeds will assist the municipality to know people eligible for indigent and those who are supposed to pay their services;
- Employment of people will capacitate those employed to pay for their services;
- Installation of road signs and humps will minimize road accidents.
- Passing of by-laws will alleviate illegal immigrants conducting their businesses illegally and using same business sites as sleeping areas;
- The above said by-laws will also stop animals wandering in our towns and townships.

## 2.5 IDP Participation and Alignment

### T 2.5.1 Participation and Alignment Criteria

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	

## Component D: Corporate Governance

### T 2.6.0 Overview of Corporate Governance

Corporate governance is the system by which companies are directed and controlled. Board of the companies are responsible for the governance of their companies. The shareholders' role in governance is to appoint directors and the auditors and to satisfy themselves that an appropriate governance structure is in place.

The responsibility of the board include setting the company's strategic aims, providing leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. Corporate governance is therefore about what the board of a company does and how it sets the values of the company, and it is to be distinguished from the day to day operational management of the company.

### 2.6 Risk Management

#### T 2.6.1 Risk Management

Since the adoption of the Municipal Finance Management Act of 2003 Section 62(1) (a), (c (i)), which stipulates the following:

- The accounting officer of the municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure.
  - a. That the resources of the municipality are used effectively, efficiently and economically.
  - b. That the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and the Treasury Regulations issued in terms of the Act infused the public service with a municipal culture, which must add to its emphasis on external sanctions and include stronger internal controls with anticipatory management systems to assess the abuse of power, which is the central principle of risk management.

This is why risk management should be central to managing the Municipality as a whole, and why risk management should be integral to planning, organising, directing and coordinating systems aimed at achieving the Municipality's goals and objectives. One of the most important mandates is the development and implementation of an integrated risk management strategy whose major objective is to encourage best practice within an evolving government service delivery strategy, while minimising the risks and ensuring that Municipality meets its set objectives.

Since the adoption of the reviewed organisational structure no changes have been made to capacitate the risk management unit in order to make the unit more effective. One of these changes was to identify the position of a Chief Risk Officer and the Manager in the Office of the Municipal Manager. The idea was that the overall responsibility of risk coordination and management was to be that of the Manager in the Office of the Municipal Manager with the Chief Risk Officer reporting to the Manager in the Office of the Municipal Manager and the Risk Officer Reporting to the Chief Risk Officer. Many risks have been identified, minimized, controlled and mitigated during the year under review. The following are the highlights of the Risk Management activities of the municipality during the year under review:

- Improvement in Provincial treasury's assessment ratings
- Most departments have managed to minimise identified risks within their divisions
- Promotion of enterprise risk management culture within the organisation through workshops

There is a proper correlation between the Risk Management Unit, the Internal Audit Unit and the IDP/PMS Division within the municipality, and it is envisaged that with the filling of the vacant posts in the unit this correlation can only be enhanced.

## Chapter 2-Governance

### 2.7 Anti-Corruption and Fraud

#### T 2.7.1 Fraud and Anti-Corruption Strategy

The Fraud Prevention Strategy seeks to focus attention at the macro strategic level in the first instance. It then provides a schema for assessing matters and actions to be addressed at the detailed level. It is important for the Municipality to have a strategy that is highly prescriptive in nature when dealing with issues of fraud and corruption.

It is essential that Setsoto Local Municipality promotes a zero tolerance approach to Fraud and corruption. The commitment, by all officials is to mitigate fraudulent activities and to report when fraud occurs and should be dealt with thoroughly without leniency. During the year under review the municipality made efforts to educate employees and community members with issues of fraud and corruption that are affecting the Municipality through Public participations and workshops. The following are the highlights of the Fraud and corruption activities of the municipality during the year under review:

- There was anti- fraud and corruption hot line launch held in Clocolan where many stakeholders were invited to present and discuss issues of fraud and corruption.

All the Unauthorised, Irregular, Wasteful and Fruitless expenditure is being dealt with according to Circular 68 and section 32 of the Municipal Finance Management Act, 56 of 2003. All processes followed is that the register is completed and tabled to the Assets and Liability Committee which then submit their recommendations to the Municipal Public Accounts Committee for investigations and recommendation to council. Council will then either, condone, authorise, recoup and/or take legal actions against whoever is liable to the allegations.

### 2.8 Supply Chain Management

#### T 2.8.1 Overview of Supply Chain Management

Supply Chain Management Processes are being updated on ongoing basis to ensure full compliance with the Municipal Finance Management Act, 56 of 2003 and the Regulations issued under the Act. The policy was reviewed during the 2013/2014 financial year. To further strengthen controls, a policy dealing with the acceptance of grants, donations and sponsorships was reviewed during the year under examination. This policy will guide all Supply Chain Management role-players relative to sections 47 and 48 of the Municipal Finance Management Act, 56 of 2003 Regulation. No Councillors serve on any Supply Chain Management Committee.

A total of fifty-two full bids and thirty-nine formal written quotations were processed during the year under review. The average turnaround time on the awarding of bids is two months. Deviations from policy complied with the requirements and reported to Council. In the limited number of cases where this occurred, it was for justifiable reasons and such cases are reported to Council. Supply Chain Management policy should be fair, equitable, transparent, competitive and cost effective and comply with prescribed regulatory for Municipal Supply Chain Management



## Chapter 2-Governance

### 2.9 By-Laws

#### T 2.9.1 By-Laws Introduced during 2015/2016

Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Water Services Bylaw	No	Yes	November 2014 and April 2015	Yes	24 June 2016
Impoundment of Animals	No	Yes	November 2014 and April 2015	Yes	11 September 2015
Parking of Vehicles on Public Roads (Traffic Bylaw)	Yes	Yes	November 2014 and April 2015	Yes	11 September 2015
Municipal Land Use Planning Bylaws (SPLUMA)	No	Yes	November 2014 and April 2015	Yes	23 October 2015

#### T 2.9.1.1 Comment on By Laws

During 2015/2016 all public participation processes and amendments of above mentioned bylaws were done and after being finally approved by council as bylaws for the municipality they were published in the Provincial Gazette on dates as indicated.

### 2.10 Websites

#### 2.10.1 Municipal Website: Content and Currency of Material

Documents published on the Municipality's / Entity's Website	Yes / No	Publishing Date
Current annual and adjustments budgets and all budget-related documents	Yes	10-Jul-15
All current budget-related policies	Yes	10-Jul-15
The previous annual report 2014/2015	Yes	1-Feb-16
The annual report (Year 0) published/to be published	No	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes	6-Aug-15
All service delivery agreements 2015/2016	Yes	8-Jul-15
All long-term borrowing contracts 2015/2016	No	
All supply chain management contracts above a prescribed value (give value) for 2015/2016	No	
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No	
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No	
Public-private partnership agreements referred to in section 120 made in Year 0	No	
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	Yes	30-Sep-15

## Chapter 2-Governance

### 2.11 Public Satisfaction on Municipal Services

**T 2.11.1 Public Satisfaction Levels** The municipality did not conduct any public satisfaction levels survey for the year under review, but has budgeted for this exercise in the 2016/2017 financial year.

#### T 2.11.2 Satisfaction Surveys Undertaken during 2014/2015 and 2015/2016

Subject matter of survey	Survey method	Survey date	No. of people included in survey	Survey results indicating satisfaction or better (%)*
<b>Overall satisfaction with:</b>	Not done	N/A	N/A	N/A
(a) Municipality	Not done	N/A	N/A	N/A
(b) Municipal Service Delivery	Not done	N/A	N/A	N/A
(c) Mayor	Not done	N/A	N/A	N/A
<b>Satisfaction with:</b>	Not done	N/A	N/A	N/A
(a) Refuse Collection	Not done	N/A	N/A	N/A
(b) Road Maintenance	Not done	N/A	N/A	N/A
(c) Electricity Supply	Not done	N/A	N/A	N/A
(d) Water Supply	Not done	N/A	N/A	N/A
(e) Information supplied by municipality to the public	Not done	N/A	N/A	N/A
(f) Opportunities for consultation on municipal affairs	Not done	N/A	N/A	N/A

#### T 2.11.2. Concerning T 2.11.2.1

The municipality did not conduct any public satisfaction levels survey for the year under review, but has budgeted for this exercise in the 2016/2017 financial year

#### T 2.11.2.2 Comment on Satisfaction Levels

The municipality did not conduct any public satisfaction levels survey for the year under review, but has budgeted for this exercise in the 2016/2017 financial year.

# Chapter 3: Service Delivery Performance

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## Chapter 3: Service Delivery Performance

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### Component A: Basic Services

#### T 3.1.0 Introduction to Basic Services

Infrastructure is the foundation that enables economic growth and development. Local government is mandated to construct and maintain a range of infrastructure that facilitates local economic activities and create an enabling environment for economic growth. From a local perspective, the following infrastructure categories are of key importance specifically in terms of:

#### 1. Water and Sanitation

- Planning the provision of water and sanitation services (Master planning),
- Operation and maintenance of the water and sanitation assets and resources
- Manage the provision of capital infrastructure related
- Project management, and
- Policies, procedure and standards for the provision of the service

#### 2. Roads and Storm water

- Planning the provision and upgrading of adequate roads and storm water
- Maintenance of the existing infrastructure
- Manage the provision of capital infrastructure
- Project management

#### 3. Electricity

- Plan and manage the distribution of electricity
- Operation and maintenance
- Manage the provision of capital infrastructure
- Project management
- Policies, procedures and standards for the provision of the services

## Chapter 3: Service Delivery Performance

### 4. Housing and Town Planning

- Plan the provision of housing to the needy by the Province
- Assist the Province in coordinating the housing delivery strategies
- Enforce the provincial policies on housing matters, and
- Assist the province in the managing of contractors and the projects
- Provide guidance to the community on housing matters
- Maintain database of housing beneficiaries' waiting list

All these can be obtain by effectively utilizing of the available resources, and Identifying the best option that would maximize the output.

### 3.1 Water Provision

#### T 3.1.1 Introduction to Water

The municipality is both a Water Services Authority (WSA) and a Water Service Provider (WSP) and its primarily responsibility includes but not limited to ensuring the provision of water services, ensuring basic access to water for all communities of Setsoto Local Municipality, planning in terms of Water Service Development Plan as adopted by council in May 2015, Water Safety Plan adopted by council May 2011 which are under review and Water and Sanitation master plan as adopted by council in May 2015 to ensure effective, efficient, affordable, economical and sustainable access to water services that promote sustainable livelihoods and economic development and report annually on progress against those plan.

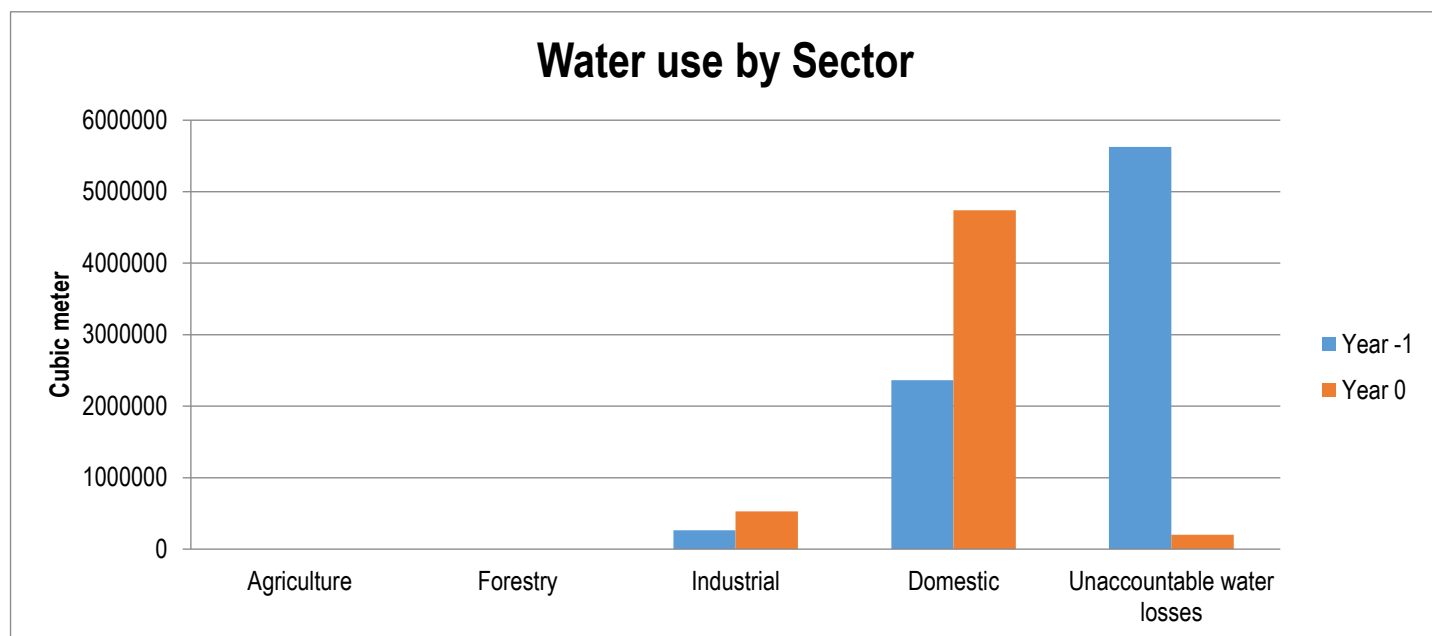
To improve access to quality water and sanitation services and ensure regular maintenance of water and sanitation infrastructure. The municipality has a backlog of 887 households without access to water and most of these areas are in farm areas. Due to the drought experienced by the municipality it had been difficult to ensure sustainable water supply to all areas and as a result some areas were provided with water through tankering. The department need to secure funding of desilting all our storage dams in order to maximise the storage capacity as all our dams are silting therefore the storage capacity had been reduced by almost 50%.

#### T 3.1.2 Total Use by Sector

	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2014/2015	0	0	262 426	2 361 834	5 625 000
2015/2016	0	0	526 841	4 741 572	202 754

## Chapter 3: Service Delivery Performance

### T 3.1.2.1 Water Use by Sector



### T 3.1.2.2 Comment on Water Use by Sector

Due to the severe drought there was reduced water usage by all sectors. This has also reduced the water losses as water was not supplied through network but rather water tankering.

### T 3.1.3 Water Service Delivery Levels

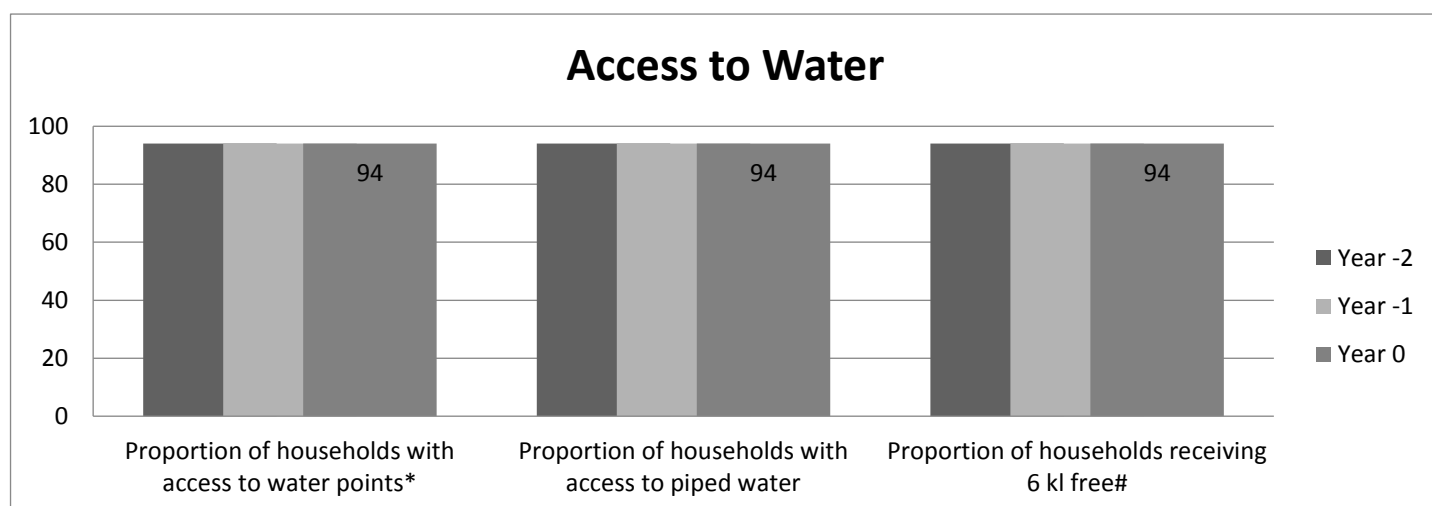
Description	Households			
	2012/2013	2013/2014	2014/2015	2015/2016
	Actual No.	Actual No.	Actual No.	Actual No.
<b>Water: (above min level)</b>				
Piped water inside dwelling	10 575	11 301	11 301	13 239
Piped water inside yard (but not in dwelling)	19 802	19 764	19 764	17 664
Using public tap (within 200m from dwelling )	2 461	1 735	1 735	1 684
Other water supply (within 200m)	218	218	218	0
<i>Minimum Service Level and Above sub-total</i>	33 056	33 018	33 018	32 587
<i>Minimum Service Level and Above Percentage</i>	98%	95%	95%	94%
<b>Water: (below min level)</b>				
Using public tap (more than 200m from dwelling)	0	0	0	0
Other water supply (more than 200m from dwelling)	631	1 669	1 669	0
No water supply	0	0	0	2 100
<i>Below Minimum Service Level sub-total</i>	631	1 669	1 669	2 100
<i>Below Minimum Service Level Percentage</i>	2%	5%	5%	6%
<b>Total number of households*</b>	33 687	34 687	34 687	34 687

## Chapter 3: Service Delivery Performance

### T 3.1.4 Water Service Delivery levels below the minimum

Description	Households					
	2012/2013	2013/2014	2014/2015	2015/2016		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	33 687	34 687	34 687	34 687	34 687	34 687
Households below minimum service level	631	1 669	1 669	2 100	2 100	2 100
Proportion of households below minimum service level	2%	5%	5%	6%	6%	6%
<b>Informal Settlements</b>						
Total households	1 262	1 000	1 000	1 000	1 000	1 000
Households that are below minimum service level	1 262	1 000	1 000	1 000	1 000	1 000
Proportion of households are below minimum service level	100%	100%	100%	100%	100%	100%

### T 3.1.5 Access to Water



T 3.1.6 Water Services Policy Objectives taken from the IDP

Water Service Policy Objectives Taken From IDP									
Service Objectives  Service Indicators (i)	Outline Service Targets  (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Service Objective : Ensure that good quality water and affordable infrastructure available and accessible to all communities and continuous maintenance thereof a high standard</b>									
Ensure that good quality water and affordable infrastructure available and accessible to all communities and continuous maintenance thereof a high standard	Volume (35307kg) of Chlorine to be used (Water filtrate E.coli dependent)	0	0	0	35307	20195	20195	20195	20195
	Volume (220273kg) of Flocculent to be used (LHSV of Raw Water dependent)	0	0	0	220273	140176	140176	140176	140176
	Volume (8450ML) of water to be purified	8450	8450	8450	845	5471	5471	8626	8626
	Number (4) of Water Forums Attended by Bulk Water Services Unit	4	4	4	4	4	4	4	4
	Number (5) of full SANS 241 analysis reports	5	5	5	4	0	0	5	5
	Number (48) of reservoir inspections conducted	48	48	48	48	1078	1078	48	48
	Number (1) By-law meetings to be host	0	1	1	1	1	1	0	0
	Number (300) of water quality compliance monitoring reports	300	300	300	300	652	652	300	300
Compliance with Blue and Water National water Acts	Number (57) of Registered process controllers (Dependant on Reg.17)	57	57	57	57	28	57	0	0
	Percentage (95%) of Blue Drop score - Water Quality within Ficksburg	100	100	100	95	100	100	100	100
	Number (4) of Licences renewal WTW ( Dependant on Reg.17)	4	4	4	6	4	4	0	0
Review the WSDP 2015	Number (1) Water Service Development Plan (WSDP)	0	1	1	1	1	0	0	0
Compliance with Blue and Water National water Acts	Percentage (95%) of Blue Drop score - Water Quality within Marquard	80	80	80	95	100	100	100	100
Water Safety Plan	Number (1) of Water Safety Plan Review	0	1	0	1	5	5	5	5

## Chapter 3: Service Delivery Performance

Ensure that good quality water and affordable infrastructure available and accessible to all communities and continuous maintenance thereof a high standard	Number (12) of Bulk Water Services Unit Meetings attended	12	12	12	12	12	12	12	12
	Number of reports to standing committees generated for water and sanitation bulk	12	12	12	12	12	12	12	12
	Number (12) of reports/minutes of Bulk Water Services Unit Meetings Generated	12	12	12	12	12	12	12	12
	Number (48) of clarifier weirs cleaning conducted	48	86	48	48	86	86	86	86
	Number (3000) of water quality operational monitoring analysis	3000	6351	3000	3000	6294	6294	6294	6294
	Number (48) of dam inspections performed	48	48	48	48	154	154	154	154
Compliance with Blue and Water National water Acts	Percentage (95%) of Blue Drop score - Water Quality within Clocolan	95	93,6	95	95	93,6	93,6	93,6	93,6
Perform filter back-washes	Number (5500) of filter backwashes performed (turbidity dependent)	5500	5352	5500	5500	2896	2896	2896	2896
Compliance with Blue and Water National water Acts	Percentage (95%) of Blue Drop score - Water Quality within Senekal	95	66	95	95	97,7	97,7	97,7	97,7
	Number (5) of Registered inspectors (Dependant on Reg.17)	5	4	5	4	5	5	5	5
	Number of WTW Classifications registered (water) renew the registering of WTW	6	6	6	6	6	0	0	0
Treatment of wastewater	Amount (4074kg) of disinfection to be used (final effluent E.coli dependent)	0	0	0	3074	3010	3010	3010	3010
Compliance	No. of boxes cleaned	0	0	0	8	23	8	8	8



Ensure that good quality water and affordable infrastructure available and accessible to all communities and continuous maintenance thereof a high standard	Provision of Bulk Water to new areas	0	0	0	2	1	1	0	0
	Percentage of main pipe fixed ( Fixing Main Pipe )	100%	100%	100%	100%	100%	100%	100%	100%
	Percentage of Water meters fixed ( Fixing Water meters )	100%	100%	100%	100%	100%	100%	100%	100%
	Percentage of service connectors fixed ( Fixing of service connectors )	100%	100%	100%	100%	100%	100%	100%	100%
	Percentage of Isolating valves fixed ( Fixing of Isolating valves )	100%	100%	100%	100%	100%	100%	100%	100%
	Percentage of hydrants fixed ( Fixing of hydrants valves )	100%	100%	100%	100%	100%	100%	100%	100%
	Percentage of Bulk Water meters fixed ( Fixing Bulk Water meters )	100%	100%	100%	100%	100%	100%	100%	100%
<b>Note:</b>	The Number of WTW Classification were done in 2014/15 and the DWS indicated that they would be valid for five years.								

## Chapter 3: Service Delivery Performance

### T 3.1.7 Employees 2015/2016: Water Services

Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
4 - 6	3	6	3	3	50%
7 - 9	2	4	2	2	50%
10 - 12	24	37	24	13	35%
13 - 15	11	11	11	0	0%
16 - 18	10	22	10	12	55%
19 - 20	0	0	0	0	0%
Total	52	82	52	30	37%

### T 3.1.8 Financial Performance 2015/2016: Water Services

Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	119 212	109 175	119 661	111 339	2%
Expenditure:					
Employees	102 22	15 142	15 932	16 509	8%
Repairs and Maintenance	181 60	1 160	8 374	8 795	87%
Other	220 384	25 986	43 503	21 196	-23%
<b>Total Operational Expenditure</b>	248 766	42 288	67 809	46 500	9%
<b>Net Operational Expenditure</b>	129 554	-66 887	-51 852	-64 839	-3%

### T 3.1.9 Capital Expenditure 2015/2016: Water Services

#### Included in the PMU Capital project

#### T 3.1.10 Comment on Water Services Performance Overall

The municipality is ensuring that all residents are provided with clean quality water and that even areas in the farms receives water through tankering. Due the current drought the division had been struggling to provide water through piping in all areas and the impact of drought strike the Municipality badly in December 2015, when all four unit Ficksburg/Meqheleng; Ciocolan/ Hlohlolwane; Marquard/ Moemaneng and Senekal/ Matwabeng raw water resources were dry. The municipality had to source water from the neighbouring municipalities in order to sustain the situation and also with the assistance from the neighbouring country which had to open the water from the Katse dam which assisted the three unit that are fed through the Caledon River.

## Chapter 3: Service Delivery Performance

There is continuous upgrade of water infrastructure such as the Upgrading of the Caledon River abstraction point in Deemster farm, Upgrading of the raw water pipeline from Meulspruit to the Ficksburg water treatment works. In Senekal there are plans to upgrade the bulk water supply by constructing the central water treatment works and upgrading all raw water pipes to the new treatment works. Business plans have been submitted to the sector department to source funding for these upgrades. The municipality is also looking at other alternative/ short-medium term solutions to address the current water crises as the projects above are long term initiatives.

### 3.2 Sanitation Provision

#### T 3.2.1 Introduction to Sanitation Provision

Setsoto local municipality has a total number of 34 687 households and the backlog in relation to level of services of the provision of acceptable sanitation is 24 189 which can be categorised as follows:

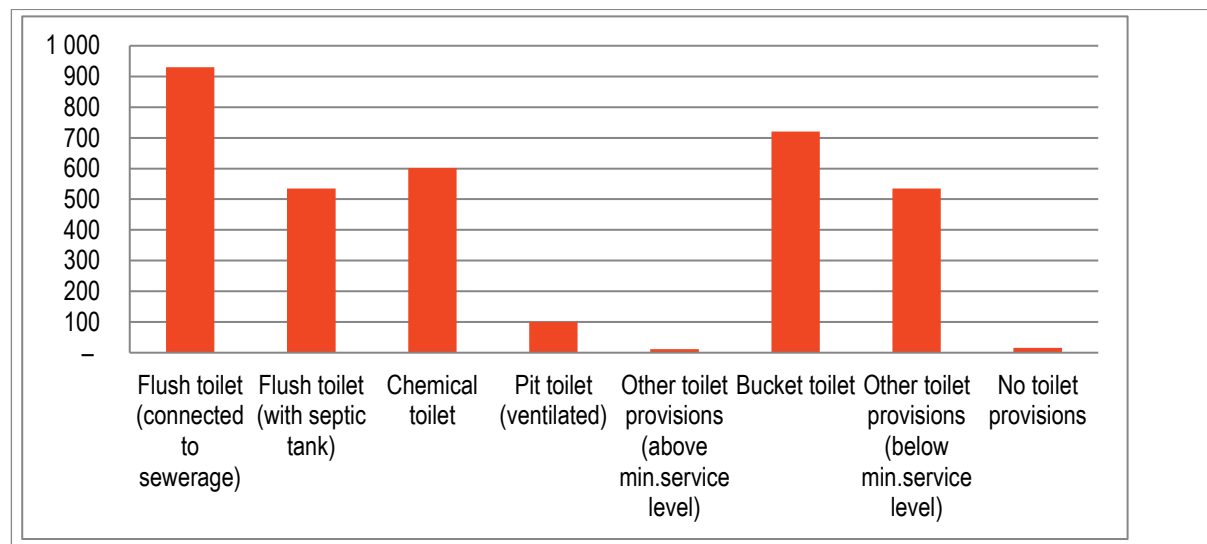
- Households using septic tanks – 1796
- Households using chemical toilets – 185
- Households using bucket system are 8213
- Green Field areas not occupied are 2100
- Households using other mechanisms (Farms) are 2913

The municipality have submitted business plans to Department of water and sanitation and Department of human settlement to secure funding for the eradication of buckets and the department of water and sanitation has approved those business plans to reduce the current sanitation backlogs. The master plans, waste water risk abatement plan, Water Service Development Plan and draft By-Laws have been adopted by Council. The yearly sanitation maintenance is developed and aligned to all these plans.

The municipality is also embarking on a process of ensuring that all our waste water treatment plants are having licences/ authorisation. The Bucket Eradication Project is still continuing in the three town of Setsoto namely Meqheleng, Hlohlolwane and Matwabeng and the progress to date is as follows Meqheleng 1 469 top structures are complete and 420 are connected, Hlohlolwane 3 379 top structures are complete and in Matwabeng 2 913 top structures are complete. The reticulation network is complete and only the sewer out fall and the pump stations are outstanding, hence the progress is at 55% complete stage. The Bucket eradication programme is implemented by the department of water and sanitation

## Chapter 3: Service Delivery Performance

### T 3.2.2 Sanitation above minimum Level 2015/2016



### T 3.2.3 Sanitation Delivery Levels

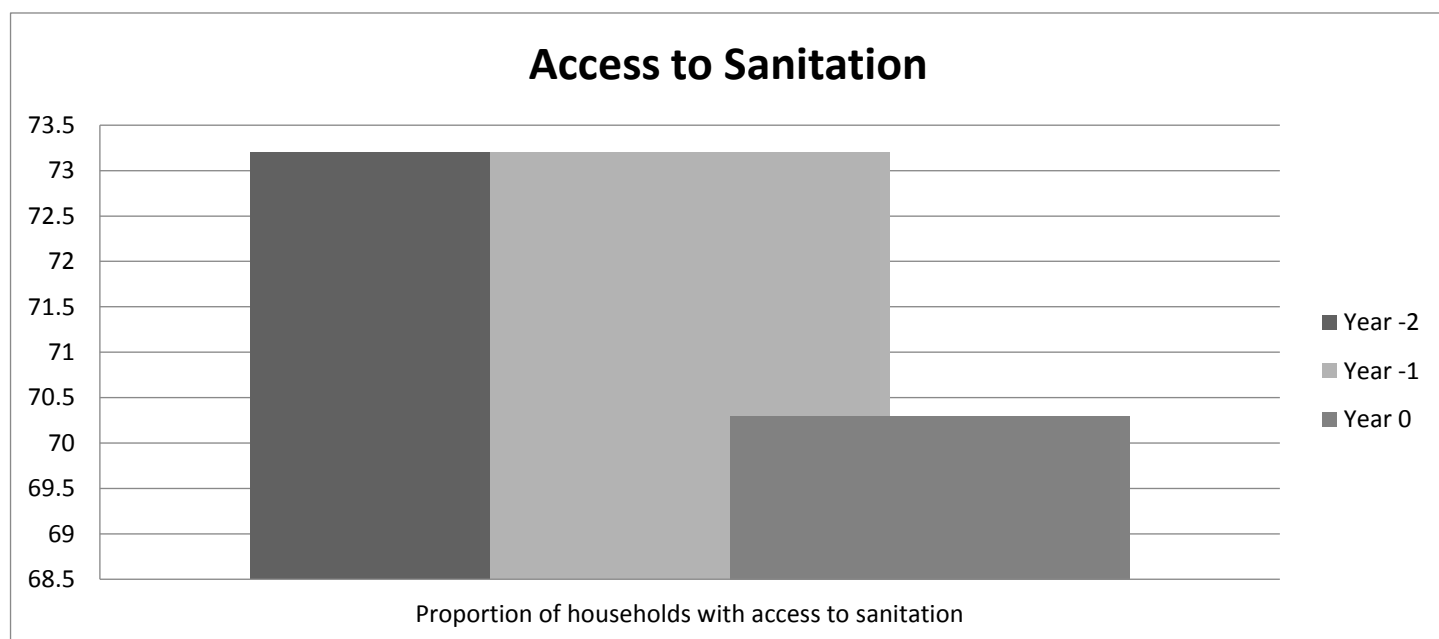
Description	*Households			
	Year -3	Year -2	Year -1	Year 0
	Outcome	Outcome	Outcome	Actual
	No.	No.	No.	No.
<b>Sanitation/sewerage: (above minimum level)</b>				
Flush toilet (connected to sewerage)	19 076	20 743	20 743	22 313
Flush toilet (with septic tank)	1 482	1 110	1 110	80
Chemical toilet	185	185	185	185
Pit toilet (ventilated)	1 562	1 562	1 562	1 796
Other toilet provisions (above minimum service level)	1 792	1 792	1 792	0
<i>Minimum Service Level and Above sub-total</i>	24 097	25 392	25 392	24 374
<i>Minimum Service Level and Above Percentage</i>	71,5%	73,2%	73,2%	70,3%
<b>Sanitation/sewerage: (below minimum level)</b>				
Bucket toilet	9 402	7 841	7 841	8 213
Other toilet provisions (below minimum service level)	188	1 454	1 454	0
No toilet provisions	0	0	0	2 100
<i>Below Minimum Service Level sub-total</i>	9 590	9 295	9 295	10 313
<i>Below Minimum Service Level Percentage</i>	28,5%	26,8%	26,8%	29,7%
<b>Total households</b>	<b>33 687</b>	<b>34 687</b>	<b>34 687</b>	<b>34 687</b>
<b>*Total number of households including informal settlements</b>				

## Chapter 3: Service Delivery Performance

### T 3.2.4 Households-Sanitation Service Delivery Levels below minimum

Description	Households					
	2012/2013	2013/214	2014/2015	2015/2016		Actual
	Actual	Actual	Actual	Original Budget	Adjusted Budget	
No.	No.	No.	No.	No.	No.	
<b>Formal Settlements</b>						
Total households	33 687	34 687	34 687	34 687	34 687	34 687
Households below minimum service level	15 509	16 509	15 164	10 733	10 733	10 313
Proportion of households below minimum service level	46%	48%	44%	31%	31%	30%
<b>Informal Settlements</b>						
Total households	1 000	1 000	1 000	1 000	1 000	1 000
Households that are below minimum service level	1 000	1 000	1 000	1 000	1 000	1 000
Proportion of households that are below minimum service level	100%	100%	100%	100%	100%	100%

### T 3.2.5 Access to Sanitation



## Chapter 3: Service Delivery Performance

### T 3.2.6 Sanitation Services Policy Objectives taken from the IDP

Waste Water (Sanitation) Service Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	2014/15		2015/16		2016/17	2017/18		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Objective: To ensure access to an acceptable sanitation systems by all households that is affordable and within the minimum standard.</b>									
To ensure access to an acceptable sanitation systems by all households that is affordable and within the minimum standard.	Service of septic, conservancy tanks and VIP	1562	1562	1562	390	1801	1562	1562	1562
	Attend water and sewer unit meetings	8	12	8	12	13	13	13	13
	Generate reports of unit meetings	8	12	8	12	13	13	13	13
	Removal of buckets	68284	68284	68284	170715	234840	233701	233701	233701
	Number of reports to standing committee generated	12	12	12	12	12	12	12	12
	Conduct of sewer infrastructure inspections	8	12	8	12	16	16	16	16
	Volume (mega litre) of waste water to be discharged	0	0	0	90	1929	90	90	90
	Unblock sewer pipes	0	100%	0	100%	100%	100%	100%	100%
	Percentage (50%) of Green Drop score - Wastewater Quality within Senekal	66	50	66	50	43	43	43	43
	Percentage (50%) of Green Drop score - Wastewater Quality within Marquard	44	50	44	50	14	14	14	14
	Percentage (50%) of Green Drop score - Wastewater Quality within Ficksburg	33	50	33	50	41	41	41	41
	Percentage (50%) of Green Drop score - Wastewater Quality within Clocolan	50	22	50	50	35	35	N/A	N/A
	Number of WWTW classifications registered	4	4	4	5	4	0	0	0
	Develop a Waste water Risk Abatement Plan	1	1	1	4	4	4	4	4
	Treatment of Waste water	3074	3074	3074	3074	3010	3010	3010	3010
	Number of WWTW licences to be renewed	4	4	0	4	0	0	0	0
Develop a waste water quality compliance monitoring reports	0	48	48	48	130	130	130	130	

## Chapter 3: Service Delivery Performance

### T 3.2.7 Employees 2015/2016: Sanitation Services

Job Level	2014/15		2015/16		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	2	2	0	0%
4 - 6	2	4	3	1	25%
7 - 9	3	8	3	5	0%
10 - 12	19	78	19	59	0%
13 - 15	9	15	9	6	0%
16 - 18	77	93	77	16	17%
19 - 20	0	0	0	0	0%
Total	111	200	113	87	44%

### T 3.2.8 Financial Performance 2015/2016: Sanitation Services

R'000					
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	26 878	33 346	38 346	37 328	11%
Expenditure:					
Employees	10 824	13 121	13 074	13 604	4%
Repairs and Maintenance	3 640	11 59	740	715	-62%
Other	3 551	20 257	32 411	12 314	-65%
<b>Total Operational Expenditure</b>	18 015	34 537	46 225	26 633	-30%
<b>Net Operational Expenditure</b>	-8 863	1 191	7 879	-10 695	111%

### T 3.2.9 Capital Expenditure 2015/2016: Sanitation Services

Included under PMU Capital projects

### T 3.2.10 Comment on Sanitation Services Performance Overall

The municipality's biggest achievements was to complete the Hlohlolwane pump station and the rising mainland and also to address the backlog on BEP by connecting 420 units to the network. There is still a need to upgrade the aging infrastructure and to eradicate 7421 buckets. There are also other area that need bigger pipes as the inserted ones are too small to can smoothly handle the volume hence the capital injection is crucial to attain the desired goal.

# Chapter 3: Service Delivery Performance

## 3.3 Electricity

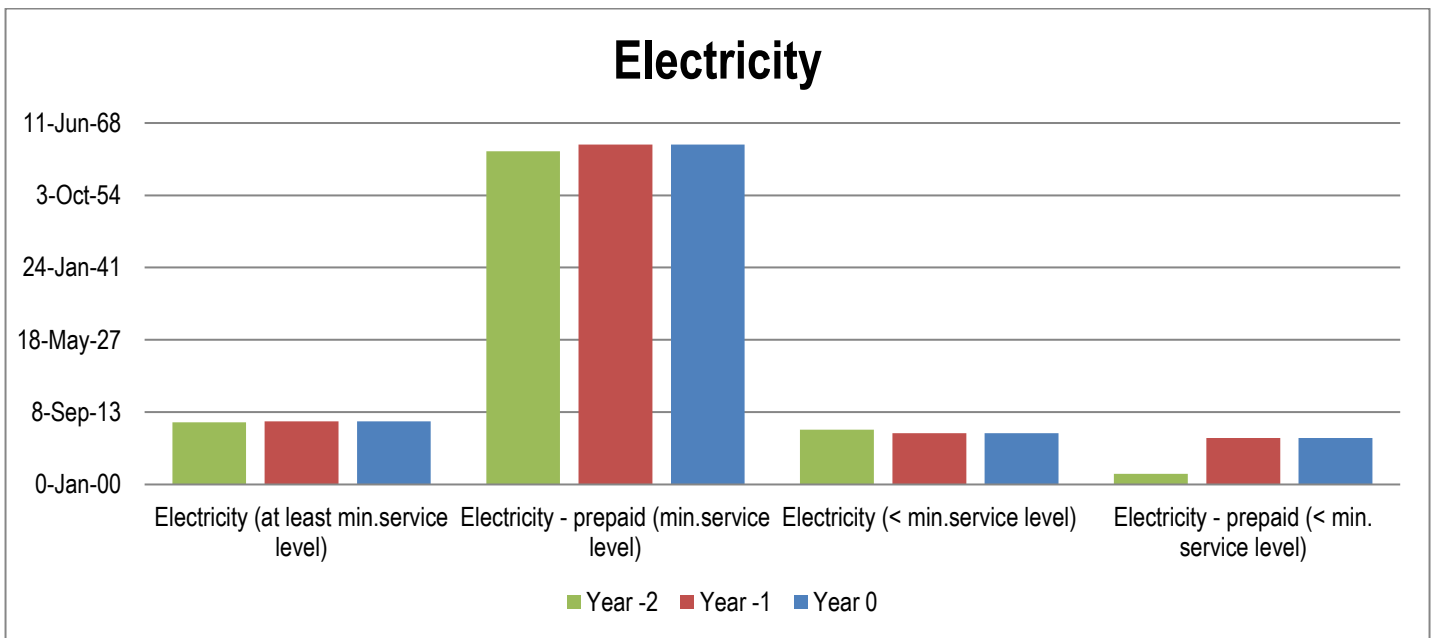
### T 3.3.1 Introduction to Electricity

The municipality is the electricity service provider for all town areas with Eskom being the service provider for all townships and farm areas. The municipality has a total of 6822 formalized areas inclusive of farm areas without electricity. A total number 2771 sites which have being allocated but not occupied and 1757 site occupied but not electrified, the balance of 2294 constitute of farm areas and privately owned areas and municipal formalized areas.

The municipal electrification plan which also focuses on the eradication of backlogs in the provision of electricity in all municipal areas is reliant on the municipal housing programed. Applications were submitted by the municipality to both Eskom and the Department of Energy to address backlogs on the supply of electricity to formal households, maintain and upgrade the electricity infrastructure.

Funding has been approved for the 2016/2017 financial year for eradication of 61 sites on Deemster farm and Senekal formalized area. The municipality continuously ensure sustainable electricity supply to its supply area and also provide communities with the public lighting by means of streetlights and high mast lights. The municipality also provide free basic electricity to all registered indigents.

### T 3.3.2 Access to Electricity Service





## Chapter 3: Service Delivery Performance

### T 3.3.3 Electricity Service Delivery Levels

Description	Households			
	2012/2013	2013/2014	2014/2015	2015/2016
	Actual No.	Actual No.	Actual No.	Actual No.
<b>Energy: (above minimum level)</b>				
Electricity (at least min. service level)	4 307	4 307	4 358	4 358
Electricity - prepaid (min. service level)	23 047	23 047	235 07	23 507
<i>Minimum Service Level and Above sub-total</i>	27 354	27 354	27 865	27 865
<i>Minimum Service Level and Above Percentage</i>	80.5%	79.0%	80.3%	80.3%
<b>Energy: (below minimum level)</b>				
Electricity (< min. service level)	3 792	3 792	3 537	3 537
Electricity - prepaid (< min. service level)	0	744	3211	3211
Other energy sources	2 849	2 746	74	74
<i>Below Minimum Service Level sub-total</i>	6 641	7 282	6 822	6 822
<i>Below Minimum Service Level Percentage</i>	19.5%	21.0%	19.7%	19.7%
<b>Total number of households</b>	33 995	34 636	34 687	34 687

### T 3.3.4 Electricity Service Delivery Levels below the minimum

Description	Households					
	2012/2013	2013/2014	2014/2015	2015/2016		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
<b>Formal Settlements</b>						
Total households	33 995	34 714	34 657	34 687	0	34 687
Households below minimum service level	6 641	7 282	6 822	6 822	0	6 822
Proportion of households below minimum service level	20%	21%	20%	20%	0%	20%
<b>Informal Settlements</b>						
Total households	2 584	3 551	7 282	6 822	6 822	6 822
Households below minimum service level	2 584	3 551	7 282	6 822	6 822	6 822
Proportion of households below minimum service level	100%	100%	100%	100%	100%	100%

T 3.3.5 Electricity Services Policy Objectives taken from the IDP

Electricity Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2014/2015		2015/2016		2016/2017	2017/2018		
		Target	Actual	Target	Actual		Target		
Service Indicators		*Previous Year	Previous Year	*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
		(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
<b>Objective: To ensure that electricity is made available to all residents to improve their lives</b>									
To ensure that electricity is made available to all residents to improve their lives.	Maintenance of substations	20	4	20	4	0	4	4	4
	Replacing of MV switchgear	0	0	0	11	0	5	5	5
	Housekeeping mini & substations	65	103	65	65	167	65	65	65
	Number of Transformers serviced	30	4	30	30	33	30	30	30
	Replace Lt Panels	4	2	2	2	2	2	2	2
	Install mini substations	3	1	3	0	1	2	0	0
	Km of LV lines replaced with cables	0.7	1.809	0.7	0.15	0	0.6	0.6	0.6
	Km of MV cable replaced	1.9	0	1.9	2.1	0	2.1	2.1	2.1
	Replace overhead lines	10	5.31	10	5	5.335	5	5	5
	% of meters tested	0%	0%	0%	100%	100%	100%	100%	100%
	% of meter re-read	0%	0%	0%	100%	100%	100%	100%	100%
	% of meter read for final reading	0%	0%	0%	100%	100%	100%	100%	100%
	% of new connections	0%	0%	0%	100%	100%	100%	100%	100%
	% of disconnections done	0%	0%	0%	100%	100%	100%	100%	100%
	% of re-connections done	0%	0%	0%	100%	100%	100%	100%	100%
	% of fittings replaced	0%	0%	0%	100%	100%	100%	100%	100%
	Number of street light repaired	400	654	400	400	414	400	400	400
	% of hi-mast lights repaired	0%	0%	0%	100%	100%	100%	100%	100%
	Monthly reports SC Meetings	12	12	12	12	12	12	12	12
	Unit Meetings	0	0	0	12	15	8	8	8
Reports on unit meetings	0	0	0	12	15	8	8	8	
Energy forum	4	4	4	4	4	4	4	4	
No. of persons trained for trade test	0	0	0	4	0	4	4	4	
No. of person trained for GCC	0	0	0	1	1	0	0	0	

T 3.3.6 Employee 2015/2016; Electricity Services

Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	3	1	2	67%
4 - 6	4	7	4	3	43%
7 - 9	8	11	8	3	27%
10 - 12	0	0	0	0	0%
13 - 15	13	17	13	4	24%
16 - 18	1	1	1	0	0%
19 - 20	0	0	0	0	0%
Total	27	39	27	12	31%

T 3.3.7 Financial Performance 2015/2016: Electricity Services

Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	108 039	116 835	116 865	116 383	0%
Expenditure:					
Employees	5 847	5 505	6 298	6 209	11%
Repairs and Maintenance	5 766	3 605	3 745	1 697	-112%
Other	48 525	78 238	86 894	61 411	-27%
<b>Total Operational Expenditure</b>	60 139	87 348	96 937	69 317	-26%
<b>Net Operational Expenditure</b>	-47 900	-29 487	-19 928	-47 066	37%

T 3.3.8 Capital Expenditure 2015/2016: Electricity Services

	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	13 284	13 284	1 634	-713%	
Furniture & Equipment	100	100	126	21%	100
Streetlights	1 500	1 500	0	100%	1 500
Project C	1 500	1 500	0	100%	1 500
Network	10 184	10 184	1 508	-575%	10 184

## Chapter 3: Service Delivery Performance

### T 3.3.9 Comment on Electricity Services Performance Overall

The municipality needs to fast track the eradication of electricity backlogs and ensure that all applications to electrify the areas that are currently not occupied in order to assist Eskom with the planning of electrifying those areas as soon as they are occupied. The municipality also needs to improve in the maintenance of electricity infrastructure and ensure that all necessary upgrades and refurbishment are planned on time in order not to disrupt electricity supply.

The municipality also need to consider implementing energy savings or efficiency projects in order to assist the whole country with the current shortage of energy. Due to the assessment done by NERSA the municipality is still using the old temporary TLC license issued by NERSA. Therefore the municipality needs to change the license to Setsoto Local Municipality supply areas. There is also a need to ensure that all vacant post are filled in order to ensure efficient, effective and sustainable performance of the electricity division. It is also important to secure yellow fleet in order to improve the performance of this department and ensure availability of store material for maintenance purpose.

### 3.4 Waste Management

#### T 3.4.1 Introduction to Waste Management

The section Waste Management was rendering the following services in terms of the National Management Waste Act and the Municipal By-law to the communities in all the units of Setsoto during this year, namely:

- Collection of household, business and industrial waste at least once a week, and depending on the type of perishable waste generated by businesses, collection of waste also on a daily basis.
- Cleaning of the central business areas in all the units of litter on a daily basis.
- Managing licensed landfill sites in Ficksburg, Senekal, Clocolan and Marquard.
- Strive to on a continuous basis the removal of corner dumps from vacant stands, pavements and public open areas.
- Environmental Management was introduced in the division to ensure health and wellbeing of communities,
- Community awareness programs introduced to the community.
- Encouraging recycling by entrepreneurs.
- Outreach programme and Friday Mayoral cleaning campaigns involving the Extended Public Works Program (EPWP)

The management and the personnel worked together to improve the level of the service rendered during this year.

#### T 3.4.2 Solid Waste Delivery Levels

Description	Households			
	2012/13	2013/14	2014/15	2015/2016
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
<b>Solid Waste Removal: (Minimum level)</b>				
Removed at least once a week	18 534	26 949	32 258	33 490
Minimum Service Level and Above sub-total	18 534	26 949	32 258	33 490
Minimum Service Level and Above percentage	55,0%	80,0%	93,0%	96,5%
<b>Solid Waste Removal: (Below minimum level)</b>				
Removed less frequently than once a week	15 153	6 737	2 429	1 197
Using communal refuse dump				
Using own refuse dump				
Other rubbish disposal				

## Chapter 3: Service Delivery Performance

No rubbish disposal				
Below Minimum Service Level sub-total	15 153	6 737	2 429	1 197
<i>Below Minimum Service Level percentage</i>	45,0%	20,0%	7,0%	3,5%
<b>Total number of households</b>	<b>33 687</b>	<b>33 686</b>	<b>34 687</b>	<b>34 687</b>

### T 3.4.3 Households-Solid Waste Service Delivery Levels below the minimum

Description	Households					
	2012/13	2013/14	2014/15	2015/16		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
<b>Formal Settlements</b>						
Total households	33 687	33 687	33 686	24 388 354		
Households below minimum service level	15 153	6 737	6 737			
Proportion of households below minimum service level	45%	20%	20%			
<b>Informal Settlements</b>						
Total households	15 153	15 153	15 153			
Households below minimum service level	15 153	15 153	15 153			
Proportion of households below minimum service level	100%	100%	100%			

## Chapter 3: Service Delivery Performance

T 3.4.4

Solid Waste Services Policy Objectives taken from the IDP

Service Objectives	Outline Service Targets	2014/2015		2015/2016		2016/2017	2018/2019		
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
Service Indicators		(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
(i)	(ii)								
<b>Service Objective xxx</b>									
To continue to provide a regular, healthy and effective refuse removal service in all urban area	Number of landfill sites registered ( <b>Waste Management</b> ) (Register landfill sites with SAWIS)	2	2	2	2	2	2	3	4
	Number of reports to at National Waste Information System	18	18	18	24	24	24	36	48
	Number of households serviced (Refuse collection)	34 687	33 490	34 687	34 687	33 610	34 687	34 687	34 687
	Number of businesses services (Refuse collection)	715	715	715	715	715	715	715	715
	Number of monthly supervisory reports submitted (Completion of monthly reports of collection of waste during the month, corner dumping, litter collected and maintenance of landfill sites)	48	36	48	48	48	48	48	48
	Number of functional recycling centres (To investigate and introduce effective waste recycling methods that have a positive impact on climate change)	0	0	0	1	0	1	1	1
	Number of households with weekly kerb-side waste removal services (Informal settlement dwellings with access to refuse removal)	34 687	0	34 687	34 687	33 610	34 687	34 687	34 687
	Percentage reduction of kerb-side backlog of refuse removal services (Backlog of kerb-side refuse removal service to customer unit once a week)	0	0	0	12	3	3	3	3
	Number of reports on monitoring and evaluation on the cleanliness of CBD (To improve cleanliness of the CBDs)	36	36	36	12	48	12	12	12

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### T 3.4.5 Employees 2015/2016: Solid Waste Management Services

Job Level	2014/2015		2015/2016		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	5	5	5	0	0%
7 - 9	5	15	5	10	67%
10 - 12	6	15	6	9	60%
13 - 15	37	44	37	7	16%
16 - 18	35	47	35	12	26%
<b>Total</b>	<b>89</b>	<b>127</b>	<b>89</b>	<b>38</b>	<b>30%</b>

### T 3.4.6 Financial Performance 2015/2016: Solid Waste Management Services

Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	39 34	19 766	46 117	46 117	57%
Expenditure:					
Employees	17 899	19 864	17 000	1 853	-5%
Repairs and Maintenance	1 884	1 987	440	141	61%
Other	4 249	22 081	17 553	21134	-375%
<b>Total Operational Expenditure</b>	<b>24 032</b>	<b>43 932</b>	<b>34 993</b>	<b>28 600</b>	<b>-54%</b>

### T 3.4.7 Capital Expenditure 2015/2016: Solid Waste Management Services

Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	2 000	0	0	0%	
Funds were redirected to hiring of equipment for the service of refuse removal					

## Chapter 3: Service Delivery Performance

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### T 3.4.9 Comment on Waste Management Service Performance Overall

The Division is still utilizing the three 20m<sup>3</sup> mobile compactors hired to assist with the removal of waste, due to break down of own Compactor, it was necessary to arrange the personnel in two (2) teams and using the same vehicle working two routes on a day with the same vehicle. This resulted in overtime claimed by the Supervisors. This action was ceased with the introduction of the repaired mobile compactor CYT 161 FS. The EPWP employees assisted the permanent employees with the waste removal, litter picking in the central business areas as well as areas identified with problem of littering.

The EPWP employees are working over weekends to catch up on any service not rendered at any given time, to prevent any backlog of refuse removal service, but this was only done as a last resort to curb overtime. This is also done to curb the overtime from employees that are required to work over weekends to clean the central business areas in all the units. The removal of business waste on a weekly basis was accomplished, and the collection of perishable waste at least three (3) times a week was a priority to prevent any health nuisance in the towns and townships.

The disposal of waste was done at the licensed landfill sites in Ficksburg, Senekal, Clocolan and Marquard. It was however difficult to maintain these landfill sites as per license conditions due to the non-availability of dedicated vehicles and equipment. The available equipment is also old and unreliable. About 1013 tons were removed from illegal corner dumps in four (4) towns during the year under review. The program of street cleaning in the central business areas in all the units of Setsoto was effective and done seven (7) days a week in Ficksburg and Senekal, and six (6) days a week in Clocolan and Marquard. Due to the Border post with Lesotho in Ficksburg and the N5 running through Senekal it was necessary to clean these 7 days a week.

Programs of Youth in Waste and Murapa has assisted with their programs in Meqheleng regarding waste management and other environmental issues. Their focus in waste management were:

1. Awareness programs in communities to change behaviour to ensure that communities use refuse removal service on the days of collection and to cease the illegal disposing of refuse on pavements and vacant stands as per developed schedule

The sector plan for Waste Management namely the Integrated Waste Management Plan was approved by Council subject to the condition that these plans be reviewed before the end of the 2016/2017 financial year.

#### **Achievements**

The Waste Section increased the collection of domestic refuse rate from 93% in 2014/2015 to a collection rate of 97% in the 2015/2016 financial year. A cleaning program was also implemented whereby refuse illegally disposed on vacant stands and public open areas were removed by ward on Fridays.

#### **Challenges**

The old and unreliable fleet that must be send for repairs on a regular basis, and the vacancies on the lower levels as well as the physical incapacity of employees.

#### **Mitigating strategies**

The hiring in of three (3) refuse mobile compactors to assist with the collection of domestic and business refuse.



## Chapter 3: Service Delivery Performance

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### Environmental Management Section

This part of the work was performed to despite the fact that it is not in the Organogram of the Municipality. The existence of an Environmental Management Intern as per Groen Sebenza programme has been valuable. During the 2015/2016 financial year the following were done by the division:

The unit has managed to develop the Integrated Environmental Management Plan for the municipality in terms of the National Environmental Management Act (NEMA), this was done without involvement of external assistance. This plan has been approved by Council for implementation and it was sent to Department of Economic, Small business Development, Tourism and Environmental Affairs for inputs and comments. The IWMP of the municipality as required in terms of National Environmental Management Waste Act (NEMWA) was also reviewed by the division internally. The plan has been reviewed and approved by Council for implementation.

The unit was responsible for supervising and mentoring the Youth Jobs in Waste beneficiaries.

The unit conducted public awareness campaigns in partnership with other divisions in Development Planning and Social Security Department. The awareness campaigns were conducted for the community in all the wards of Setsoto Local Municipality.

Door to door awareness on illegal dumping was conducted as well, this was even done on Setsoto community radio station. Conducted cleaning campaigns (illegal dumping) at schools as well as cleaning illegal dump at the Meqheleng stadium with Youth Jobs in Waste. Data collection was conducted for business sites and corner dump in Meqheleng to help in managing the illegal dumping in Meqheleng.

Facilitated and coordinated the celebration Arbor week with ten (10) primary schools in all four towns of Setsoto Local Municipality. The celebrations were held on different days (from 1 – 8 September 2015) in each town and learners were presenting on the importance of having trees and their role on the environment. Trees were planted on each day and schools were awarded with trees to plant in their school. A total of 350 trees were planted during September 2015.

After the Honorable Premier of the Free State declared the Province a drought stricken area, the unit together with Disaster Management, Bulk Water Services Division and other relevant stakeholders developed a program to encourage communities and learners to save and conserving water as well as alerting them of water restrictions and penalties that may be imposed for misusing water. The division has also facilitated the celebration of National Water week that was from 14 – 18 March 2016 where learners and teachers in all units were made aware of the situation the municipality is facing in respect of water crisis. Learners were taught on how to use water sparingly and conserving it.

Follow up at schools with regard to water week awareness was conducted. This was done to ensure that learners are saving water in their respective schools which will then be implemented at home. The section led the evaluation for the cleanest and greenest town competition in Setsoto which was coordinated by DESTEA and participated in the competition and still awaiting the outcomes. Has developed and implemented the Office Paper Minimization and Recycling to ensure separation of waste at source in Municipal Offices.

Facilitated and coordinated the Exhibition to celebrate World Environmental Day (Environmental Calendar Day) in partnership with Youth Jobs in Waste. The Exhibition was conducted on 15 June 2016 for youth and learners in Ficksburg in order to share with them, the opportunities that are within the environmental field. Assisted with compliance issues with regard to landfill sites

### 3.5 Housing

#### T 3.5.1 Introduction to Housing

The Urban Planning Division is responsible for the acquisition of land in order to develop townships establishments and avail serviced land for human settlements, spatial planning, land surveying, building control, and Geographical Information Systems (GIS). The growth and development of towns, townships and or urban areas is a competency of this division. One other important aspect is the relocation of people away from the flood lines to proper developed land and to acquire additional land for township establishment.

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Land use management and land use control are also key objectives of this division to maintain all the towns' characters. We have a total of 104 serviced sites in Hlohlolwane that are to be allocated, 1110 un-serviced sites in Moemaneng have been allocated and 1146 un-serviced erven in Matwabeng/Senekal which are still being allocated. According to the Setsoto Human Settlements Sector Plan, we have a backlog of 12400 erven.

The division ensures that communities have access to housing and security of tenure through Title Deeds. However, the provision of housing is still the competency of the Free State Provincial Government (COGTA-Human Settlements) as it allocates RDP houses through their budget. The municipality submits business plans to the Free State Provincial Government along with living waiting lists which are compiled at grassroots level by the municipality. The local municipality assists the Provincial Government in ensuring that serviced sites are available through Township Establishment in order to build RDP houses for the poor. The municipality then furnishes the Free State with data as to how many people need subsidy housing especially the poor and currently there is a new programme called FLISP which will assist local government to cater for people who do not qualify for RDP houses and do not afford to buy or build houses for themselves.

The successes we have achieved in Year 0 is that we have managed to have 1110 sites in Moemaneng to be allocated. The municipality is also busy allocating 1146 sites in Matwabeng but without physical occupation. We managed to secure houses in Ficksburg that are currently in the process to be leased to the affording community members. The challenges we have experienced is informal settlements and illegal occupation of un-serviced in Setsoto but the Accounting Officer managed to get a court interdict to prevent such illegal practice. We also have planned for the upgrading of at least two informal settlements and one township establishment from green field.

The municipality has implemented Spatial Planning and Land Use Management Act, 16 of 2013 on the 1 July 2016. The municipality has also gazetted By-Laws that were formulated with the assistance of Department of Rural Development and Land Reform together with the Department of Corporative Governance and Traditional Affairs. The SPLUMA requires municipalities to have a uniform Land Use Scheme within five years from implementation date.

The municipality is busy developing the Land Use Scheme with the assistance of COGTA Spatial Planning Directorate. SPLUMA also details that municipalities must have SPLUMA compliant SDF. The municipality has requested COGTA to assist with the review of the current SDF. The municipality is also busy attending workshops on SPLUMA that are organized by DRDLR. In terms of the built environment, we implement building control measures by applying National Building Regulations and Standards Act and offer technical advice. We are also responsible for the promotion of safe and sustainable building structures which are uniform to the law.

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### T 3.5.2 Percentage of Households with access to basic housing

Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2012/2013	31 103	28 519	91.7%
2013/2014	33 687	30 136	98.5%
2014/2015	34 687	33 687	97.1%
2015/2016	36 559	34 687	94.9%

## Chapter 3: Service Delivery Performance

### T 3.5. Housing Services Policy Objectives taken from the IDP

Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017	2017/2018	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Receive building plans and processing of building plans	Percentage of building plans approved	100%	100%	100%	100%	100%	100%	100%	100%
Quality control and site inspections on formal structures	No of inspections conducted on formal structures	300	1346	100%	100%	654	300	300	300
To conduct inspections and issue notices for building plans	Number of inspections	300	75	300	300	61	300	300	300
Demolition of unsafe structures	Number of demolitions	8	107	80	80	1	0	0	0
Conduct a feasibility study	Number of Feasibility study report	1	0	15	15	7	0	0	0
Conduct enumeration and feasibility study for informal settlements	Number of Enumeration and feasibility study report	1	0	2	2	7	0	0	0
Allocation of services sites	Number of sites allocated	120	304	2	2	507	1200	1300	1300
Opening of files for allocated sites	Number of files opened for allocated sites	0	0	1000	1000	532	1200	1300	1300
Issue title deeds	Number of Title Deeds issued	1000	699	2000	2000	535	400	400	400
Inspection of municipal houses	Number of municipal houses inspected	66	36	300	300	14	0	0	0
Inspection of municipal properties	Number of municipal properties inspected	20	28	27	27	8	16	16	16
Leasing of Council properties	Number of Council Properties leased	0	0	20	20	10	0	0	0
Registration of Council Properties	Percentage of Council properties registered	0	0	100%	100%	53.3%	0	0	0
Processing of rezoning applications	No of rezoning applications processed	4	8	4	4	3	100%	100%	100%
Processing of rezoning application	No of zoning certificates issued	10	13	6	6	14	100%	100%	100%
Conduct land use awareness campaign	No. of land use awareness campaign conducted	0	0	8	8	1	0	0	0
Conduct awareness campaign	No. of awareness campaigns attended for building plans	8	5	4	4	1	0	0	0

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Functional Municipal Planning Tribunal	No. of Municipal Planning Tribunal Seating's	0	0	12	12	1	4	4	4
Processing of applications received	No. of Subdivision applications processed	5	1	4	4	3	100%	100%	100%
Processing of applications received	No. of Consolidation application processed	4	1	4	4	1	100%	100%	100%
Processing of applications received	No. of Special Consent application processed	2	4	4	4	5	100%	100%	100%
Processing of applications received	No. liquor registration application processed.	10	8	6	6	8	100%	100%	100%
Attending applications by invitation	No. of SPLUMA meeting attended	6	4	5	5	9	100%	100%	100%
Attending applications by invitation	No. HDA Forum attended	4	3	4	4	4	100%	100%	100%
Attending applications by invitation	No. of GIS Forum	4	1	4	4	3	100%	100%	100%
Unit meetings	No. of unit meetings conducted	4	4	2	2	12	12	12	12
Reports on units meeting	No. of unit reports generated	4	3	4	4	12	12	12	12
Compile reports for standing committee	No. of monthly reports compiled for standing committee	12	12	12	12	12	12	12	12
Compile minutes for standing committee	No. of minutes compiled for standing committee	0	0	12	12	11	12	12	12
Compile reports on illegal land use	No. of illegal land use reports	0	0	0	0	14	12	12	12
Consultations	No. of consultations	0	0	0	0	100%	100%	100%	100%

## Chapter 3: Service Delivery Performance

### T 3.5.4 Employees 2015/2016: Housing Services

Job Level	2014/20		2015/201		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	4	1	3	75%
4 - 6	6	11	4	7	64%
7 - 9	13	13	13	0	0%
10 - 12	0	0	0	0	0%
13 - 15	4	4	0	0	0%
16 - 18	0	12	0	0	0%
19 - 20	0	0	0	0	0%
Total	25	44	18	10	23%

### T 3.5.5 Financial Performance 2015/2016: Housing Services

Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>					
Expenditure:					
Employees	4 425 917.44	4 684 341	242 387	4 604 136	-2%
Repairs and Maintenance	74 928.36	0	5 000	1 482	100%
Other	209 561.94	5312317	-784 487	149 276	-3459%
<b>Total Operational Expenditure</b>	<b>4 710 407.74</b>	<b>9 996 658</b>	<b>-537 200</b>	<b>4 754 894</b>	<b>-110%</b>
<b>Net Operational Expenditure</b>	<b>0</b>	<b>9 996 533</b>	<b>-537 200</b>	<b>4 754 799</b>	<b>-110%</b>

### T 3.5.6 Capital Expenditure 2015/2016: Housing Services

	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
Furniture and Equipment	0	0	0	0%	0
Vehicles and Equipment	0	0	0	0%	0

### T 3.5.7 Comment on Housing Services Performance Overall

The division has managed to reach majority of the targets. The division has also noted situations that were not entirely upon the divisions wish, thus, some targets were captured in numbers instead of percentages. These are the targets that are entirely reliant on the community members. E.g. Processing of Rezoning applications can only happen if such an application is submitted. This was raised and it was corrected on the ePMS system

## Chapter 3: Service Delivery Performance

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but not on normal reporting templates. Other targets could not be reached because they were set while the division had three senior personnel that then left the division with less personnel to carry out the tasks.

### Achievements

- The division managed to secure approval for rectification of wrongfully registered Title Deeds
- We managed to acquire 16 properties in Ficksburg
- The division managed to implement SPLUMA, thus Municipal Land Use Planning By-Laws were Gazetted, Land Use Scheme in the process

### Challenges

- The Urban Planning and Housing division experienced high vacancy rate and especially with the exit of three senior personnel within the financial year affected the division badly.
- One senior staff went on four months leave and also one Clerk went on almost six months leave and this situations was not foreseen during the planning of the targets and hence other targets could not be met.
- The Gazetted SPLUMA MPT members from COGTA were withdrawn and other internal members resigned which made it difficult for the MPT to sit.

### Mitigating strategies

- The division has corrected the targets from numbers to percentages in the 2016/2017 SDBIP to prevent false variance
- The Municipality should fill in the critical vacancies within the division in order to ensure efficient, effective and sustainable performance of the division.
- Appointment of MPT members will be prioritized in the 2016/2017 financial year and Gazetted as per the SPLUMA requirements in order to allow the MPT to sit.

## 3.6 Free Basic Services

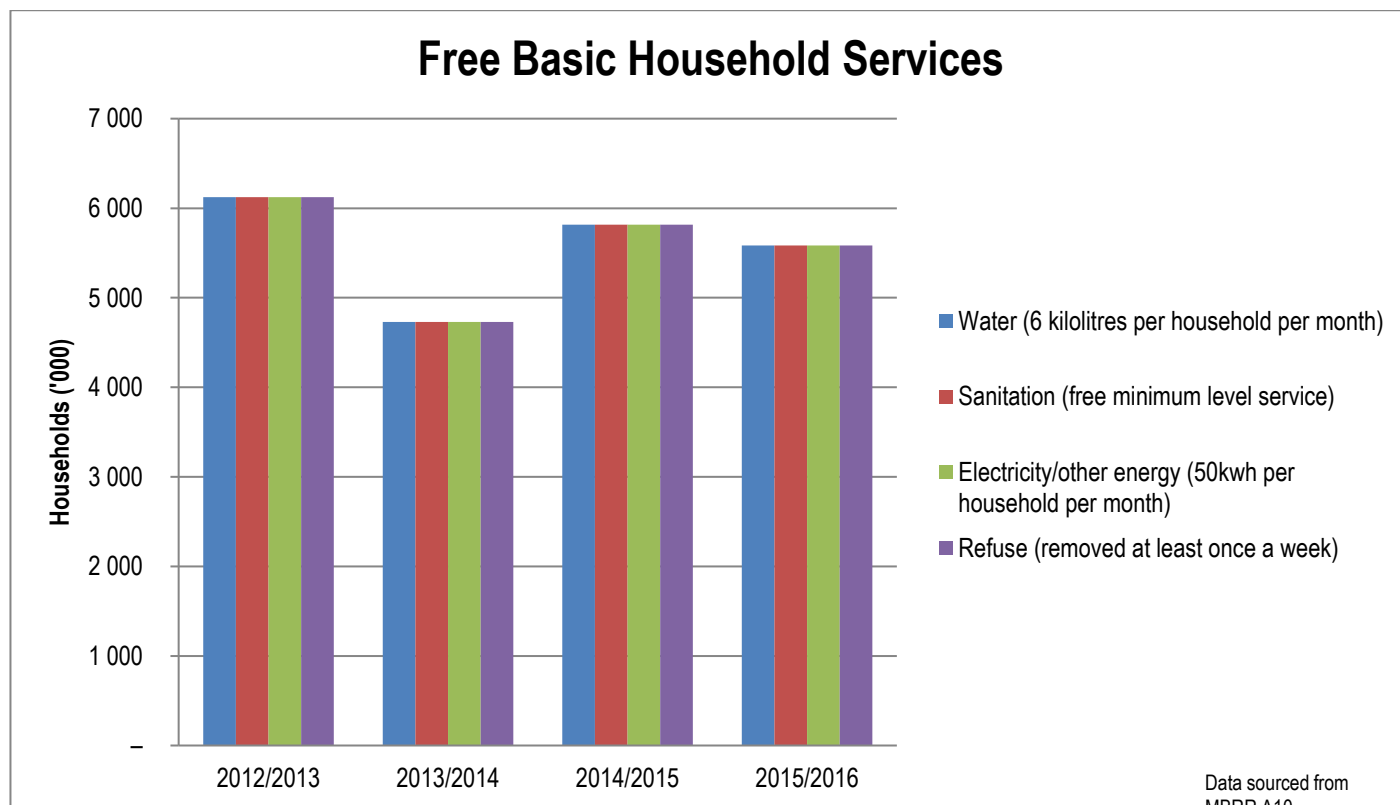
### T 3.6.1 Introduction to Free Basic services and Indigent Support

Of the 33 411 economically active (Employed or unemployed but looking for work) people in the municipality, 35.70% are unemployed. Of the 17 173 economically active youth (aged 15-34) in the area, 46.10% are unemployed. A large percentage of the municipal population is very poor and thus experiencing low levels of living standards.

These low or no income levels indicate that a large portion of the population is dependent on government grants. In contributing to the elimination of poverty in the municipal area, the municipality developed and approved an indigent policy to support poor communities. Indigent support for the 2015/2016 financial year was granted on a maximum income per household of R 2 860, which includes 6kl of free basic water, 50kWh free basic electricity, waste removal, free basic sanitation and rates.

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### T 3.6.2 Free Basic Household Services Service



### T 3.6.3 Households earning less than R 2 860 per month

	Number of households										
	Total	Households earning less than R2860 per month									
		Total	Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Access	%	Access	%	Access	%	Access	%		
2013/14	4 731	4 731	4 731	100%	4 731	100%	4 731	100%	4 731	100%	
2014/15	5 817	5 817	5 817	100%	5 817	100%	5 817	100%	5 817	100%	
2015/16	5 585	5 585	5 585	100%	5 585	5585%	5 585	100%	5 585	100%	



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### T 3.6.4 Financial Performance 2015/2016: Cost to Municipality of Free Basic Service Delivered

Financial Performance Year 0: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2013/14	2014/15			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	4 783 041	4 000 000	4 000 000	4 344 789	8%
Waste Water (Sanitation)	3 675 987	500 000	500 000	558 308	10%
Electricity	14 612 545	1 040 000	1 040 000	1 207 956	14%
Waste Management (Solid Waste)	3 868 270	120 000	120 000	141 115	15%
<b>Total</b>	<b>26 939 843</b>	<b>5 660 000</b>	<b>5 660 000</b>	<b>6 252 167</b>	<b>9%</b>
					<i>T 3.6.4</i>

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### T 3.6.5 Free Basic Service Policy Objectives taken from the IDP

Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	2014/15		2015/16		2016/17	2017/18		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Registration of Indigent Households</b>	Number of Indigents registered	6 000	5 817	6 000	6 000	5 585	7 000	7 000	7 500

### T 3.6.6 Comment on Free Basic Services and Indigent Support Performance Overall

From the statistics it is apparent that there was a decrease in Indigent registrations for the 2015/2016 financial year. In the 2014/2015 financial year 5817 indigents were registered. Support was given to 5585 households which is 415 less than the target of 6000. From 2014/2015 to 2015/2016 there was thus a decrease of 232 registered Indigents. During the 2015/2016 year regular interaction and meetings were held with ward councilors to assist with problems and delays. Quarterly radio slots were had to invite community members to register. In the 2016/2017 financial year robust interaction with ward councilors as well as with members of the community to ensure higher registration figures will be done.

# Chapter 3: Service Delivery Performance

## Component B: Roads and Storm Water

### 3.7 Roads

#### T 3.7.1 Introduction to Roads and Storm Water

The division is required to provide safe, affordable, sustainable and accessible roads infrastructure services that promote integrated land use development and ensure optimal mobility for the residents and users of our roads. The municipality have developed a Storm-water management system Bylaws, Maintenance Plan, Civil Specifications, and currently busy with Pavement management System (PMS) which needs to be aligned to the master plans for all existing roads infrastructure within the municipality.

The division is responsible for maintenance and rehabilitation of existing roads including the upgrading of gravel roads to surfaced roads within the area under its jurisdiction. The identified storm-water problem in all four towns renders the roads unusable during rainy seasons and results in most of the properties being waterlogged. Poor drainage is also a health hazard as the waterlogged roads takes longer to dry up and children fall victim to diseases found while playing in the drainage basins. As a result, the division had compiled the storm water maintenance plan to be implemented for the maintenance of storm water system.

The purpose of this Maintenance plan is to set up, formulate and frame the main initiatives required in the implementation of integrated development Plan. The plan will also ensure the following:

- Pavement Management: Doing the right repair in the right place, at the right time.
- Pavement Maintenance: Doing inexpensive repairs on good roads to keep them good.
- Foundation for Pavement Preservation

The proper maintenance of roads, considering the Municipality at large, is unquestionably of more importance than any of the problems that are solved and to be solved either by the construction or maintenance of more sustainable roads.

#### T 3.7.2 Gravel Road Infrastructure

				Kilometers
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to Pavement/tar Road	Gravel roads graded/maintained
2013/2014	14 2.71	0	0	506
2014/2015	14 2.71	27.25	0	65.80
2015/2016	14 2.71	0	6	74.60

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### T 3.7.3 Tarred Road infrastructure

Kilometers				
	Total tarred roads	New Pavement/tar roads	Existing tar roads re-tarred	Tar roads maintained
2013/2014	128.26	0	18.00	589.00
2014/2015	164.60	0	0.16	211.00
2015/2016	130.20	6.2	15.40	401.00

### T 3.7.5 Cost of Construction/Maintenance

R' 000						
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-worked	Maintained
2013/2014	0	0	194913	0	0	3703342
2014/2015	0	0	4 850 379	0	0	3 559 400
2015/2016	0	40 001 290	2 409 255	0	0	1 252 860

### T 3.7.5 Road and Storm water Infrastructure Costs

#### T 3.7.6 Storm Water Infrastructure

Included in roads infrastructure costs

#### T 3.7.7 Cost of Construction/Maintenance of Storm Water

Included in roads infrastructure costs

#### T 3.7.8 Storm Water Infrastructure Costs

Included in roads infrastructure costs

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### T 3.7.9 Roads and Storm Water Infrastructure Policy Objectives taken from IDP

#### Road and Storm-water Service Policy Objectives Taken From IDP+A1:J22

Service Objectives	Outline Service Targets	2014/2015		2015/2016		2016/2017	2017/2018		
		Target	Actual	Target	Actual	Target	Target	Target	
Service Indicators		*Previous Year		*Previous Year	*Current Year	*Current Year	*Current Year	*Following Year	
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To ensure proper road and street network throughout the entire municipal area to benefit all residents	Km of roads Re-Graveled	0	0	0	60	74,6	25	25	25
	m <sup>3</sup> of gravel material imported	150	24,05	150	1000	12815	500	500	500
	m <sup>3</sup> of Potholes Repaired (Flexible pavement/ Asphalt road repaired)	170	211,3	170	50	31745.32	3000	3000	3000
	m <sup>3</sup> of Potholes Repaired ( Interlocking pavement/ Blocks road repaired)	0	0	0	50	413,4	50	50	50
	Km of storm water channel cleaned/Repaired	185	130,8	185	150	140.5	20	20	20
	Km of storm water channel Constructed	3,4	0,295	3,4	3	0,0747	2	2	2
	No of Speed Calming/Hump Repaired/Erected	0	0	0	12	9	8	8	8
	No of storm water Kerb-Inlet/catch pit Cleaned/Repaired	475	514	475	475	543	150	150	150
	Km of sidewalks Cleaned/Repaired	5	9,86	5	5	5.112	3	3	3
m <sup>2</sup> of Flexible Pavement/Asphalt Road Re-Sealed	5	9,86	5	20000	15457,1	10000	10000	10000	

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	<b>No of Bollards Replaced/Installed</b>	0	0	0	28	21	15	15	15
	<b>Km of Flexible Pavement/Asphalt Road Constructed</b>	0	0	0	0,2	0,2	0,07	0,07	0,07
	<b>Km of Kerbs Repaired/Installed</b>	0	0	0	0,3	0,331	0,15	0,15	0,15
<b>To give Administration support to council committees</b>	No. of risk progress report	4	4	4	4	4	4	4	4
	No. of risk meeting attended	4	2	4	4	3	4	4	4
	No. of Report generated (Standing Committee)	12	12	12	12	12	12	12	12
	No. of Meetings attended (Unit Meetings)	8	20	8	16	19	16	16	16
	No. of reports/minutes (Unit Meetings)	8	20	8	16	22	16	16	16
	Register of Professional	1	0	1	1	0	1	1	1
	No. of draft Maintenance Plan Compiled	0	0	0	1	1	1	1	1
	No. of Appointment letters issued	1	1	1	1	0	0	0	0
	No. of draft road policy Compiled	0	0	0	1	1	1	1	1
	Number of meetings attended (RRAMS Forum)	0	0	0	0	8	0	0	0

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### T 3.7.10 Employee 2015/2016: Roads and Storm Water Infrastructure Services

Job Level	2013/2014	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	1	50%
4 - 6	4	5	4	1	20%
7 - 9	4	4	4	0	0%
10 - 12	6	6	5	0	0%
13 - 15	25	33	23	8	24%
16 - 18	25	37	24	12	32%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>66</b>	<b>87</b>	<b>62</b>	<b>22</b>	<b>25%</b>

### T 3.7.11 Financial Performance 2015/2016: Roads and Storm Water Infrastructure Services

Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	22 206 032	0	0	0	0%
<b>Expenditure</b>					
Employees	11529391	12 853 116	3 626 436	16 498 787	22%
Repairs and Maintenance	8409779	5 626 000	-1 699 225	1 562 509	-260%
Other	0	12 186 930	188 703 175	102 602 144	88%
<b>Total Operational Expenditure</b>	<b>19939170</b>	<b>30 666 046</b>	<b>190 630 386</b>	<b>120 663 440</b>	<b>75%</b>
<b>Net Operational Expenditure</b>	<b>2266862</b>	<b>30 666 046</b>	<b>190 630 386</b>	<b>120 663 440</b>	<b>75%</b>

## Chapter 3: Service Delivery Performance

### T 3.7.12 Capital Expenditure 2015/2016: Roads and Storm Water Infrastructure Services

Capital Projects	2014/2015				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	35 281 712,81	37 833 991,56	37 833 991,56	107%	
Ficksburg/Meqheleng: Construction of 3.0 km Paved Road and Storm Water Drainage	17 476 492,64	18 622 859,77	18 622 859,77	107%	21992290
Matwabeng/Senekal: Construction of 3.0 km Paved Road and Storm Water Drainage	17 805 220,17	19 211 131,79	19 211 131,79	108%	21992290
Furniture and Equipment	0,00	0,00	0,00	0%	0
Networks	0,00	0,00	0,00	0%	0

### T 3.7.13 Comment on Roads and Storm Water Infrastructure Services Performance Overall

To upgrade the standard of roads within Setsoto, the municipality has been engaged in a comprehensive road upgrading programme for number of years which were mainly funded through MIG. There is a high need of Surfacing/paving of gravel roads and the construction of sidewalks with the municipality. All assessment of streets as per the draft RRAMS shows that most of the municipal tarred road needs a pavement rehabilitation and or re-sealing. It is also highly recommended that the municipality consider upgrading all the storm-water drainages in order to avoid structural defects of roads.

These upgrades should be prioritised as will result in increased rehabilitation and reconstruction costs, and a risk of increased claims from road users due to damage on their vehicles. The gravels within the municipality also need to be properly maintained. The municipality rely on MIG funding to upgrade roads and storm-water infrastructure, business plan need to be submitted to the district municipality and the department of police roads and transport to try and secure funding to upgrade municipal roads. In the year under review the municipality had engage DBSA to secure additional funding for road upgrades, maintenance for all four towns in order to improve service delivery but the application was not successful.

The yellow fleet, Tools and equipment under this division are very old and always out for repairs which delays service deliver. It is important to procure necessary Yellow Fleet for this division in order to ensure sustainable maintenance and provision of road infrastructure within the municipality. In order to achieve the division objectives as set in the SDBIP, the following yellow fleet was required:

- Water cuts
- Graders
- Smooth Roller (Compactor)
- 10 cubic meter trucks
- Excavator



## Chapter 3: Service Delivery Performance

### 3.8 Fleet Management

#### 3.8.1 Introduction to Fleet Management Services

With regard to Fleet Management Strategies, it is of great importance to look into the following:

- To manage Fleet more efficiently and effectively.
- Ensure that the continuous training of Drivers is held annually.
- Have proper induction of newly appointed Drivers.
- Ensure that our vehicles are roadworthy in terms of licensing as and when required.

#### T 3.8.2 Service Statistics for Fleet Management Services

	Details	2014/2015		2015/2016
		Estimate No.	Actual No.	Estimate No.
1	No of vehicles allocated and maintained	79	79	89
2	No of vehicles licensed and registered	79	79	89
3	No of insurance claims processed	100%	100%	100%
4	No of fuel schedule in all units	122	122	122
5	Maintenance schedule of vehicles serviced	60	70	89

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### T 3.8.3 Fleet Management Services Policy Objectives taken from the IDP

Fleet and Transport Management Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2014/2015		2015/2016		2016/2017	2017-2018		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Indicators (i)	(ii)								
<b>Develop maintenance schedule of vehicle service</b>	Number of vehicles allocated and maintained	0	4	0	89	19	10	19	19
	Percentage of vehicles licensed	89	89	100%	100%	100%	100%	100%	100%
	Number of licensing schedules developed	0	4	0	12	3	3	3	3
	Number of fuel schedules in all units	0	111	0	4	1	1	1	1
	Number of approved maintenance plan	69	69	69	156	39	39	39	39
	Percentage of vehicles serviced	100%	0%	100%	100%	100%	100%	100%	100%

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### T 3.8.4 Employees 2015/2016: Fleet Management Services

Job Level	2014/2015		2015/2016		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	0	2	0	2	100%
7 – 9	0	4	0	4	100%
10 – 12	0	4	0	4	100%
13 – 15	0	6	0	6	100%
16 – 18	0	0	0	0	0%
19 – 20	0	0	0	0	0%
Total	1	17	1	16	94%

### T 3.8.5 Financial Performance 2015/2016: Fleet Management Services

Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0
Expenditure:					
Employees	0	0	0	0	0
Repairs and Maintenance	0	0	0	0	0
Other	0	0	0	0	0
<b>Total Operational Expenditure</b>	0	0	0	0	0
<b>Net Operational Expenditure</b>	0	0	0	0	0

### T 3.8.6 Capital Expenditure 2015/2016: Fleet Management Services

Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	

### T 3.8.7 Comment on the Performance of Fleet Management and Transport Overall

#### Major successes

- Manage to call the tender for the installation of tracking system to all Municipal Fleet.
- Manage to review the Municipal Vehicle Policy.

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- Manage to train all Managers and Supervisors on Municipal Vehicle Policy.

Challenges faced during the year

- High spending on our vehicle repairs.
- Usage of old-fashioned Fleet where one struggle with parts.
- The Fleet that we currently using has exhausted their life span.

Top service delivery priorities – Provision of vehicles to ensure

- Refuse removal in all four (4) units is provided.
- All pipe bursts and sewerage spillages are attended to timeously
- Assist with Indigent Registration and completion of RDP Housing Beneficiary Forms

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## Component C: Planning and Development

### 3.9 Integrated Development Planning and Performance Management Systems

#### 3.9.1 Introduction to Integrated Development Planning and Performance Management System

The Integrated development Planning and Performance Management Systems Division is a principal strategic planning instrument which guides and informs all planning, budgeting, management and decision-making processes in a municipality. IDP is a 5-year development plan directly linked to 5 year term of office for local councillors therefore It means that planning has to be developmental and it has to focus on the needs of the poor. The IDP process can take up to 9 months to complete the cycle, but the process does not affect the implementation of existing projects in a municipality.

Involves entire municipality and its citizens finding the best solutions to achieve sustainable long term development. It's the allocation available and accessible resources around certain development priorities and strategies and focus on service delivery. IDP is drawn up to improve the quality of people's lives through the formulation of integrated and sustainable projects and programmes. Performance Management is a process which measures the implementation of the organisation's strategy. At Local Government level this has become an imperative, with economic development, transformation, governance, and finance and service delivery being the critical elements in terms of Local Government Strategy.

Performance Management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met. National Government has also found it necessary to institutionalize and provide legislation on the Performance Management Process for Local Government. The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the Municipal System Act, 32 of 2000 and the Municipal Finance Management Act, 56 of 2003, requires the Integrated Development Plan to be aligned to the municipal budget and to be monitored for the performance of the budget against the Integrated Development Plan via the Service Delivery and the Budget Implementation.

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, therefore, is not only relevant to the organisation as a whole, but also to the Individuals employed in the organization as well as the External Service Providers and the Municipal Entities. Given this background, it is important that a framework for Performance Management be established, implemented and monitored. This framework therefore describes how the municipality's performance process, for the organisation as a whole will be conducted, organised and managed.

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### 3.9.2 Service Statistics of the Integrated Development planning and Performance Management Systems

	Details	2014/2015	2015/2016		2016/2017
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Adoption of the IDP Review Process Plan 2015/2016 with Program of Action and Budgeted Costs	1	1	1	1
2	Review the IDP	1	1	1	1
3	Review the Organisational Performance Management System Policy Framework 2013/2014	1	1	1	1
4	Development and approval of the SDBIP 2016/2017	1	1	1	1
5	Submission of section 52(d) of the MFMA, 56 of 2003	4	4	2	4
6	Submission of draft Annual Report 2014/2015 to AGSA	1	1	1	1
7	Tabling of the Annual Report 2014/2015 to Council	1	1	1	1
8	Submission of Mid-Year Performance Assessment Report 2015/2016 to council	1	1	1	1
9	Preparation for MPAC meetings	9	12	4	12
10	Preparation for MPAC meetings	9	12	4	12
11	Preparation for MPAC meetings	9	12	4	12
12	Preparation for MPAC meetings	1	1	1	1
13	Monitor the implementation of Bac to Basic Principles	0	1	1	1

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### T 3.9.3 Integrated Development Planning and Performance Management Systems Policy Objectives taken from the IDP

Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017	2017/2018	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
To ensure that communities are involved in municipal planning and budgeting processes	Number of IDP Review Process Plan reviewed and adopted	1	1	1	1	1	1	1	1
To ensure that communities participate in municipal planning and budgeting	Number of approved IDP 2016/2017	1	1	1	1	1	1	1	1
Ensure that the organisation has adopted a Performance Management System Policy Framework 2013/2014	Number of reviewed Organisational Performance Management Systems Policy Framework	1	1	1	1	1	1	1	1
Ensure that the performance of the organisation is monitored and evaluated	Number of SDBIP 2016/2017 approved and implemented	1	1	1	1	1	1	1	1
Ensure that the performance of the organisation is monitored and evaluated	Number of section 52(d) reports submitted	4	4	4	4	4	4	4	4
Ensure that the performance of the organisation is monitored and evaluated	Number of draft section 46 of Municipal Systems Act, 32 of 2000 submitted	1	1	1	1	1	1	1	1
Ensure that the performance of the organisation is monitored and evaluated	Number of section 121 of MFMA, 56 of 2003 tabled to Council	1	1	1	1	1	1	1	1
Ensure that the performance of the organisation is monitored and evaluated	Number of section 72 of MFMA, 56 of 2003 submitted to council	1	1	1	1	1	1	1	1
Ensure that Council plays its Oversight role on Council and Administration	Number of notices send	180	45	180	180	180	180	180	180
Ensure that Council plays its Oversight role on Council and Administration	Number of agendas	9	12	9	12	12	12	12	12
Ensure that Council plays its Oversight role on Council and Administration	Number of minutes approved	9	9	9	12	4	12	12	12
Ensure that Council plays its Oversight role on Council and Administration	Number of Oversight Reports 2014/2015	1	1	1	1	1	1	1	1
Ensure that the performance of the organisation is monitored and evaluated	Number of performance reports submitted to council on the implementation of the Back to Basic Principles	0	0	4	4	1	4	4	4

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### T 3.9.4 Employees 2015/2016: Integrated Development Planning and Performance Management Systems

Job Level	2013/2014	2014/2015			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	1	1	1	0	0%
4 – 6	0	2	0	2	100%
7 – 9	3	2	3	0	150%
10 – 12	0	0	0	0	0
13 – 15	0	0	0	0	0%
16 – 18	0	0	0	0	0%
19 – 20	0	0	0	0	0%
Total	4	5	4	2	50%

### T 3.9.5 Financial Performance 2015/2016: Integrated Development Planning and Performance Management Systems

Details	R'000				
	2013/2014	2014/2015			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0%
Expenditure:					
Employees	1 400 501	1500 000	2 700 000	2 502 776,93	8%
Repairs and Maintenance	0	0	0	0	0%
Other	0	3 000 000	2 759 000	2 49 001,78	9%
Net Operational Expenditure	1 400 501	1500 000	2 700 000	2 502 776,93	8%

### T 3.9.6 Capital Expenditure 2015/2016: Integrated Development Planning and Performance Management Systems

Capital Projects	2015/2016				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Installation of ePMS	1 400 000	1 800 000	1 600 000	11%	1 800 000

### T 3.9.7 Comment on Integrated Development Plan and Performance Management Systems Performance Overall

The division has focused on making that the transition from manual reporting to automation is smooth and successful.



## Chapter 3: Service Delivery Performance

### 3.10 Project Management Unit

#### T 3.10.1 Introduction to Project Management Unit

The Municipal Project Management Unit business plan documents how the municipality aims to effectively and efficiently establish a Project Management Unit to manage Municipal Infrastructure Grant and other infrastructure projects. The Municipal Project Management Unit function is aligned with the principle and objectives underpinning the design of the programme as contained in the Municipal Infrastructure Grant policy Framework. The municipality confirms that the establishment processes as well as the operational outcomes of the project management will:

- Acknowledge and adhere to all aspects contained within the business plan including all principles, objectives, sector conditions and outcomes contained in the Municipal infrastructure Grant guideline document and Municipal Infrastructure Grant Policy Framework documents
- Ensure adherence to labour intensive objectives as detailed in the Expanded Public Works Framework document and to develop the municipality into a unified, viable and progressive municipality that serves the needs of its people in a responsible, economic and sustainable manner.
- Ensure the integration of Municipal Infrastructure Grant Programme and other infrastructure
- funded programmes within the framework of the municipality pre-existing Integrated Development Plan
- Ensure the alignment of the approaches and processes of existing and new infrastructure programme to those of Municipal Infrastructure Grant

Part of the Project Management functions is to provide project management in the implementation of all capital projects within the municipality in line with the Integrated Development Plan and also to provide professional support towards operational and maintenance of existing infrastructure within the jurisdiction of the municipality.

#### T 3.10.2 Application for Land Use Development

Detail	Formalization of		Rezoning		Built Environment	
	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016
Planning application received			2	3		
Determination made in year of receipt			Standing committee	Standing committee, Request of further info		
Determination made in following year			Council Resolution	Advertisement phase		
Applications withdrawn			1	0		
Applications outstanding at year end			1	3		

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### T 3.10.3 Project Management Unit Policy Objective taken from the IDP

Project Manage Unit Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	Year -2014/15		Year 2015/16			Year 2015/16	Year 2016/17	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Project Manage Unit (PMU)</b>									
Professional registered with ECSA	No. of professionals registered with ECSA	2	0	0	2	2	2	0	0
Developed PMU Draft documents	No. of PMU draft documents developed	2	2	2	12	3	3	4	4
Conduct Evaluation of the design specification	No. of design report approved	4	1	1	2	5	5	2	2
Conduct Inspection for Blue and Green Drop supervision	No. of Blue and Green drop inspection reports submitted	0	0	32	12	3	3	12	12
Ficksburg/Meqheleng: Upgrading of Recreational and Sports Facility	Issuing of final completion Certificates	20	19	1	1	1	1	0	0
Appointment of Service providers for the Senekal/Matwabeng Multipurpose sport Centre	No: of appointments	0	0	2	1	2	2	0	0

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Construction of the Multipurpose Sport Centre in Senekal/Matwabeng	% of work Completed	0	0	50	50	0	0	85	85
Appointment of the Contractor for the construction of 3km pave road and storm water drainage in Clocolan/Hlohlolwane	No. of Appointment letters issued	0	0	1	1	1	0	1	1
Appointment of the Contractor for the construction of 3km pave road and storm water drainage in Marquard/Moemaneng	No. of Appointment letters issued	0	0	1	2	1	0	0	0
Clocolan/Hlohlolwane Construction of 3km paved road and storm water drainage	% of work completed	0	0	30	30	0	0	0	0
Marquard/Moemaneng Construction of 3km paved road and storm water drainage	% of work completed	0	0	30	30	0	0	5	5
Ficksburg/Meqheleng Construction of 3km paved road and storm water drainage	% of work completed	0	10	85	85	98	98	100	100
Senekal/ Matwabeng Construction of 3km paved road and storm water drainage	% of work completed	0	10	85	85	99	99	100	100
Installation of the Bulk Water meters and water level sensors in reservoirs	% of work completed	0	0	100	100	100	100	0	0
Appointment of Consulting engineers for the construction of Central WTW	No. of Appointment letters issued	0	0	1	1	1	1	0	0
Construction of the New Water Treatment works in Senekal/Matwabeng	% of work Completed	0	0	10	10	0	0	0	0
Upgrading of the BWS pipeline from Caledon to Meulspruit Dam, Clocolan and Marquard	% of work Completed	50	70	20	20	20	20	0	0

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Upgrading of the bulk water pipeline from Meul-spruit Dam to Ficksburg WTW	% of work Completed	0	0	50	50	50	50	50	50
Construction of the new sewer outfall line and the new sewer pump station 4 in Clocolan/Hlohlolwane	% of work Completed	0	0	50	50	50	50	0	0
Issuing of Final Certificates for the upgrading of the Oxidation Ponds in Marquard	No. of Certificates Issued	0	0	3	3	1	0	3	3
Conduct Quality Control on site	No. of inspections conducted	96	80	40	40	59	59	16	16
Conduct and Attend Site Meetings	No. of meetings conducted	96	62	24	24	33	33	24	24
Compile and submit PMU Monthly Report	No. of monthly reports submitted	12	12	12	12	12	12	12	12
Compile and submit PMU Quarterly Report	No. of quarterly reports submitted	4	4	4	4	4	4	4	4
Compile and submit PMU Annual Report	No. of annual reports submitted	1	1	1	1	1	1	1	1
Submission of PMU business plans	No. of business plan submitted	6	7	1	1	2	5	4	4
Monitor and Report on the allocation of the provincial Capital target	% of expenditure target	100	100	100	100	100	100	100	100
Compile Reconciliation of PMU project expenditures	No. of expenditure reconciliation reports submitted	0	0	12	12	12	12	12	12

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Compile the draft PMU action plan for 2016/17	No. of Draft PMU action plans for 2016/17	0	0	3	3	3	3	3	3
Compile the final PMU Action Plan	Action Plan 2015/16	2	2	1	1	1	1	1	1
Reporting on the allocation	ACIP Quarterly meeting	4	4	4	4	2	2	0	0
	RBIG Quarterly meeting	4	4	4	4	4	4	4	4
	MIG Quarterly meeting	4	4	4	4	4	4	4	4
	Annual reports to DWS	1	1	1	2	3	1	1	1
Update the asset Register	Review of Asset register	0	0	1	1	1	1	1	1
Cleaning and beautification programme	No. of jobs created	100	100	80	80	144	144	150	150
<b>ADDITIONAL ACTIVITIES CONDUCTED</b>									
Appointment of the contractor for the installation of the bulk water meters and water level sensors	No. of Appointment letters issued	0	0	1	1	1	1	0	0
<i>Note: The Appointment of contractor for Senekal Paving road was done on the 18<sup>th</sup> June 2015 and therefore was misstated on the SDBIP.</i>									

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### T 3.10.4 Grants from sources other than Division of Revenue Act

Details of Donor	Actual Grant year- 2014/15	Actual Grant Year 2015/16	Year 2015/16 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
A - Upgrading of the outfall sewer line in Clocolan/Hlohlolwane	0	0	4 600 000		Dec-17	Outfall sewer line collecting sewer in 2 289 HH

### T 3.10.5 Municipal Infrastructure Grand Expenditure 2015/2016 on Service Backlogs

Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
				R' 000		
<b>Infrastructure - Road transport</b>				%	%	
<i>Roads, Pavements &amp; Bridges</i>	43 985	43 985	43 985	100%	0%	As per MIG guideline stipulated in DoRA
<i>Storm water</i>				%	%	
<b>Infrastructure - Electricity</b>				%	%	
<i>Generation</i>				%	%	
<i>Transmission &amp; Reticulation</i>				%	%	
<i>Street Lighting</i>				%	%	
<b>Infrastructure - Water</b>				%	%	
<i>Dams &amp; Reservoirs</i>				%	%	
<i>Water purification</i>				%	%	
<i>Reticulation</i>				%	%	
<b>Infrastructure - Sanitation</b>				%	%	

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<i>Reticulation</i>				%	%	
<i>Sewerage purification</i>				%	%	
<b>Infrastructure - Other</b>				%	%	
<i>Waste Management</i>	1 293	1 293	1 293	100%	0%	As per MIG guideline stipulated in DoRA
<i>Transportation</i>				%	%	
<i>Gas</i>				%	%	
<b>Other Specify:</b>				%	%	
<i>Sport</i>	3 946	3 946	3 946	100%	0%	As per MIG guideline stipulated in DoRA

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### T 3.10.6 Treatment of the three largest assets acquired 2015/2016

Asset 1				
Name	Upgrading of the Multipurpose Sport Centre and Recreational in Ficksburg/Megheleng			
Description	Sport			
Asset Type	Stadium			
Key Staff Involved	Caretaker			
Staff Responsibilities	Manage and monitor operations and maintain the conditions of the facility			
Asset Value	Year -2018/19	Year - 2017/18	Year - 2016/17	Year 2015/16
	69 000 000	67 000 000	65 000 000	63 000 000
Capital Implications	High Maintenance Cost of the Facility			
Future Purpose of Asset	Provide and host the Multipurpose Sport Activities and other events			
Describe Key Issues	management of the Facility			
Policies in Place to Manage Asset	To be confirmed with Community Services			
Asset 2				
Name	Construction of Road and Storm water drainage system in Senekal/Matwabeng			
Description	Roads			
Asset Type	Block paved surface			
Key Staff Involved	Supervisor			
Staff Responsibilities	Monitor and Maintain the road condition			
Asset Value	Year -2018/19	Year - 2017/18	Year - 2016/17	Year 2015/16
	21 800 000	22 500 000	22 100 000	21 992 290
Capital Implications	None			
Future Purpose of Asset	To provide the required standard of roads			



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Describe Key Issues	Heavy load vehicles will cause damage on the road			
Policies in Place to Manage Asset	rural Roads Asset Management System			
Name	Upgrading of the bulk raw water pipeline from Caledon to Meulspruit, Clocolan and Marquard			
Description	Bulk Water			
Asset Type	Pipeline and Pump station			
Key Staff Involved	Supervisors and Plumbers			
Staff Responsibilities	Operating the pumps and monitor the water levels			
	Year -2018/19	Year - 2017/18	Year - 2016/17	Year 2015/16
Asset Value	3 1000 000	29 000 000	26 000 000	23 000 000
Capital Implications	High Maintenance Operating Cost of the Facility			
Future Purpose of Asset	Augment the Bulk raw water supply to Meulspruit Dam, Clocolan and Marquard			
Describe Key Issues	maintenance plan to be updated			
Policies in Place to Manage Asset	Water Use License Authority			

### T 3.12.7 Capital Expenditure of Five Largest Projects

R' 000					
Name of Project	Current: Year 2015/16			Variance: Current Year 2015/16	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A - Upgrading of the Sport and Recreational Facility in Ficksburg/Meqheleng	6 000	6 000	6 000	0%	0%
B - Construction of the 3km pave road and storm water drainage in Senekal Matwabeng	21 038	21 038	21 038	0%	0%
C - Construction of the 3km pave road and storm water drainage in Ficksburg/Matwabeng	20 778	20 778	20 778	0%	0%
D - Upgrading of the Bulk Raw water pipeline from Caledon river to Meulspruit Dam, Clocolan and Marquard	19 000	23 000	23 000	-21%	-21%
E - Upgrading of the Bulk raw water pipeline from Meulspruit Dam to Ficksburg WTW	17 079	17 079	17 079	0%	0%

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<b>Upgrading of the Sport and Recreational Facility in Ficksburg/Meqheleng - A</b>	
Objective of Project	Is to provide access to multipurpose sport activities to the community of Ficksburg/Meqheleng and Setsoto at large
Delays	Delays were due to Unanticipated labour disputes and late delivery of the special material on site
Future Challenges	Challenges may occur if the facility is poorly managed
Anticipated citizen benefits	13 621
<b>Construction of the 3 km pave road and storm water drainage in Senekal/Matwabeng - B</b>	
Objective of Project	To provide and upgrade the existing road networks and resolve the storm water challenges
Delays	Minor delays were experienced due to labour issues
Future Challenges	Heavy load vehicles would cause damage on the paving/surface
Anticipated citizen benefits	9 387
<b>Construction of the 3 km pave road and storm water drainage in Ficksburg/Meqheleng - C</b>	
Objective of Project	To provide and upgrade the existing road networks and resolve the storm water challenges
Delays	Minor delays were experienced due to labour issues
Future Challenges	Heavy load vehicles would cause damage on the road paving/surface
Anticipated citizen benefits	4 425
<b>Upgrading of the Bulk raw water pipeline from Caledon to Meulspruit, Clocolan and Marquard - D</b>	
Objective of Project	Is to augment the bulk raw water supply to Meulspruit dam, Clocolan and Marquard
Delays	Delays were uncured due to Eskom to upgrade the transformer at pump station and the new point
Future Challenges	Poor operational and Maintenance and unavailability of raw water source due to drought will result in challenges
Anticipated citizen benefits	3070
<b>Upgrading of the Bulk raw water pipeline from Meulspruit Dam to Ficksburg WTW - E</b>	
Objective of Project	Is to augment the raw water supply to Ficksburg WTW
Delays	No delays have been experienced to date since commencement of the project
Future Challenges	Unable to abstract in the Meulspruit dam due to low water levels and pipe bursts due to drought
Anticipated citizen benefits	13 621

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### T 3.10.8 Capital Expenditure 2015/2016: Sanitation Services

R' 000					
Capital Projects	Year 2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	4 600	4 600	4 200	-10%	/
Upgrading of the outfall sewer line in Clocolan/Hloholwane	4 600	4 600	4 200	-10%	4600
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					

### T 3.10.9 Capital Expenditure 2015/2016: Sport and recreation

R' 000					
Capital Projects	Year 2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	3 946	3 946	3 946	0%	/
Upgrading of the Sport centre and Recreational Facility in Ficksburg/Megheleng	6 000	6 000	6 000	0%	63 042
Construction of the New Multipurpose Indoor Sport Centre and recreational Facility in Senekal/Matwabeng	3 346	3 346	3 346	0%	14 213
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					

### T 3.12.10 Job Creation through EPWP Projects

Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
Year -2013/14	16	2 022
Year -2014/15	11	2 133
Year 2015/16	9	1 800
* - Extended Public Works Programme		

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Sector	Project Name	2012/13	2013/14	2014/15	2015/16
Infrastructure	Erf connection 3885-3901 stand pipe in Senekal	30	0	0	0
	War on leaks programme	17	0	0	0
	Development of 1000 sites	32	32	0	0
	Construction sports facilities in Meqheleng	30	60	96	39
Infrastructure	FXB Fencing of Municipal Properties	0	21	0	0
	SNK Fencing of Municipal Properties	0	14	0	0
	MRQ Fencing of Municipal Properties	0	10	0	0
	CLC Fencing of Municipal Properties	0	11	0	0
	Ficksburg high mast light	0	08	0	0
	Construction of 10ml reservoir	0	30	0	0
	Perching of Potholes	0	0	76	79
	Meqheleng RDP Houses	0	0	32	30
	Meulspruit Pipeline Phase 02	0	0	0	18
	Senekal Paved Road	0	0	0	15
	Ficksburg Paved Road	0	0	0	20
<b>Total</b>		<b>109</b>	<b>186</b>	<b>204</b>	<b>201</b>
Social	Setsoto Asset Clerks	0	05	0	0
	Security Officers	29	0	0	0
	Account Distributors	30	30	0	0
	Setsoto Ward Committee	0	180	176	0
	Setsoto In-service Training	0	25	23	24
<b>Total</b>		<b>59</b>	<b>240</b>	<b>199</b>	<b>24</b>
ENVIROMENTAL	Cleaning and beautification	196	196	0	145
	Door to Door Waste Removal	33	0	0	0
	Cleaning of roads and storm water and parks	209	0	0	0
	Food for Waste	0	100	100	0
	Cleaning of Illegal Dumping Sites	50	0	0	
	Setsoto Cleaning and Beautification 13/14	0	0	115	144
	Development of Parks in Clocolan and Marquard	0	0	200	200
	Setsoto Youth Waste	0	0	15	48
<b>Total</b>		<b>488</b>	<b>396</b>	<b>530</b>	<b>537</b>
<b>Non State Sector</b>	Setsoto CWP	<b>1 200</b>	<b>1 200</b>	<b>1 200</b>	<b>1 200</b>
<b>Total</b>		<b>1 200</b>	<b>1 200</b>	<b>1 200</b>	<b>1 200</b>
<b>Incentive Allocation/EPWP Budget</b>					
<b>Year</b>		<b>Budget</b>			
2013/14		1 763 000			
2014/15		2 632 000			
2015/16		2 042 000			

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EPWP Municipal Funding		
	Year	Budget
		R'000
	2013/14	1 019
	2014/15	1 386
	2015/16	2 998

### T 3.10.11 Comment on Project management Unit Performance Overall

The Project management Unit in the financial year 2015/2016 managed to spend 100% from both regional Bulk Infrastructure and the Municipal Infrastructure Grant within the set timeframes and according to the specifications and reports were submitted to these sector departments as proof of expenditure. On the regional Bulk Infrastructure Grant the municipality was allocated R 30 Million and due to good performance the municipality managed to spend the round-off figure of R 40 million by the end of the financial year.

The Project Management Unit has managed to complete some of the main capital projects that will serve as one of the achievements to address challenges of sewer and water. This was mainly the completion of the upgrading of the bulk raw water supply from Caledon River to Meulspruit Dam, Clocolan and Marquard as well as the completion of the multipurpose Sport Centre and Recreational Facility in Meqheleng.

Project Management Unit had also provided support to other municipal projects mainly towards operational and maintenance of water and sanitation. It has also managed to keep clean record of audit on quarterly basis which is conducted by municipal Internal Audit Unit. The Project Management Unit above all the successes has managed to compile the report for capital projects that were constructed and completed over a period of five years from July 2011 to June 2016, which was handed over to the responsible accounting officer.

### 3.11 Local Economic Development

#### T 3.11.1 Introduction to Local Economic Development

Local Economic Development (LED) in Setsoto Local municipality is considered as an outcome that is based on local initiatives and driven by local stakeholders. It involves identifying and using local resources, ideas and skills to stimulate economic growth and development. The aim of LED is to create employment opportunities for local residents, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents.

However, the municipality's role is to create a conducive environment in which maximum participation in the process and where business will flourish. It should always be borne in mind that local economic development initiatives always take place in the context of the national and global economies. Changes in the national and global economy normally impact on local economies in different ways. For example, a fluctuation in prices of commodities such as gold, may cause that certain business operations close down, and if such businesses are main employers in a small town, it then causes unemployment to become even higher. The LED process in Setsoto Local Municipality is characterised by the following guiding principles:

- LED aims at creating favourable locational factors, i.e. qualities which make a place a good place to do business. The starting point being improving the infrastructure and training workers, but also less obvious elements such as business-mindedness and efficiency of local administration.
- LED aims at promoting business. This can be existing businesses, start-ups or external companies coming into a location. It is also about creating linkages such as: promoting and supporting spin-offs and sub-contracting, attracting investors and in some occasions, considering franchises as a source of new local businesses.

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- LED aims at making local markets work better. It aims at creating places and opportunities to match supply and demand, as well as to discover, propagate and promote new business opportunities.
- LED aims at making better use of locally available resources and skills and maximises opportunities for development. To this end, the development and promotion of entrepreneurs is of great importance.
- LED must target previously disadvantaged people, marginalised communities and geographical regions, black empowerment enterprises and SMME's to allow them to participate fully in the economy.
- LED promotes local ownership, community involvement, local leadership and joint decision-making through structures such as LED Forum.
- LED involves local, national and international partnerships between communities, businesses and government to solve problems, create joint business ventures and build up local areas.
- LED involves the integration of diverse economic initiatives in a comprehensive approach to local economic development.

### T 3.11.2 Economic Activity by Sector

R '000			
Sector	2013/14	2014/2015	2015/2016
Agric, forestry and fishing	6 623	7 239	7 239
Mining and quarrying	20 319	21 603	21 603
Manufacturing	13 021	17 278	17 278
Wholesale and retail trade	18 930	23 814	23 814
Finance, property, etc.	21 788	24 140	24 140
Govt, community and social services	22 491	27 226	40 044
Infrastructure services	3 113	4 533	26 726
<b>Total</b>	<b>106 285</b>	<b>125 833</b>	<b>160 844</b>

### T 3.11.3 Economic Employment by Sector

Jobs			
Sector	2013/14	2014/15	2015/16
	No.	No.	No.
Agric, forestry and fishing	70	57	72
Mining and quarrying	25	27	35
Manufacturing	58	56	59
Wholesale and retail trade	142	39	265
Finance, property, etc.	70	58	57
Govt, community and social services	213	206	201
Infrastructure services	82	52	57
<b>Total</b>	<b>660</b>	<b>495</b>	<b>749</b>

### T 3.11.4 Comment on Local Job Opportunities

In order to have an understanding of the economic situation in Setsoto Local Municipality, it is imperative to look at the current labour statistics as provided by Stats SA. According to Stats SA, of the 33 411 economically active (employed or unemployed but looking for work) people in the municipality, 35, 7% are unemployed. Of the 17 173 economically active youth (aged 15–34) in the area, 46, 1% are unemployed.

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In an effort to promote job creation the municipality, through LED initiatives, have worked in partnership with Moripe Holdings and both parties have secured the New Venture Creation Learnership which aimed to prepare youth to become future entrepreneurs. The unemployment

rate among youth will largely be reduced by acquiring the right entrepreneurial skills which will enable them to start their own businesses. The current employment situation can be depicted as follows:

Sector	Persons Employed
The formal sector	14 434
Informal sector	2 885
Private Households	3 997
Do not know	603
Not applicable	90 679
<b>Total</b>	<b>112 599</b>

In an effort to promote job creation the municipality, through LED initiatives, have worked in partnership with Moripe Holdings and both parties have secured the New Venture Creation Learnership which aimed to prepare youth to become future entrepreneurs. The unemployment rate among youth will largely be reduced by acquiring the right entrepreneurial skills which will enable them to start their own businesses.

### T 3.11.5 Jobs created during 2015/2016 by LED Initiative (excluding EPWP Projects)

Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/dis- placed by other in- itiatives No.	Net total jobs cre- ated in year No.	Method of validating jobs created/lost
Total (all initiatives)				
2012/2013	464	0	464	Reports
2013/2014	994	0	994	Reports
2014/2015	921	0	921	Reports
2015/2016	230	0	230	Reports
Initiative A (New Venture Creation learner ship)	29	0	29	Reports, attendance registers
Initiative B (Meqheleng Sports Facilities)	39	0	39	Reports, attendance registers
Initiative C (Perching of potholes)	30	0	30	Reports, attendance registers
Initiative D (Meulspruit pipeline 2 <sup>nd</sup> phase)	18	0	18	Reports, attendance registers
Paved roads (Meqheleng)	20	0	20	Reports, attendance registers
Paved roads (Matwabeng)	15	0	15	Reports, attendance registers
<b>Totals</b>	<b>230</b>	<b>0</b>	<b>230</b>	

### T 3.11.6 Jobs created through EPWP Projects

Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
Infrastructure projects		201

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Social projects		145
Environmental		537
CWP		1 200
<b>Totals</b>		<b>2 112</b>



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### T 3.12.7 Local Economic Development Policy Objectives taken from the IDP

Local Economic Development Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2014/2015		2015/2016			2016/2017	2017/2018	
		Target	Actual	Target		Actual	Target		
Service Indicators	(ii)	*Previous Year	(iv)	*Previous Year	*Current Year	(vii)	*Current Year	*Current Year	*Following Year
(i)		(iii)	(v)	(vi)	(viii)	(ix)	(x)		
<b>Service Objective</b>									
Provide LED training interventions for SMME	Number of training interventions conducted	4	0	4	4	3	4	4	4
Assist potential entrepreneurs in Development and marketing	Number of entrepreneurs to be assisted	25	25	25	50	68	25	25	25
Issue permits to hawkers in SLM	Number of permits issued	288	288	288	100	51	80	80	80
Issue trading license to businesses in SLM	Number of trading licenses issued	80	102	102	80	220	100	100	100
Identify and encourage potential entrepreneurs to become involved in SMME development	Number of entrepreneurs involved in SMME development	10	40	40	10	18	10	10	10
Develop Local Economic Strategy	Number of approved LED Strategy	1	1	1	0	0	0	0	0
Marketing of tourism activities in the municipality	Number of marketing material developed	0	1	1	0	0	0	0	0
	Number of promotional activities	6	8	8	2	3	2	2	2
	Number of resources and systematic analysis audit conducted to identify agricultural products that can be processed locally	3	3	3	3	3	1	1	1
Establish a Tourism Centre	Number of established tourism centre	4	4	4	0	0	0	0	0
Develop a tourism plan	Number of approved Tourism Plans	1	1	1	0	0	0	0	0
Development of tourism marketing material	Number of marketing material developed	0	0	1	1	0	0	0	0
Develop a Marketing Strategy	Number of approved Marketing Strategies	1	1	1	0	0	0	0	0

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### T 3.11.8 Employees 2015/2016: Local Economic Development

Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	2	0	2	100%
7 - 9	3	8	2	6	75%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	7	11	3	8	73%

### T 3.11.9 Financial Performance 2015/2016: Local Economic Development

R'000					
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	14	40	40	100	60%
Expenditure:					
Employees	895	1729	980	999	-73%
Repairs and Maintenance	0	46	22	7	-557%
Other	206	279	62	40	-598%
<b>Total Operational Expenditure</b>	1101	2054	1064	1046	-96%
<b>Net Operational Expenditure</b>	1087	2014	1024	946	-113%

### T 3.11.10. Capital Expenditure 2014/2015: Local Economic Development

R' 000					
Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All		0	0	0%	
Project A	0	0	0	0%	0
No Local Economic Development Capital project					

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### T 3.11.11 Comment on Local Economic Development Performance Overall

Although the LED Division is responsible for driving local economic development in the municipality, all municipal departments are obliged to promote LED as they implement various projects related to their operations. It oversees LED, Tourism and Sports Development. For the purpose of achieving effective and efficient management, the LED has grouped its work into the following programmes:

- (I) Policy and Business Programme Management through which focus is mainly placed on measuring the performance of the municipality's economy.
- (II) Enterprise development: The Enterprise Development requires the unit to design and implement programs that support the development of enterprises that have the potential to grow and become competitive nationally and even globally.
- (III) Business regulation and compliance by issuing business licences and hawker permits
- (IV) Trade, industrial development and investment promotion in all towns that comprises this Municipality
- (V) Tourism, sports, arts and culture development and promotion programme to oversee activities such as Heritage Day celebrations, Cherry Festival and sports tournaments
- (VI) Agricultural development which focuses on development of women and youth by facilitating development of cooperatives and implementation of Agricultural projects.

For the year under review, the division has implemented the following projects successfully:

- Provision of three SMME trainings conducted by SEDA, Thabo Mofutsanyana District Municipality LED division and Department of Agriculture.
- Provided support to three agro-processing projects by compiling proposals for funding through DTI's Black Industrialist Programme (BIP)
- A total of 68 entrepreneurs were assisted with compilation of proposals to DTI for funding through the BIP.
- The municipality extended its support through provision of services and in some instances finance for the hosting of Free State Provincial Heritage Day Celebrations, Cherry Festival and Cherry Jazz.
- Through the business licensing and hawker permitting system, a total of 219 business licences and 51 hawker permits were issued.
- Through the municipal procurement system, 77 SMME's benefited through transactions that were concluded. In total these transactions are worth R 3, 371, 000.00

However, there were some areas and projects that posed challenges with regards to their implementation. There are projects which needed huge funding in order to be realised. Amongst these was the SMME Development Plan, development of a training and mentorship programme and purchasing of marketing material. On the other hand, as the development of the Free State Provincial Agricultural Master plan will finally include an audit on the Setsoto Local Municipality's agricultural resources, this activity was put in abeyance in order to avoid duplication and waste of resources.

Due to a protracted drought in Setsoto area, the "Re Kgaba ka Diratswana Programme" was also disturbed and as such the total number of 200 households could no longer be reached as planned. The LED unit did not achieve its target of issuing 80 hawker permits although 184 applications were received. The reason for this under achievements is that most of the applicants are Lesotho citizens and thus do not qualify. The other reason was the claim by local applicants that they are facing lack of funds.

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### Component D: Community and Social Services

#### 3.12 Cemeteries and Parks

##### T 3.12 Introduction to Cemeteries and Parks

The Division provide graves to the communities and is done with the appropriate sensitivity. The Division ensure that the burial registers are indicative of a proper grave numbers. The section also provides the maintenance of the cemeteries. The service rendered by the Parks section is seasonally and the following are rendered:

- > The maintenance of the municipal gardens, pavements (sidewalks) and open space.
- > The maintenance of sport facilities and swimming pools.
- > The cleaning of the town and community halls.
- > The maintenance and management of the caravan park
- > Planting and maintaining trees in municipal area

Destitute families are assisted by the municipality to obtain a grave and services by a funeral undertaker as per indigent policy. The service rendered by the Parks section is seasonally and the following are rendered:

- > The maintenance of the municipal gardens, pavements (sidewalks) and open space.
- > The maintenance of sport facilities and swimming pools.
- > The cleaning of the town and community halls.
- > The maintenance and management of the caravan parks
- > Planting and maintaining trees in municipal properties

##### T 3.12.2 Service Statistics for Cemeteries and Parks

1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
263	339	260	343

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### 3.12.3 Cemeteries and Parks Policy Objectives taken from the IDP

Cemeteries; Other Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017	2017/2018	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>To provide and maintain cemeteries</b>									
Preparing and allocation of graves	No of graves allocated	0	1250	0	0	1205	0	0	0
Maintenance of cemeteries	Number of cemeteries maintained	21	21	21	21	21	21	21	21
Recording of graves correctly allocated	Number of burials registered (Recording of graves correctly allocated)	8	8	8	8	8	8	1	1

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Parks, Recreation and Sports; Other Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2014/2015		2015/2016		2016/2017	2017/2018		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To promote greening in all towns to ensure effective urban greening by means of tree planting and Landscaping to be maintained as open spaces in future.									
Maintain the existing parks	Numbers of parks maintained	14	14	14	14	16	16	16	16
	Number of parks developed	0	14	0	2	2	0	0	0
	No of trees to be planted	0	350	0	0	350	400	450	500
	Number of trees to be trimmed or cut	0	0	0	0	0	0	0	0
Procurement of vehicles and equipment	Number of weed eaters purchased	0	0	0	10	0	0	0	0
	Number of equipment to be purchased	0	0	0	0	0	0	0	0
	Number of vehicles to be purchased	0	0	0	0	0	0	0	0

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### T 3.12.4 Employees 2015/2016: Cemeteries and Parks

Job Level	2014/2015	2015/2016			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	0	1	0	1	100%
4 - 6	2	6	2	4	67%
7 - 9	4	8	5	3	38%
10 - 12	3	9	4	5	55%
13 - 15	15	27	18	9	33%
16 - 18	53	77	53	24	31%
<b>Total</b>	<b>77</b>	<b>128</b>	<b>82</b>	<b>46</b>	<b>36%</b>

### T 3.12.5 Financial Performance 2015/2016: Cemeteries and Parks

Details	R'000				
	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	95	496	420	547	9%
Expenditure:					
Employees	248	1121	11376	3881	71%
Repairs and Maintenance	248	1247	205	851	-47%
Other	248	0	165	973	100%
<b>Total Operational Expenditure</b>	<b>744</b>	<b>2368</b>	<b>11746</b>	<b>5705</b>	<b>58%</b>
<b>Net Operational Expenditure</b>	<b>649</b>	<b>1872</b>	<b>11326</b>	<b>5158</b>	<b>64%</b>

### T 3.12.6 Capital Expenditure 2015/2016: Cemeteries and Parks

Capital Projects	Year 2015/2016				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	0	0	0	0%	
<i>No Capital projects implemented</i>					

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### T 3.12.7 Comment on the Cemetery and Parks Performance Overall

The provision of graves for burial purposes and the maintenance of cemeteries was done during the year. The digging of the graves on weekly basis was done with the hired equipment to ensure that the graves were ready each week for funerals. The Top – on – top method of burial was introduced and the engagement with Funeral undertakers and Thabo Mofutsanyana District Municipality's Environmental Health Practitioners was done in all four units to have a buy-in of the stakeholders. The implementation of the top on top burials did result in some complications, and awareness in the community regarding this practice must be a priority in future.

During the year there has been continuous maintenance of parks, pavements and open areas. The Caravan Park, sports facilities and community halls were maintained and cleaned to ensure accessibility to the community. The development of a park in Clocolan and a park in Moemaneng were completed and the handover from the contractor to the municipality was in February 2016. During the year under review, the CDP.

### Component E: Security Services, Safety and Property Maintenance

#### 3.13 Traffic Management

##### T 3.13.1 Introduction to Traffic Management Services

Main objective and function as Public Safety Division, is to promote law enforcement with regard to the National Road Traffic Act and Municipal Bylaws. The safety of all road users is paramount in our approach to Road Safety and service delivery. Vehicle fitness is also part of our strategy to combat accidents. The personnel in this Section must ensure that all road users abide by the road traffic management regulations and statutes.

##### T 3.13.2 Service Statistics for Traffic Management Services

	Details	2013/2014	2014/2015		2015/2016
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	No of roadblock conducted	24	24	74	30
2	No of traffic fines issued	3 294	0	4 463	3 246
3	Rand received	259 370	0	275 370	127 396
4	No of Point Duty and escort performed	157	0	132	120
5	Rand received per escorts	33 580	0	26 910	24 000
6	No of speed measuring device purchased	0	1	0	0
7	No of traffic signs replaced and installed	157	70	111	80
8	No of km painted	86	80	158	80



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### T 3.13.3 Traffic Management Services Policy Objectives taken from the IDP

Traffic Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2014/2015		2015/2016		2016/2017	2017/2018		
		Target	Actual	Target	Actual		Target		
<i>Service Indicators</i>		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To encourage compliance to National and Provincial laws and municipal by - laws									
Roadblocks conducted	No of roadblocks conducted	24	69	24	30	56	30	30	30
Traffic fines issued	No of traffic fines issued	3294	4246	3294	3 346	4473	3246	3246	3246
Amount received	Rand received from traffic fines (Amount received for fines)	259370	254790	259370	127396	435201	127396	127396	127396
Point Duty and escort	No of point Duty and escort performed	157	127	157	120	132	120	120	120
Amount received	Rand received per escorts	33580	23480	33580	24000	41746	24000	24000	24000
Maintenance of traffic signs and road markings	No of traffic signs replaced and mounted	86	130	86	80	109	80	80	80
	No of Road markings painted	157	149	157	80	744	80	80	80

## Chapter 3: Service Delivery Performance

### T 3.13.4 Employees 2015/2016: Traffic Management Services

Job Level	2014/2015		2015/2016		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	2	1	1	50%
4 - 6	2	2	2	0	0%
7 - 9	10	23	10	13	57%
10 - 12	0	0	0	0	0%
13 - 15	1	4	1	3	75%
16 - 18	6	8	6	2	25%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>20</b>	<b>39</b>	<b>20</b>	<b>19</b>	<b>49%</b>

### T 3.13.5 Financial Performance 2015/2016: Traffic Management Services

Details	R'000				
	2014/2015	2015/2016			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
<b>Total Operational Revenue</b>	281	180	100	431	58%
Expenditure:					
Employees	569	6149	6149	6311	3%
Repairs and Maintenance	545	445	445	352	-26%
Other	744	359	393	231	-55%
<b>Total Operational Expenditure</b>	<b>1 858</b>	<b>6 953</b>	<b>6 987</b>	<b>6 894</b>	<b>-1%</b>
<b>Net Operational Expenditure</b>	<b>1 577</b>	<b>6 773</b>	<b>6 887</b>	<b>6 463</b>	<b>-5%</b>

### T 3.13.6 Capital Expenditure 2015/2016: Traffic Management Services

Capital Projects	2015/2016				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
<i>No Capital project was planned for the Financial Year under review</i>					

## Chapter 3: Service Delivery Performance

### T 3.13.7 Comment on Traffic Management Performance Overall

The Division's performance on road markings and replacement of traffic signs were more than what was envisaged due to more roads that were repaired by Engineering Department which forced the Division to re-paint the markings. The division had to replace old road traffic signs as well. The Division embarked on Public awareness and there were extra activities (RTMC) in partnership with Provincial Traffic and SAPS. Due to high Volume of Roads repaired, new markings needed \* state under overall performance

### 3.14 Fire and Disaster Management

#### T 3.14.1 Introduction to Fire and Disaster Management

The Fire Service main objective is to save lives, protect property and to provide relief during and or after the incident of disaster had occurred. The Disaster Management function is to properly coordinate effective response, recovery, rehabilitation, risk assessment, institutional arrangements and measure of mitigation in relation to disaster incidents.

#### T 3.14.2 Service Statistics for Fire and Disaster Management

Fire Service and Disaster Management Data					
	Details	2013/2014	2014/2015		2015/2016
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Total fires attended in the year	228	0	134	0
2	Total of other incidents attended in the year	198	0	252	0
3	Average turnout time - urban areas	0	0	0	0
4	Average turnout time - rural areas	0	0	0	0
5	Fire fighters in post at year end	1	1	1	0
6	Total fire appliances at year end	3	3	2	3
7	Average number of appliance off the road during the year	0	1	1	0

T 3.16.2

## Chapter 3: Service Delivery Performance

### T 3.14.3 Fire and Disaster Management Policy Objectives taken from the IDP

Fire Service and Disaster Management Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2014/2015		2015/2016		2016/2017	2017/2018		
		Target	Actual	Target	Actual		Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
		(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objective									
To provide effective and efficient Fire Services	Number of risk assessment conducted (Risk assessment conducted)	4	4	4	4	4	4	4	4
	Number of fire safe inspections (Doing inspections)	4	4	4	4	9	0	0	0
	Percentage of building plans approved within five working days	0	0	0	100%	0	0	0	0
	No of emergencies / accident attended to	0	252	0	0	292	0	0	0
	Number of fire incidents reported (Fire reported)	0	134	0	0	144	0	0	0
To provide Disaster Management service	No of incident/ Disaster reported and attended	0	0	0	0	1	0	0	0
	Number of storerooms allocated (Allocation of storeroom)	1	1	1	1	1	0	0	0
	No of public awareness conducted	6	8	6	12	6	6	6	6
	Number of fora established and functional (Establishment of disaster fora)	0	4	0	4	1	1	1	1

## Chapter 3: Service Delivery Performance

### 3.14.4 Employees 2015/2016: Fire and Disaster Management Services

Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
0 - 3	1	2	1	1	50%
4 - 6	1	2	1	1	50%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	20	0	20	0%
16 - 18	0	0	0	0	0%
<b>Total</b>	<b>2</b>	<b>24</b>	<b>2</b>	<b>22</b>	<b>92%</b>

### T 3.14.5 Financial Performance 2015/2016: Fire and Disaster Management Services

Details	2014/2015	2015/2016			R'000
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0%
Expenditure:					
Employees	725	1022	1020	1020	0%
Repairs and Maintenance	213	205	205	315	35%
Other	251	356	356	124	-187%
<b>Total Operational Expenditure</b>	<b>1 189</b>	<b>1 583</b>	<b>1 581</b>	<b>1459</b>	<b>-8%</b>
<b>Net Operational Expenditure</b>	<b>1 189</b>	<b>1 583</b>	<b>1 581</b>	<b>1459</b>	<b>-8%</b>

## Chapter 3: Service Delivery Performance

### T 3.14.6 Capital Expenditure 2015/2016: Fire and Disaster Management Services

Capital Expenditure 2015/2016: Fire Services					
R'000					
Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual	Variance from Budget	Total Project Value
Total Projects	250	326	378	31%	280
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90

### T 3.14.7 Comment on Fire and Disaster Management Services Performance Overall

Disaster happen unexpected so it is very difficult to predict such, therefore no one had expected that Drought Disaster can occur. Setsoto LM as part of Free State province was also affected by these Disaster of Drought. Although new Risk Assessment target not being met due to activity in Marquard (Wildebeeste braai) being postponed. New events were held which led to more assessments conducted in the second quarter.

Fire services do not have adequate resources to respond to the challenges, currently the unit has one official, and it mainly depends on the help of the Traffic Officers and Disaster Coordinator to respond during fire incidents. The Division and the Environmental office has conducted a joint public awareness as measures of mitigations in relations to any Disaster incident that may occur, including the measures that community members should adhere to.

### 3.15 Security Services and Property Management

#### T 3.15.1 Introduction to Security Services and Property Maintenance

The mandate of the Security Services Division is to ensure safety of municipal employees and property by means of managing access control to municipal properties, implement security measures in the form of counter intelligence. To represent the municipality at broad security forums and participate in all security related matters at local, provincial and national levels. The Division is also responsible to ensure that the Municipal properties and facilities are properly managed and maintained to the required standard.

## Chapter 3: Service Delivery Performance

### T 3.15.2 Services Statistics for Security Services and Property Maintenance

	Details	2014/2015	2015/2016		2016/2017
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Number of CCTV Cameras and Monitors installed	27	17	10	7
2	Number of Guard rooms built	2	0	0	1
3	Number of alarm systems installed	10	3	1	2
4	Number of municipal Houses/flats	18	18	18	34
5	Number of municipal properties	57	57	57	57
6	No of Sport facilities	4	4	4	4
7	No of Community Halls	12	12	12	12

## Chapter 3: Service Delivery Performance

### 3.15.3 Security Services and Property Maintenance Policy Objectives taken from the IDP

Security Services and Property Maintenance Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/17	2018/2019	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
To ensure safety of municipal property and personnel									
CCTV Cameras at municipal properties	Number of CCTV cameras installed	27	34	34	17	10	7	5	5
Installation of alarm system	Number of alarm system installed	10	13	13	3	1	1	1	1
To ensure safety of municipal property and personnel	Number of guardrooms built (Build guardrooms)	1	2	1	1	0	0	0	0
	Number of properties fenced (Fencing of properties)	0	10	10	1	0	0	0	0
	Number of control rooms built (Build control room)	1	1	1	1	0	0	0	0
Property Maintenance									
Preparing and cleaning of facilities	No of facilities prepared and cleaned: Community Halls	12	12	12	12	12	12	12	12
	No of facilities prepared and cleaned: Sport facilities	12	12	12	12	4	5	5	5
Implementation of the Maintenance Plan	Number of municipal properties inspected to ensure safety	0	0	0	88	57	88	88	88
	Number of municipal houses inspected to ensure safety	25	25	25	25	18	34	34	34
	Number of properties to be maintained (Maintain properties)	0	113	0	2	2	2	2	2



## Chapter 3: Service Delivery Performance

### T 3.15.4 Employees 2015/2016: Security and Property Maintenance Services

Job Level	2014/15		2015/2016		
Police	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	0	4	0	4	100%
7 - 9	35	75	35	40	53%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
<b>Total</b>	<b>36</b>	<b>80</b>	<b>36</b>	<b>44</b>	<b>55%</b>

### T 3.15.5 Financial Performance 2015/2016: Security Services and Property Maintenance

Details	2014/2015		2015/2016			R'000
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
<b>Total Operational Revenue</b>	666	0	681	903	100%	
Expenditure:						
Employees	724	6 886	6 857	7497	8%	
Repairs and Maintenance	553	164	288	175	6%	
Other	322	317	9 844	15 241	98%	
<b>Total Operational Expenditure</b>	<b>1 599</b>	<b>7 367</b>	<b>16 989</b>	<b>22 913</b>	<b>68%</b>	
<b>Net Operational Expenditure</b>	<b>933</b>	<b>73 67</b>	<b>16 308</b>	<b>22 010</b>	<b>67%</b>	

### T 3.15.6 Capital Expenditure 2015/2016: Security Services and Property Maintenance

Capital Projects	Year 2015/2016				R' 000
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
No Capital projects were planned					

## Chapter 3: Service Delivery Performance

### T 3.15.7 Comment on Security Service and Property Maintenance Performance Overall

The Division Security Services' challenges are that of shortage of staff to protect other units of Setsoto. There is also high rate of theft, vandalism and burglary at municipal properties. The division is responsible for coordination of Section 4 meetings, where stakeholders are planning to hold marches. Municipality is participated at Cross Border Crime Prevention Forum, Cluster Joins and Security Managers Forum meetings Security was deployed at Transnet houses which were donated to the Municipality. Replaced water taps in the kitchens at Head Centre and replaced windows at Clocolan Town hall. Widows at Mapenyadira hall were replaced three times in the 1<sup>st</sup> quarter due to damages by community members and fenced was repaired with the help of Community Works Program (CWP)

### Component F: Sport, Arts and Recreation

#### 3.16 Sport, Arts and Recreation

##### 3.16.1 Introduction to Sport, Arts and Recreation

Sport and Recreation Unit main objective is to advocate and actively involve community in Sport and recreation activities, while promoting healthy and active lifestyle.

##### T 3.16.2 Service Statistics for Sport, Arts and Recreation

Sports, Arts, Culture and Recreation Data					
	Details	2014/2015	2015/2016		2016/2017
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Approved Sports and Recreation Policy	1	1	1	1
2	Number of tournaments hosted	6	6	6	6
3	Number of functional Sports and recreational councils established	4	4	4	4

## Chapter 3: Service Delivery Performance

T 3.16 3 Sport, Arts and Recreation Policy Objectives taken from the IDP

Sport and Recreation Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017	2017/18	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Service Objective</b>									
To have a guiding tool that the municipality can work with regarding sports, arts and culture and usage of facilities	Number of approved Sport and Recreational Policy <b>(Sports, Arts and Culture)</b> (Develop a Sport and Recreational Policy)	0	1	0	1	1	1	1	1
To promote sports and host indigenous games	Number of indigenous activities (Mass participation programme)	8	5	8	8	0	8	0	0
To promote sports and host indigenous games	Number of sport, arts and culture activities (Mass participation programme)	8	5	8	8	4	8	8	8
To have functional sports and recreational councils	Number of functional Sports and recreational councils established	4	4	4	1	1	1	1	1
	Number of meetings attended (Sport Development meetings)	6	6	6	8	2	8	2	2

## Chapter 3: Service Delivery Performance

### T 3.16.4 Employees 2015/2016: Sport, Arts and Recreation

Job Level	2013/14		2014/2015		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	#DIV/0!
4 - 6	1	1	1	0	0%
7 - 9	0	2	0	2	100%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	1	4	1	2	50%

### T 3.16.5 Financial Performance 2015/2016: Sport, Arts and Recreation

Details	R'000				
	2014/15	Year 2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0%
Expenditure:					
Employees	0	0	0	0	0%
Repairs and Maintenance	0	0	0	0	05
Other	0	0	0	0	0%
<b>Total Operational Expenditure</b>	0	0	0	0	0%
<b>Net Operational Expenditure</b>	0	0	0	0	0%
<b>Sports Development Officer salary and his programmes are paid from Mayor's office</b>					

### T 3.16.6 Capital Expenditure 2015/2016: Sport, Arts and Recreation

Capital Expenditure 2015/2016: Fire Services					
R'000					
Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual	Variance from Budget	Total Project Value
No capital projects implemented					

## Chapter 3: Service Delivery Performance

### T 3.16.7 Comment on Sport, Arts and Recreation Performance Overall

The unit is working under severe budget constraints and limited sports facilities, it has been working with the Department of Sports, Arts, Culture and Recreation in the Province. Sports and Recreation Office is able to deliver sports development to the community through partnership with local sports and recreation council and other stakeholders. With participation of relevant stakeholders, we are able to organise, coordinate and provide facilities for sports activities, competitions and programmes.

In 1st quarter, the office was able to procure for boxing equipment for two clubs in Setsoto Local Municipality also organised Local OR Tambo Games and hosted Thabo Mofutsanyane District Municipality OR Tambo Games. In 4th quarter, Mottalepula Ntsala Soccer Tournament, tournament that is partnered with Department of Sports, Arts, Culture and Recreation did not take place due to financial constraints and Mayoral Sports Tournament was postponed by Office of the Mayor until further notice.

Meetings with local sports council were held for purpose of establishing Setsoto Sports and Recreation Council. It was resolved that Setsoto Sports and Recreation will be revived during 2016/2017 financial year as to lure other sports federations to affiliate with the council. Since 2011/2012 Setsoto Local Municipality embarked on the construction of Meqheleng Stadium through MIG. The construction of Meqheleng Stadium is complete and the stadium was handed over to community on the 15 July 2016 by Setsoto Municipality Mayor. The Municipality has submitted business plans for funding to the National Lottery which intends to upgrade and renovate the sports facilities in all four units. The application to National Lottery was unsuccessful and Sports and Recreation Office is still looking for other source of funding

### Component G: Corporate Policy Offices and Other Services

#### 3.17 Introduction to Corporate Policy and Other Offices

The Corporate Services Department, comprises of Administration and Support Services Division, Human Resources Management Division, Human Resource Development Division, Payroll Administration, Legal Services and the Fleet Management Division. This Department's mandate is derived from the IDP under the objective of Organisational Development and Transformation as well as Good Governance and Public Participation.

The Department of Treasury Services comprises of Revenue Management Division, Asset Management Division, Supply Chain Management Division, Budget and Reporting Division and Expenditure Management Division. This Department's mandate is derived from the IDP under the objective of Local Economic Development, Good Governance and Public Participation, and mainly Financial Viability and Management.

The Department of the Office of the Municipal Manager comprises of Office of the Speaker, Office of the Mayor, Operations, Risk Management and Unit Support, Internal Audit Unit, DP/PMS Division, ICT, Communication and CRM. The Department derives its mandate from all five Key Performance Areas, namely, Infrastructure and Service Delivery, Local Economic Development Plan., Organisational Development and Transformation, Financial Viability and Management, Good Governance and Public Participation.

#### T 3.17.1 Introduction to Office of Corporate Services, Administration and Council Support

The Administration and Support Services Division is linked to the IDP objective and Key Performance Area of Good Governance and Public Participation. The Division is responsible to provide an effective and efficient Administration and Support Service

## Chapter 3: Service Delivery Performance

through Committee Services, Records Management and Admin & Support which include Telecommunication and Reprographic Equipment Management, Cleaning of Offices and Reception Services. This report reflects the performance of this division for the year 2015/2016.

### T 3.17.2 Service Statistics for Office of Corporate Services, Administration and Support

Details	2014/2015	2015/2016		2016/2017
	Actual Number	Estimate Number	Actual Number	Estimate Number
Number (1) of Year Plan for Section 80, Executive Committee and Council Meetings compiled for Setsoto Local Municipality	1	1	2	1
Number (12) of Agendas of Executive Committee Meetings for Setsoto Local Municipality coordinated	18	12	15	12
Number (12) of Executive Committee Minutes that a quality assurance was performed	18	12	15	12
Number (4) of Agendas of Council Meetings for Setsoto Local Municipality coordinated	8	4	10	4
Number (4) of Council Minutes that a quality assurance was performed	8	4	10	4
Number (4) of absenteeism report to the Speaker prepared after every council meeting.	4	4	4	4
Number (1) of disposal authorities obtained by Setsoto Local Municipality	1	1	1	n/a
Number (1) of reports of documents disposed by Setsoto Local Municipality	1	1	1	1
Number (1) of reports of documents transferred by Setsoto Local Municipality	0	1	1	1
Number (1) of presentations on records management principles coordinated and arranged within Setsoto Local Municipality	1	2	1	1
Number (1) of Remittance Registers reviewed within Setsoto Local Municipality	5	4	4	4
Number (2) of telephone systems to offices not yet services within Setsoto Local Municipality	1	2	3	1
Number (12) of circulations list monitored for telephone bills for officials to identify personal calls within Setsoto Local Municipality	12	12	11	12
Number (12) of deductions lists monitored for personal calls made by officials within Setsoto Local Municipality	12	12	11	12
Number (4) of stakeholder presentations on bylaws as part of community participation process within Setsoto Local Municipality coordinated	12	4	3	4
Number (4) of promulgated bylaws processed within Setsoto Local Municipality	12	12	12	12

## Chapter 3: Service Delivery Performance

### T 3.17.3 Office of Corporate Services, Administration and Support Policy Objectives taken from the IDP

Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017, 2017/2018 & 2018/2019		
		Target	Actual	Target		Actual	Target		
		(iii)	(iv)	2014/2015 (v)	2014/2015 (vi)	(vii)	2016/2017 (viii)	2017/2018 (ix)	2018/2019 (x)
Committee Services	Number (1) of Year Plan for Section 80, Executive Committee and Council Meetings compiled for Setsoto Local Municipality	1	1	1	1	2	1	1	1
	Number (12) of Agendas of Executive Committee Meetings for Setsoto Local Municipality coordinated	12	18	12	12	15	12	12	12
	Number (12) of Executive Committee Minutes that a quality assurance was performed	12	18	12	12	15	12	12	12
	Number (4) of Agendas of Council Meetings for Setsoto Local Municipality coordinated	4	8	4	4	10	4	4	4
	Number (4) of Council Minutes that a quality assurance was performed	4	8	4	4	10	4	4	4
	Number (4) of absenteeism report to the Speaker prepared after every council meeting.	4	4	4	4	4	4	4	4
Records Management	Number (1) of disposal authorities obtained by Setsoto Local Municipality	1	1	1	1	1	N/A	N/A	N/A
	Number (1) of reports of documents disposed by Setsoto Local Municipality	1	1	1	1	1	1	1	1
	Number (1) of reports of documents transferred by Setsoto Local Municipality	1	0	1	1	1	1	1	1
	Number (1) of presentations on records management principles coordinated and arranged within Setsoto Local Municipality	2	1	2	1	1	1	1	1
	Number (1) of Remittance Registers reviewed within Setsoto Local Municipality	4	5	4	4	4	4	4	4
Support Services	Number (2) of telephone systems to offices not yet services within Setsoto Local Municipality	2	1	2	2	3	1	1	1
	Number (12) of circulations list monitored for telephone bills for officials to identify personal calls within Setsoto Local Municipality	12	12	12	12	11	12	12	12

## Chapter 3: Service Delivery Performance

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Number (12) of deductions lists monitored for personal calls made by officials within Setsoto Local Municipality	12	12	12	12	11	12	12	12
Number (4) of stakeholder presentations on bylaws as part of community participation process Within Setsoto Local Municipality coordinated	8	12	8	4	3	4	4	4
Number (4) of promulgated bylaws processed within Setsoto Local Municipality	2	2	2	4	4	2	2	2
Number (12) of Agendas of Executive Committee Meetings for Setsoto Local Municipality coordinated	12	12	12	12	12	12	12	12



## Chapter 3: Service Delivery Performance

### T 3.17.4 Employees 2015/2016: Office of Corporate Service, Administration and Support

Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
4 - 6	1	3	1	2	67%
7 - 9	6	12	5	7	58%
10 - 12	7	10	8	2	20%
13 - 15	24	26	25	1	4%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>40</b>	<b>53</b>	<b>41</b>	<b>12</b>	<b>23%</b>

### T 3.17.5 Financial Performance 2015/2016: Office of Corporate Services, Administration and Support

Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	40 767	0	0	0	0%
Expenditure:					
Employees	7 108 646	0	0	0	0%
Repairs and Maintenance	229 849	232 256	232 256	95 108	-144%
Other	3 757 379	3 800 928	3 800 928	3 856 875	1%
<b>Total Operational Expenditure</b>	<b>11 095 874</b>	<b>4 033 184</b>	<b>4 033 184</b>	<b>3 951 983</b>	<b>-2%</b>
<b>Net Operational Expenditure</b>	<b>11 055 107</b>	<b>4 033 184</b>	<b>4 033 184</b>	<b>3 951 983</b>	<b>-2%</b>

### T 3.17.6 Capital Expenditure 2015/2016: Office of Corporate Services, Administration and Support

Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Capital Projects Equipment	180 000	180 000	166 074	-8%	166 074

## Chapter 3: Service Delivery Performance

### T 3.17.7 Comment on Office of Corporate Services, Administration and Support Performance Overall

The division is operating with a 23% vacancy rate at clerical and supervisory level, however we have managed to achieve 15 of the 17 targets completely and remaining 2 only partially. We also managed to make up the targets which were not achieved in the first two quarters during the third quarter. The division has worked hard to make this possible.

In respect of the Budget performance the following is to be mentioned:

- Repairs and Maintenance do reflect underspending, however this vote was transferred to Property Management under the Department of Development Planning and Social Security.

Of the total 17 targets, 8 were over achieved, 6 were fully achieved and 3 were only partially achieved.

### 3.18 Revenue Management

#### T 3.181 Introduction to Revenue Management

The Revenue Management Division of Setsoto Local Municipality is responsible for various activities, the major objectives being billing for consumption, revenue management and debt collection.

#### T 3.18.2 Debt Recovery

Debt Recovery								R' 000
Details of the types of account raised and recovered	2014/15		2015/16			2016/17		
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %	
Property Rates	35 000	124	50500	60278	119	44250	121	
Electricity - B&C	112 239	96	81250	66546	82	88334	89	
Water - B&C	121 662	48	42000	47166	112	63387	80	
Sanitation	44 902	69	19800	22907	116	21203	96	
Refuse	48 325	82	26112	27109	104	27902	99	
Other	3 034	148						
<i>B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.</i>							T 3.25.2	

## Chapter 3: Service Delivery Performance

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### T 3.18.3 Concerning T 3.20.2

As per above table it is clear that collection against the budgeted amount on property rates is performing best followed by sanitation, water, refuse and electricity last. Implementation of the credit-control policy included 40% incentive to residential consumers. No incentive to businesses since 2015/2016 financial year.

The credit control process had many challenges which were addressed in 2014/2015 as part of the Revenue Enhancement Project. Focus is given to the re-training of all credit controllers as well as training on additional steps to be taken internally to ensure increased functionality of the Credit Control Unit. The appointment of a Service Provider to collect long outstanding (overdue) debt will have a positive effect on the collection rate in the 2016/17 financial year. The Service Provider has already been appointed and in the process of signing the SLA.

Meter readings are a challenge that will require commitment from the meter readers. Since the change to Munsoft the use of electronic meter reading devices are used to capture readings. This prevents the errors that might be caused by data being captured. The electricity income will be enhanced by the installation of pre-paid meters. The tender process was started at the end of the 2015/2016 financial year and it is anticipated to be fully implemented in the 3<sup>rd</sup> quarter of 2016/2017.

## Chapter 3: Service Delivery Performance

### T 3.18.4 Revenue Management Policy Objectives taken from the IDP

Service Objectives  Service Indicators	Outline Service Targets	2014/15		2015/16			2016/17	2017/18	
		Target	Actual	Target		Actual	Target		
		*Previous Year		*Previous Year	*Current Year		*Current Year	*Current Year	*Following Year
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To maximise Revenue Collection	Payment rate % on billed accounts	75%	65%	75%	75%	58%	75%	80%	85%
Registration of Indigent consumers	Number of Indigent consumers	6000	5817	6000	6000	5585	7000	7500	8000
Implementation of Customer Care	Number of queries resolved within 3 days	60%	60%	60%	80%	71%	80%	80%	80%
Responding to Internal Audit queries	% of queries answered within 7 days	100%	100%	100%	100%	100%	100%	100%	100%
To review Revenue related policies	Number of revenue related policies reviewed	5	5	5	5	5	5	5	5
To maximise Revenue billing	Percentage of sites billed with approved tariffs	95%	98%	95%	95%	96%	95%	95%	95%
To maximise Revenue billing	% of meters read	84%	91%	84%	95%	82%	95%	95%	95%
To safeguard daily takings	% of daily cash banking reviewed	100%	100%	100%	100%	100%	100%	100%	100%
To reduce electricity losses	Number of exception reports sent to electricity	12	12	12	12	12	12	12	12
To compile and update valuation roll	% implementation of valuation roll	100%	90%	100%	100%	100%	100%	100%	100%
To compile and update valuation roll	Number of reconciliations	3	0	3	2	1	3	3	3
To ensure that banking is done timeously	Number of signed contract in place	1	1	1	1	1	1	1	1
To ensure that the Revenue Enhancement Strategy is reviewed	Revenue Enhancement Strategy reviewed	1	0	1	1	0	1	1	1
Ensure effective risk Management	% of risk mitigated	90%	90%	90%	80%	78%	80%	80%	80%
To enhance relationship with public	number of meetings held			0	4	23	4	4	4
Public participation	Number of radio slots			0	4	7	4	4	4

## Chapter 3: Service Delivery Performance

### T 3.18.5 Employees 2015/2016: Revenue Management

Employees: Financial Services					
Job Level	2014/15		2015/16		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	2	4	2	2	50%
4 - 6	5	8	4	4	50%
7 - 9	28	37	26	11	30%
10 - 12	5	14	5	9	64%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>40</b>	<b>63</b>	<b>37</b>	<b>26</b>	<b>41%</b>

Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

### T 3.18.6 Financial Performance 2015/2016: Revenue Management

Financial Performance Year 0: Financial Services					
Details	R'000				
	2014/15	2015/16			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	63508	78272	83272	81740	4%
Expenditure:					
Employees	7977	11254	8864	8446	-33%
Repairs and Maintenance	0	0	0	0	0%
Other	5663	17977	19930	17935	0%
<b>Total Operational Expenditure</b>	<b>13640</b>	<b>29231</b>	<b>28794</b>	<b>26381</b>	<b>-11%</b>
<b>Net Operational Expenditure</b>	<b>-49868</b>	<b>-49041</b>	<b>-54478</b>	<b>-55359</b>	<b>11%</b>
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T 3.25.5

## Chapter 3: Service Delivery Performance

### T 3.18.7 Capital Expenditure 2015/2016: Revenue Management

Capital Expenditure Year 0: Financial Services					
R' 000					
Capital Projects	2015/16				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	45	45	57	21%	57
Furniture & Equipment	45	45	57	21%	57
Project B				0%	0
Project C				0%	0
Project D				0%	0
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>					T 3.25.6

### T 3.18.8 Comment on Revenue Management Performance Overall

The overall average collection rate was 58% compared to the 60% of the 2014/2015 financial year - that is without subsidies. The payment rate is still not at the level that was anticipated and one of the contributing factors is low registration figures of indigents resulting in consumers forfeiting grant allocation. The collection rate ought to increase in the 2016/2017 financial year as a result of the appointment of a Service Provider to collect long outstanding debt.

When comparing budgeted figures compared to actual the best performing service is property rates followed by Sanitation, Water, Refuse with Electricity being the lowest. The total operating revenue is 4 % above the original budget amount, predicting a correct anticipation of funds to be received. However the actual compared to the adjustment budget is 2% below the adjustment budget.

We have emerged from times of low cash flow levels, which meant that without billing and collection of outstanding debt the municipality would not have been able to meet its commitments every month, which includes payment of salaries and other operational expenditure. Debt collection should be made a priority in the next Financial Year to enhance the cash flow and thus increasing the spending capability on the core function – Service Delivery. A Service Provider for debt collection was appointed and this ought to have a positive impact on the collection rate

### T 3.19 Expenditure Management

#### T 3.19.1 Introduction to Expenditure Management

In terms of the MFMA, sec 65 (c) the municipality must maintain a system of internal control in respect of creditors and payments to ensure that management and other personnel provide reasonable assurance regarding the achievement of objectives in economy, efficiency and effectiveness of operations and compliance with applicable laws, policies and regulations to accomplish a clean audit report. Expenditure Management is an ongoing function with the aim of improving creditor's efficiency by ensuring all creditors are paid within 30 days. More than 91% of all invoices are paid within 30 days with only invoices that are in dispute being paid later. All statutory deductions are paid over to the relevant bodies within the prescribed timeframes. Instances of unauthorised, fruitless and wasteful and irregular expenditure were recorded.

## Chapter 3: Service Delivery Performance

### T 3.19.2 Service Statistics for Expenditure Management

Details	2014/2015	2015/2016	2016/2017
	2014/15	2015/16	2016/17
Report on loss of assets	12	12	12
Control of documents filed	90%	93%	96%
Ensure that 80% of service providers are paid within 30 days	89%	91%	87%
Regular reconciliations between suppliers statement and creditors ledger	86%	88%	83%
Recording and reporting on irregular, fruitless and wasteful expenditure	12	12	12
Review unreleased payments on the bank	43	48	48
Perform cash outflow projections	10	12	12
Monitor and implement internal controls	12	12	12
Monitor 5 key controls	12	0	0
To resolve audit queries	100%	92%	90%
Communication to suppliers	0	2	2
Spend operating budget expenditure as per approve budget	0%	104%	100%
Control and monitor risk register	90%	83%	90%

## Chapter 3: Service Delivery Performance

### T 3.19.3 Expenditure Management Policy Objectives taken from the IDP

Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	2104/15		2015/16		2016/17	2017/18	
		Target *Previous Year (iii)	Actual (iv)	Target		Actual (vii)	Target	
				*Previous Year (v)	*Current Year (vi)		*Current Year (viii)	*Current Year (ix)
Insurance control	Ensure that reporting is done monthly	0	12	12	12	12	12	12
To file all payment vouchers	To ensure that vouchers are filed 90%	100%	90%	100%	100%	93%	96%	96%
Paid suppliers within 30 days	Ensure that 80% of service providers are paid within 30 days	30 days	89%	80%	90%	91%	87%	87%
Reconciliations of creditors with creditors statements	To ensure that creditors are reconciled on a monthly basis	0	86%	80%	90%	88%	83%	83%
Recording and reporting on irregular, fruitless and wasteful expenditure	Ensure that recording is done monthly	0	12	12	12	12	12	12
Review unreleased payments on the bank	Ensure that reporting is done weekly	0	43	48	48	48	48	48
Perform cash outflow projections	Ensure that reporting is done monthly	0	10	12	12	12	12	12
Monitor and implement internal controls	Ensure that reporting is done monthly	0	12	12	12	12	12	12
Monitor 5 key controls	Ensure that reporting is done monthly	0	12	12	0	0	0	0
To resolve audit queries	% of audit queries responded to	0	100%	100%	90%	92%	90%	90%
Spend operating budget expenditure as per approve budget	% budget spend	0.00%	0.00%	0.00%	0.00%	104.00%	100.00%	100.00%
Communication to suppliers	Number of communication issued	0	0	0	2	2	2	2
Control and monitor risk register	Ensure that reporting is done quarterly	0	90%	90%	90%	83%	90%	90%



## Chapter 3: Service Delivery Performance

### T 3.19.4 Employees 2015/2016: Expenditure Management

Job Level	2014/2015	2015/2016			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	2	2	2	0	0%
4 - 6	2	4	2	2	50%
7 - 9	3	7	3	4	57%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>7</b>	<b>13</b>	<b>7</b>	<b>6</b>	<b>46%</b>

### T 3.19.5 Financial Performance 2015/2016: Expenditure Management

Details	2014/2015	2015/2016			
		R'000			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	-	-	-	-
Employees	1 980	2 876	2 472	2 433	-0
Repairs and Maintenance	15	15	10	5	-
Other	1 710	2 453	3 881	4 227	-
<b>Total Operational Expenditure</b>	<b>3 705</b>	<b>5 344</b>	<b>6 363</b>	<b>6 665</b>	<b>0</b>
Net Operational Expenditure	3 705	5 344	6 363	6 665	0

### T 3.219.6 Capital Expenditure 2015/2016: Expenditure Management

Details	2014/2015	2015/2016			
		R'000			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	-	-	-	-
Expenditure:					
Employees	1 980	2 876	2 472	2 433	-0
Repairs and Maintenance	15	15	10	5	-
Other	1 710	2 453	3 881	4 227	-
<b>Total Operational Expenditure</b>	<b>3 705</b>	<b>5 344</b>	<b>6 363</b>	<b>65</b>	<b>0</b>
Net Operational Expenditure	3 705	5 344	6 363	6 665	0

## Chapter 3: Service Delivery Performance

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### T 3.19 7 Comment of Expenditure Management Performance Overall

In accordance to the MFMA, sec 65 (e) all money owing by the municipality must be paid within 30 days of receiving the relevant invoice or statement. Expenditure section accomplished an actual of 91% of paying creditors within 30 days during this period. The reconciliation between the supplier's statement and the individual creditor's ledger is also maintained as part of effective internal control within the Expenditure section. Two payment runs were also implemented during the financial year. Expenditure section is lenient towards creditors not only paying once but having two payment runs per month.

Service level Agreement - Lateral Unison Insurance Brokers – Expenditure Management

Performance is in terms of SLA. Reports of claims submitted and claims processed done monthly.

### 3.20 Assets Management

#### T 3.20.1 Introduction to Asset Management

The goal of asset management is to achieve the required level of service delivery in the most cost effective, economical, and effective, which is achieved through effective management of the asset's life cycle. Service level needs, Asset management plans that are an integral part of the Municipal planning process. Therefore, the assets acquisition decisions should be based upon the evaluation of alternatives, including demand management. Defined responsibility and accountability for performance, safe custody and use. Disposal decisions based upon an analysis of disposal options, designed to achieve the best possible return for the municipality and made in accordance with the provisions of MFMA.

#### T 3.20.2 Service Statistics for Asset Management

See assets treatment section.

## Chapter 3: Service Delivery Performance

### T 3.20.3 Asset Management Policy Objective taken from the IDP

Asset Management Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets   (ii)	2014/15		2015/16		2016/17	2017/18		
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Service Objective xxx</b>									
To ensure effective Asset Management	Number of Asset reports produced	4	4	4	4	4	0	4	4
Development of Capital Infrastructure assets investment policy	Number of review capital infrastructure investment policy	0	0	1	1	1	0	1	1
Review of Asset Policy	Number of approved asset management policy	1	1	1	1	1	1	1	1
Assets Maintenance	Number of Asset management reports	4	4	4	4	4	4	4	4
Compilation of Accurate Asset register	Number of fixed asset register updated	12	12	12	12	12	12	12	12
Conduct Physical asset verification	Number of verification conducted	4	4	4	4	4	4	4	4
Perform monthly asset reconciliation with General Ledger	Number of reconciliation conducted	12	12	12	12	12	12	12	12
Update Asset risk register regularly	% of risk reported and mitigated	90%	100%	90%	90%	100%	90%	90%	90%
<p><i>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; *Current Year' refers to the targets set in the Year 0 Budget/IDP round. *Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Intergrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</i></p>									

T 3.25.3

## Chapter 3: Service Delivery Performance

### T 3.20.4 Employees 2015/2016: Asset Management

Job Level	2014/2015	2015/2016			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	2	2	2	0	0%
4 - 6	0	2	0	2	100%
7 - 9	4	5	4	1	20%

### T 3.20.5 Financial Performance 2015/2016: Asset Management

Details	2014/2015	2015/2016				R'000
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
<b>Total Operational Revenue</b>	0	0	0	0	0	0%
<b>Expenditure</b>						
Employees	1035	1290	1290	1296		0%
Repairs and Maintenance	20	181	181	98		-85%
Other	14	428	428	265		-62%
<b>Total Operational Expenditure</b>	1069	1899	1899	1659		-14%
<b>Net Operational Expenditure</b>	1069	1899	1899	1659		-14%

### T 3.20.6 Capital Expenditure 2015/2016: Asset Management

Capital Projects	2015/2016					R' 000
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
Furniture and Equipment	181	181	98	-85%	181	

### T 3.20.7 Comment on Asset Management Performance Overall

See assets treatment

### T 3.21 Budget and Reporting

#### T 3.21.1 Introduction to Budget and Reporting

In this report a financial snapshot was conducted to assess the financial performance of the financial year as at 30 June 2016. The actual organizational performance will be measured within the Service Delivery and Budget Implementation Plan for the reporting period, where performance is to be examined against predetermined and defined key performance areas.

The main aim and responsibility (objective) of the Budget and Reporting section is to report the financial position and performance of the municipality to Council and National Treasury timeously. These reporting are done in terms of prescribed templates from National Treasury and to ensure that the accounting of transactions and financial statements are done according to GRAP standards as approved and adopted.

#### T 3.21.2 Service Statistics for Budget and Reporting

See assets treatment

## Chapter 3: Service Delivery Performance

### T 3.21.3 Budget and Reporting Policy Objective taken from the IDP

Service Objectives  (i)	Outline Service Targets  (ii)	2014/2015		2015/2016		2016/2017		2017/2018	
		Target Previous Year (iii)	Actual (iv)	Target Previous Year (v)	Actual (vi)	Target			
						Current Year (vii)	Current year (viii)	Current Year (ix)	Following Year (x)
To resolve internal audit queries	Report to internal audit within the stipulated timeframe	80%	80%	80%	90%	100%	100%	100%	100%
To resolve external audit queries	Report to external audit within the stipulated timeframe	80%	100%	100%	100%	100%	100%	100%	100%
Budget related policies to be reviewed on a yearly basis and adopted (Tariff Policy, Credit Control and Debt Collection Policy,, Indigent Policy and Property Rates Policy)	To review budget related policies on an annual basis	6	6	6	6	6	6	6	6
To implement effective Budget Committee	To establish and implement effective Budget Committee	0	0	1	1	1	1	1	1
To intensify training in the usage of votes	To provide training to stakeholders on the correct usage of votes	0	4	4	4	4	4	4	4
To compile and submit AFS by 31 August 2014	Submission of AFS within stipulated time frame	31/08/2014	31/08/2014	31/08/2015	31/08/2015	31/08/2016	31/08/2016	31/08/2017	31/08/2017
To compile a budget according to MFMA and other relevant legislations	An adopted draft budget before end of March each year. A final budget to be considered by council end of May	31/05/2014	31/05/2014	31/05/2015	31/05/2015	31/05/2016	31/05/2016	31/05/2017	31/05/2017
To compile and submit section 52 reports of the MFMA	To submit quarterly finance reports to council	4	4	4	4	4	4	4	4
To compile and submit section 71 reports within 10 working days	Submission of signed and electronic copies of section 71 reports to the Mayor, NT, PT within 10 working days	12	12	12	12	12	12	12	12
To compile and submit the financial Mid-year Performance Assessment report	Submission of the Mid-year Budget and Performance Assessment Report on 25 January 2015 to municipal council	1	1	1	1	1	1	1	1
Implementation of mSCOA pilot project	To implement mSCOA pilot project	0	1	1	1	1	1	1	1
To install new financial system	To install new financial system	0	1	1	1	1	1	1	1

## Chapter 3: Service Delivery Performance

### T 3.21.4 Employees 2015/2016: Budget and Reporting

Job Level	2014/2015	2015/2016			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	2	3	2	2	33%
4 - 6	1	4	2	1	75%
7 - 9	1	3	3	1	67%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	10	7	4	60%

### T 3.2 14.5 Financial Performance 2015/2016: Budget and Reporting

Details	2014/2015	2015/2016			
		R'000			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	2 308	1 835	1 835	1 795	-2%
Employees	924	925	925	842	-10%
Repairs and Maintenance	0	0	0	0	0
Other	287	14	14	47	70%
<b>Total Operational Expenditure</b>	1 211	939	939	889	-6%
Net Operational Expenditure	-1 097	-896	-896	-907	1

### T 3.21.6 Capital Expenditure 2015/2016: Budget and Reporting

Capital Projects	R' 000				
	2015/2016				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	1 050	1 050	936	-12%	
Furniture and Equipment	1 050	1 050	936	12%	1 500

### T 3.21.7 Comment on Budget and Reporting Performance Overall

The division went extra mile to develop new policies that are pertinent to the establishment of a credible budget, which did not exist previous years, namely: Borrowing policy and Capital Infrastructure Investment Policy. These policies have are regarded as having great inputs on the establishment of the budget. Furthermore, a Five Year Long-term Financial Plan was also developed for the first time. This was possible after a policy which guided the development of the financial plan was also developed, namely: Policy on Long-term financial planning. The said Financial Plan was approved together with the approval of the IDP by Council on the 28 May 2015.

## Chapter 3: Service Delivery Performance

### 3.22 Human Resources Management

#### T 3.22.1 Introduction to Human Resources Management

During the financial year 2015/2016, the Human Resource Management Division was responsible for the overall management of the two functions namely; Human Resources Management responsible for Administration, Benefits Administration and Recruitment and Placement. The second function Health and Wellness was responsible for Employee Wellness as well as Occupational Health.

#### T 3.22.2 Service Statistics for Human Resources Management

	Details	2014/2015	2015/2016		2015/2017
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Submission of monthly reports	12	12	12	n/a
2	Divisional meetings	12	12	11	n/a
3	Filling of critical positions as per organisational structure	45	90	4	n/a
4	Development of job descriptions	41	56	56	n/a
5	Compilation of data bank	3	1	1	100%
6	Induction of new and existing employees	16	16	16	100%
7	Safety risk assessments	21	32	11	100%
8	Health and safety awareness workshops	3	4	3	100%
9	Processing of injury cases (number)	100%	100%	100%	100%
10	Implementation of wellness programmes	62	25	79	100%
11	Employee wellness plan	0	n/a	n/a	n/a
12	Administration of termination of benefits (number)	100%	100%	100%	100%
13	Processing of death claims (number of actuals)	100%	100%	100%	100%
14	Untraceable death claims	3	n/a	n/a	n/a
15	Medical window period presentations	4	4	4	100%

## Chapter 3: Service Delivery Performance

### T 3.22.3 Budget and Reporting Policy Objective taken from the IDP

Service Objectives	Outline Service Targets	2014/2015		2015/2016			2016/2017	2017/2018	
		Target	Actual	Target		Actual		Target	
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
Service Indicators (i)	(ii)								
Medical aid window period presentations	Number of presentations	4	4	4	4	4	100%	100%	100%
Submission of monthly reports	Number of reports	12	12	12	12	12	n/a	n/a	n/a
Organising divisional meetings	Number of meetings	12	12	12	12	11	n/a	n/a	n/a
Filling of critical positions as per the approved structure	Number of positions filled	45	48	45	90	4	n/a	n/a	n/a
Development of job descriptions	Number of job descriptions developed	60	41	60	56	56	n/a	n/a	n/a
Compilation of data bank	Number of Statistical Data Bank compiled	3	3	3	1	1	100%	100%	100%
Induction of new and existing employees	Number of inductions conducted for new and existing employees	16	16	16	16	16	100%	100%	100%
Safety risk assessment	Number of health and safety awareness	32	22	32	32	11	100%	100%	100%
Health and safety awareness workshop	Number of health and safety awareness workshops	4	3	4	4	3	100%	100%	100%
Processing of injury cases	% of cases managed	100%	100%	100%	100%	100%	100%	100%	100%
Implementation of employee wellness programmes	Number of programmes conducted	20	62	20	32	79	100%	100%	100%
Employee wellness plan		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Administration of termination of benefits	Number of terminations administered (previous financial year)	100%	100%	100%	100%	100%	100%	100%	100%
Processing of death claims	Number of death claims attended (previous year)	100%	100%	100%	100%	100%	100%	100%	100%
Untraceable death claims	Number of claims	8	3	8	n/a	n/a	n/a	n/a	n/a



## Chapter 3: Service Delivery Performance

### T 3.22.4 Employees 2015.2016: Human Resources Management

Job Level	2014/2015	2015/2016			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	3	3	3	0	0%
4 – 6	1	4	2	2	50%
7 – 9	3	10	3	7	70%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%!
Total	7	17	8	9	53%

### T 3.22.5 Financial Performance 2015/2016: Human Resources Management

R'000					
Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	95	1 320 000		1 416 639	107%
Expenditure:					
Other employees	1 285 224	1 786 441		176 178	98%
Repairs and Maintenance	0	4 166		0	0%
Other	13 640	494 816		1 079 415	218%
<b>Total Operational Expenditure</b>	1 298 864	2 285 433		2 841 196	124%
<b>Net Operational Expenditure</b>	1 298 769	965 443		1 424 557	147%

### T 3.22.6 Capital Expenditure 2015/2016: Human Resources Management

Capital Projects	2015/2016				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	0	0	0	0%	

### T 3.22.7 Comment on Human Resources Management Performance Overall

As a result of the standing vacancy of the Occupational Health and Safety Officer, that has affected the performance of the division as some of the targets could not be met. In addition to this the moratorium which was put on filling of vacancies also had a great impact on this issue. During this financial year the Recruitment and Placement Officer was appointed which also had a positive impact on the issues relating to recruitment and placement of employees as well as addressing the findings from the Internal Audit Division. On financial performance there were still challenges as the division did not have full control over the budget.

## Chapter 3: Service Delivery Performance

### 3.23 Human Resources Development

#### T 3.23.1 Introduction to Human Resources Development

The Human Resources Development Division derives its mandate from the IDP (Organisational Development). Three top services that are rendered by the Human Resources Development Division are:

- To provide training for skills development
- Employment Equity
- To maintain discipline and sound labour relations

#### T 3.23.2 Service Statistics for Human Resources Development

	Details	2014/2015	2015/2016		2016/2017
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	Policy Development	1	1	1	N/A
2	Training and Development Committee Programme	1	1	1	1
3	No. of the TDC Meetings held	1	12	4	4
4	No. of Skills Audit Programme to be implemented	1	1	1	1
5	No. of Workplace Skills Plan (WSP) submitted to the Management ,LLF, LGSETA and Council	1	1	1	1
6	No. of reports to be submitted to the Management, LLF and Council	12	12	12	12
7	No. of Annual Training Reports to be submitted to Management ,LLF and Council	1	1	1	1
8	Campaign for all Employees to complete the EEA 1 forms	1	1	1	1
9	Reviewed Employment Equity Policy /Plan (EEP) adopted /approved by Council	0	1	0	1
10	Programme of Activities for Employment Equity Forum( EEF)drafted	0	1	0	1
11	No. of the EEF Report to be submitted to Management, Local Labour Forum & Council	0	4	2	4
12	No. of EEP Reports to be submitted to the Management ,EEF, LLF and Council	10	12	3	12
13	Acknowledgement letter from the Employment Equity Registrar( Department of Labour) for submission of EEP Report (EEA2 &EEA4 Forms)	1	1	1	1
14	No. of the Awareness Campaign / Road Show to be staged	1	1	1	1
15	% of the Tribunals, conciliations and Arbitrations managed.	100%	100%	100%	100%
16	No. of reports on tribunals ,Conciliations and Arbitration submitted to the Management and Council	0	12	12	12
17	No. of Local Labour Forum(LLF) Meetings to be held	0	12	6	12
18	No. of the Awareness Campaign to be staged	1	1	1	1
19	No. of Divisional Meetings held.	3	12	12	12

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### T 3.23.3 Human Resources Development Policy Objectives taken from the IDP

Service Objectives	Outline Service Targets (ii)	2014/15		2015/16		2016/17	201/18		
		Target	Actual	Target		Actual	Target		
Service Indicators		*Previous Year		*Previous Year	*Current Year		*Current Year	*Following Year	
(i)		(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
To provide specialized Human Resources to meet the objectives of the institution	Policy to be adopted by Council.	1	1	1	1	1	1	1	1
	Programme of Activities & Meeting for the Training and Development Committee drafted.	1	1	1	1	1	1	1	1
	No. of the TDC Meetings held.	12	2	12	4	12	4	4	4
	No. of Skills Audit Programme to be implemented.	1	1	1	1	1	1	1	1
	No. of Workplace Skills Plan (WSP) submitted to the Management, LLF, LGSETA and Council.	1	1	1	1	1	1	1	1
	No. of reports to be submitted to the Management, LLF and Council.	12	12	12	12	12	12	12	12
	No. of Annual Training Reports to be submitted to Management, LLF and Council.	1	1	1	1	1	1	1	1
Employment Equity	Campaign for all Employees to complete the EEA 1 forms.	1	1	1	1	1	1	1	1
	Reviewed Employment Equity Policy /Plan (EEP) adopted /approved by Council.	1	0	1	0	1	1	1	1
	Programme of Activities for Employment Equity Forum (EEF) drafted.	1	1	1	0	1	1	1	1

## Chapter 3: Service Delivery Performance

	No. of the EEF Report to be submitted to Management, Local Labour Forum & Council.	4	0	4	2	4	4	4	4
	No. of EEP Reports to be submitted to the Management, EEF, LLF and Council.	12	10	12	3	12	12	12	12
	Acknowledgement letter from the Employment Equity Registrar (Department of Labour) for submission of EEP Report (EEA2 & EEA4 Forms).	1	1	1	1	1	1	1	1
	No. of the Awareness Campaign / Road Show to be staged.	1	1	1	1	1	1	1	1
Discipline and Sound Labour Relations	% of the Tribunals, conciliations and Arbitrations managed.	100%	100%	100%	100%	100%	100%	100%	100%
	No. of reports on tribunals / Conciliations and Arbitration submitted to the Management and Council.	12	0	12	12	12	12	12	12
	No. of Local Labour Forum (LLF) Meetings to be held	12	0	12	12	12	12	12	12
	No. of the Awareness Campaign to be staged	1	1		1	1	1	1	1
Promotion of effectiveness and efficiency within the Human Resources Development Division	No. of Divisional Meetings held.	12	3	12	12	12	12	12	12

## Chapter 3: Service Delivery Performance

### T 3.23.4 Employees 2015/2016: Human Resources Development

Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
0 - 3	2	3	2	1	33%
4 - 6	1	3	1	2	67%
7 - 9	1	1	1	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	7	4	3	43%

### T 3.23.5 Financial Performance 2015/2016: Human Resources Development

Details	2014/2015	2015/2016			
		R'000			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	95	1 320		1 416	107%
Expenditure:					
Other employees	1 285	1 784		1 761	98%
Repairs and Maintenance	0	4166		0	0%
Other	13 640	494 816		1 079	218%
<b>Total Operational Expenditure</b>	1 298	2 285		2 841	124%
<b>Net Operational Expenditure</b>	1 298	965		1 424	147%

### T 3.23.6 Capital Expenditure 2015/2016: Human Resources Development

Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
					R'000
Total All	0	0	0	0%	

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### T 3.23.7 Comment on Human Resources Development Performance Overall

The Human Resources Development Division has ensured that there are sound relationships with Government Departments, LGSETA and other Seta's. This enables the Division to obtain strategic partnership with the sectors. These strategic partners provide funding to the programmes that are implemented. The type of the funding we receives come in the form of the Discretionary Grants that are utilised to implement Learnerships and the Internships. The projects requires capital but since we receive Grants all the programmes are implemented through those conditional grants.

The compilations of the EEP, WSP, ATR, and Policy Development which can be classified as the Capital Projects are not outsourced as the HRD Division has the capacity to do the work internally. The Division will still rely on the Discretionary Grants and in the coming year we have secured funds from LGSETA for implementation of Waste Water Learnership, Treasury for Financial Management Internships and also the Office of the Premier (Internships)

### 3.24 Payroll Management

#### T 3.24.1 Introduction to Payroll Management

The Payroll Administration Division derives its mandate from IDP financial viability and good governance. It renders the following services to the Municipality:

- Generate monthly payroll
- Do third party payments
- Leave administration
- Transfer payroll into the Municipal Financial system.

#### T 3.24.2 Services Statistics for Payroll Management

	Details	2014/2015	2015/2016		2015/2016
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	No of Generated Salary Advises (Average per month over 12 months)	753	731	898	731
2	No of third party payments made before 07 <sup>th</sup> of each month	155	155	155	155
3	% of leave captured	100%	100%	100%	100%

## Chapter 3: Service Delivery Performance

### T 3.24.3 Payroll Management Policy Objectives taken from the IDP

Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017	2017-2019	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
To Administer remuneration of employees and create a complete payroll.	No of Generated Salary Advises (Average per month over 12 months)	731	753	731	731	898	731	731	731
To Administer remuneration of employees and create a complete third party payment.	No of third party payments made before 07 <sup>th</sup> of each month	155	155	155	155	155	155	155	155
Leave Administration	% of leave captured	100%	731	100%	100%	100%	100%	100%	100%

## Chapter 3: Service Delivery Performance

### T 3.24.4 Employees 2015/2016: Payroll Management

Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Administrators	No.	No.	No.	No.	%
0 - 3	2	2	2	0	0%
4 - 6	1	1	1	0	0%
7 - 9	1	1	1	0	0%
10 - 12	0	1	0	1	100%
13 - 15	0	0	0	0	0
16 - 18	0	0	0	0	0
19 - 20	0	0	0	0	0
Total	4	5	4	1	20%

### T 3.24.5 Financial Performance 2015/2016: Payroll Management

Details	2014/2015	2015/2016			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
R'000					
<b>Total Operational Revenue</b>	63 694	0	0	0	0%
Expenditure:					
Employees	415 189	2 065 698	2 065 698	1 710 549	-21%
Repairs and Maintenance	0	0	0		0%
Other	0	268 349	268 349	537 924	50%
<b>Total Operational Expenditure</b>	415189	2 334 047	2 334 047	2 248 473	-4%
<b>Net Operational Expenditure</b>	351495	2 334 047	2 334 047	2 248 473	-4%

### T 3.24.6 Capital Expenditure 2015/2016: Payroll Management

Capital Expenditure Year 2015/2016: Payroll Management					
Capital Projects	2015/2016				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
R'000					
Furniture and Equipment	50 000	0	0	0	0



## Chapter 3: Service Delivery Performance

### T 3.24.7 Comment on Payroll Management Performance Overall

The Payroll Administration achieved to meet all targets and all activities and report were submitted accordingly. The division has been operating with a vacancy rate of 20% due to moratorium on vacancies.

### 3.25 Information Communication Technologies, Communication and Customer Relations Management

#### T 3.25.1 Introduction to Information Communication Technologies, Communication and Customer Relations Management

The municipality is committed to providing a reliable and sustainable Information Communication Technologies environment that supports its goals and objectives, as defined in the Integrated Development Plan. The ICT Section is within the office of the Municipal Managers department and is mainly linked to the IDP objective and key performance area of Good Governance & Public Participation.

One of the priorities was that the Municipal billing system be upgraded to be mSCOA compliant. The billing system was successfully upgraded and Setsoto Local Municipality is the only municipality in the Free State to be in compliance with mSCOA. The client application program and the server operating system was also updated during the mSCOA upgrade.

The other priority was the Server Room which was upgraded to comply with the necessary regulations. Additional network points was also installed in various offices and the Wireless Network was also upgraded with faster access points. The physical firewall was also upgrade to ensure that no unauthorised access can be gained to our network from hackers.

- An Endpoint Data Protection software has also been installed on all PC's to ensure that their data is backed up regularly.
- The Security Software to protect PC's from viruses and malware has also been updated.
- Microsoft Volume Licensing has been reviewed to comply with licensing of all Microsoft products.
- The Remote Administration Software has also been updated to assist users more efficiently

The following ICT Policies have been developed and reviewed for adoption:

- 1) Disaster Recovery & Business Continuity Plan – Reviewed
- 2) Master Systems Plan – Reviewed
- 3) ICT Security Policy – Reviewed
- 4) ICT Steering Committee Terms of Reference – Reviewed
- 5) ICT Charter – Developed
- 6) Municipal Corporate Governance of ICT Policy Framework – Developed

The municipality is committed to providing a reliable, sustainable and effective services to the community as outlined in the Integrated Development Plan. The Communication division is within the Department of the Municipal Manager and is linked to the IDP objective and key performance area of Good Governance & Public Participation.

Effective service delivery is very key in a local government sphere and for the municipality to be able to attend and address all community needs, it must develop a sustainable relationship with the community. For the community to be adequately informed about municipal projects which are aimed at enhancing their lives the municipality must come up with communication platforms to be used for information transfer and feedback.

## Chapter 3: Service Delivery Performance

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The following Communication Strategic documents have been developed and reviewed for adoption and therefore used as a guiding tool towards achieving objectives and goals:

1. Communication Strategy
2. Communication Policy

### T 3.25.2 Service Statistics for ICT, Communication and CRM

ICT Services can be classified into three categories: Application Development, Technical Services and Enterprise Programmes.

- a) In terms of Application Development, application programmes are provided that not only match the user department exact needs, but allow all such department to utilise these application programmes in achieving their specific objectives as set out in the IDP, harmoniously, efficiently and timeously.
- (b) In terms of Technical Services, the hardware infrastructure that enables all departments to electronically communicate both internally and externally, are provided and maintained.
- (c) In terms of Enterprise Programmes, all new requirements identified by the various departments within the Municipality are researched and procured, in order to enhance the technological platform of the municipality

The section of communication is responsible for both internal and external communication. For the internal communication, the office is responsible for informing employees on issues that affect them. This is normally done through the use of:

1. Emails
2. Memorandums
3. Internal Newsletter

In the case of external communication it becomes a bit broad. Here we are responsible for effective and timeous communication to our biggest clients, the community. To ensure flow of information the following platforms are utilised:

1. Monthly Service Related Radio Interviews
2. Awareness campaigns
3. Updating of Municipal Website
4. Updating of Municipal Facebook Page
5. Issuing of Media Statements
6. Respond to Media Enquiries

We are therefore governed by the following:

1. Intergovernmental Relations Framework Act of 2005
2. Media Development and Diversity Act of 2002
3. MFMA Act of 2003
4. Promotion of Access to Information Act of 2000
5. Municipal Structures Act of 1998
6. Municipal Systems Act of 2000

## Chapter 3: Service Delivery Performance

### T 3.25.3 ICT, Communication and CRM Policy Objectives taken from the IDP

ICT, Communications & CRM Policy Objectives Taken From IDP									
Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017	2017/2018	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Service Objective</b>									
To conduct ICT systems compatibility analysis	Number of Reports	1	1	1	1	1	1	1	1
To produce email/internet maintenance reports	Number of Reports	4	4	4	4	4	4	4	4
To produce security reports on systems to ensure a secure ICT environment	Number of Reports	4	4	4	4	4	4	4	4
To co-ordinate the ICT Steering Committee Meetings.	Number of agendas	4	4	4	4	4	4	4	4
	Number of minutes	4	4	4	4	4	4	4	4
To provide ICT support to user-base	% of support provided within 3 days	100%	100%	100%	100%	100%	100%	100%	100%
To ensure that compliance with section 75 of the MFMA	% of Website updates done within 3 days	100%	100%	100%	100%	100%	100%	100%	100%
To ensure our Disaster Recovery and Business Continuity server is functional	Number of tests conducted	0	0	0	4	4	4	4	4
To Ensure That Our Disaster Recovery Server has licensed user software	Number of licenses procured	0	0	0	150	200	200	200	200
To ensure all desktops and laptops have the latest updated software	Number of desktops & laptops updated	0	0	0	200	200	220	220	220
To comply with Microsoft licensing	Number of license agreements reviewed	1	1	1	1	1	1		
To ensure that our server room is up to the necessary SABS standards	Server room upgrade.	0	0	0	1	1	0	0	0
									T 3.27.3

## Chapter 3: Service Delivery Performance

Communication Service Policy Objectives Taken From IDP										
Service Objectives  Service Indicators  (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017	2017/2018		(ix)
		Target	Actual	Target		Actual	Target			
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year	*Following Year (x)	
<b>Service Objective xxx</b>										
To review communication strategy	number of strategies reviewed	1	1	1	1	1	1	1	1	
To issue municipal newsletter	number of newsletters issued	0	0	0	6	6	12	12	12	
To issue media statement	number of statements issued	12	12	12	12	12	12	12	12	
To issue notices/announcements	% of notices/announcements issued	100%	100%	100%	100%	100%	100%	100%	100%	100%
To respond to media enquiries	% of media enquiries responded to	100%	100%	100%	100%	100%	100%	100%	100%	100%
To schedule monthly interviews	number of interviews scheduled	12	12	12	12	12	12	12	12	12
To update website	% of updates conducted	100%	100%	100%	100%	100%	100%	100%	100%	100%
To ensure branding at municipal events	% of events branded	100%	100%	100%	100%	100%	100%	100%	100%	100%
To form part of intergovernmental programs	% of intergovernmental programs formed part of	100%	100%	100%	100%	100%	100%	100%	100%	100%
To provide support to internal departments	% of the support provided to internal departments	100%	100%	100%	100%	100%	100%	100%	100%	100%
										T 3.1.6

## Chapter 3: Service Delivery Performance

### T 3.25.4 Employees 2015/2016: ICT, Communication and CRM

Employees: ICT, Communications & CRM					
Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	3	101147	1	33%
4 - 6					
7 - 9	1	1	100445	1	100%
10 - 12					
13 - 15					
16 - 18					
19 - 20					
<b>Total</b>	<b>2</b>	<b>4</b>		<b>2</b>	

### T 3.25.5 Financial Performance 2015/2016: ICT, Communications and CRM

Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
					<b>R'000</b>
<b>Total Operational Revenue</b>	1 468	4 485	4 015	3 267	-37%
Expenditure:					
Employees	750	823 378	821	833	1%
Repairs and Maintenance	0	0	0	0	0%
Other	717	3 662	3 194	2 434	-50%
<b>Total Operational Expenditure</b>	1 468	4 485	4 015	3 267	-37%
<b>Net Operational Expenditure</b>	0	0	0	0	100%

## Chapter 3: Service Delivery Performance

### T 3.25.6 Capital Expenditure 2015/2016: ICT, Communication and CRM

Capital Expenditure 2015/2016: ICT, Communications & CRM Services					
Capital Projects	2015/2016				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
					R'000
Total All	2 000	2 000	1 513	-32%	
Server Room Upgrade	2 000	2 000	1 513	-32%	1 653

### T 3.25.7 Comment on ICT, Communication and CRM

The ICT Section has strived to deliver on the target set for the 2015/2016 financial year. The capital project of the server room upgrade was 95% completed by the end of 30 June 2016, therefore there was a variation on the actual budget spent. A capital budget amount of R2 000 000.00 was all allocated for the upgrade of the server room and network infrastructure.

After the tender was adjudicated the project was awarded to a service provider to the value of R1 653 304.00 which conceded a saving of R345 596.00 for the municipality because some of the other bidders were above the two million budget. The overall performance of the ICT Section has been excellent and with the support from management and the other departments the section will surely go from good to great.

The Communication section has strived to deliver on the target set for the 2015/2016 financial year. The overall performance of the Division was challenging due to no budget being allocated for the division but with the support from management and the other departments the division performed

## 3.26 Legal Services and Contract Management

### T 3.26.1 Introduction to Legal Services and Contract Management

The Legal Services and Contracts Management Division mandate is linked to the IDP Objectives and Key Performance Area: Good Governance. The Division is responsible to provide an effective and efficient Legal Services and Contracts Management to the entire Municipality. The services involve legal opinion and advice, labour matters, civil litigation and contracts management.

## Chapter 3: Service Delivery Performance

### T 3.26.2 Service Statistics for the Legal Services and Contract Management

	Details	2014/2015	2015/2016		2016/2017
		Actual No.	Estimate No.	Actual No.	Estimate No.
1	No of contingent registers compiled.	1	1	1	
2	No of reviews on the contingent register	4	4	4	4
3	No of contracts registers	N/A	12	12	12
4	Percentage of legal advice and opinions given	100%	100%	100%	100%
5	No of settled matters	N/A	25	25	25

## Chapter 3: Service Delivery Performance

### T 3.26.3 Legal Services and Contract Management Policy Objectives taken from the IDP

Service Objectives  <i>Service Indicators</i>  (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017	2017/2018	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	Target (viii)	Target (ix)	Target (x)
To provide effective legal service	No of Contingent register	1	1	1	1	1	1	1	1
	No of reviews on the contingent register	N/A	N/A	N/A	4	4	4	4	4
	No Percentage of legal advice and opinions given	100%	100%	100%	100%	100%	100%	100%	100%
	No of settled matters	100	100	25	25	25	25	25	25
To improve and strengthen the management of contracts	No of contracts Registers	N/A	N/A	12	12	12	12	12	12
	No of contracts report	N/A	N/A	4	4	4	4	4	4



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### T 3.26.4 Employees 2015/2016: Legal and Contract Management

Job Level	Year 2014/2015		Year 2015/2016		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	3	1	2	40%
4 - 6	0	0	0	0	0%
7 - 9	1	2	1	1	20%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
<b>Total</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>60%</b>

### T 3.26.5 Financial Performance 2015/2016: Legal Services and Contract Management

Details	2014/2015	2015/2016			R'000
	Actual	Original Budget	Adjustment Budget	Actual	
<b>Total Operational Revenue</b>	0	0	0	0	0%
Expenditure:					
Employees		1 211 389	No adjustment	596 611.48	49.25%
Repairs and Maintenance	0	95 000	0	0	0
Other	0	1 608 200	2 137 000	2449269.65	152,29
<b>Total Operational Expenditure</b>	0	2 914 589	3 135 094	3 045 881.13	104.50%
<b>Net Operational Expenditure</b>	0	2 914 589	3 135 094	3 045 881.13	104.50%

## Chapter 3: Service Delivery Performance

### T 3.26.6 Capital Expenditure 2015/2016: Legal Services and Contract Management

Capital Projects	2015/2016				Total Project Value
	Budget	Adjustment Budget	Actual /Expenditure	Variance from original budget	
					R'000
Total All	0	0	0	0%	

### T 3.26.7 Comment on Legal Services and Contract Management Performance Overall

The Legal Services and Contracts Management comprises of dedicated and committed employees who are prepared to provide an effective and efficient services. The performance is significantly improving despite the challenge of shortage of staff and the vacancy that was left by the Legal Manager. The Acting Manager was left with a huge responsibility of having to carry the load of three positions, Legal Manager, Contracts Management Officer and Litigation Officer. Over and above the objectives set out in the IDP the Division also reviewed the contracts and several letters were written to the parties who had breached the contract. It still remains a challenge to have the complete list of the properties under lease so that we want check whether they are leased and the Lessee are paying.

The Law is not static and rules are changing and this demands a continuous research to keep abreast with the developments. The Contract Management had a serious challenge as the new processes has to be developed. A Contract Management Policy was developed and approved by the Council. The Contract Procedure Manual was also developed and adopted. A Contract Management Plan was also developed and adopted. There are a huge number of contacts that have expired. Some contracts did not have the accounts so that suggest that there had been a number of people occupying our properties without any rental payment. It still remains a challenge to curb the legal expenses but with enough staff this will be achieved. The reduction of the Legal costs will be a priority for the first quarter of the new financial year.

### 3.27 Operations, Unit Support Services and Risk Management

#### T 3.27.1 Introduction to Operation, Unit Support and Risk Management

During the year under review the Risk management unit managed to utilize the services of Risk Champions to its optimal benefit as interdepartmental relations relating to risk management issues improved.

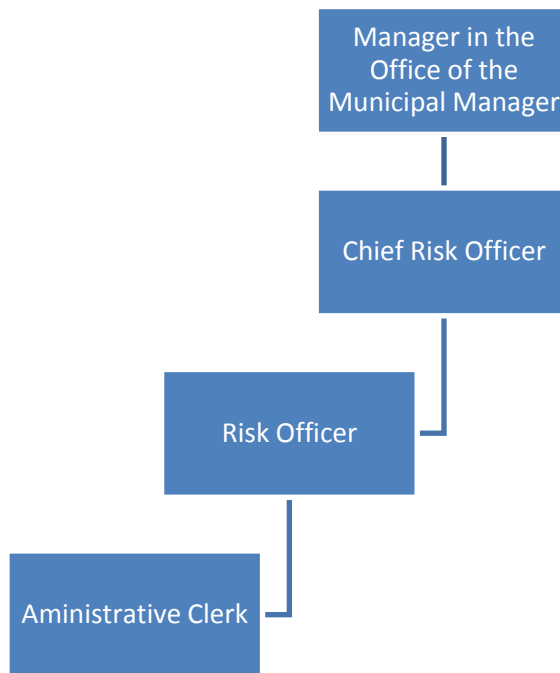
Chief Risk Officer's post is still vacant. Lot of risks has been identified, minimised and mitigated during the year under review. The following are the highlights of the Risk Management activities of the municipality during the year under review:

- Setsoto Local Municipality being the best performing in terms of risk management issues in the province
- The Risk Officer being invited to make a presentation to the Province on best practice
- Most departments have managed to minimise identified risks within their divisions
- Promotion of enterprise risk management culture within the organisation through workshops

## Chapter 3: Service Delivery Performance

There is a proper correlation between the Risk Management Unit, the Internal Audit Unit and the IDP/PMS Division with the municipality, and it is envisaged that with the filling of the Chief Risk Officer this correlation can only be enhanced. During the year under review a workshop was conducted by PWC indicating the fraud statistics in South Africa and the importance of promoting a zero tolerant municipality to fraud and corruption.

All the Unauthorised, Irregular, Wasteful and Fruitless expenditure is being dealt with according to the Circular 68 and section 32 of the Municipal Finance Management Act, 56 of 2003. All processes followed is that the register is completed and tabled to the Assets and Liability Committee which then submit their recommendations to the Municipal Public Accounts Committee for investigations and recommendation to council. Council will then either, condones, authorise, recoup and/or take legal actions against whoever is liable to the allegations.



The risk management is central to managing the municipality as a whole and risk management is integral to planning, organizing, directing and coordinating systems aimed at achieving municipality's goals and objectives.

Risk refers to unwanted outcome, actual or potential to the municipality's services delivery and other performance objectives, caused by the presence of risk factors. Some risk factors also present upside potential, which management must be aware of and be prepared to exploit.

### T 3.27.2 Service Statistics for Operations, Unit Support and Risk Management

Detailed	2014/2015	2015/2016	2016/2017
Installation of Barn Owl	0	1	0
Conducted trainings	2	2	2
Risk Assessments	1	2	1

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### T 3.27.3 Operation, Unit Support and Risk Management Policy Objectives taken from the IDP

Service Objectives  Service Indicator (i)	Outline Service Targets  (ii)	2014/2015		2015/2016			2016/2017		2017/2018
		Target	Actual	Target		Actual	Target		
		Previous Year (iii)	(iv)	Previous Year (v)	Current Year (vi)	(vii)	Current Year (viii)	Current Year (ix)	Following Year (x)
To conduct an institutional operational risk assessment	1	1	1	1	1	5			
To conduct an institutional fraud risk assessment	1	0	0	0	1	1			
To report to the Risk Management Committee on the progress of risk management and fraud activities	4	4	4	4	4	4			
To promote risk culture in the institution	1	0	0	0	1	1			
To promote zero tolerance culture to fraud and corruption	1	0	0	0	1	0			
Protection of whistle-blowers and anonymous reporting	100%	0	0	0	100%	100%			
Risk monitoring	100%	0	0	0	100%	100%			

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### T 3.27.4 Employees 2015/2016: Operations, Unit Support and Risk Management

Job Level	2014/2015	2015/2016			
	Employees No	Posts No	Employees No	Vacancies (fulltime equivalent) No	Vacancies (as a % of total posts)
0-3	0	0	2	1	50%
4-6	1	1	1	0	0%
7-9	0	0	1	1	100%
10-12	0	0	0	0	0
13-15	0	0	0	0	0
16-18	0	0	0	0	0
19-20	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>50%</b>

### T 3.27.5 Financial Performance 2015/2016: Operations, Unit Support and Risk Management

Details	2014/2015	2015/2016			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
					R'000
Total Revenue	0	0	0	0	0%
Employees					
Repairs and Maintenance	0	0	0	0	0%
Other	0	0	0	0	0%
<b>Total Operational Expenditure</b>					
<b>Net Operational Expenditure</b>					

### T 327.7 Comment on Operations, Unit Support and Risk Management Performance Overall

The unit has managed to inculcate the risk management culture amongst employees at senior management and middle management, but it is still a long way to go for all the employees to make risk management part of their daily routines.

The unit has proved to perform well in the Province even though faced with challenges of limited resources. It would be advisable that the unit be capacitated fully so that it can function optimally.

### 3.28 Internal Audit Services

#### T 3.28.1 Introduction to Internal Audit Services

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Internal Audit (IA) Unit was established in 2001 to conform to section 165(1) of Municipal Finance Management Act no. 56 of 2003 which states: ***“Each municipality and each municipal entity must have an internal audit unit...”*** Furthermore, section 62 (1) (c) (ii), states that ***“the Accounting Officer of the 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 internal audit operating in accordance with any prescribed norms and standards”***.

The IAU has been in operation for more than 15 years (2001- 2016) and it is currently operating with six personnel and their professional developments are been taken care off through the years. The IA unit had been instrumental in assisting the municipality’s management to achieve their desired goals. e IAU is conducting its activities in terms of the International Standards for the Professional Practice of Internal Auditing (ISPPIA), which make emphasis on the internal audit activity to evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach.

The vision of internal audit is to be a professional function staffed by well-trained qualified staff, using leading edge methodologies and tools to provide value-adding services to Setsoto Local Municipality. The mission is to deliver optimal service to our auditable entities including management and to provide objective feedback on the quality of organisational controls and performance. Ffurthermore, Internal Audit Unit is an independent, objective assurance and consulting function established to examine and evaluate activities, and to assist the Audit Committee, the Council and Management in the effective discharge of their responsibilities.

The IAU undergone the external quality assurance in October 2009 and we are partially conform to standards 1300 of the ISPPIA which is level two. The unit was anticipating to undergo external quality assurance in January 2016 however the process was stopped as the Provincial Treasury indicated that they will be the one who will drive the process. The IAU planned to start with the process in September 2016 and we obtained a 96% score from the assessment performed by the Provincial Treasury on functionality and 100% on capacity

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### T 3.28.2 Service Statistics for Internal Audit Services

	Details	2014/2015		2015/2016		2016/2017	2017/2018	2018/2019
		Target	Actuals	Target	Actuals	Target	Target	Target
1	Drafting of Quarterly Reports	38	45	42	44	42	42	42
2	Approved Audit Policy	1	1	1	1	1	1	1
3	Approved Three Year Rolling Plan – Strategic Planning	1	1	1	1	1	1	1
4	Approved Coverage Plan	1	1	1	1	1	1	1
5	Approved Procedural Manual	1	1	1	1	1	1	1
6	Audit and Performance Audit Committee Meeting	4	4	4	7	7	7	7
7	Implementation of the Audit & Performance Audit Charter and Internal Audit Charter	136	127	60	109	60	60	60

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### T 3.28.3 Internal Audit Services Policy Objectives taken from the IDP

FOCUS AREA	OBJECTIVE	ACTIVITY	KEY PERFORMANCE INDICATOR	2014/2015		2014/2015	2015/2016		2016/2017	2017/2018	2018/2019	
				Target	Actual	Target	Target	Actual	Target	Target	Target	
Financial Reporting	Ensure compliance with International standard for the Professional practice of internal auditing - performance standards and internal audit charter	Provide quality assurance on the compilation of the Annual Financial Statement(AFS)	Number of AFS report to be produced	1	3	1	1	2	1	1	1	
Risk Management System		Provide assurance on Risk Management	Number of Risk Management System report to be produced	0	0	0	3	2	3	3	3	
Financial Reporting		Provide assurance on the effectiveness and efficiency on the internal controls	Number of Expenditure report to be produced	3	3	3	4	3	4	4	4	
Human Resource and Budgeting			Number of Employees related costs report to be produced	3	3	3	4	4	4	4	4	
Revenue Management			Number of Cash and Cash Equivalent report to be produced	3	3	3	4	3	4	4	4	
			Number of Receivables report to be produced	3	3	3	4	4	4	4	4	
			Number of Credit Control report to be produced	3	3	3	4	3	4	4	4	
Assets Management			Number of property, Plant and Equipment report to be produced	3	3	3	4	5	4	4	4	
Regulatory requirement			Provide assurance on the effectiveness and efficiency on the internal controls	Number of Compliance report to be produced	3	3	3	4	2	4	4	4



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Performance Management	Ensure compliance with International standard for the Professional practice of internal auditing - performance standards and internal audit charter		Number of performance report to be produced	2	2	2	2	5	2	2	2
Planning			Number of Auditing IDP process including SDBIP	4	4	4	2	6	4	4	4
Ad hoc			Number of special assignment reports	4	5	4	4	5	4	4	5
Regulatory requirement	Ensure compliance with International standard of Professional practice for the internal auditing and legislation	Provide assurance on the effectiveness and efficiency on the internal controls	Number of system descriptions compiled	61	63	61	61	60	61	61	61
			Number of Audit Program compiled	39	39	39	48	142	48	48	48
			Number of Quarterly plans compiled	48	38	48	39	41	39	39	39
			Number of membership of personnel to be renewed	6	6	6	6	6	6	6	6
Regulatory requirement	Ensure compliance with audit and performance audit charter and internal audit charter	Adherence to legislative requirement	Number of Audit Committee meetings to be held	4	5	4	4	7	4	4	4

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Regulatory requirement	Ensure compliance with audit and performance audit charter and internal audit charter	Adherence to legislative requirement	Number of resolution lists compiled and followed up	4	8	4	4	4	4	4	4
			Number of notices send	136	127	136	60	109	60	60	60
			Number of divisional meetings to be held	12	13	12	12	8	12	12	12
<b>Regulatory requirement</b>	Ensure compliance with International standard for the Professional practice of internal auditing - performance standards	Adherence to legislative requirement	Number of declarations of independency and secrecy to be signed for the adoption of the standards of professional practice of internal audit.	48	58	48	48	48	48	48	48
	Ensure compliance with section 2040 International standard for the Professional practice of internal auditing	Adherence to legislative requirement	Number of strategic and coverage plan to be compiled that will determine the focus and priority of auditable areas.	2	2	2	2	2	2	2	2
			Number of progress report in implementation of coverage plan	4	5	4	4	4	4	4	4
			Number of procedural manual compiled	1	1	1	1	1	1	1	1
Ensure compliance with section 2040 International standard for the Professional Practice of Internal Auditing	Adherence to legislative requirement	Number of memoranda written for the Municipal Manager	4	5	4	4	4	4	4	4	
	Ensure compliance with <b>International</b> standard for the Professional practice of internal auditing, King 3 Report and section 165 & 166 of the MFMA.	Adherence to legislative requirement	Number of audit policy inclusive of audit and performance audit committee charter and internal audit charter	1	1	1	1	1	1	1	1
<b>Regulatory requirement</b>	To provide quality assurance on the achievement of the municipal objectives	Adherence to legislative requirement	Number of follow-ups done during the financial year on the Action Plan of the Auditor General's Report	4	8	4	4	5	4	4	4

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### T 3.28.4 Employees 2015/2016: Internal Audit Services

Job Level	2014/2015		2015/2016		
	Employee No.	Post No	Employee No	Vacancies (Fulltime Equivalents) No	Vacancies (as a % of total posts) %
0-3	4	4	4	0	0.00
4-6	0	0	0	0	0.00
7-9	2	6	2	4	0.40
10-12	0	0	0	0	0.00
13-15	0	0	0	0	0.00
16-17	0	0	0	0	0.00
<b>Total</b>	<b>6</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>0.00</b>

### T 3.28.5 Financial Performance 2015/2016: Internal audit Services

Details	2014/2015		2015/2016		Variance to Budget
	Actual	Original Budget	Actual		
					R'000
Total Operating Revenue	0.00	0.00	0.00		0.00
<b>Expenditure</b>					
Employees	2 515	3 317	3 351		33
Repairs and Maintenance	0.00				
Other	472	414	511		96
<b>Total Expenditure</b>	<b>2 988</b>	<b>3 732</b>	<b>3 863</b>		<b>130 9</b>
<b>Net Operational Expenditure</b>					

### T 3.28.6 Capital Expenditure 2015/2016: Internal Audit Services

Total All	Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
				R'000
40 000.00	40 000.00	15 118.00	0.00	15 118.00

### T 3.28.7 Comment on Internal Audit Services Performance Overall

The Unit managed to audit all audit entities that were indicated in approved coverage plan however there are four audit entities that were not audited, department indicated that they are busy performing specific task and the other two were not done due to hours were diverted for assisting Municipal Public Accounts Committee with the investigation of irregular, fruitless and wasteful expenditure. Approval was granted on those for entities by the Audit and Performance Audit Committee.

## 3.29 Supply Chain Management

### T 3.29.1 Introduction to Supply Chain Management

In terms of the MFMA, sec 65 (c) the municipality must maintain a system of internal control in respect of creditors and payments to ensure that management and other personnel provide reasonable assurance regarding the achievement of objectives in economy, efficiency and effectiveness of operations and compliance with applicable laws, policies and regulations to accomplish a clean audit report.

Our mission is to be transparent in the transactional execution, effective, efficient and cost effective in line with the demand and also to ensure availability of goods and services when needed in order to advance the service delivery. MMFMA section 110 – 119; SCM Regulations 2005; relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunity for fraud and corruption. Supply Chain Management Policy must be fair, equitable, competitive and cost effective and comply with a prescribed regulatory for municipal Supply Chain Management.

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### T 3.29.2 Service Statistics for Supply Chain Management

Service Statistics for Supply Chain Management			
Detailed	2014 - 2015	2015 - 2016	2016 - 2017
To implement an effective system of acquisition management	95 %	95%	98%

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### T 3.29.3 Supply Chain Management Policy Objectives taken from the IDP

Service Objectives  <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2014/2015		2015/2016			2016/2017	2016/2017 & 2017/2018	
		Target	Actual	Target		Actual	Target		
		*Previous Year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current Year (viii)	*Current Year (ix)	*Following Year (x)
<b>Service Objective xxx</b>									
<i>To implement an effective acquisition management system</i>	Number of procurement plans developed, monitored & implemented	1	1	1	1	1	1	1	1
	Number of database developed and updated	1	1	1	1	1	1	1	1
<i>To implement an effective logistics management system</i>	Number of stock tacking conducted on a quarterly basis	4	4	4	4	4	4	4	4
<b>To implement an effective system of compliance within SCM</b>	Number of SCM policies reviewed.	1	1	1	1	1	1	1	1
	Number of reports submitted SCM per implementation	16	16	16	16	16	16	16	16
	Percentage of responding to audit queries	100%	100%	100%	100%	100%	100%	100%	100%
<b>To implement an effective Risk Management</b>	Number of risk register updating on SCM matters	1	1	1	1	1	1	1	1
<b>Internal Control enhancement</b>	Number of bid registers developed and updated	1	1	1	1	1	1	1	1

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### T 3.29.4 Employees 2015/2016: Supply Chain Management

Job Level	2014/2015	2015/2016			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	3	2	1	33%
4 - 6	2	4	2	2	50%
7 - 9	7	12	5	7	58%
10 - 12	0	0	0	0	0%
13 - 15	0	2	0	2	100%
16 - 18	0	0	0	0	
19 - 20	0	0	0	0	
Total	9	21	9	12	57%

### T 3.29.5 Financial Performance 2014/2015: Supply Chain Management

Details	2014/2015	2015/2016			Variance to Budget
	Actual	Original Budget	Adjustment Budget	Actual	
					R'000
<b>Total Operational Revenue</b>	Nil	Nil	Nil	Nil	Nil
Expenditure:					
Other employees	1 147 253	1 500 401	1102205	1435207	4.5%
Repairs and Maintenance		0	0	0	
Other	125 967	189 792	131 714	148414	27.9%
<b>Total Operational Expenditure</b>	1 273 220	1 690 193	1 233 919	1583621	6.72%
<b>Net Operational Expenditure</b>	(1 273 220)	(1 690 193)	(1 233 919)	(1583621)	

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### T 3.29.6 Capital Expenditure 2015/2016: Supply Chain Management

					R' 000
Capital Projects	2015/2016				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	0	0	0	0	R'000

### T 3.29.7 Comment on Supply Chain Management

The SCM unit is more responsive to the needs of the departments and will be looking to streamline the timelines between departmental need and delivery. The unit have addressed all major backlogs from departments and also contribute to the correct accounting in terms of MSCOA. The unit remain committed to fulfill its function to the satisfaction of departments in almost all areas. Isolated matters that has historical basis is still addressed such as ensuring “as & when” service level agreements in place for critical areas.

# Chapter 3: Service Delivery Performance

## Component H: Organisational Performance Scorecard

### 3.30.1 Introduction

The assessment panel convene to assess the performance of the section 56 Managers and the panel sat on two occasions on the 20 August 2015 and 12 October 2015. The composition of the assessment panel was as per the municipality Performance Management Policy Framework as underpinned by the Regulations on the Appointment of Managers Directly Accountable to the Municipal Manager of 2014.

### 3.30.2 Purpose of Report

The purpose of the report is give feedback to the Executive Committee of Council on the performance appraisal that was done by the Appraisal Panel as outline in the Performance Management System.

### 3.30.3 Legislative Requirement

Regulation 8 of the Municipal Planning and Performance Management Regulations of 2001, states that in accordance with regulation 32, a performance bonus, based on affordability, may be paid to the employee after,

- The Annual Report for the financial year under review has been table and adopted by the municipal council;
- An evaluation of performance in accordance with the provision of Regulation 23; and
- Approval of such evaluation by the municipal council as a reward for outstanding performance.

In terms of section 57 (4) (b) of the System Act, bonuses based on performance may be rewarded to a Municipal Manager or a Manager directly accountable to the Municipal Manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council concerned.

### 3.30.4 Composition of the Panel

The composition of the panel was as per the municipality Performance Management Policy Framework and was comprises by the following candidates:-

- The Municipal Manager – Mr STR Ramakarane;
- Chairperson of the Audit and Performance Audit Committee – Mr HB Mathibela;
- Member of the Executive Committee – Cllr ET Makae; and
- Municipal Manager from another municipality – Mr B Molatseli.

### 3.30.5 Methodology

The IDP/PMS division consolidated all the Annual Performance reports for 2014/2015 as per section 46 of the Municipal System Act. The performance of each department was then reviewed against the targets set in the Service Delivery and Budget Implementation Plan 2014/2015.

After the Annual Performance Reports were consolidated, the portfolio of evidence were reviewed and validated in order to ensure consistency with regard to planned information against the reported performance information. The Annual Financial Statements together with the Annual performance Report were submitted to the Office of the Auditor General of South Africa for audit purpose.



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After the review and validation of the report and the portfolio of evidence, it was submitted to the Internal Audit Unit for quality assurance of which report is included in this report. The findings of the Internal Audit Unit were addressed in the third quarter and all the corrective measured are in place.

The appraisal processes were two folded- employees were assessed on the service delivery targets and the core competency requirements. The service delivery targets made 80% of the total score whilst the core competency requirements made up the remaining 20%. The points were allocated as per the Performance Policy Framework in the following order:

Points	Level of Achievement
5	KPI Extremely Met
4	KPI Well Met
3	KPI Met
2	KPI Almost Met
1	KPI Not Met

### 3.30.6 Scoring Outcome

#### 3.30.6.1 Overall Rating of Annual Performance Report

##### 3.30.6.1.1 Director Corporate Services: Mr Masejane T P

##### 3.30.6.1.1.1 Points Allocated

KPIs	Number of KPIs	Score
KPI allocated	56	280
KPI Not Measured	1	5
KPI not met	4	4
KPI almost met	10	20
KPI met	28	84
KPI well met	3	12
KPI extremely met	10	50
<b>Points Accumulated</b>		<b>175</b>

##### 3.30.6.1.1.2 Percentage Calculation

Points Allocated	280
Points Accumulated	175
Formula	$(\text{Points Accumulated} / \text{Points Accumulate}) * 80$
<b>Total SDBIP performance</b>	<b>50,00</b>

### 6.1.1.3 Core Competency Requirements

Corporate Management	Key Focus Area	Weight	Score
	Expenditure Management	3	3
	Asset Management	1	1
	Minimum Competency levels	1	1
	Audit Programme	2	2
	Departmental Portfolio Management Programme	3	2
	Optimise Human Capital Programme	5	4
	Customer Relationship Management Programme	3	3
	Customer Centricity Programme	2	2
<b>Total</b>		<b>20</b>	<b>18</b>
<b>Points Accumulated</b>			<b>90,00</b>

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<b>Core Managerial Competency Percentage</b>	<b>18,00</b>
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### 3.30.6.1.1.4 Final Score

Overall Performance on SDBIP	50,00
Core Competency Requirement	18,00
<b>Total Performance Percentage</b>	<b>68,00</b>
Director's Performance	<b>Total Percentage x Rate/3(In terms of the Performance Agreement)</b>
<b>Final Score</b>	<b>113</b>

### 3.30.6.1.2 Director Development Planning and Social Security: Ntheli M K

#### 6.1.2.1 Points Allocated

KPIs	Number of KPIs	Score
KPI allocated	49	245
KPI Not Measured	2	10
KPI not met	4	4
KPI almost met	11	22
KPI met	14	42
KPI well met	0	0
KPI extremely met	18	90
<b>Points Accumulated</b>		<b>168</b>

#### 3.30.6.1.2.2 Percentage Calculated

Points Allocated	245
points Accumulated	168
Formula	(Points Accumulated/Points Accumulate)*80
<b>Total SDBIP performance</b>	<b>54,86</b>

#### 3.30.6.1.2.3 Core Competency Requirement

Corporate Management	Key Focus Area	Weight	Score
	Expenditure Management	5	5
	Asset Management	3	2
	Minimum Competency levels	2	1
	Audit Programme	2	1
	Departmental Portfolio Management Programme	2	1
	Optimise Human Capital Programme	3	2
	Customer Relationship Management Programme	2	1
	Customer Centricity Programme	1	1
	<b>Total</b>	<b>20</b>	<b>14</b>
	<b>Points Accumulated</b>		<b>70,00</b>
<b>Core Managerial Competencies Percentage</b>			<b>14,00</b>

#### 3.30.6.1.2.4 Final Score

Overall Performance on SDBIP	54,86
Core Competency Requirement	14,00
<b>Total Performance Percentage</b>	<b>68,86</b>
Director's Performance	<b>Total Percentage x Rate/3(In terms of the Performance Agreement)</b>
<b>Final Score</b>	<b>115</b>

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### 3.30.6.1.3 Director Engineering Services: Zondi T F

#### 3.30.6.1.3.1 Points Allocated

KPIs	Number of KPIs	Score
KPI allocated	150	750
KPI Not Measured	5	25
KPI not met	16	16
KPI almost met	25	50
KPI met	56	168
KPI well met	10	40
KPI extremely met	38	190
Points Accumulated		<b>489</b>

#### 3.30.6.1.3.2 Percentage Calculated

Points Allocated	750
Points Accumulated	489
Formula	$(\text{Points Accumulated}/\text{Points Accumulate}) \times 80$
Total SDBIP performance	<b>52,16</b>

#### 3.30.6.1.3.3 Core Competency Requirements

Corporate Management	Key Focus Area	Weight	Score
	Expenditure Management	5	4
	Asset Management	3	2
	Minimum Competency levels	2	1
	Audit Programme	2	1
	Departmental Portfolio Management Programme	2	1
	Optimise Human Capital Programme	3	2
	Customer Relationship Management Programme	2	1
	Customer Centricity Programme	1	1
	<b>Total</b>	<b>20</b>	<b>13</b>
<b>Points Accumulated</b>			<b>65,00</b>
<b>Core Managerial Competency Percentage</b>			<b>13.00%</b>

#### 3.30.6.1.3.4 Final Score

Overall Performance on SDBIP	52,16
Core Competency Requirement	13,00
<b>Total Performance Percentage</b>	<b>65,16</b>
<b>Directors Performance</b>	<b>Total Percentage x Rate/3(In terms of the Performance Agreement)</b>
<b>Final Score</b>	<b>109</b>

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### 3.30.6.1.4 Director Financial Services: Banda G T

#### 3.30.6.1.4.1 Points Allocated

KPIs	Number of KPIs	Score
KPI Allocated	72	360
KPI Not Met	8	8
KPI Almost Met	8	16
KPI Met	38	114
KPI Well Met	4	16
KPI Extremely Met	9	45
KPI Not Measured	5	25
<b>Points Accumulated</b>		<b>224</b>

#### 3.30.6.1.4.2 Percentage Calculated

Points Allocated	360
Points Accumulated	224
Formula	$(\text{Points Accumulated} / \text{Points Accumulate}) * 80$
<b>Total SDBIP Performance</b>	<b>49,78</b>

#### 3.30.6.1.4.3 Core Competency Requirements

Corporate Management	Key Focus Area	Weight	Score
	Expenditure Management	5	4
	Asset Management	3	2
	Minimum Competency levels	2	1
	Audit Programme	2	2
	Departmental Portfolio Management Programme	2	2
	Optimise Human Capital Programme	3	2
	Customer Relationship Management Programme	2	1
	Customer Centricity Programme	1	1
	<b>Total</b>	<b>20</b>	<b>15</b>
	<b>Points Accumulated</b>		<b>75,00</b>
<b>Core Managerial Competency Percentage</b>			<b>15,00</b>

#### 3.30.6.1.4.4 Final Score

Overall Performance on SDBIP	49,78
Core Competency Requirement	15,00
<b>Total Performance Percentage</b>	<b>64,78</b>
Chief Financial Officer's Performance	<b>Total Percentage x Rate/3(In terms of the Performance Agreement)</b>
<b>Final Score</b>	<b>108</b>

### 3.30.7 Financial Implication

Clause 5.1- Legal Framework that Governs Employee Performance Management of the Performance Management Policy Framework states that:

- A performance bonus ranging from a minimum of 5%-14% maximum of the all-inclusive remuneration package must be paid as follows:
- A score of 130%-149% is awarded a bonus from 5%-9%

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- A score of 150% and above is awarded a bonus from 10%-14%
- Guaranteed annual cost of living adjustment to salaries must be paid and this is not linked to performance;
- Rewarding of performance for section 57 employees must be done after the tabling of the annual report and the audited annual financial statement in February annually.

However, the above-mentioned criteria does not make provision for those section 57 employees who have performed well and are whose scores are between 101% and 129%. It is common cause that up to 100% is the level at which all employees are expected to perform and that is what they are being paid for on a monthly basis. In order to address this policy gap, the committee introduced the following:

- **A performance bonus ranging from 1%-14% maximum of all-inclusive remuneration package must be paid as follows:**
  - **A score of 101% -120% are awarded a bonus of 2.5%**
  - **A score of 121%-129% are awarded a bonus of 4%**
  - **A score of 130%-149% is awarded a bonus from 5%-9%**
  - **A score of 150% and above is awarded a bonus from 10%-14%**

Based on the following recommended calculations, the bonus of the section 57 employees is as follows based on a performance bonus of 2.5% on their all-inclusive remuneration package for the 2014/2015 financial year.

Director	All-inclusive Package 2014/2015	2.5% Increment on the All-inclusive Package	Total Bonus
			R'000
Masejane T P	937	23	23
Ntheli M K	937	23	23
Zondi T F	937	23	23
Banda G T	937	23	23
<b>Total</b>			<b>93</b>

The financial implication of the above will be **R 93 788.40** which should be approved by the council during the adjustment budget and be disclosed in the annual financial statement 2015/2016.

### 3.30.8 Conclusion

The following has been completed to the satisfactory of the legislative requirement:

- The draft Annual Report 2014/2015 was submitted to the Office of the Auditor General of South Africa within two months after the end of the financial year;
- The Annual Performance Report 2014/2015 was submitted as per section 46 of the Municipal Systems Act, 32 of 2000
- The Annual Report 2014/2015 was tabled to council on the 25 January 2016 as per legislative requirement;
- The Municipal Public Accounts Committee engaged with communities on the Annual report 2014/2015, in order to fulfil the legislative prescripts;
- Council considered the Annual Report 2014/2015 on the 31 March 2016, without reservations; and
- Council adopted the Oversight 2014/2015 on the 31 March 2016

### 4 Recommendation

It is recommended that council:

1. Approves the Performance Appraisal Report 2014/2015;

## Chapter 3: Service Delivery Performance

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2. Council approves the rewarding of performance bonuses to all section 56 Managers of **R 23 447.10** each, to the total sum of **R 93 788.40**;
3. Council approves performance bonus to the Municipal Manager of **R 40 478.93**
4. These figures be disclosed in the Annual Financial Statements 2016/2017; and
5. That the gap in the PMS Policy Framework as addresses in 7 above, be addressed with the review of the PMS Handbook in the next financial year.

## Chapter 4: Organisational Development Performance

### Chapter 4: Organisational Development Performance

#### Component A: Introduction to the Municipal Personnel

##### T 4.1.0 Introduction to the Municipal Personnel

At the end of the financial year 2015/2016, Setsoto Local Municipality had a staff compliment of 683 permanent staff and 51 temporary employees. As a result of the standing moratorium placed on filling of vacancies only 6 positions were filled during this financial year

#### 4.1 Employee Totals, Turnover and Vacancies

##### 4.1.1 Employees

Description	2014/15	2015/16			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Council General	10	11	10	1	9%
MM Office	3	05	02	03	60 %
IDP/PMS	2	4	3	1	25 %
Internal Audit	6	10	6	4	40%
Information Technology	2	11	2	9	81%
Treasury Admin	0	1	0	1	100%
Expenditure	8	13	8	5	38 %
Budget & Reporting	3	10	3	7	70 %
Supply Chain Management	5	19	6	14	74%
Revenue Services	33	53	33	20	20%
Asset Management	5	10	5	5	5 %
Admin and Support	37	51	37	14	27 %
Human Resources Management	10	17	10	7	41%
Payroll Administration	4	5	4	1	20%
Legal Services	2	5	2	3	60 %
Human Resources Development	4	7	4	3	43 %
Community Administration	1	1	1	0	0 %
Cemeteries	23	24	22	2	8 %
Local Economic Development	3	6	3	3	50 %
Sport & Recreation & Parks	67	112	61	51	46%
Traffic	18	41	17	24	59%
Fire Services	1	36	1	35	97 %
Disaster Management	1	3	1	2	67%
Security Services	32	70	31	39	56%
Waste Management	100	143	93	50	35%
Engineering Services	2	1	2	1	100%

## Chapter 4: Organisational Development Performance

PMU	6	8	6	2	25%
Roads & Storm Water	71	115	68	47	41%
Electricity	26	40	26	14	35 %
Water	71	103	75	31	30%
Waste Water	100	162	96	66	41%
Housing	18	44	18	27	62%
Fleet management	1	18	1	17	94%
<b>Totals</b>	<b>709</b>	<b>1184</b>	<b>683</b>	<b>509</b>	<b>43%</b>

### T 4.1.2 Vacancy Rate

Designations	*Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0%
Chief Financial Officer	1	0	0%
Other S56 Managers (excluding Finance Posts)	4	0	0%
Other S56 Managers (Finance posts)	5	36 months	36%
Police officers	0	0	0%
Fire fighters	33	36months	99%
Senior management: Levels 1 (excluding Finance Posts)	19	36 months	53%
Senior management: Levels 1 (Finance posts)	24	36 months	67%
Highly skilled supervision: levels 2-5 (excluding Finance posts)	38	12 months	32%
Highly skilled supervision: levels 2-5 (Finance posts)	52	24 months	46%
<b>Total</b>	<b>177</b>	<b>180 months</b>	<b>98%</b>

### T 4.1.3 Turn-Over Rate

Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2013/2014	19	58	33%
2014/2015	54	41	33%
2015/2016	6	32	76%

### T 4.1.4 Comment on vacancies and turn-over rate

All Section 56 Managers and Municipal Manager's positions were filled during the financial year under review. During the year under review 90 positions were earmarked as critical positions to be filled only Six (6) positions were filled as a result of the standing moratorium. Thirty two (32) terminations occurred during this year, 10 was as a result of death cases, 06 as a result of resignations, 10 as a result of retirements .1 was a result of dismissal, 4 was results of disability and 1 as a results of end of contract.



# Chapter 4: Organisational Development Performance

## Component B: Managing the Municipal Workforce

### T 4.2.0 Introduction to the Municipal Workforce

The Municipality has developed and adopted appropriate systems, policies and practice to ensure that there are fair, efficient, effective and transparent personnel administration.

Effective HRM practices enhance performance by contributing to employees, productivity and development of favorable reputation in the municipality and community.

Training and Development Policy was adopted by council on the 16<sup>th</sup> October 2014, as the stand alone policy and no more part of Human Resources Policy Manual, The new policy clearly outline how the institution is committed to the structure and systematic training and development of all its Employees on an ongoing basis to enable them to perform their duties effectively and efficiency. The Employees were also inducted on the policy.

The Employment Equity Plan (EEP) and Workplace Skills Plan (WSP) were also complied in order to ensure that the Municipality reached affirmative Action (Numeric Goals) and further ensure that the training of Employees is planned and implemented.

#### 4.2.1 Policies

	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Bereavement Policy	100%	100%	Version 1: adopted on 24/02/2011
2	Dress Code Policy	100%	0%	Version 1: adopted on 28/02/2011
3	Employment Equity Policy	100%	0%	Version 1: adopted on 30/05/2013
4	Employee Performance Appraisal System	100%	0%	Version 1: adopted on 30/08/2008
5	Employee Assistance Programme	100%	0%	Version 1: adopted on 30/05/2013
6	HIV/AIDS Policy	100%	0%	Version 1: adopted on 30/05/2013 Version 2: re-view currently underway
7	Occupational Health & Safety Policy	100%	0%	Version 1: adopted on 10/02/2007
8	Promotion Demotion & Transfer Policy	100%	0%	Version 1: adopted on 24/01/2013
9	Staff Retention Policy	100%	0%	Version 1: adopted on 30/10/2012
10	Remuneration Policy for all Employees	100%	0%	Version 1: adopted on 10/12/2007
12	Remuneration Policy for Senior Managers	100%	0%	Version 1: adopted on 10/12/2007
13	Placement Policy	100%	0%	Version 1: adopted on 27/03/2003
14	Training and Development Policy	100%	100%	Version 2: adopted on 16/10/2014
15	Sexual Harassment Policy	100%	0%	Version 1: adopted on 10/12/2007
16	Recruitment, Selection, Appointment Policy	100%	0%	Version 1: adopted on 10/12/2007
17	Relocation Policy	100%	0%	Version 1: adopted on 10/12/2007
18	Labour Relations & Discipline Policy	100%	0%	Version 1: adopted on 10/12/2007
19	Travelling Allowance Scheme	100%	0%	Version 1: adopted on 10/12/2007
20	Policy on Employee Benefits	100%	0%	Version 1: adopted on 10/12/2007

## Chapter 4: Organisational Development Performance

21	Legal Aid to Employees & Cession of Action	100%	0%	Version 1: adopted on 10/12/2007	
22	Smoking Policy	100%	0%	Version 1: adopted on 10/12/2007 currently underway	Version 2: review progress
23	Induction Policy	100%	0%	Version 1: adopted on 10/12/2007	
24	Use of Municipal Vehicles & Equipment	100%	0%	Version 1: adopted on 10/12/2007	

### T 4.2.1.1 Comment on Workforce policy Development

There are 24 policies in place which were never being reviewed and intending to review 6 policies per quarter in the year 2016/2017. The 1<sup>st</sup> Quarter Bereavement Policy, Staff retention Policy, Employee Assistance Programme, HIV and ADIS Policy and Occupational Health and Safety.

### T 4.3 Injuries, Sickness and Suspensions

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Proportion employees using sick leave	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	54	9	17%	11	22
Temporary total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
<b>Total</b>	<b>54</b>	<b>9</b>	<b>17%</b>	<b>11</b>	<b>22</b>

### T 4.3.2.1 Number of days and Cost of Sick Leave (excluding injuries on duty)

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Lower skilled (Levels 1-2)	24	90%	10	30	0.15	30
Skilled (Levels 3-5)	40			22	0.26	
Highly skilled production (levels 6-8)	136			58	0.88	
Highly skilled supervision (levels 9-12)	6	95%	2	26	0.04	31
Senior management (Levels 13-15)	230			11	1.48	
MM and S57	65			8	0.42	
<b>Total</b>	<b>501</b>	<b>93%</b>	<b>12</b>	<b>155</b>	<b>3.23</b>	<b>61</b>

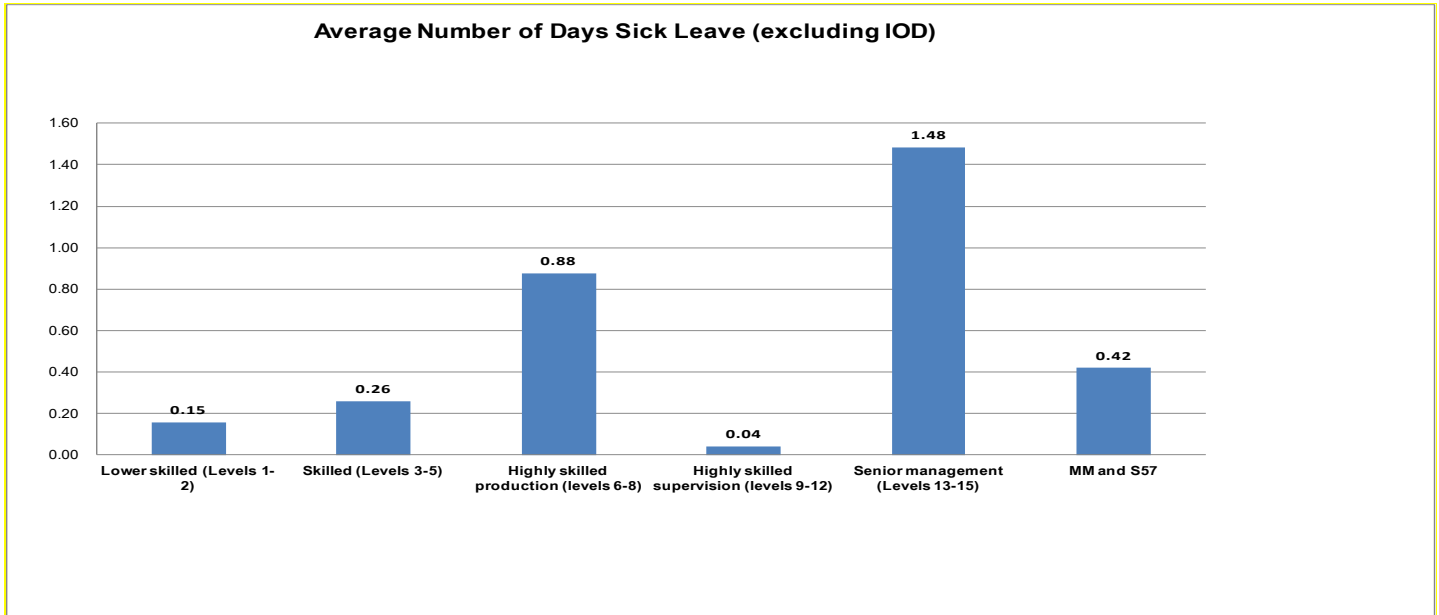
\* - Number of employees in post at the beginning of the year

\*Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T 4.3.2

## Chapter 4: Organisational Development Performance

### T 4.3.3 Average Number of Sick Leave (excluding injury on duty)



\*\*\* A system problem is preventing access to sick leave reports and the consultants are busy working on this. As soon as information is accessible the table will be completed.

### T 4.3.4 Comment of Injury and Sick Leave

A proper leave register is maintained and sick leave applications are captured on the VIP Payroll System. During the financial year only 9 cases of injury were reported with resulted in employees having been booked of sick with a total number of 54 sick leave day. These cases are being fully managed.

### T 4.3.5 Number and Periods of Suspensions

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Manager: Payroll Administration	The employee had conducted fraud and acted with dishonesty when he paid himself the back-pay on his salary adjustment (R75 214-97) and bonus (R5 785.00).	26 November 2015	The manager suspended and subsequently charged with the contravention of Schedule 8 of labour Relations Act (LRA).	Awaiting parties to decide on the new date for the Disciplinary Tribunal.

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### T 4.3.6 Disciplinary Action Taken on Cases of Financial Misconduct

Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
Manager: Payroll Administration	<p>It is alleged that the Employee acted in the dishonest manner, when he paid himself the back-pay on his salary adjustment (R75 214-97) and bonus (R5 785.00)</p> <p>This dishonest act caused the Municipality R81 000.74.</p>	<p>The manager suspended and subsequently charged with the contravention of Schedule 8 of labour Relations Act (LRA).</p> <p>After the Presiding Officer has made the Ruling on the "Point in Limine" raised by the Employee's Representative. The Employer charged the Manager with the contraventions of the aforementioned.</p>	Awaiting parties to decide on the new date for the Disciplinary Tribunal.
Manager: IDP/PMS	<p>It is alleged that the Employee conducted in the dishonest manner and without integrity expected of him.</p> <p>During this act of dishonesty the Municipality incurred costs to the estimation of R27 750.00</p>	Disciplinary Actions were instituted against the Employee. He was charged with the contraventions of Clauses 1.1 and 1.2.5 of the SALGBC Disciplinary Procedure and Code Collective Agreement.	The matter to be finalised
General Worker	<p>The Employee submitted a fake medical certificate and made the Employer to grant the Employee paid sick-leave while he was actually sick.</p> <p>The paid sick-leave that was granted on the basis of the fake medical certificate. Employer incurred costs to the amount of R12 996.80</p>	The Employee has been charged with the contravention of Clauses 1.2.3 and 1.2.5 and 1.2.7 of the SALGBC Disciplinary Procedure and Code Collective Agreement.	The matter to be finalised
<i>Supervisor Roads &amp; Storm water.</i>	It was alleged that the Employee had made false entry into the Attendance Register and the Leave Book. These fraudulent actions of the Supervisor has resulted in the incurrance of costs estimated at R <b>25 600-00</b>	The Employee was initially suspended and ultimately charged with the contravention of Clause 1.2.5 of the SALGBC Disciplinary Procedure and Code Collective Agreement, Annexure 'A'	.The matter to be finalised in the next financial year.

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### T 4.3.7 Comment on suspension of more than 4 months and on the other matters as appropriate

The matter involving the Manager Payroll Administration still pending as the (IMATU) raised Preliminary Points on the utilization of the SALGBC Disciplinary Procedure and Code Collective Agreement which has been put aside by court of law. The matter will be finalized in the next financial year.

3x General Workers were also suspended for more than 4 months as the Employee Party were requesting postponements but the matter finally set down and got finalized. The Employee were found guilty for stealing Municipality property (buckets) and selling them and badly affecting the services delivery in the process.

The medical conditions of the General Worker have the impact on the process of the Disciplinary Hearing because the matter had to be postponed several times as the Employee was either booked sick or at other instance hospitalized upon return to work (by the Employee) parties will decide when the matter will be set down.

The matter involving the Manager IDP/PMS, Manager has been on the roll for some time. Initially appointed Presiding Officer took long to make a Ruling on Preliminary Points raised by the Employee Party. He finally made the Ruling but subsequent to that he step-down as the Presiding Officer. The other Presiding Officer (replacement) was appointed but also withdrawn. Lately the new Presiding Officer has been appointed and party are about to set date for the Disciplinary Hearing.

### T 4.4 Performance Rewards

#### T 4.4.1 Performance Rewards by Gender

Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on re-wards Year 1	Proportion of beneficiaries within group
				R' 000	%
Lower skilled (Levels 1-2)	Female		0	0	0%
	Male		0	0	0%
Skilled (Levels 3-5)	Female		0	0	0%
	Male		0	0	0%
Highly skilled production (levels 6-8)	Female		0	0	0%
	Male		0	0	0%
Highly skilled supervision (levels 9-12)	Female		0	0	0%
	Male		0	0	0%
Senior management (Levels 13-15)	Female		0	0	0%
	Male		0	0	0%
MM and S57	Female		0	0	0%
	Male		0	0	0%
<b>Total</b>			<b>0</b>	<b>0</b>	<b>0%</b>

#### T 4.4.2 Comment on Performance Rewards

For the 2014/2015 the process of evaluation was completed for the Municipal Manager and Directors, during 2015/2016 for section 56 Managers but payment was only processed in 2016/2017.

## Chapter 4: Organisational Development Performance

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### Component C: Capacitating the Municipal Workforce

#### T 4.5.0 Introduction to the Municipal Workforce

The Municipality has submitted the Workplace Skills Plan (WSP) on the 30<sup>th</sup> April 2015. Prior to the Compilation progress the new Training and Development Policy (TDP) was adopted by Council in October 2014. Training Committee was established (as per the stipulations of the TDP) is it was tasked to deal with all Matters related to Workforce Development and also introduced strict control on the consolidated skills budget.

The policy did not just introduced the legal framework but also introduced the Study Grant Regulations for Employees from all Employment Categories. The challenges that were encountered was some employees are not attending skills audit processes and that implies they do not complete Personal Development Plans. They are not captured as beneficiaries in the WSP and there are no budget allocations for the training. The Department has also under-budgeted for the trainings that are required to fill the identified skills gap.

We have been and we will still provide Learnerships as we have implemented Fire and Rescue Learnership and we will also be implementing the Waste Water Treatment Learnership in 2015/16. The internship programmes were introduced for the undergraduates in collaboration with Service Seta and Department of Treasury (which is still commencing in the new financial year) and in 2015/16 Office of the Premier will also be funding the Internship.

The Municipality have registered employees with accredited Institutions of Higher Learning through Distance Learning and Block system. The other improvements that were made was that the HRD managed to enroll employees in Treasury Department in order to acquire "Minimum Competency Level". The awareness on the legislative requirements was made to those who were earlier not declared competent and those that will be registering for the first time.

## Chapter 4: Organisational Development Performance

### T 4.5 Skills Development and Training

Management level	Gender	Employees in post as at 30 June Year 2015	Number of skilled employees required and actual as at 30 June Year 2016											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of Year: 2014	Actual: End of Year: 2015	Actual: End of Year: 2016	Actual: End of Year: 2014	Actual: End of Year: 2015	Actual: End of Year: 2016	Actual End of Year: 2014	Actual: End of Year: 2015	Actual: End of Year: 2016	Actual: End of Year: 2014	Actual: End of Year: 2015
MM and s57	Female	1	0	0	0	1	1	1	1	1	1	1	1	1
	Male	4	0	0	0	2	3	3	1	5	2	3	8	5
Councillors, senior officials and managers	Female	20	0	0	0	4	10	7	1	5	11	5	15	18
	Male	31	0	0	0	7	4	12	1	6	7	8	10	19
Technicians and associate professionals*	Female	16	0	0	0	7	4	6	7	5	6	14	11	12
	Male	44	0	0	0	2	2	3	7	5	9	9	7	12
Professionals	Female	13	0	0	0	3	2	4	3	4	7	6	6	11
	Male	10	0	0	0	4	3	3	5	2	3	9	5	6
Sub total	Female	50	0	0	0	15	17	18	12	15	25	26	33	42
	Male	89	0	0	0	15	12	21	15	18	20	29	30	42
<b>Total</b>		<b>139</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>29</b>	<b>39</b>	<b>27</b>	<b>33</b>	<b>45</b>	<b>55</b>	<b>63</b>	<b>84</b>

## Chapter 4: Organisational Development Performance

### T 4.5.2 Financial Competency Development: Progress Report

Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
<b>Financial Officials</b>						
<i>Accounting officer</i>	0	0	0	0	1	1
<i>Chief financial officer</i>	1	1	2	1	1	1
<i>Senior managers</i>	4	4	8	3	0	4
<i>Any other financial officials</i>	46	46	92	0	0	9
<b>Supply Chain Management Officials</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>1</b>
<i>Heads of supply chain management units</i>	1	1	2	1	1	1
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
<b>TOTAL</b>	<b>56</b>	<b>56</b>	<b>112</b>	<b>6</b>	<b>3</b>	<b>17</b>



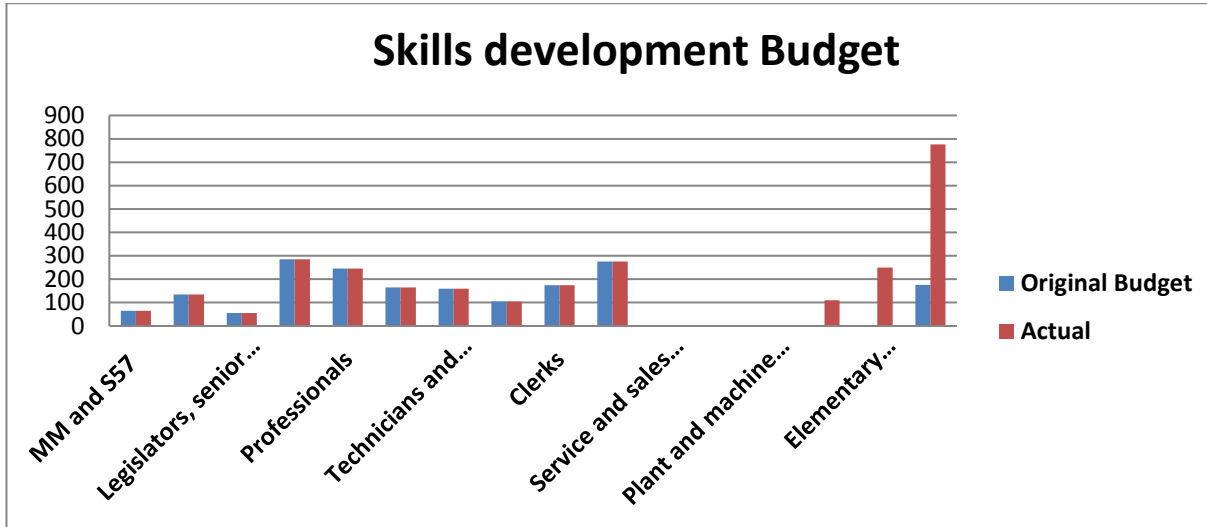
## Chapter 4: Organisational Development Performance

### T 4.5.3 Skills Development Expenditure

R'000										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
			No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
MM and S57	Female	1	0	0	45	45	20	20	65	65
	Male	4	0	0	120	120	15	15	125	135
Legislators, senior officials and managers	Female	20	0	0	45	45	10	10	55	55
	Male	31	0	0	250	250	35	35	275	285
Professionals	Female	13	0	0	180	180	65	65	245	245
	Male	10	0	0	15	15	15	15	165	165
Technicians and associate professionals	Female	16	0	0	125	125	35	35	160	160
	Male	44	0	0	90	90	15	15	105	105
Clerks	Female	64	0	0	150	150	25	25	175	175
	Male	45	0	0	250	250	25	25	275	275
Service and sales workers	Female	16	0	0	0	0	3	3	3	3
	Male	35	0	0	0	0	0	0	0	0
Plant and machine operators and assemblers	Female	4	0	0	0	0	0	0	0	0
	Male	61	0	110	0	0	0	0	0	110
Elementary occupations	Female	121	0	250	0	0	0	0	0	250
	Male	323	0	600	0	0	0	0	176	776
Sub total	Female	254	0	250	545	545	158	158	703	953
	Male	553	0	710	860	860	105	105	1121	1851
<b>Total</b>		<b>808</b>	<b>0</b>	<b>960</b>	<b>1405</b>	<b>1405</b>	<b>263</b>	<b>263</b>	<b>1825</b>	<b>2805</b>

# Chapter 4: Organisational Development Performance

## T 4.5.3.1 Skills Development Budget



## T 4.5.4 Competency Regulations

The Municipality has long embarked on the strategies to ensure that the Employees achieve minimum competency level as enshrined in the Regulation Municipal Finance Management Act. Challenges were encountered in the past whereby some Employees were not declared competency. They (Employee) indicated that the presentation of the subject matter by the Service Provider was too complex to comprehend but since the financial year 2015/16 Employees (in Treasury Department) were registered (those who were never declared competent and those newly appointed).

In 2015/16 Employees were registered in MFMP in order to ensure that they are competent as per the Registrations of the MFMA. The Financial Management Interns were also offered the competency training for those Employees who are still not declared competent and those still to receive training, their training interventions are reflected within the 2015/16 Workplace Skills Plan (WSP) and they were enrolled in September 2015.

# Chapter 4: Organisational Development Performance

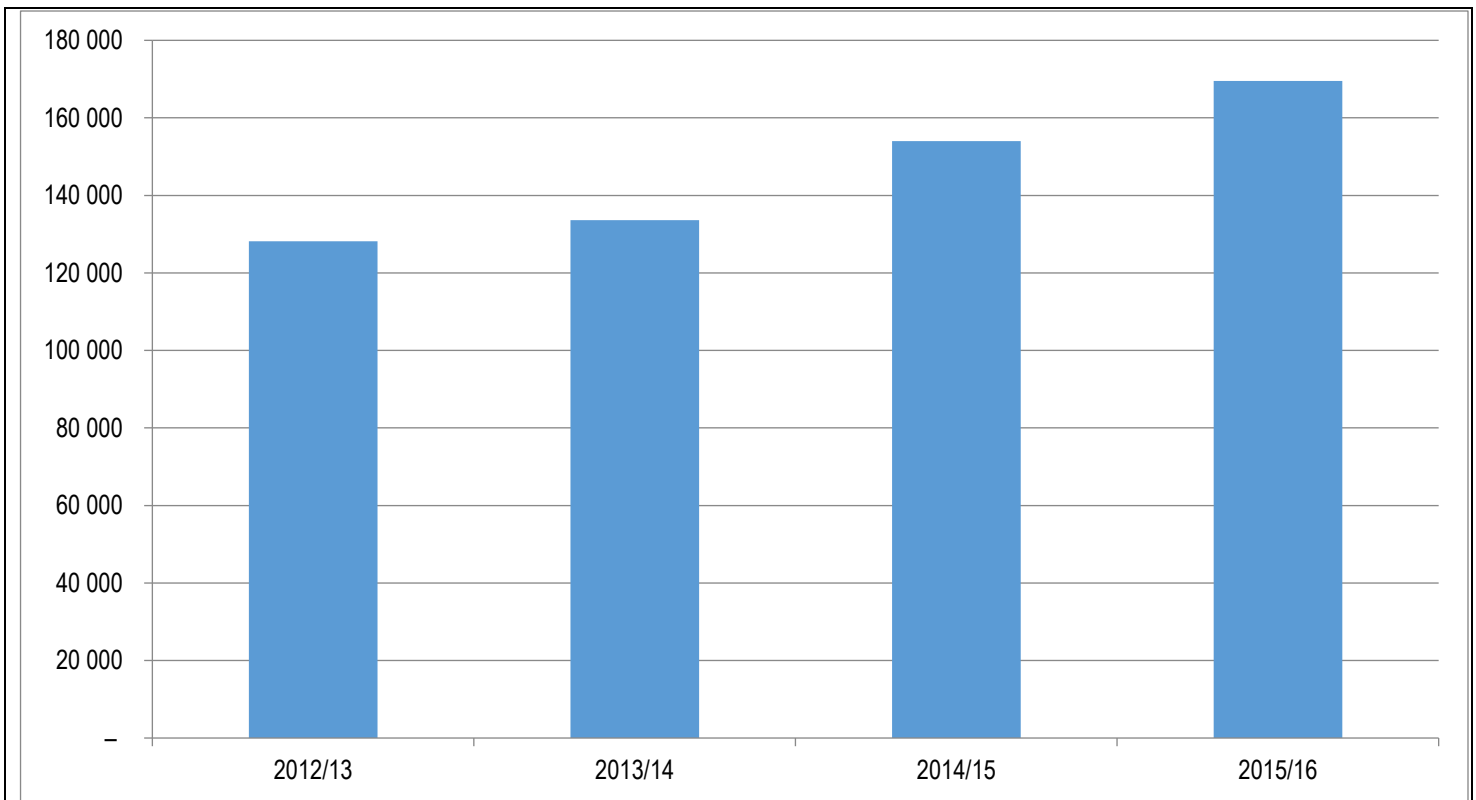
## Component D: Managing the Workforce Expenditure

### 4.6.0 Introduction to the Workforce Expenditure

It is very important to manage workforce expenditure in according to what has been approved in the budget. Failure to do so is a reflection of poor planning as has been the case in the four preceding financial years. This has been caused by a tendency to appoint temporary employees on none existing positions for periods stipulated by the Local Relations Amendment Act of 2014.

The Municipality seeks to obtain value for their workforce expenditure by ensuring the employees are deployed in positions where they are competent and skilled. Furthermore, the municipality always capacitates its employees in terms of the Annual Workplace Skills Plan and Performance Management System.

### T 4.6 Workforce Expenditure



## Chapter 4: Organisational Development Performance

### T 4.6.1 Employee Expenditure whose salaries were increased due to their positions being upgraded

Beneficiaries	Gender	Total
Lower skilled (Levels 13-17)	Female	4
	Male	0
Skilled (Levels 7-12)	Female	0
	Male	0
Highly skilled production (Levels 6-11)	Female	0
	Male	0
Highly skilled supervision (Levels 2-5)	Female	0
	Male	1
Senior management (Levels1)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0
<b>Total</b>		<b>5</b>

### T 4.6.3 Employees whose salary levels exceed the grade determined by job evaluation

Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	None	None	None	None
None	None	None	None	None
None	None	None	None	None
None	None	None	None	None
None	None	None	None	None

### T 4.6.4 Employees appointed to posts not approved

Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
Engineering	5	05 June 2015	1	CCMA AWARD
Engineering	5	01 September 2007	1	Post was existing in the previous structure
Corporate	2	15 March 2013	1	Promoted
DPSS	5	01 Sept 2007	1	Post was existing in the previous structure
DPSS	5	01 June 2013	1	Transferred
TREASURY	6	01 March 2013	1	CCMA AWARD
Engineering	7	01 June 2013	1	Operator

### T 4.6.5 Comment on upgraded posts and those that are at variance with normal practice

During the financial year under review the municipality did not implement job evaluation, though training was provided to the HRM Manager who is serving in the District Job Evaluation Unit. Other process still has to unfold before the whole process can be finalized. Those that are at variance with normal practice their employment status be changed to a fixed term contract on renewal basis.

### T 4.6.6 Disclosure of Financial Interest

See Appendix J

# Chapter 5: Financial Performance

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## Chapter 5: Financial Performance

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### T 5.0 Introduction

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

The financial statements of Setsoto Municipality were prepared based on Generally Recognised Accounting Practices (GRAP), Accounting Policies and any other applicable standards as prescribed by the Minister of Finance for Local Authorities. An accrual basis of accounting has been adopted by the municipality and, as at 30 June 2015, there was no plan in place to dispose of a part of the municipality or outsource some of its key functions as outlined in the Constitution of the Republic of South Africa, as such the statements were prepared on a going concern basis.

It has been common practice by the municipality to present the final budget information on the face of the financial statements, however, in the 2015 financial statements, this information has been presented separately as the statement of Comparison of Budget and Actual Amounts as required in terms of GRAP 24

### Component A: Statement of Financial Performance

#### 1.2 Statement of Financial Performance

The billed revenue performed well within the projected levels during the 2015/2016 period. Expenditure on the other side did the same, well within the target, and savings have been seen in items such as bulk purchases and debt impairment. From a management perspective, as much as we need to push expenditure, savings on operational expenditure budget do not necessarily harm service delivery but is an outcome of prudent spending and making sure that people spend based on needs and not because they have funds to do so. The tables below reflect the revenue and expenditure performance of the municipality

## Chapter 5: Financial Performance

Reconciliation of Table A1 Budget Summary															
Description	Year 0											Year -1			
	Original Budget	Budget Adjustments (i.to s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.to. s31 of the MFMA)	Virement (i.to. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousands	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Financial Performance</b>															
Property rates	38,500	3,544	42,044			42,044	41,090								
Service charges	166,782	7,355	174,137			174,137	144,531								
Investment revenue	1,400	400	1,800			1,800	1,654								
Transfers recognised - operational	173,679	5,000	178,679			178,679	177,652								
Other own revenue	31,112	425	31,537			31,537	113,875								
	411,473	16,724	428,197	-	-	428,197	478,802	-				-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>									0	0	0				
Employee costs	158,623	2,500	161,123			161,123	169,509								
Remuneration of councillors	10,354	-	10,354			10,354	10,355								
Debt impairment							84,546								
Depreciation & asset impairment	25,282	5,426	30,709			30,709	220,327								
Finance charges	3,227	(1,448)	1,779			1,779	899								
Materials and bulk purchases	67,561	-	67,561			67,561	53,608								
Transfers and grants	13,750	0	13,750			13,750	622								
Other expenditure	127,203	6,875	134,077			134,077	(369,898)								
<b>Total Expenditure</b>	<b>405,999</b>	<b>13,353</b>	<b>419,352</b>	-	-	<b>419,352</b>	<b>458</b>	-	0	0	0	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>5,474</b>	<b>3,371</b>	<b>8,844</b>	-	-	<b>8,844</b>	<b>478,343</b>	-	0	0	0	-	-	-	-
Transfers recognised - capital	5,474	-	5,474			5,474									
Contributions recognised - capital & contributed assets	45,155	-	45,155			45,155									
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>56,102</b>	<b>3,371</b>	<b>59,473</b>	-	-	<b>59,473</b>	<b>478,343</b>	-	0	0	0	-	-	-	-
Share of surplus/ (deficit) of associate	-	-	-			-									
<b>Surplus/(Deficit) for the year</b>	<b>56,102</b>	<b>3,371</b>	<b>59,473</b>	-	-	<b>59,473</b>	<b>478,343</b>	-	0	0	0	-	-	-	-
<b>Capital expenditure &amp; funds sources</b>															
<b>Capital expenditure</b>	<b>79,624</b>	<b>(6,734)</b>	<b>72,890</b>			<b>72,890</b>									
Transfers recognised - capital	45,155	-	45,155			45,155	90,084								
Public contributions & donations	-	-	-			-									
Borrowing	30,000	(3,200)	26,800			26,800									
Internally generated funds	4,468	(3,533)	935			935									
<b>Total sources of capital funds</b>	<b>159,247</b>	<b>(13,467)</b>	<b>145,780</b>	-	-	<b>145,780</b>	<b>90,084</b>	-	0	0	0	-	-	-	-
<b>Cash flows</b>															
Net cash from (used) operating	50,937	7,823	58,760			58,760	422,753								
Net cash from (used) investing	(79,624)	8,733	(70,891)			(70,891)	(86,665)								
Net cash from (used) financing	26,080	(3,200)	22,880			22,880	(592)								
<b>Cash/cash equivalents at the year end</b>	<b>40,042</b>	<b>(25,591)</b>	<b>14,451</b>			<b>14,451</b>									

T 5.1.1

## Chapter 5: Financial Performance

Financial Performance of Operational Services						
R '000						
Description	2014/15	2015/16			2015/16 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	38 911	42 289	67 114	38 186	-10.74%	-75.75%
Waste Water (Sanitation)	21 169	34 537	46 346	24 171	-42.89%	-91.74%
Electricity	85 203	88 348	97 937	66 083	-33.69%	-48.20%
Waste Management	21 169	35 904	34 641	42 152	14.82%	17.82%
Housing	17 203	9 997	9 460	6 338	-57.71%	-49.24%
Component A: sub-total	183 655	211 074	255 498	176 930	-19.30%	-44.41%
Waste Water (Stormwater Drainage)	-					
Roads	281 655	30 666	38 666	27 600	-11.11%	-40.09%
Transport	-					
Component B: sub-total	281 655	30 666	38 666	27 600	-11.11%	-40.09%
Planning	-					
Local Economic Development	-					
Component B: sub-total	-	-	-	-		
Planning (Strategic & Regulatory)	-					
Local Economic Development	-					
Component C: sub-total	-	-	-	-		
Community & Social Services	7 184					
Environmental Protection	-					
Health	23					
Security and Safety	16 516	7 192	7 350	14 850	51.57%	50.51%
Sport and Recreation	8 704	10 095	8 615	8 456	-19.38%	-1.88%
Corporate Policy Offices and Other	132 438	146 971	109 223	400 137	63.27%	72.70%
Component D: sub-total	164 865	164 258	125 188	423 444	61.21%	70.44%
<b>Total Expenditure</b>	<b>630 175</b>	<b>405 999</b>	<b>419 352</b>	<b>627 974</b>	<b>35.35%</b>	<b>33.22%</b>

## Chapter 5: Financial Performance

### 5.2 Grants Performance

R' 000						
Description	2014/15	2015/16			2015/16 Variance	
	Actual	Budget	Adjust- ments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b><u>Operating Transfers and Grants</u></b>						
<b>National Government:</b>	170 547	70 881	170 881	170 881		
Equitable share	165 381	166 309	166 309	166 309	-	-
Municipal Systems Improvement	934	930	930	930	-	-
Finance Management	1 600	1 600	1 600	1 600	-	-
EPWP Incentive	2 632	2 042	2 042	2 042	-	-
Other transfers/grants [insert description]						
<b>Provincial Government:</b>	-	-	500	-		
Health subsidy						
Housing						
Ambulance subsidy						
Sports and Recreation						
Other transfers/grants [insert description]			500			
<b>District Municipality:</b>	-	-	-	-		
[insert description]						
<b>Other grant providers:</b>			5 000	6 771		
Other Grants	-	-	5 000	6 771	-100%	-26%
<b>Total Operating Transfers and Grants</b>	170 547	170 881	176 381	177 652		



## Chapter 5: Financial Performance

### T 5.2.3 Grants Received From Sources Other Than Division of Revenue Act

Details of Donor	Actual Grant Year 2014/15	Actual Grant Year 2015/16	Year 2015/16 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
<b>Parastatals</b>						
Department of environmental health		155 000	0	N/A	N/A	Landfill office
Department of environmental health		12 000 000	0	N/A	N/A	2 X Reretional Parks
Transnet		4 596 305	0	N/A	N/A	Transnet House
<b>Foreign Governments/Development Aid Agencies</b>						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
<b>Private Sector / Organisations</b>						
Andre Nissan		1 551 490	0	N/A	N/A	10 X Nissan Bakkies
South african motor cycles		218 860		N/A	N/A	5 X Tuc Tuc passenger
JCB		1 880 000		N/A	N/A	2 X JCB Bachhoe

## Chapter 5: Financial Performance

### 5.3 Asset Management

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED 2015/2016				
Asset 1				
Name	MARQUARD/MOEMANENG-UPGRADING OXIDATION PONDS			
Description	MOEMANENG SEWER TREATMENT			
Asset Type	SANITATION			
Key Staff Involved	PMU MANAGER,DIRECTOR-ENGINEERING+ASSET MANAGER & ASSSETS TASKS TEAM			
Staff Responsibilities	PMU AND ASSET MANAGEMENT PERSONNEL			
Asset Value	2011/2012	2012/2013	2013/2014	2014/2015
		17 254 611,32	53 007 476,14	69 227 784,28
Capital Implications	73 146 395,86			
Future Purpose of Asset	SANITATION PROVISION			
Describe Key Issues	TO PROVIDE BASIC SERVICES - SANITATION AND WATER RECYCLING			
Policies in Place to Manage Asset	YES- ASSET MAINTAINANCE PLAN			
Asset 2				
Name	SENEKAL WASTE WATER TREATMENT WORKS			
Description	SENEKAL SEWER TREATMENT WORKS			
Asset Type	SANITATION			
Key Staff Involved	PMU MANAGER,DIRECTOR-ENGINEERING+ASSET MANAGER & ASSSETS TASKS TEAM			
Staff Responsibilities	PMU AND ASSET MANAGEMENT PERSONNEL			
Asset Value	Year -3	Year -2	Year -1	Year 0
			4 458 526,52	21 578 146,11
Capital Implications				23,923,708.00
Future Purpose of Asset	SANITATION PROVISION			
Describe Key Issues	TO PROVIDE BASIC SERVICES - SANITATION AND WATER RECYCLING			
Policies in Place to Manage Asset	YES- ASSET MAINTAINANCE PLAN			
Asset 3				
Name	CONSTRUCTION OF FENCING AROUND MUNICIPAL'S CRITICAL PROPERTIES			
Description	FICKSBURG/MEQHELENG,MARQUARD/MOEMANENG & MATWABENG/SENEKAL			
Asset Type	FENCING AROUND CRITICAL MUNICIPAL'S PROPERTIES			
Key Staff Involved	PMU MANAGER,DIRECTOR-ENGINEERING+ASSET MANAGER & ASSSETS TASKS TEAM			
Staff Responsibilities	PMU AND ASSET MANAGEMENT PERSONNEL			
Asset Value	Year -3	Year -2	Year -1	Year 0
			14 157 285,96	2 430 916,53
Capital Implications	14,993,823.00			
Future Purpose of Asset	TO SAFE GUARD MUNICIPAL'S PROPERTIES			
Describe Key Issues	TO MAINTAIN HIGH STANDARD OF SERVICE DELIVERY TO COMMUNITY			
Policies in Place to Manage Asset	YES- ASSET MAINTAINANCE PLAN			

## Chapter 5: Financial Performance

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### T 5.3.3 Comment on Capital Assets

Capital expenditure budget amount is R250, 000, whereas the actual capital expenditure is R221, 598.92, resulting in a variance of R28, 401 (11%) of total capital budget amount, which is considered to be inefficient as it is under-spending of capital expenditure. This indicates that the division has under-perform by (11%) during the financial year under review.

Before implementing effective asset management program, the asset management tasks team must have a clear understanding of the current state of all existing assets. This provides a baseline for on-going measurement, analysis, and maintenance planning and resource allocation. In order achieve this we need to prepare asset inventory and develop a condition assessment, rating system, and assessing remaining useful life, and determining asset values and replacement costs are best practices in determining the current state of all your assets.

### T 5.3.4 Repairs and Maintenance

To be included after the Annual Financial Statements have been audited

#### T 5.3.4 .1 Comment on Repairs and Maintenance

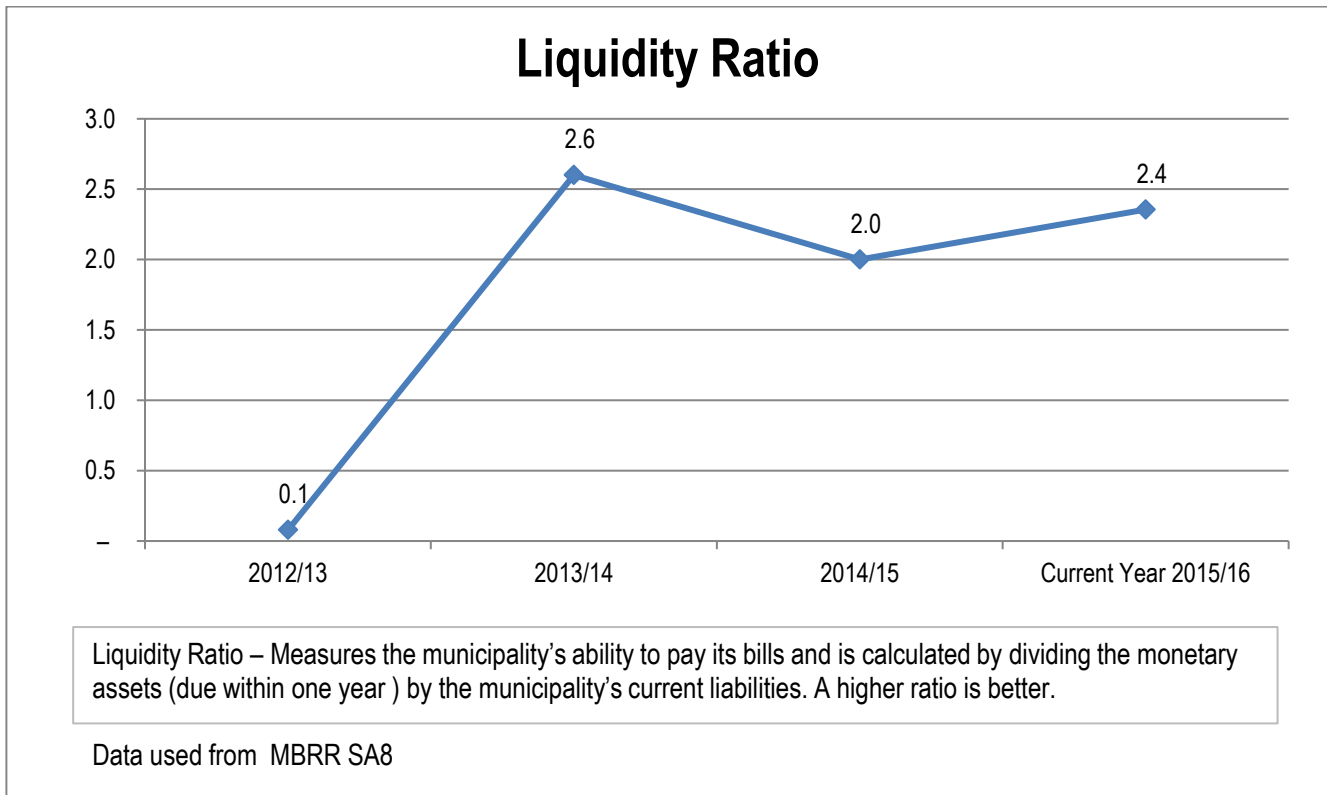
The repairs and maintenance expenditure budget is R24,751 million, versus actual repairs and maintenance expenditure of R20,129 million, thus create a variance of 4,622 million(19%), which depicts under-performance of Repairs and Maintenance expenditure for the financial year under-review. Ideal expenditure on repairs and maintenance is 8% of net assets value (R4, 3 billion-\*8%) = R344 million per annum. The expenditure on repairs and maintenance is inadequate, given the value of existing assets; there are several reasons why the expenditure on repairs and maintenance is very low (i.e. lack of maintenance plan for repairs and maintenance plan of the infrastructure assets)

# Chapter 5: Financial Performance

## 5.4 Financial Ratios based on Key Performance Indicators

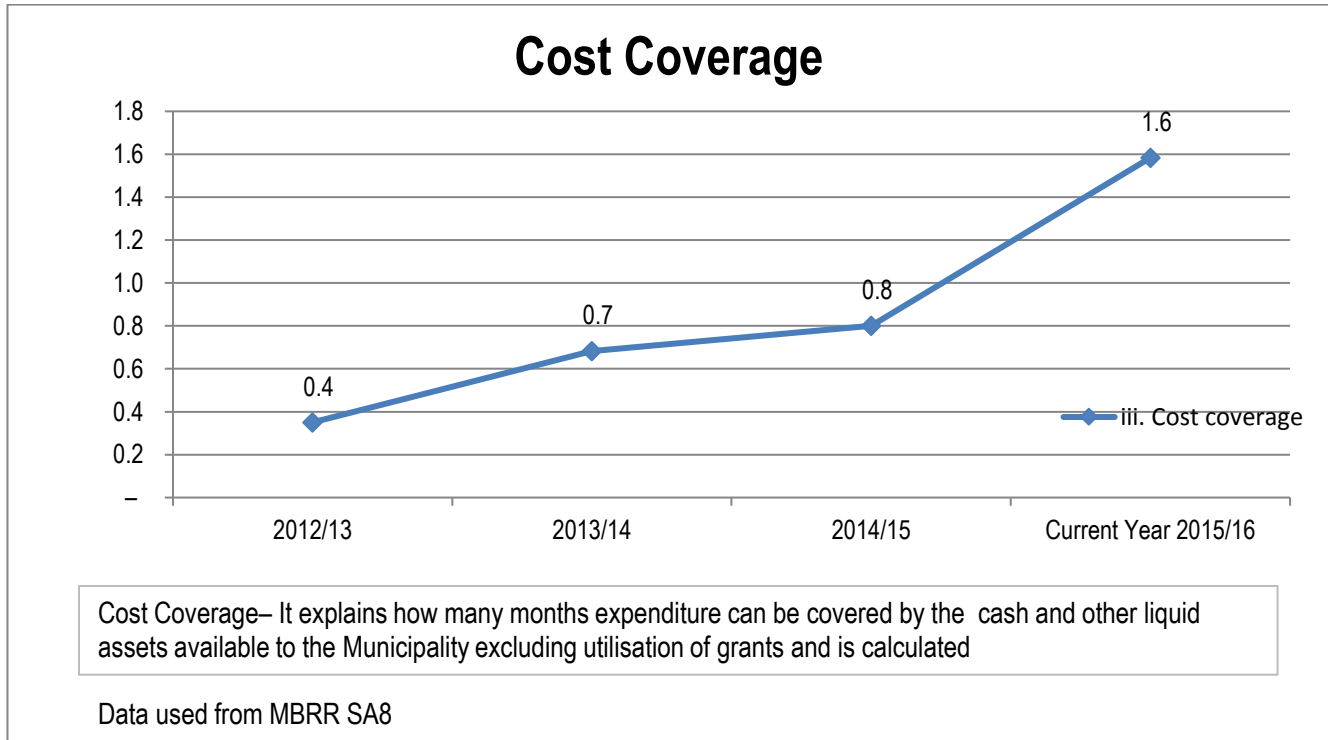
### Component B: Spending Against Capital Budget

#### T 5.4.1 Liquidity Ratio



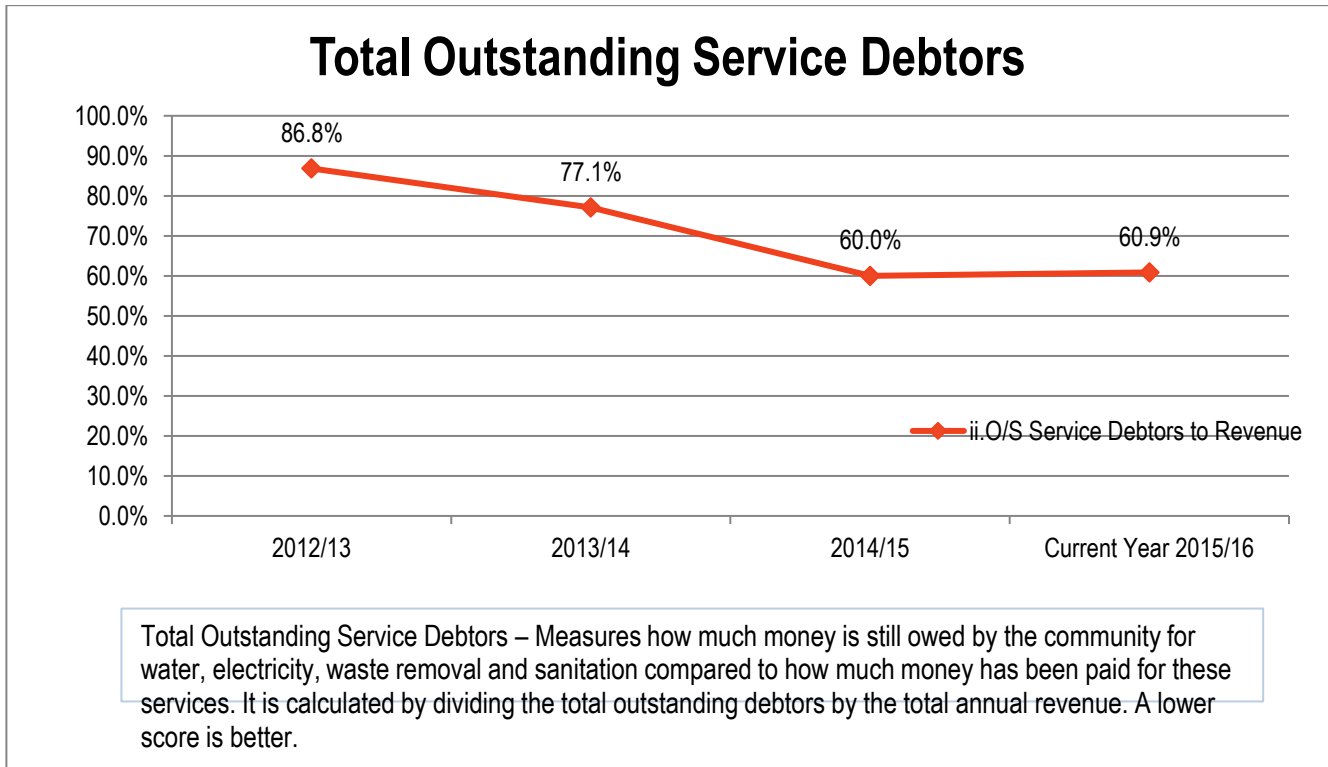
## Chapter 5: Financial Performance

### T 5.4.2 Cost Coverage



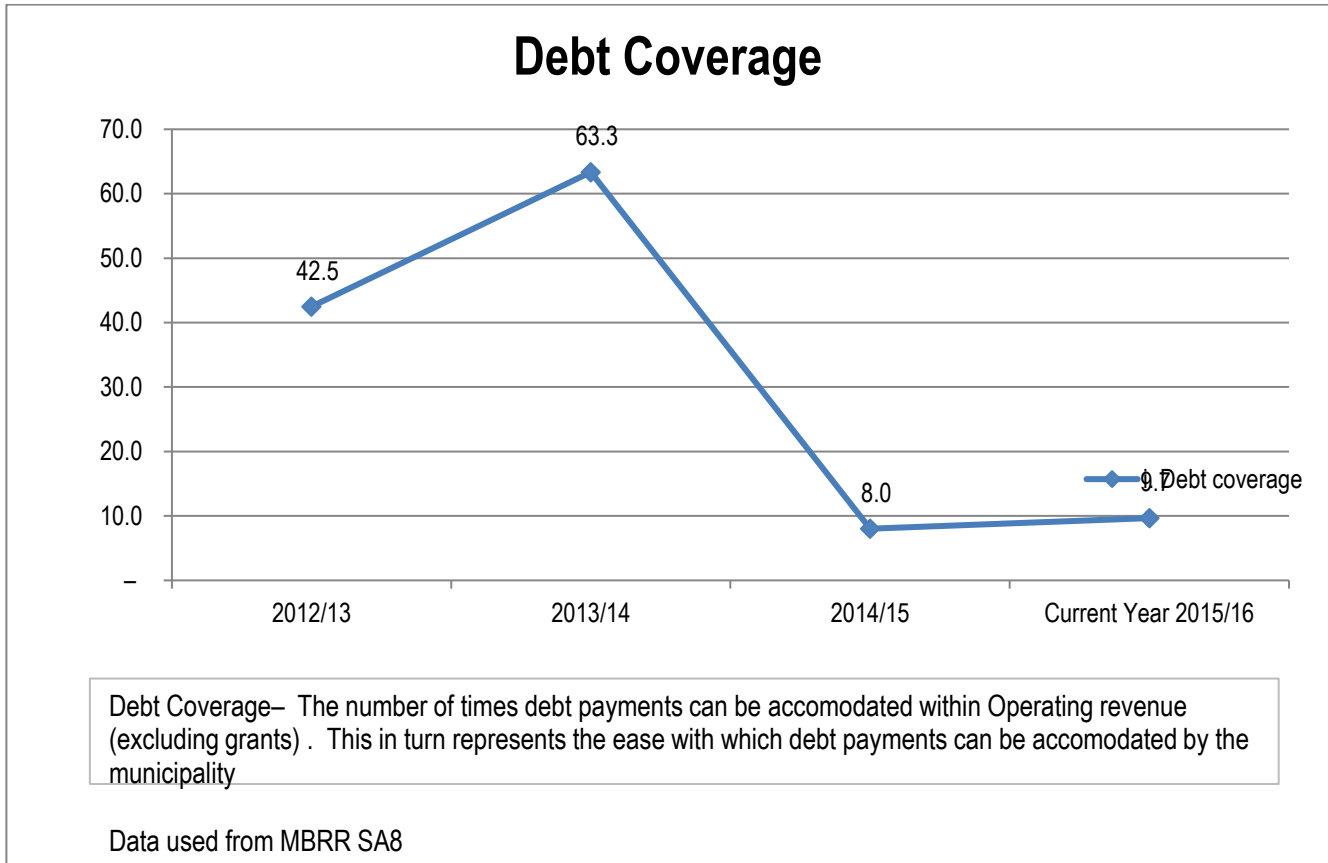
## Chapter 5: Financial Performance

### T 5.4.3 Total Outstanding Service Debtors



## Chapter 5: Financial Performance

### T 5.4.4 Debt Coverage



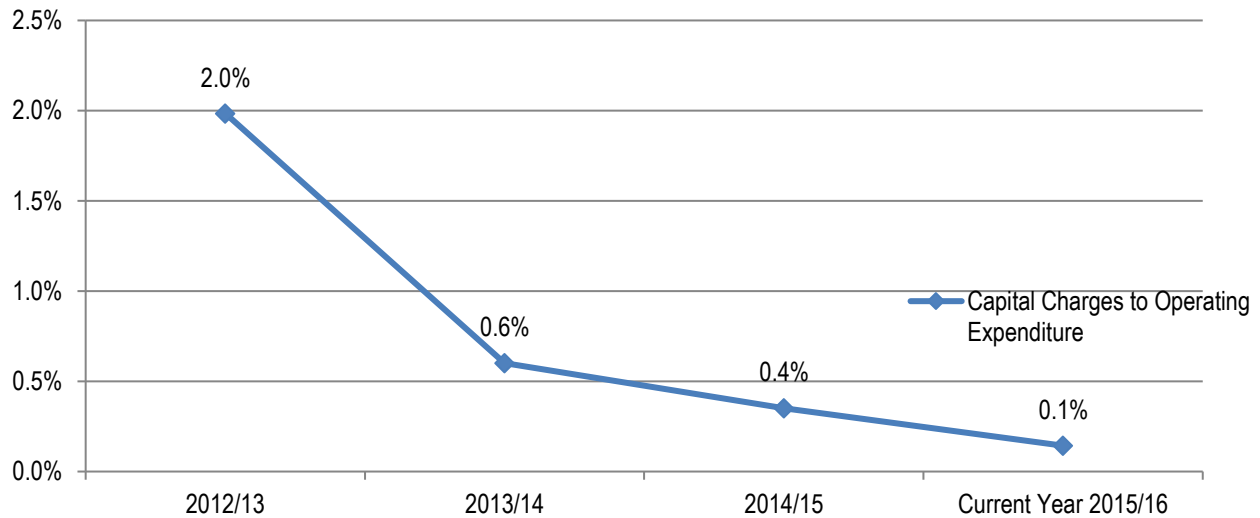
### T 5.4.5 Debt Coverage

**Outstanding**

## Chapter 5: Financial Performance

### T 5.4.6 Capital Charges to Operating Expenditure

#### Capital Charges to Operating Expenditure



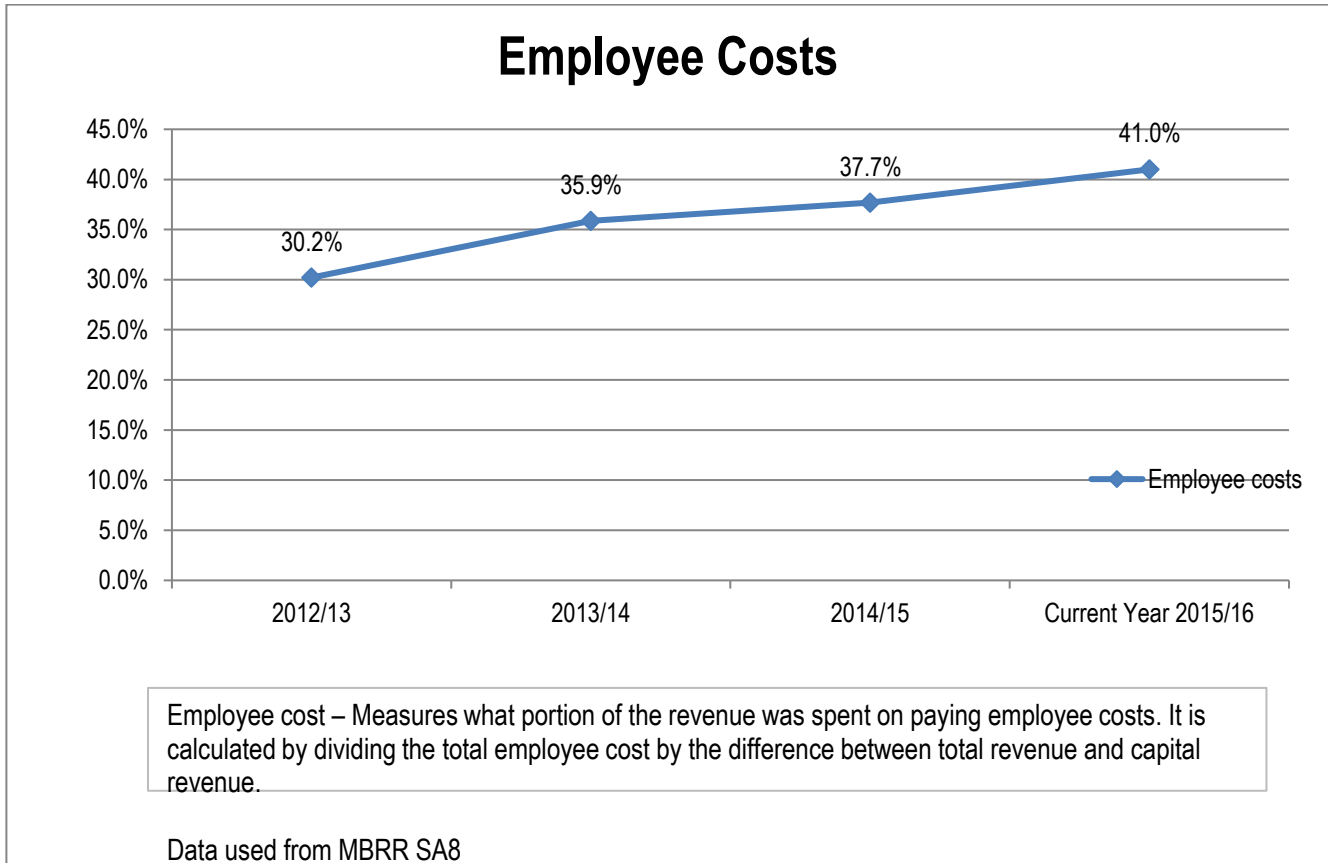
Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

Data used from MBRR SA8



## Chapter 5: Financial Performance

### T 5.4.7 Employee Costs



### T 5.4.8 Repairs and Maintenance

Reporting per mSCOA and the spending is project based.

## Chapter 5: Financial Performance

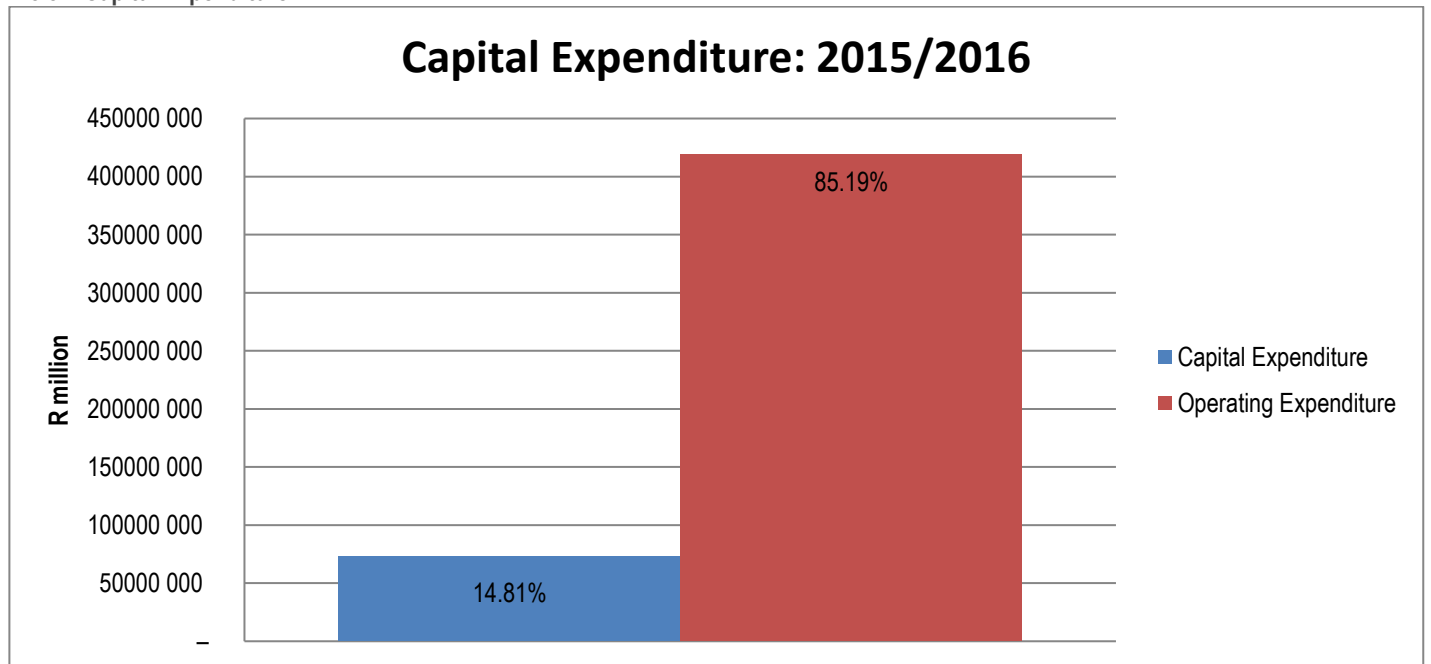
### 5.5 Capital Expenditure

R million	Original Budget	Adjustment Budget	Un-audited Full Year Total	Original Budget variance	Adjusted Budget Variance
Capital Expenditure	80	73	88	-11.1%	-21.4%
	<b>80</b>	<b>73</b>	<b>88</b>	-11.1%	-21.4%
Operating Expenditure	406	419	628	-54.7%	-49.7%
	<b>406</b>	<b>419</b>	<b>628</b>	-54.7%	-49.7%
<b>Total expenditure</b>	<b>486</b>	<b>492</b>	<b>716</b>	-47.5%	-45.5%
Water and sanitation	77	113	62	18.8%	45.0%
Electricity	88	98	66	25.2%	32.5%
Housing	10	9	6	36.6%	33.0%
Roads, Pavements, Bridges and storm water	31	39	28	10.0%	28.6%
Other	200	160	466	-132.6%	-191.3%
	<b>406</b>	<b>419</b>	<b>628</b>	-54.7%	-49.7%
External Loans					
Internal contributions					
Grants and subsidies					
Other					
External Loans					
Grants and subsidies					
Investments Redeemed					
Statutory Receipts (including VAT)					
Other Receipts					
Salaries, wages and allowances	169	161	180	-6.4%	-11.6%
Cash and creditor payments					
Capital payments					
Investments made					
External loans repaid					
Statutory Payments (including VAT)					
Other payments					
	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Un-audited Full Year Total</b>	<b>Original Budget variance</b>	<b>Adjusted Budget Variance</b>
Property rates	39	42	41	-6.7%	2.3%
Service charges	167	174	145	13.3%	17.0%
Other own revenue	33	33	26	20.9%	22.9%
	<b>238</b>	<b>250</b>	<b>211</b>	11.1%	15.3%
Employee related costs	169	161	180	-6.4%	-11.6%
Provision for working capital	44	49	85	-92.1%	-72.5%
Repairs and maintenance					
Bulk purchases	68	68	54	20.7%	20.7%

## Chapter 5: Financial Performance

Other expenditure					
Service charges: Electricity	81	81	61	24.6%	24.6%
Grants & subsidies: Electricity					
Other revenue: Electricity					
Employee related costs: Electricity					
Provision for working capital: Electricity					
Repairs and maintenance: Electricity					
Bulk purchases: Electricity					
Other expenditure: Electricity					
Service charges: Water	40	47	40	-2.0%	14.2%
Grants & subsidies: Water					
Other revenue: Water					
Employee related costs: Water					
Provision for working capital: Water					
Repairs and maintenance: Water					
Bulk purchases: Water					
Other expenditure: Water					

### T 5.5.1 Capital Expenditure



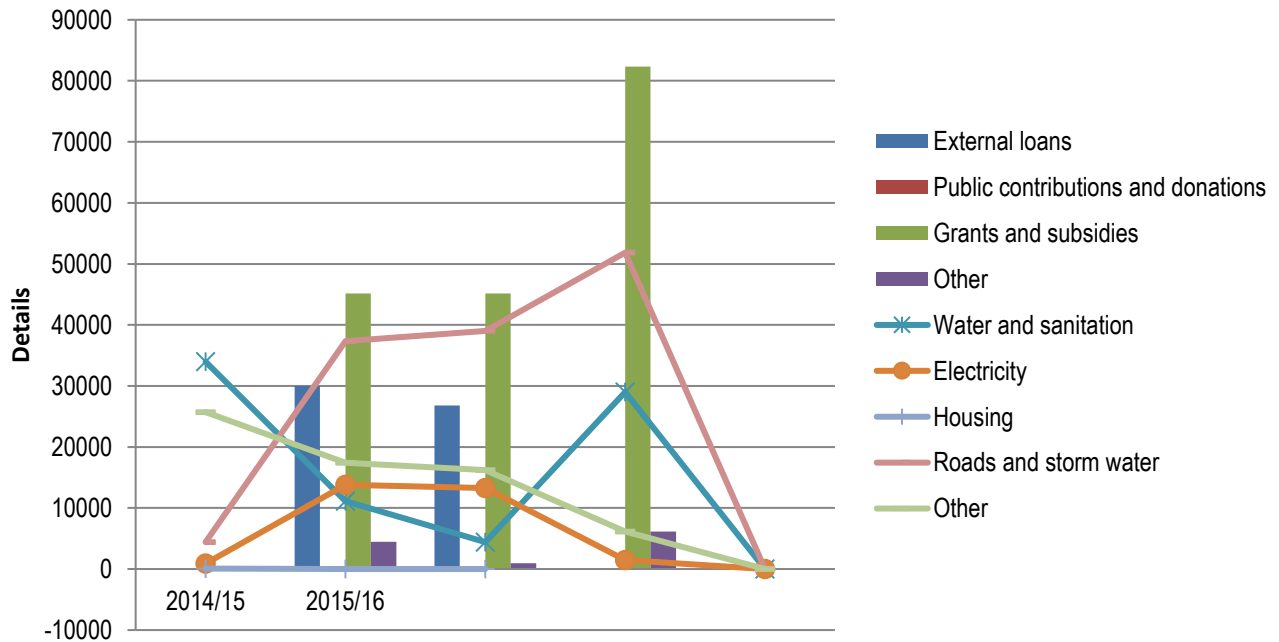
## Chapter 5: Financial Performance

### T 5.6.1 Sources of Finance

Details		2014/15	2015/16				
		Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance (%)	Actual to OB Variance (%)
Source of finance	External loans		30 000	26 800	0	-10.67%	-100.00%
	Public contributions and donations						
	Grants and subsidies		45 155	45 155	82 331	0.00%	82.33%
	Other		4 468	935	6 126	-79.07%	37.11%
	<b>Total</b>		<b>0</b>	<b>79 623</b>	<b>72 890</b>	<b>88 457</b>	<b>-90%</b>
Percentage of finance	External loans		37.7%	36.8%	0.0%	12%	-514.5%
	Public contributions and donations		0.0%	0.0%	0.0%	0.0%	0.0%
	Grants and subsidies		56.7%	61.9%	93.1%	0.0%	423.5%
	Other		5.6%	1.3%	6.9%	88.1%	190.9%
	<b>Total</b>						
Capital expenditure	Water and sanitation	33975	11 100	4400	28 981	-60.36%	161.09%
	Electricity	922	13 800	13 283	1500	-3.75%	-89.13%
	Housing	75	0	0			
	Roads and storm water	4409	37 320	39 020	51 850	4.56%	38.93%
	Other	25715	17 404	16 187	6126	-6.99%	-64.80%
	<b>Total</b>	<b>65096</b>	<b>79 624</b>	<b>72 890</b>	<b>88 457</b>	<b>-66.54%</b>	<b>46.09%</b>
Percentage of expenditure	Water and sanitation	52.2%	13.9%	6.0%	32.8%	6.0%	32.8%
	Electricity	1.4%	17.3%	18.2%	1.7%	18.2%	1.7%
	Housing	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
	Roads and storm water	6.8%	46.9%	53.5%	58.6%	53.5%	58.6%
	Other	39.5%	21.9%	22.2%	6.9%	22.2%	6.9%
	<b>Total</b>						

## Chapter 5: Financial Performance

### Source of Finance and Capital Expenditure



## Chapter 5: Financial Performance

### 5.7 Capital Spending on 5 Largest Projects

To be included after the Annual Financial Statements have been audited

### 5.8 Basic Service Infrastructure Backlogs-Overview

To be included after the Annual Financial Statements have been audited

### Component C: Cash Flow Management and Investments

#### 5.9 Cash Flow

To be included after the Annual Financial Statements have been audited

T 5.10.1 Introduction to Municipal Borrowing and Investments

#### 5.10.2 Borrowing and Investments

			R' 000
Instrument	2013/14	2014/15	2015/16
<b>Municipality</b>			
Long-Term Loans (annuity/reducing balance)	7303	6826	6284
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
<b>Municipality Total</b>	<b>7 303</b>	<b>6 826</b>	<b>6 284</b>
<b>Municipal Entities</b>			
Long-Term Loans (annuity/reducing balance)			
Long-Term Loans (non-annuity)			
Local registered stock			
Instalment Credit			
Financial Leases			
PPP liabilities			
Finance Granted By Cap Equipment Supplier			
Marketable Bonds			
Non-Marketable Bonds			
Bankers Acceptances			
Financial derivatives			
Other Securities			
<b>Entities Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Chapter 5: Financial Performance

### T 10.3 Actual Borrowing

#### Outstanding

### T 0.4.4 Municipal Entity Investments

			R' 000
Investment* type	2013/14	2014/15	2015/16
	Actual	Actual	Actual
<b>Municipality</b>			
Securities - National Government			
Listed Corporate Bonds		2 078	2 013
Deposits - Bank		3 110	59
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers' Acceptance Certificates			
Negotiable Certificates of Deposit - Banks		535	562
Guaranteed Endowment Policies (sinking)		492	525
Repurchase Agreements - Banks			
Municipal Bonds			
Other			
<b>Municipality sub-total</b>	-	6 215	3 159
<b>Municipal Entities</b>			
Securities - National Government			
Listed Corporate Bonds			
Deposits - Bank			
Deposits - Public Investment Commissioners			
Deposits - Corporation for Public Deposits			
Bankers Acceptance Certificates			
Negotiable Certificates of Deposit - Banks			
Guaranteed Endowment Policies (sinking)			
Repurchase Agreements - Banks			
Other			
<b>Entities sub-total</b>	0	0	0
<b>Consolidated total:</b>	0	6 215	3 159

### 5.11 Public Private Partnerships

None

## Chapter 6: Auditor General Audit Findings

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### Chapter 6: Auditor General Audit Findings

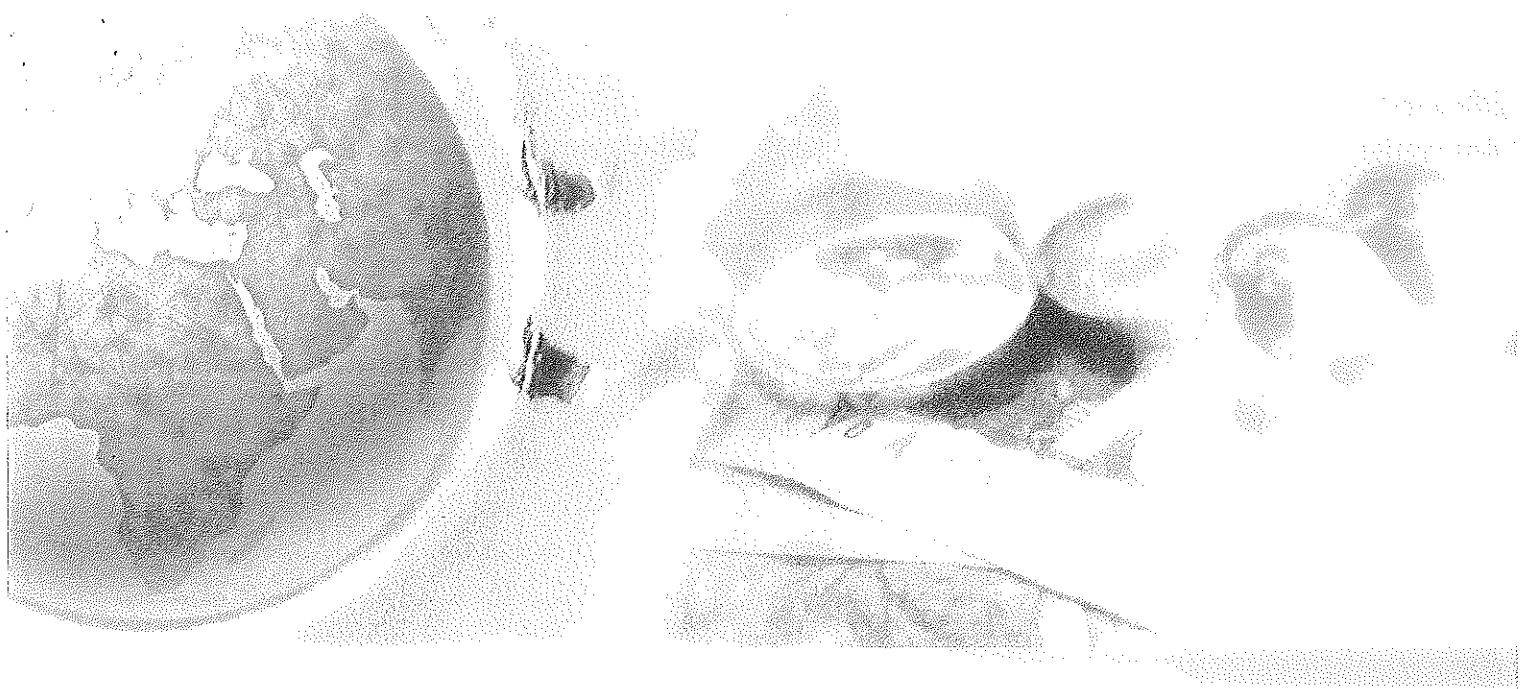
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#### Component A: Auditor-General Opinion of Financial Statements 2014/2015

The municipality received unqualified audit opinion with matters.

#### Component B: Auditor-General Opinion 2015/2016





AUDITOR-GENERAL  
SOUTH AFRICA

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# **Auditor's report**

Setsoto Local Municipality

30 June 2016

# Report of the auditor-general to the Free State Provincial Legislature and the council on the Setsoto Local Municipality

## Report on the financial statements

### Introduction

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

### Accounting officer's responsibility for the financial statements

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

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Setsoto Local Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

## Emphasis of matters

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

### Restatement of corresponding figures

7. As disclosed in note 56 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of reclassifications that had to be made/ errors discovered during 2015-16 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

### Material impairments

8. As disclosed in note 5 to the financial statements, a provision for the impairment of debtors amounting to R148 406 866 (2015: R127 785 657) was made with regard to consumer debts amounting to R291 591 158 (2015: R246 820 305).

### Going concern

9. Note 55 to the financial statements indicates that the municipality incurred a deficit of R126 711 817 (2015: R104 623 089). Furthermore, debtors increased from R119 034 648 to R143 184 292 and payables from R52 922 872 to R71 819 017. These conditions, along with other matters as set forth in note 55, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.

### Irregular expenditure

10. As disclosed in note 48 to the financial statements, the municipality incurred irregular expenditure of R2 188 129 (2015: R33 449 533) during the year under review, mainly due to non-compliance with supply chain management requirements.

### Additional matters

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

## Unaudited supplementary information

12. The municipality provided supplementary information in the financial statements on whether resources were obtained and used according to the legally adopted budget, in accordance with GRAP 1, *Presentation of financial statements*. The supplementary budget information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion thereon.

## Unaudited disclosure notes

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

## Report on other legal and regulatory requirements

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

## Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2016:
  - Key performance area 1: Infrastructure and service delivery on pages ... to ...
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned key performance area. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for Managing Programme Performance Information*.
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected key performance area.

## **Additional matters**

19. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected key performance area, I draw attention to the following matters:

### **Achievement of planned targets**

20. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

### **Adjustment of material misstatements**

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information for key performance area 1: Infrastructure and service delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## **Compliance with legislation**

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

## **Strategic planning and performance information**

23. The key performance indicators set by the municipality did not include indicators on the percentage of households with access to basic levels of water, sanitation and electricity, as required by section 43(2) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and municipal planning and performance management regulation 10(a).

## **Financial statements and annual report**

24. The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46(1)(c) of the MSA.

## **Expenditure management**

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

## **Internal control**

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

annual performance report and the findings on compliance with legislation included in this report.

## Leadership

28. Inadequate review and monitoring by management during the preparation of the annual report on predetermined objectives resulted in material findings on predetermined objectives.

## Financial and performance management

29. Formal processes to ensure compliance with key legislation did not prevent non-compliance with laws and regulations in certain cases. Consequences management was not adequate in these instances.

*Auditor-General*  
Bloemfontein

30 November 2016



AUDITOR · GENERAL  
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## REMEDIAL ACTION PLAN TOWARD 2015/16 AUDIT REPORT : SETSOTO LOCAL MUNICIPALITY

Functional Area	Audit Finding for the financial year ended 30 June 2015	Audit Finding for the financial year ended 30 June 2016	Root-Cause	Remedial Actions		Completion date	Responsible Manager	Responsible Head of Department
				Intervention to correct	Action/Activities			
<b>QUALIFICATION MATTERS (MATTERS OF EMPHASIS)</b>								
<b>Restatement of corresponding figures</b>	As disclosed in note 55 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered during 2014-15 in the financial statements of the Setsoto Local Municipality at, and for the year ended, 30 June 2014.	As disclosed in note 56 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of reclassifications that had to be made/ errors discovered during 2015-16 in the financial statements of the municipality at, and for the year ended, 30 June 2015.	Previous year asset register did not balance with the General Ledger as per the audited AFS.	-Assets balance in AFS and asset register corrected in terms of mSCOA and should be maintained throughout the financial year. - Conversion National Treasury section 71 reporting template to cover mSCOA.	- Update on monthly basis asset register with additions and write-offs and run depreciation. - Conduct assessment of all assets regarding life estimate, residual value and determination of impairment. - Communication to National Treasury about misalignment of section 71 reporting template and mSCOA.	30-May-17	Manager Budget & FS	Chief Financial Officer
<b>Material impairments</b>	As disclosed in note 5 to the financial statements, a provision for impairment of debtors amounting to R127 785 657 (2014: R192 724 645) has been made with regard to consumer debts amounting to R246 820 305 (2014: R260 092 967).	As disclosed in note 5 to the financial statements, a provision for the impairment of debtors amounting to R148 406 866 (2015: R127 785 657) was made with regard to consumer debts amounting to R291 591 158 (2015: R246 820 305).	Collection level is low resulting in fast growing debtors book	Enhance collection of revenue from service debtors	- Profile consumers as per payment classification, eg. Regular payer, defaulter & non-payer. - Intensify collection from defaulters through council means. - Handover file of non-payer to debt collector.	30-Jun-17	Revenue Manager	Chief Financial Officer
<b>Going concern</b>	Note 54 to the financial statements indicates that Setsoto Local Municipality has incurred a deficit of R161 020 538 (2014: R160 826 796). This matter, along with other matters as set forth in note 54, indicates the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.	Note 55 to the financial statements indicates that the municipality incurred a deficit of R126 711 817 (2015: R104 623 089). Furthermore, debtors increased from R119 034 648 to R143 184 292 and payables from R52 922 872 to R71 819 017. These conditions, along with other matters as set forth in note 55, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.	The implementation of Circular 58 pertaining the treatment of depreciation on revalued assets (CRC values) contribute to the deficit.	Forwarding a report to National Treasury for guidance.	Forwarding a report to National Treasury for guidance.	30-Jun-17	Revenue Manager	Chief Financial Officer
<b>Irregular expenditure</b>	As disclosed in note 47 to the financial statements, the municipality incurred irregular expenditure of R401 698 (2014: R74 744 136) during the year under review mainly due to non-compliance with supply chain management (SCM) requirements.	As disclosed in note 48 to the financial statements, the municipality incurred irregular expenditure of R2 188 129 (2015: R33 449 533) during the year under review, mainly due to non-compliance with supply chain management requirements.	Supply chain management requirement were not fully met.	Enhance awareness with end users that processes to be followed correctly.	Structure workshop with relevant end users on supply chain management policy and processes.	30-Jun-17	Manager SCM	Chief Financial Officer
<b>Predetermined objectives</b>								
<b>KPA 1: Infrastructure and services delivery</b>								
<b>Compliance with legislation</b>								
<b>Strategic planning and performance management</b>	The KPIs set by the municipality did not include indicators on percentage of households with access to basic levels of water, sanitation, electricity and solid waste removal, as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).	The key performance indicators set by the municipality did not include indicators on the percentage of households with access to basic levels of water, sanitation and electricity, as required by section 43(2) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and municipal planning and performance management regulation 10(a).	Non-adherence to legislative requirements	Facilitated the departments on the Municipal Planning and Performance Management Regulations of 2001	Revised the SDBIP to include the general key performance indicators as per regulation	24-Nov-16	Manager IDP & PMS	Municipal Manager
<b>Strategic planning and performance management</b>	The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46 (1)(c) of the MSA.	The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46(1)(c) of the MSA.	Improvement measure in the quarterly reports not included in the Annual Report	To ensure that department include corrective measure to improve performance in their quarterly reports	Annual Report template amended to include a table containing measures to improve performance	31-Aug-17	Manager IDP & PMS	Municipal Manager



Expenditure management	Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure, fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.	Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA.	Non-cash items relating to depreciation that escalated due to revaluation, impairment escalating due to low collection level and money not budgeted for spent on drought relief.	- Apply circular 58 on budgeting - Communicate with COGTA regarding shortfall on drought relief funding	- Review Budget Policy to include provision of circular 58 and implement accordingly. - Compile reconciliation of money spent on drought relief and what has been received and write a letter to COGTA to request the balance.	30-May-17	Chief Financial Officer	Municipal Manager
		Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA	Supply chain management requirements were not fully met.	Enhance awareness with end users that processes to be followed correctly.	Structure workshop with relevant end users on supply chain management policy and processes.	30-Jun-17	Chief Financial Officer	Municipal Manager
Leadership	The leadership did not always exercise adequate oversight responsibility over compliance with legislation and performance information as well as financial reporting, resulting in material adjustments having to be made to the financial statements submitted for auditing, due to the slow response by management in addressing internal control deficiencies reported in the prior year.	Inadequate review and monitoring by management during the preparation of the annual report on predetermined objectives resulted in material findings on predetermined objectives.	Directors were not reviewing the reports submitted by managers including the portfolio of evidence. Instances where there were non-compliance consequence management were not instituted.	Alignment of the IDP, SDBIP and quarterly reports to ensure consistency.	Reported performance indicators and target are consistent with planned performance indicator and target to ensure reliability and usefulness on performance information.	10-Apr-17	Directors	Municipal Manager
Financial and performance management	The municipality did not in all instances comply with applicable laws and regulations. No formal processes were in place to monitor compliance with legislation, which resulted in the number of reported non-compliance issues. Consequences for non-compliance with laws and regulations were inadequate.	Formal processes to ensure compliance with key legislation did not prevent non-compliance with laws and regulations in certain cases. Consequences management was not adequate in these instances.	Supervisory oversight.	Strict adherence to regulatory requirement	Compliance with legislation forms part of the Council Resolution for that particular item.	07-Mar-17	Directors	Municipal Manager

## REMEDIAL ACTION PLAN TOWARD 2014/15 MANAGEMENT REPORT : SETSOTO LOCAL MUNICIPALITY

SETSOTO LOCAL MUNICIPALITY - ACTION PLAN ON MANAGEMENT REPORT										
No	Exception No		Audit Findings for the financial year ended 30 June 2015	Audit Findings for the financial year ended 30 June 2016	Root cause	Remedial Actions		Completion date	Responsible Manager	Responsible Head of Department
						Intervention to correct	Action			
<b>QUALIFICATION MATTERS (MATTERS OF EMPHASIS)</b>										
1	EX.71	Assets	C18: PPE: Depreciation: Reconciliation between FAR and AFS	Immovable assets: Differences in Depreciation (CoA 71)	Missing information in the new Munsoft Asset register that resulted in the incorrect depreciation expenses calculation.	Monthly review information that is used to calculate correct depreciation on the monthly basis	Monthly depreciation reconciliation with regard to expected useful life, date of acquisition, and residual value	30/6/2017/ on-going process	Manager Asset	Chief Financial Officer
2	EX.45		C18: PPE: Zero balance assets in active use	Investment Property: Zero value reflecting an "active" status (CoA 45)	Incorrect Accounting standard treatment that has led to impairment of assets instead of assets write-off.	Review asset register regularly	Investigate and perform condition assessment of assets item that has zero balances and compile a list of assets to be written off.	31/01/2017	Manager Asset	Chief Financial Officer
3	EX.63		C4: Investment property- Incorrect description	Investment property RDP properties re-classified and property with no intention (CoA 63)	Missunderstanding between Management and Auditor-General on the interpretation of GRAP 17.	Reclassification of PPE items into Investment Property items.	Adjusted AFS and FAR for the reclassification	30/11/2016	Manager Asset	Chief Financial Officer
4	EX.81		C17: Investment - Reconciliations not performed on a monthly basis	Fixed assets: Items in the FAR with no value details and a negative value (CoA 81)	During conversion the assets were captured as parent assets instead of component item, thus result in assets item with no value (i.e for example soccer pitch at Meqheleng stadium has been captured as parent asset instead of component of the stadium).	Review asset register to reflect assets description correctly.	- Compile list of assets with facility name and location under which components could be identified. - Reload the corrected information in the Munsoft Asset register.	31/01/2017	Manager Asset	Chief Financial Officer
5	EX.88		C16: PPE: Understatement of Infrastructure Fixed Asset Register	Assets with a carrying amount with a R1 value or less which are still useable which will imply that the useful lives, residual values and depreciation methods were not assessed at the reporting date of 30 June 2016. (CoA 88)	Missunderstanding between Management and Auditor-General on the interpretation of GRAP 17.	Certification of revised/reviewed useful life, residual value of the assets	- Develop the assets template to confirm the review of all assets estimated useful life, and residual value as at year end 30/6/2017. - Complete the based on condition of all assets assessed and certificate to be approved by CFO to confirm whether not to extent the useful life and residual value.	On going process/30/6/2017	Manager Asset	Chief Financial Officer
6	EX.67		None.	PPE: No authorisation for disposals by Council (CoA 67)	Political transition	Submit report for approval by council before actual write-off is effected.	Submission of condonation of assets write off reports. Furthermore, in future the assets write off will be reviewed on the half-yearly basis.	On going process/30/6/2017	Manager Asset	Chief Financial Officer
<b>Current assets</b>										
7	EX.74	Current assets	None.	SARS assessment not captured into the system (CoA 74)	SARS assesment not timeously done and completed	Complete assesment timeously	To capture assesment on Munsoft system	30-Jun-17	Manager Budget & FR	Chief Financial Officer
8	EX.74		None.	Overstatement of VAT receivables(asset). No supporting documentation could be provide supporting of a VAT receivable (CoA 74)	Inconsistent interpretation by AGSA of VAT treatment resulting in adjustment in AFS 2012 and then in 2016	Corrected in AFS 2016.	No action required because there is no likelihood for re-occurrence.	30-Jun-17	Manager Budget & FR	Chief Financial Officer
9	EX.19		None.	The amount of R311 601 was levied as per the levied reports on the accounts and as per the age analysis the receivable for these accounts are R575 547.(Overstated) (CoA 19)	Lack of information to update site transfers from municipality to individual consumers.	Effective Interdepartmental communication.	Meeting to be held with Housing section to update record.	30-Jun-17	Manager Budget & FR	Chief Financial Officer
10	EX.66		None.	Contingent asset not disclosed (CoA 66)	Contingent assets included in Contingent liability register	Review at year end	Obtain contingency register and verify individual transaction to confirm the correct disclosure	01-Aug-17	Manager Budget & FR	Chief Financial Officer

11	Ex. 74)	Current Liabilities	VAT payable(ISS:74)	Understatement of VAT liability due to not providing VAT using the payment basis <b>(CoA 74)</b>	Inconsistent interpretation by AGSA of VAT treatment resulting in adjustment in AFS 2012 and then in 2016	Corrected in AFS 2016.	No action required because there is no likelihood for re-occurrence.	30-Jun-17	Manager Budget & FR	Chief Financial Officer
12	Ex.85)		Trade and other payables(salary control account) (ISS:85)	Differences between VIP and the GL, duplicated amounts for the EPWP journals posted twice <b>(CoA 85)</b>	Non reconciliation of VIP with Munsoft system	Quarterly reconciliations between VIP and Munsoft system.	To do quaterly reconciliations between VIP and Munsoft system.	30-Jun-17	Manager Budget & FR	Chief Financial Officer
13	Ex. 57		Trade and other payables (ISS:57)	Trade payables incorrectly classified as other payables <b>(CoA 57)</b>	Interpretation difference of accounts assigned as other creditors.	Corrected during audit. Caseware mapping corrected.	No action required because Caseware mapping would not re-occur	30-Jun-17	Manager Budget & FR	Chief Financial Officer
14	Ex. 84		None.	VAT: VAT Returns not submitted on time resulting interest charged <b>(CoA 84)</b>	Some of the returns were completed but withheld awaiting SARS to complete audits.	Comply with prescribed timeline	Ensure that returns are completed and submitted monthly and on time	30-Jun-17	Manager Budget & FR	Chief Financial Officer
15	Ex.15	Revenue	None.	Donation income overstated in the AFS <b>(CoA 15)</b>	Assets intended to be donated to the municipality were recorded in the asset register.	Develop procedures for handling assets recordal	Implement the procedures and make follow-up of any outstanding document required to complete recording.	30-Jun-17	Manager Asset	Chief Financial Officer
16	Ex.3		None.	Final: Other Income: 40% Post Retirement Contribution not recovered <b>(CoA 3)</b>	Credit control not implemented to enforce payment	Apply credit control policy	- Communicate with HR division to inform the former employee about the default in payment and the intention by the municipality to terminate the benefit if the debt remained unsettled. - Handover the account for collection	31-Mar-17	Revenue Manager	Chief Financial Officer
17	EX.85	Expenditure	None.	Differences between VIP and the GL <b>(CoA 85)</b>	Non reconciliation of VIP with Munsoft system	Quarterly reconciliations between VIP and Munsoft system.	To do quaterly reconciliations between VIP and Munsoft system.	30-Jun-17	Manager Payroll	Chief Financial Officer
18	EX.71		None.	Depreciation understated for PPE, Intangible assets and investment property <b>(CoA 71)</b>	Missing information in the new Munsoft Asset register that resulted in the incorrect depreciation expenses calculation.	Monthly review information that is used to calculate correct depreciation on the monthly basis	Monthly depreciation reconciliation with regard to expected useful life, date of acquisition, and residual value	30-Jun-17	Manager Budget & FR	Chief Financial Officer
19	Ex. 81		C14: Unauthorised expenditure: Unauthorised Expenditure not disclosed	Unauthorised expenditure incorrectly disclosed in the financial statements as written off. <b>(CoA 81)</b>	Council did not approve the unauthorize register as requested	Timeous submission of unauthorize register	Submission of unauthorise register	30-Jul-17	Manager Budget & FS	Chief Financial Officer
20	EX.60		C12: Cash flow statement findings	Differences identified in the cash flow statement <b>(CoA 60)</b>	Different methods applied	Correct during audit	Review at year end	01-Aug-17	Manager Budget & FS	Chief Financial Officer
21	EX.14		None.	Contingent asset not disclosed <b>(CoA 14)</b>	Assets and liabilities were not seperated in the register	The register made provision for assets and liabilities	The register was corrected and submitted to AG and we are now reporting in terms of the correct register.	31-Oct-16	Manager Legal	Director Corporate Service
22	EX.9		High level overview of Generally Recognised Accounting Practice	AFS – Deficiencies on accounting policies and other disclosure notes identified during the high level review of the AFS <b>(CoA 9)</b>	Reviewing of AFS at year end	Reviewing of AFS at year end	Reviewing of AFS at year end	01-Aug-17	Manager Budget & FS	Chief Financial Officer
23	EX. 93		C17: Quarterly reports for budget for 3rd and 4th quarter were not submitted as required by section 52(d)	Budgets: Non-compliance with section 52(d) and section 71(1) of the MFMA <b>(CoA 93)</b>	Non submission of reports	Programe to ensure timeous submission of reports	Proper year planning to submit reports	31-Dec-16	Manager Budget & FS	Chief Financial Officer

24	EX.10	Cash and cash equivalents	C1: Cash and bank - Bank reconciliations not performed and reviewed on a monthly basis	Final: Cash and Cash Equivalents - Bank reconciliations were not done and reviewed on a monthly basis (CoA 10)	Vacant position of bank recon clerk contribut that bankrecon not done on monthly basis	Position to be filled permanently	Request submitted to fill vacant post	30-Jun-17	Manager Budget & FS	Chief Financial Officer
25	Ex.60		None.	Cash and cash equivalents - Cash book balance as per financial statements doesn't agree with bank reconciliation (CoA 60)	Oversight not done	Corrected during the audit	Implement oversight at year end. Review of AFS	01-Aug-17	Manager Budget & FS	Manager Budget & FS
26	Ex.79		None.	Cash and cash equivalents : A register for returned cheques is not kept (CoA 79)	No register for returned cheques in place	Introduce a register	Develop a register template and implement	31-Jan-17	Manager Budget & FS	Manager Budget & FS
27		Commitments	None.	Subsequent event: No formal policy or procedure regarding subsequent event (CoA 96)	Accounting policy used and no specific policy is in place	Drafting of policy	Policy to be drafted and submitted for approval	30-Jun-17	Manager Budget & FS	Manager Budget & FS
28	EX.19	Employee Related Costs	C3: Annual Leave: Leave applied for and approved after leave was taken	Employee Cost: Annual leave applied for and approved after leave was taken (CoA 92)	An investigation will be done and each case will be highlighted. The practical implementation of the leave applied and the approval thereof will be corrected.	The procedures will be investigated and the practical implementation will be recommended as a working plan.	Implementation of a new working plan to ensure correctness.	31 January 2017	Manager Payroll	Director Corporate Service
29	EX.29		None.	Employee related costs: High vacancy rate(Overall and finance department) (CoA 43)	The process was never thoroughly discussed with the Supervisors and Managers for the verification of qualifications for those already employed. - HR Manual did not specify how the verification should be conducted during the recruitment process.	- New verification-tool (form) was developed by Corporate Services Department. - HR Manual is currently under-review.	- Train the Managers and Supervisors to complete the verification of qualification forms and implement new recruitment policy as per HR Manual	30 June 2017	Manager Human Resource	Director Corporate Service
30	EX.72		None.	Employee related costs: Information relating to terminations not submitted(Scope limitation) (CoA 72)	Irregular updating of personnel files. Payroll also does not file documents in separate file.	This procedure should be corrected and implemented	Implementation of a terminations procedure check list with all relevant documents attach after completion and processing and copy of documents must be resubmitted to HR for filing. A specific file for terminations will also be maintained by Payroll.	31 January 2017	Manager Payroll	Director Corporate Service
31	EX.73		None.	Employee related cost: Monthly reconciliations between the payroll system and the financial system (CoA 73)	With the new SCOA impementation the reconciliation become a new challenge. This will be discussed with VIP administrators and implemented as soon as possible.	The new procedures will be discussed with VIP administrators and the new procedure will be implemented.	Implementation of the new procedure to ensure monthly reconciliations between payroll and the financial system.	31 January 2017	Manager Payroll	Director Corporate Service
32	EX.29		None.	Final: Internal Control: Organogram not updated on regular basis (CoA 29)	No comparison between initial organogram reflecting filled posts and the reconciliation with vacant posts.	The Organogram should be reviewed and reconciled annually	The Organogram is currently under review and reconciliation will be done once approved.	30 June 2017	Manager Human Resource	Director Corporate Service
33	Ex.68	Legislative Requirements	None.	Compliance: Section 32(4) reports not submitted to COGTA and Auditor General (CoA 68)	Supervisory oversight	Put in place process work flow	Develop and Implement process work flow detailing step by step on how handle the expenditure in term of section 32 of the MFMA.	31-Mar-17	Manager Expenditure	Municipal Manager
34	Ex.95		C20: Compliance: Disciplinary board for financial misconduct.	C20: Compliance: Disciplinary board for financial misconduct. (CoA 95)	-Expiry of the SALGBC Disciplinary Procedure and Code Collective Agreement. -Non- appointment of the Labour Relations Officer.	Implementation of Schedule 2 of Municipal System Act act Schedule 8 of Labour Relations Act.	-Appointment of the Labour Relations Officer to facilitate (establishment of Disciplinary board) Establishment of Disciplinary Committee as per applicable legislations.	30 June 2017	Manager HR Development	Director Corporate Service
35	EX.106		C19: Fraud hotline not effective	Final: Compliance: Fraud hotline allegations were not investigated (CoA 1)	Anti-fraud committee was not established.	To establish Anti-fraud committee .	CoGTA seconded an official to serve on the committee and management to appoint additional members to serve in that committee.	30-Jun-17	MM's Office	Municipal Manager
36	EX.38		None.	Non-Compliance: Support to Local Government (CoA 38)	Support was not requested.	Request support on highlighted areas i.e Municipal Infrastructure	Requested confirmation for support from Municipal Infrastructure Support Agency, CoGTA and National Treasury	30-Jun-17	MM's Office	Municipal Manager

37	EX.25	None.	Procurement: Deviations for procurement between R2 000 - R10 000 not valid (CoA 25)	Short notice of request for goods by end user and not all suppliers respond to the request for quotation	Review the policy	- Look at policy provision regarding request for three quotation. - Finalise a tender for as and when procurement to address urgent and repeating items.	30-Jun-17	Manager SCM	Chief Financial Officer
38	EX.20	C11: Procurement and contract management: Deficiencies identified through testing procurement (Payments R10' - R30')	Procurement: Deficiencies identified in Contract register (CoA 20)	Municipality maintain a contract register	Review the contract register	- Align contract register by adding all the contracted suppliers including those for infrastructure projects. - Add all necessary information such as the prices and dates	31-May-17	Manager SCM	Chief Financial Officer
39	Ex.27	None.	Final: Procurement: Deviations not reported to council (CoA 27)	There was shortcoming in the process for identification and reporting of deviations	Review the workflow process	- Develop and finalize SCM procedures manual and workflow charts. - Monitor implementation of the SCM procedures and report any deficiencies.	30-Apr-17	Manager SCM	Chief Financial Officer
40	Ex.39	None.	Procurement: Deviations not reported to council (R30 000 - R200 000) (CoA 39)	There was shortcoming in the process for identification and reporting of deviations	Review the workflow process	- Develop and finalize SCM procedures manual and workflow charts. - Monitor implementation of the SCM procedures and report any deficiencies.	30-Apr-17	Manager SCM	Chief Financial Officer
41	EX.37	C11: Procurement and Contract Management: Deficiencies Identified (R30 000 - R200 000)	Procurement: Deficiencies in evaluation criterion for R30 000 - R200 000 (CoA 37)	Human error when using previously developed advert	Apply correct advert template	Monitor the implementation of the standard advert that has been developed for the tenders where no functionality applies	30-Jun-17	Manager SCM	Chief Financial Officer
42	EX.32	C13: Procurement and Contract Management: Lack of Skills Transfer Between Consultants and Municipal Employees	Final: Procurement: No analysis prepared for the extent of use of consultants (CoA 32)	The analysis done but not in accordance with the prescription and it was not document	Comply with National Treasury Instruction 01 2013/2014	- Customise the guidelines by drafting a template for conducting analysis - Communicate to all end users the requirement for conducting analysis	30-Jun-17	Chief Financial Officer	Municipal Manager
43	EX.41	C12: Procurement and Contract Management: Deficiencies Identified in Contract Register	Final: Procurement and Contract Management: Deficiencies Identified in Contract Register (CoA 41)	There was computer error on the consolidation of the register	Review the deviations register	Ensure quality control by reviewing the deviations register in order to eliminate any possible errors	30-Jun-17	Manager SCM	Chief Financial Officer
44	Ex.42	C5: Expenditure - Three quotations not obtained	Procurement: Deviations from competitive bidding not reported to council (CoA 42)	There was shortcoming in the process for identification and reporting of deviations	Review the workflow process	- Develop and finalize SCM procedures manual and workflow charts. - Monitor implementation of the SCM procedures and report any deficiencies.	30-Apr-17	Manager SCM	Chief Financial Officer
45	EX.50	C10: Procurement and contract management: Irregular expenditure identified through testing of competitive bidding process	Procurement: Deficiencies identified in the tender process (CoA 50)	MBD4 was error omitted from the bid document	Develop checklist for responsiveness	Implement checklist for responsiveness when compiling the bid document.	31-Mar-17	Manager SCM	Chief Financial Officer
46	Ex.22	C10: Procurement and contract management: Invalid deviation for competitive bidding process	Final: Procurement: Bids not recorded on municipal website (CoA 22)	There was an oversight	Review the workflow process	- Develop and finalize SCM procedures manual and workflow charts. - Monitor implementation of the SCM procedures and report any deficiencies.	30-Apr-17	Manager SCM	Chief Financial Officer
47	EX.33	None.	Procurement: Reasons for amendments to contract not tabled to council (CoA 33)	There was an oversight	Monitor the compliance with legislation	Ensure that SCM requirements are followed were any change on existing contract has to be effected	30-Jun-17	Manager SCM	Chief Financial Officer
48	EX.44	None	Procurement: Deviation from competitive bidding not reported to council (CoA 44)	There was shortcoming in the process for identification and reporting of deviations	Review the workflow process	- Develop and finalize SCM procedures manual and workflow charts. - Monitor implementation of the SCM procedures and report any deficiencies.	30-Apr-17	Manager SCM	Chief Financial Officer

Procurement and contract management

49	Ex.51		None.	Procurement: Deviation not reported to Council <b>(CoA 51)</b>	There was shortcoming in the process for identification and reporting of deviations	Review the workflow process	- Develop and finalize SCM procedures manual and workflow charts. - Monitor implementation of the SCM procedures and report any deficiencies.	30-Apr-17	Manager SCM	Chief Financial Officer	
50	Ex.78		None,	Internal Control: No standard procedure for purchase of laptops <b>(CoA 78)</b>	Municipality did not have standard operating procedures	Develop SOP	Draft and implement SOP to include thresholds of values for levels of staff.	30-Apr-17	Manager IT	Chief Financial Officer	
51	Ex.53		None.	Procurement: Expenditure exceeds contract amount <b>(CoA 53)</b>	Short notice of request for goods by end user and not all suppliers respond to the request for quotation	Review the policy	Finalise a tender for as and when procurement to address urgent and repeating items.	30-Jun-17	Manager SCM	Chief Financial Officer	
52	Ex.83		None	Procurement: AO report not submitted to council within 30 days after year-end <b>(CoA 83)</b>	The report was not submitted to Council separately but formed part PMS report	Comply with regulations	The report that is prepared and submitted to PMS division would also be submitted to Council	30-Jun-17	Manager SCM	Chief Financial Officer	
53	EX.4	Internal Controls	C1: Human Resource Management- No performance management system in place	Final: HR management: No performance appraisal system in place <b>(CoA 1)</b>	Performance appraisal system has not yet been implemented.	Performance appraisal system to be fully cascaded to all employees by 30 June 2017	The system has been cascaded up to the supervisory level whose appraisal reports will be pull through live from the e-pms.	15-Feb-17	Manager IDP & PMS	Municipal Manager	
54	EX.26		Final: C5: Internal control: Policies not updated	Final: Internal Control: Policies not updated <b>(CoA 26)</b>	The delay in the adoption of the Human Resources Manual was delayed due to non-sitting of council.  Stakeholders took long time to make inputs as Committee were dissolved due to the term of the previous Council ended in August and prior to that Committee that are stakeholders. Institution Policy Matrix responded to but not implemented.	Institution have already kick-started the process of reviewing the Human Resources Policy Manual. In respect of all other policies the matrix will again be circulated and updated.	Revised policy Manual to be adopted by council. Updating of Policy Matrix and submitting of Item to Council for repeal of policies no longer applicable.	30 June 2017	Director Corporate Service	Municipal Manager	
55	EX.13		C4: Procurement and Contract Management: SCM Manager Position Vacant	Employee related costs: SCM Manager position vacant <b>(CoA 13)</b>	The position was vacant for a long time and was only filled in February 2016. The initial person appointed did not accept and the process was delayed.	Due to difficulty in finding suitable candidates the SCM position was Headhunted.	None as appointment has been done.	01-Feb-16	Director Corporate Service	Municipal Manager	
56	EX.16	Inventory	C2: Inventory - Slow moving and obsolete items	Final: Inventory: No standard operating process in place to identify slow moving items <b>(CoA 16)</b>	Municipality didn't have stores management policy and procedures	Finalize stores management policy & procedures	Ensure approval of a draft policy and procedures on stores management and implement accordingly	31-Mar-17	Manager SCM	Chief Financial Officer	
57	EX.31	Expenditure Management	:C5: Expenditure: Payment were not made within 30 days after receipts	Final: Expenditure: Payment not made within 30 days <b>(CoA 31)</b>	Invoices submitted by end users with incomplete supporting documents.	Strengthen internal control	Develop and implement checklist to verify and accept invoices & their supporting documents	Daily	Expenditure Manager	Chief Financial Officer	
58	EX.12	C13: Trade payables - Overstated owing to Unidentified Deposits	Trade payables - Overstated owing to Unidentified Deposits <b>(CoA 12)</b>	Insufficient information received from depositor to allocate payment	Draft policy	Draft policy to treat unidentified deposits	30-Jun-17	Manager Budget & FR	Chief Financial Officer		
59	EX.56	None.	Expenditure: Payment made for goods not delivered and incorrect classification <b>(CoA 56)</b>	- No checklist to confirm that all necessary supporting document are submitted with the invoice for payment -Failure to verify purchase request and make correction of the vote number	Comply with SCM policy and regulations	- Ensure that delivery note is part of document submitted to support invoices of which payment has to be effected. - Verify vote number used by end users to request purchase of goods and make necessary correction before finalizing procurement process.	30-Jun-17	Manager: SCM	Chief Financial Officer		

60	EX.55		C5: Expenditure: Payment were not made within 30 days after receipts	Trade and other payables: Suppliers not paid within 30 days (compliance) (CoA 55)	Cash flow constraints towards the end of financial year.	Strengthen internal control	Update cash flow projections & advise management restrict procurement to critical supplies.	Monthly	Manager: Expenditure	Chief Financial Officer	
61	EX.91		None.	Trade and other payables: Suppliers reconciliations not regularly performed and not reviewed by senior person (CoA 91)	Creditors' reconciliation template document did not provided for signatures	Review review reconciliation template to include signatures	To implement the reviewed reconciliation template document	Monthly	Manager: Expenditure	Chief Financial Officer	
			<b>Revenue Management</b>								
62	EX.19	Revenue Management	C1: Trade and Receivables- Debtors registered in Municipality's Account	Final: Receivables: Debtor Accounts registered in the Municipality's Name (CoA 19)	Lack of information to update site transfers from municipality to individual consumers.	Effective Inter-departmental communication.	Meeting to be held with Housing section to update record.	30-Jun-17	Revenue Manager	Chief Financial Officer	
63	EX.4		C1: Revenue - Service charges: Domestic water meters not linked to debtor accounts.	Final: Receivables: Debt Collection Process not implemented (CoA 4)	Municipality did not have collection agent and attorneys contracted to handle long outstanding debts.	Implement credit control processes	Hand over the outstanding debtors file to the contracted debt collection agent and monitor on monthly basis implement thereof.	30-Jun-17	Revenue Manager	Chief Financial Officer	
64	EX.69		C5: Receivables: Services not cut after accounts be outstanding for more than 90 days	Receivables: Services not cut off after accounts are outstanding for more than 90 days (CoA 69)	Municipality does not provide electricity in all its areas of jurisdiction and making it difficult to apply credit policy as such electricity service is the only one that could be discontinued or terminated.	Implement handover provision of credit control policy	Hand over the outstanding debtors file to the contracted debt collection agent and monitor on monthly basis implement thereof.	30-Jun-17	Revenue Manager	Chief Financial Officer	
65	EX.24		Final: C6: Indigent debtors: Outstanding balances on the Tax Invoice/Statement	Services charges: No procedure in place to physically obtain at least one meter reading per year (CoA 24)	The old credit control and debt collection policy of the municipality didn't make provision to do verification.	Implement reviewed credit control and debt collection policy	- Programme to be written in Munsoft to extract report of hand captured readings - Draw-up on quarterly basis a list of accounts of which meter readers would be sent to verify the readings as per the policy.	30-Jun-17	Revenue Manager	Chief Financial Officer	
66	EX.48		C14: Indigent persons in employ of the State (prior year EX.92)	Indigent persons in employ of the State (CoA 48)	Municipality requested Provincial Treasury to assist with verification of the applicants but didn't give a feedback report.	Follow-up with Provincial Treasury	Submit list of application bi-annually in January and June and make continous follow-up.	30-Jun-17	Revenue Manager	Chief Financial Officer	
			<b>Predetermined objectives:</b>								
67	EX.17	Performance Management	Final:C3: Predetermined objectives - Inconsistency between SDBIP and Annual Report	Final: Predetermined objectives: Inconsistency between the indicators and targets stated in the SDBIP and those reported in draft Annual Report (CoA 17)	Targets reported in the Annual Report not the same as the planned targets in the SDBIP	Departmental Head to ensure that the provide regular reviews on the quarterly reports to ensure that there is consistency on reported performance information against the planned performance information	Reviewed the First Quarter Report to eliminate any inconsistencies that are there and to ensure that regular reviews are done going forward	25-Jan-17	Manager IDP & PMS	Municipal Manager	
68	EX.70		Final:C7: Predetermined objectives - Evidence could not be submitted that ward committees are functional	Final:C7: Predetermined objectives - Evidence could not be submitted that ward committees are functional	The Speaker not fulfilling his oversight role on the functioning of Ward Committees	Establishment of Ward Committees as per legislative requirements during the start of the council's elected term of office	Office of the Municipal Manager to facilitate the development and approval of Ward Operational Plans and submission of quarterly reports to council with POE	31-Mar-17	Manager in the Office of the Municipal Manager	Municipal Manager	
69	EX.18		C7: Predetermined objectives - Performance information duplicated in Annual Report	Predetermined objectives: Indicators and targets duplicated in the draft Annual Report (CoA 18)	No reviews done on the annual report	Departmental Head to ensure that the provide regular reviews on the quarterly reports to ensure that there is consistency on reported performance information against the planned performance information	Review the annual report before submission to the office of the Auditor General	31-Aug-17	Manager IDP & PMS	Municipal Manager	

70	EX.36		None.	Predetermined objectives: Non-compliance with laws and regulations with regard to notice to public and resolutions with regard to the adjustment budget <b>(CoA 36)</b>	Non-compliance with laws and regulation	Developed Programme of Action with Budgeted Cost	Strict Adherence to the Programme of Action with Budgeted Costs	31-Dec-16	Manager IDP & PMS	Municipal Manager
71	EX.34		C7: Predetermined objectives - Measures taken to improve performance not indicated in Annual Report	Predetermined Objectives: Measures taken to improve performance not indicated in the Annual Report <b>(CoA 34)</b>	Improvement measure in the quarterly reports not included in the Annual Report	To ensure that department include corrective measure to improve performance in their quarterly reports	Annual Report template amended to include a table containing measures to improve performance	25-Jan-17	Manager IDP & PMS	Municipal Manager
72	EX.5		C9: Predetermined objectives - Non-compliance with laws and regulations (IDP)	Final: Predetermined objectives - Non-compliance with laws and regulations (IDP) <b>(CoA 5)</b>	Non-compliance with laws and regulation	Developed Programme of Action with Budgeted Cost	Strict Adherence to the Programme of Action with Budgeted Costs	31-Dec-16	Manager IDP & PMS	Municipal Manager
73		Information Technology	There are no processes in place to periodically review whether employees' access and privileges assigned on the Munsoft and VIP system are required to perform their job functions.	Inadequate processing of reviewing access rights to Munsoft and VIP applications	Managers and Supervisors not reviewing their subordinates access on the system.	Managers and Supervisors must annually review their subordinates access to the Munsoft & VIP Payroll Software.	Managers and Supervisors must review their subordinates functions on the system and indicate and sign off if any changes are to be made to their access using the Review of User Privilege Form.	30 June 2017	IT Specialist / All Managers and Supervisors	Municipal Manager
74			The activities (user creation, user ID maintenance and allocation of functions) of persons with controller/admin privileges on the Active Directory, Munsoft and VIP are not monitored by management.	Inadequate monitoring of activities performed with administrator rights on the active directory and applications	No formal process in place or software to monitor activities on the server.	Setup an Administration Software to Track Activities and Complete Administrator Completion Form.	When performing administrator activities on the Active Directory, a print screen of the activities performed will be attached to the sign off form for administrator functions performed. An Administration software is loaded on the Domain Controller to track any activities that are performed on the server.	31-Jan-17	IT Specialist	Municipal Manager
75			Lack of a formally designed policy or standard to govern electronic fund transfers	Lack of a formally designed policy or standard to govern electronic fund transfers	Lack of formal procedure document.	Put in place procedure relating to dealing with electronic fund transfers	Adopt the procedure document developed and implement accordingly.	28 February 2017.	CFO	Municipal Manager



## Glossary

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

## Glossary

<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMS performance standards are divided into indicators and the time factor.
<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <ul style="list-style-type: none"> <li>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</li> <li>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</li> </ul>

## Appendices

### Appendix A-Councillors; Committee Allocation and Council Attendance

Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance %	Percentage Apologies for non-attendance %
Cllr. T. Jakobo	FT	Mayor: EXCO (Chairperson)	Ward	90,9%	9,1%
Cllr. P. Mohlomi	FT	Speaker: Chairperson	ANC	81,8%	18,2%
Cllr T Makhanyane	PT	Infrastructure (Chairperson) and EXCO (Member)	Ward	100,0%	0,0%
Cllr K E Kolane	PT	Finance (Chairperson) and EXCO (Member)	Ward	90,9%	9,1%
Cllr. T. Makae	PT	Community Services and Social Development (Chairperson) and Exco (Member)	Ward	90,9%	9,1%
Cllr M Mahlangu	PT	Admin and Human Resources (Chairperson) and EXCO (Member)	ANC	90,9%	0,0%
Cllr L Mthimkhulu	PT	Urban Planning and Housing (Chairperson) and EXCO (Member)	Ward	90,9%	9,1%
Cllr E P Strydom	PT	Finance (Member) and EXCO (Member)	DA	72,7%	27,3%
Cllr. M. Mothibeli	PT	Urban Planning and Housing (Member)	Ward	81,8%	18,2%
Cllr. L. Mohapi	PT	Infrastructure (Member)	Ward	100,0%	0,0%
Cllr. K. Mokhuoane	PT	Urban Planning and Housing (Member)	Ward	72,7%	18,2%
Cllr. M. Motsei	PT	Community Services and Social Development (Member)	Ward	100,0%	0,0%
Cllr. M. Selasi	PT	Finance (Member)	Ward	100,0%	0,0%
Cllr. Mabeleng	PT	Infrastructure (Member)	Ward	90,9%	9,1%
Cllr. M. Nakasi	PT	Infrastructure (Member)	Ward	100,0%	0,0%
Cllr. H. Bath	PT	Admin and Human Resources (Member)	Ward	81,8%	18,2%
Cllr. Hlakane	PT	Urban Planning and Housing (Member)	Ward	90,9%	9,1%
Cllr. M. Thamae	PT	Community Services and Social Development (Member)	Ward	90,9%	9,1%
Cllr. V. Mohala	PT	MPAC (Member)	Ward	100,0%	0,0%
Cllr. L. Kere	PT	Community Services and Social Development (Member)	Ward	81,8%	18,2%
Cllr. P. Mavaleliso	PT	Admin and Human Resources (Member)	Ward	90,9%	9,1%
Cllr. M. Maduna	PT	MPAC (Member)	ANC	36,4%	45,5%
Cllr. M. Semahla	PT	MPAC (Member)	ANC	81,8%	18,2%
Cllr. M. Maphisa	PT	Admin and Human Resources (Member)	ANC	72,7%	27,3%
Cllr. T. Muso	PT	Finance (Member)	ANC	90,9%	9,1%
Cllr. T. Tsolo	PT	MPAC (Chairperson)	ANC	81,8%	18,2%
Cllr. T. Malebo	PT	Finance (Member)	ANC	100,0%	0,0%
Cllr. Fuso	PT	MPAC (Member)	ANC	72,7%	27,3%
Cllr. Raboroko	PT	Urban Planning and Housing (Member)	COPE	45,5%	27,3%
Cllr. Mohase	PT	MPAC (Member)	COPE	72,7%	18,2%
Cllr. Setai	PT	Admin and Human Resources (Member)	DA	40,0%	40,0%
Cllr. Marwick	PT	MPAC (Member)	DA	36,4%	54,5%
Cllr. Du Toit	PT	Infrastructure (Member)	DA	72,7%	27,3%
Cllr. Lubbe	PT	MPAC (Member)	DA	45,5%	54,5%
Cllr. Bester	PT	MPAC (Member)	VF	45,5%	36,4%

## Appendix B-Committee and Committee Purposes

<b>Municipal Committees</b>	<b>Purpose of Committee</b>
<b>Section 79 Committees</b>	
Municipal Audit and Performance Management Audit Committee	To report to Council on issues of Audit and Performance Management
MPAC (Municipal Public Accounts Committee)	To investigate Audit Opinions and Outcomes in the Annual Report and prepare oversight report to Council. Also to investigate and recommend to Council on Irregular Expenditure.
Risk Management Committee	To report to Council on issues of Risk Management
IDP Steering Committee	To lead the IDP process
<b>Section 80 Committees</b>	
Finance Committee	Portfolio Committee with Chairperson as Member of Exco.
Infrastructure Committee	Portfolio Committee with Chairperson as Member of Exco.
Community Services and Social Development Committee	Portfolio Committee with Chairperson as Member of Exco.
Urban Planning and Housing Committee	Portfolio Committee with Chairperson as Member of Exco.
Admin & Human Resource Committee	Portfolio Committee with Chairperson as Member of Exco.
<b>Internal Committees</b>	
Bid Specification Committees	To develop Terms of Reference and Specifications for Bids – Appointment subject to need by MM. This is not a fixed committee.
Bid Evaluation Committees	To evaluation Bids in line with SCM requirements – Appointment subject to need by MM. This is not a fixed committee.
Bid Adjudication Committee	To adjudicate the Bid Evaluation Reports and either appoint or recommend to MM for appointment in line with Delegations and SCM requirements. Appointment subject to need by MM. This is not a fixed committee.
Assets & Liability Committee	This committee was established as an internal committee to consider the irregular expenditure based on the deviations and recommend for condonement or further investigation to MPAC and/or Council.
Assets Disposal Committee	To consider reports relating to obsolete assets and disposals
Local Labour Forum	To deal with all issues affecting labour within the Municipality.
Training & Employment Equity Committee	To consider the issues of Annual Training Report, Skills Development Plan and Trainings as well as the Employment Equity Programme.
IT Steering Committee	To discuss and be accountable for the municipality's ICT environment and ensure that ICT conforms to legislation

## Appendix C-Third Tier Administrative Structure

Directorate	Director/Manager (State title and name)
Corporate Services	Director Corporate Services : Mr T P Masejane
	Manager : Admin & Support Service : Me S Z Mihailescu
	Manager : Legal Services : Mrs A Mokoena
	Manager : Human Resource Management : B L Mokoena
	Manager : Human Resource Development : Mr S Skosana
	Manager : Payroll Administration : Mr J D Potgieter Acting Manager : Payroll Administration : Me A Pieters
	Fleet Management Assistant : Fleet Management : Mr M C Lebone
Municipal Manager's Office	Chief Audit Executive: Ms Lebeko S D
	IDP Manager: Mr Makhele M S
Engineering Service	Manager PMU: Mr Kunene S
	Manager Roads and Storm Water: Mr Moreki L
	Manager Bulk Water and Sewer: Mr Koalane J
	Manager Water and Sewer-Operations: Mr Mokhethoa T
	Acting Manager Planning and Property Management: Ms Nemetende U
	Manager Electricity: Mr De Villiers W
Treasury Services	Manager Assets Management: Mr Tshikundi T
	Manager revenue Management: Mr Viljoen F
	Manager Expenditure Management: Mrs Marx M
	Manager Supply Chain Management: Mr Lynch J
	Manager Budget and Financial Reporting: Mr Mr Van Tonder N
Development Planning and Social Security	Acting Manager Public Safety and Security: Mr Lebajoa G
	Manager Waste: Mr Van der Merwe L
	Manager LED: Mr Fokane E

## Appendix D-Functions of the Municipality

See Chapter 1

## Appendix E-Ward Reporting

### 1. Ward Committee Information

The above information is herewith attached to as Annexure 1.

### 2. Purposes of Ward Committees

Subject to the provisions of the Free State Provincial Guidelines on the Establishment and functions of the Ward Committees:

- 2.1 The object of the ward committees is to enhance participatory democracy in Local Government;
- 2.2 Ward Committees are therefore entitled to make recommendations on any matter affecting its ward to the ward councilor; or through the ward councilor to the Speaker; the executive committee; the mayoral committee; the mayor/ executive mayor and the local council;
- 2.3 Subject to the provisions of section 59 of the Municipal Systems Act of 2000, a ward committee must have such duties and responsibilities as may be delegated to it by the local council;
- 2.4 Furthermore; they must assist the ward councilor in identifying conditions, challenges and the needs of residents;
- 2.5 They must spread information in the ward concerning municipal affairs such as budget, community based planning , integrated development planning , service delivery improvement plan and municipal properties;
- 2.6 Most importantly, to receive queries and complaints from ward residents concerning municipal service delivery , communicate it to municipal council and provide feedback to the community on the councils response;
- 2.7 In the nutshell; to ensure consultative and harmonious interaction between the municipality and community through the use and coordination of ward residents meetings and other community development forums.

#### 2.1.2 Functionality and Non Functionality of Ward Committees

##### Ward 01: Cllr. Moselantja Mothibeli

It was functional and reports of ward committees and those of ward meetings were submitted. This ward was enjoying services of a Community Development worker and the National Rural Youth Service Corps.

##### Ward 02: Cllr. D. Mohapi

This ward was dysfunctional because ward committee and ward meetings were not held and the relationship between the councilor and her ward members were not good. The position of the Community Development worker is still vacant but was privileged to have services of the National Rural Youth Service Corps. Reports were not submitted in this ward.

##### Ward 03: Cllr. M. Mthimkhulu

The ward was functional despite its ward committee members residing in scattered areas of the ward and also being a farm based ward. The reports were submitted and meetings were held though the relationship between the ward councilor and the community development worker were not good.

##### Ward 04: Cllr. Krog Mokhuoane

The ward was partially functional, reports not constantly submitted because few members of the ward committee members were in hostile elation with the ward councilor. The office of the Speaker has on several occasions intervened just to remedy the situation and the matter was also brought to the attention of the department of Corporate Governance and Traditional Affairs. The services of the Community Development Worker were not visible and also not working in close collaboration with the councilor and ward committee members.

### **Ward 05: Cllr. M. Motsei**

The ward was not functional and the relations between the ward councilor and the ward committees were not good. However, the presence of the community development worker in this ward contributed positively to improve good working relations between the ward councilor and the ward committee members. The reports were not constantly submitted and this was the only ward with few ward committee members.

### **Ward 06: Cllr. M. Selasi**

It was functional and reports were submitted. Relations between the ward councilor and ward committee members as well as the community development worker were in a very good standing. Reports were submitted and meetings between ward councilor and ward committee members were held which resulted into ward meetings. The relationship between the councilor and the community development worker was good.

### **Ward 07: Cllr. W. Mabeleng**

The ward was not functional and no reports were submitted since no ward committee and ward meetings were held. The relationship between the ward councilor and the ward committee members were not good but those of the ward councilor and the community development worker were good.

### **Ward 08: Cllr. T. Jakobo**

The ward was functional and reports were submitted since both ward and community meetings were held. The relations between the ward councilor and the ward committee members were good but those of the ward councilor and the community development worker were not good.

### **Ward 09: Cllr. M. Nakasi**

It was a partially functional ward since reports were not constantly submitted but the relations between the ward councilor and the ward committee members were good. However, the relations between the ward councilor and the community development worker were not in good standing.

### **Ward 10: Cllr. R. Bath**

The ward was absolutely dysfunctional, reports were not submitted and not even a single time the meeting was held between the ward councilor and the ward committee members as well as with the community members. The ward councilor did not want to involve his ward committee members in any matter concerning good governance.

### **Ward 11: Cllr. K. Koalane**

The relations between the ward councilor and ward committee members as well as the community development workers were good. However, reports were not regularly submitted though both ward committee and ward meetings were held.

### **Ward 12: Cllr. M. Hlakane**

The ward was partially functional and reports were not often submitted. The relationship between the ward councilor, ward committee members as well as the community development worker were not in good standing. This was despite regular community meetings held by the councilor who in most cases did not involve his ward committee members.

### **Ward 13: Cllr. M. Thamae**

It was very functional, reports submitted and the relationships between the councilor, ward committee members and the community development worker were in very good standing. Ward committee and ward meetings were held in this ward.



## **Ward 14: Cllr. T. Makae**

The ward was dysfunctional and no ward committee meetings were held since the relationships between the Councilor, ward committee members and the community development workers were not good. The ward councilor held constant community meetings which he did without knowledge of his ward committee members. Reports were not submitted.

## **Ward 15: Cllr. T. Makhalanyane**

It was functional and community meetings were held but ward committee meetings were not held. Reports were not constantly submitted despite friendly relations between the ward councilor, ward committee members and the community development workers. The ward committee comprised of three sections, the farms, town and township ward committee member.

## **Ward 16: Cllr.V. Mohala**

This ward was functional, reports submitted, ward committee and ward meetings were held. This was despite shaky relations between some ward committee members and the ward councilor.

## **Ward 17: Cllr. L. Kere**

The ward was partially functional, reports not regularly submitted, ward committee meetings not held and the ward meetings not regularly held. This was despite friendly relations between the ward councilor, ward committee members and the community development worker.

## **Ward 18: Cllr. P. Mavalaleliso**

It was functional, ward committee and ward meetings held. Reports were submitted and the relationship between the ward councilor and the ward committee members were in good standing. The ward did not have the community development worker.

### **3. Mayor issues ward committee system attended into during 2015 and 2016 financial year**

- 3.1 First and foremost, they have participated in both Setsoto Local municipality and Thabo Mofutsanyane District municipality's Integrated Development Planning and Budget roadshows,
- 3.2 This was followed by their presence in the National Development Plan workshop which was held in Ficksburg Town hall, in terms of which ward committee members from all four Setsoto units were in attendance,
- 3.3 Ward Committees have also played a very considerable role in the process of municipal Indigent Registrations , wherein they have assisted in the completion of forms and referring community members to various government departments to get necessary information or documents,
- 3.4 They have attended ward committee and ward meetings with their respective councilors wherein such provision was done;
- 3.5 The ward committee members have also telephonically, via their councilors or viva voce, submitted challenges relating to service delivery to the Speaker s' office,
- 3.6 Ward Committees have also joined the office of the Speaker which was working in close collaboration with the Department of Water and Sanitation in Water and Sanitation workshop;
- 3.7 The department of Road and Accident Fund have also visited Setsoto, both Ficksburg and Senekal units to conduct an awareness campaign in terms of which ward committees have played a role in disseminating an information to the community members in need of that aid;
- 3.8 The Speakers 'office in close collaboration with the department of Corporate Governance and Traditional affairs have embarked on the rollout programme in all Setsoto units to conduct a Ward Operational Plan programme with the ward committees which also went successfully;

- 3.9 The ward committees were further skilled on issues relating to Promotion and Protection of the Rights and of Cultural, Religious and Linguistic communities. The said commission is one of the Chapter 9 Institutions established by the Constitution to strengthened Constitutional Democracy in the Republic of South Africa.

## 4. Public Meetings

Nature and Purpose of the meeting	Date of events	Number of Participating Municipal Councillor's	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)	Dates and manner of feedback given to community
Ward 01 public meeting, to address issues relating to service delivery.	03 November 2015	1	1	84	Yes	By municipal website, via press, Naledi FM, councillors, ward committee members and community development workers
Ward 02 Community meeting, to afford community members an opportunity to make inputs for the development of the ward.	04 November 2015	1	1	63	Yes	By municipal website, via press, Naledi FM, councillors, ward committee members and community development workers
Ward 03 Public meeting, to get suggestions from community members on issues affecting them wherein the office of the Speaker was invited	11 October 2015	1	1	37	Yes	By municipal website, via press, Naledi FM, councillors, ward committee members and community development workers
Ward 04 public meeting, to address issues relating to service delivery	02 December	02	0	96	Yes	By municipal website, via press, Naledi FM, councillors, ward committee members and community development workers
Ward 05	03 January 2016	1	0	114	Yes	By municipal website, via press, Naledi FM, councillors, ward committee members and community development workers

## Appendices

Ward 06	16 January 2016	1	1	134	Yes	By municipal website, via press, Naledi FM, councillors, ward committee members and community development worker sand Im-bizo.
Ward 07	21 August 2015	1	0	54	Yes	By municipal website, via press, Naledi FM, councillors, ward committee members and community development worker sand Im-bizo.
Ward 08	05 January 2016	1	0	66	Yes	By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Im-bizo.
Ward 09	17 November 2015	1	0	77	Yes	By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Im-bizo.
Ward 10 Ward Committee meeting, to compile a report about door to door conducted by them together with Community Development worker	NA	0	1 Community Development worker	6	NO	By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Im-bizo.
Ward 11 Public meeting, to attend to issues relating to service delivery	17 November 2015	1	1	49	Yes	By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Im-bizo.

## Appendices

Ward 12 public meeting, to attend to issues relating to service delivery	23 January 2016	1	0	52	Yes	By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Imbizo.
Ward 13 public meeting, to attend to issues relating to service delivery	23 October 2016	2	1	89	Yes	By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Imbizo.
Ward 14, The ward councillor called the meetings without knowledge of ward committee members and community development worker.	The meetings were held without knowledge of the office of the Speaker, hence we cannot declare dates on which meetings were held. However at some instances especially on programmes held by our office, such ward committee members were invited and responded positively.	NA	NA	NA		By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Imbizo.

## Appendices

<p>Ward 15 Public meeting, responding to community needs by bringing different government departments to discuss their roles and responsibilities.</p>	<p>07 January 2015</p>	<p>01</p>	<p>01</p>	<p>64</p>	<p>Yes</p>	<p>By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Imbizo.</p> <p>By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Imbizo.</p> <p>By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Imbizo.</p>	
<p>Ward 16 Public meeting, to discuss issues relating to service delivery</p>	<p>23 November 2015</p>	<p>02</p>	<p>1</p>	<p>70</p>	<p>Yes</p>	<p>By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Imbizo.</p>	

## Appendices

Ward 17 Public meeting, to deliberate and discuss issues relating to service delivery wherein Eskom personnel was offered an opportunity to explain to the community about services rendered by Eskom.	03 August 2015	01	0	41	Yes	By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Imbizo.
Ward 18 Public meeting, to discuss issues relating to sites, home affairs, drought in close collaboration with the department of water and sanitation.	12 August 2015	1	1	90	Yes	By municipal website, via press, Setsoto FM, councillors, ward committee members and community development worker sand Imbizo.

### 5. Key benefits for the municipality and the public from the meetings held

- 5.1 Removal of bucket toilets and dumping sites will free community members from unhygienic conditions;
- 5.2 Change of ownership and offering of title deeds will assist the municipality to know people eligible for indigent and those who are supposed to pay their services;
- 5.3 Employment of people will capacitate those employed to pay for their services;
- 5.4 Installation of road signs and humps will minimize road accidents.
- 5.5 Passing of by-laws will alleviate illegal immigrants conducting their businesses illegally and using same business sites as sleeping areas;
- 5.6 The above said by-laws will also stop animals wandering in our towns and townships.

### **Appendix F-Ward information**

See attached Ward Information Report

### **Appendix G-Recommendations of the Municipal Audit and Performance Audit Committee 2015/2016**

Included in the Report as the Report of the Audit and Performance Audit Committee

### **Appendix H-Long Term Contracts and Public Private Partnerships**

None

### **Appendix I-Municipal Service Provider Performance Schedule**

None, to be rectified in the 2016/2017 financial year

### **Appendix J-Disclosures of Financial Interests**

See attached list

### **Appendix K-Revenue Collection Performance by Vote and Source**

See Annual Financial Statements

### **Appendix K (i)-Revenue Collection Performance by Vote**

See Annual Financial Statements

### **Appendix K (ii)-Revenue Collection Performance by Source**

See Annual Financial Statements

### **Appendix L-Conditional Grants Received: Excluding MIG**

See Annual Financial Statements

### **Appendix M- Capital Expenditure-New and Upgrade/Renewal Programmes**

See Annual Financial Statements

### **Appendix M (i)-Capital Expenditure-New Assets Programme**

See Annual Financial Statements

### **Appendix M (ii)-Capital Expenditure-Upgrade/Renewal Programme**

**Appendix N-Capital Programme by Project 2015/2016**

**See Annual Financial Statements**

**Appendix O-Capital Programme by Project by Ward 2015/2016**

**None**

**Appendix P-Declarations of Loans and Grants made by the Municipality**

**None**

**Appendix Q-National and Provincial Outcomes for Local Government**

**None**



## Volume II: Annual Financial Statements

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### Volume II: Annual Financial Statements

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Setsoto Local Municipality  
(Registration number Municipal demarcation code FS191)  
Financial statements  
for the year ended 30 June 2016  
Auditor-General of South Africa (AGSA)

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**General Information**

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<b>Legal form of entity</b>	A Municipality which is an organ of state within the local sphere of government exercising legislative and executing authority.
<b>Nature of business and principal activities</b>	A Local Authority providing municipal services and maintaining the best interest of the community in the Setsoto Municipal area.
<b>Legislation governing the municipality's operations</b>	Local Government: Municipal Finance Management Act (Act 56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Systems Amendment Act (No. 44 of 2003) Local Government: Municipal Structures Act (Act 117 of 1998) Local Government: Municipal Structures Amendment Act (No.33 of 2000) Housing Act (Act 107 of 1997) Constitution of the Republic of South Africa (Act 108 of 1996) Property Rates Act (Act 6 of 2004) Annual Division of Revenue Act Municipal Demarcation (Act 27 of 1998) Local Government: Transition Act Second Amendment Act (No. 97 of 1996) Water Services Act (No. 108 of 1997) Electricity Act (No. 41 of 1987) Intergovernmental Fiscal Relations Act (No. 97 of 1997) Intergovernmental Relations Framework Act (No. 13 of 2005)
<b>Mayor</b>	Jakobo, Tshediso
<b>Executive Committee</b>	Koalane, Komane Mthimkhulu, Motena Mahlangu, Matseliso Makhalanyane, Tieho Makae, Thabang Strydom, Evert
<b>Councillors</b>	Mohlomi, Molefi - Speaker Mothibeli, Moselantja Mohapi, Dieketseng Mokhuoane, Krog Motsei, Matlakala Selasi, Motsamai Mabeleng, William Nakasi, Mojabeng Bath, Henry Thamae, Motsamai Hlakane, Moeketsi Mohala, Vunga Kere, Lefa Mavaleliso, Pakalitha Semahla, Mookho Maphisa, Mapuleng Musu, Tshepiso Tsolo, Thabiso Malebo, Matsiliso Fuso, Sabata Raboroko, Mantwa Mohase, Teboho

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**General Information**

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	Setai, Lithebe Lubbe, Cornelius Du Toit, Benjamin Marwick, Clive (Dr) Bester, Catherine Maduna, Mbothoma
<b>Grading of local authority</b>	06 - Medium Capacity
<b>Accounting Officer</b>	Mr. S T R Ramakarane
<b>Chief Finance Officer (CFO)</b>	Mr. G T Banda
<b>Registered office</b>	27 Voortrekkers Street Ficksburg 9730
<b>Business address</b>	27 Voortrekker Street Ficksburg 9730
<b>Postal address</b>	P O Box 116 Ficksburg 9730
<b>Bankers</b>	First National Bank, a division of First Rand Bank Limited
<b>Auditors</b>	Auditor-General of South Africa (AGSA)
<b>Acting Legal Manager</b>	Mr. L. Motloun P O Box 116, Ficksburg, 9730
<b>Telephone Number</b>	(051) 933 9300
<b>Fax Number</b>	(051) 933 9363
<b>E-mail Address</b>	manager@setsoto.co.za

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

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**Setsoto Local Municipality**  
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Financial Statements for the year ended 30 June 2016

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**Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PT	Provincial Treasury (Free State)
COGTA	Department of Cooperative Governance and Traditional Affairs
IFRS	International Financial Reporting Standards

## **Accounting Officer's Responsibilities and Approval**

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

The financial statements have been prepared as required in terms of Section 122 of the Municipal Finance Management Act (Act 56 of 2003) and in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Setsoto Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

The financial statements set out on pages 12 to 94, which have been prepared on the going concern basis (Please refer to Note 53), were approved by the accounting officer on 31 August 2016 :

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**Mr. STR Ramakarane**  
**Accounting Officer / Municipal Manager**

**31 August 2016**

## **Audit & Performance Audit Committee Report**

---

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

### **Audit committee members and attendance**

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr. H B Mathibela (Chairperson)	6
Mr. T Zororo	4
Mr. D S Moletsane	4
Mr. S P Simelane	6

All members are independent, with no interest in the management or conduct of the business of the Municipality and the members of the Audit and Performance Audit Committee were appointed on the 11 December 2013.

### **Audit and Performance Committee responsibility**

The Audit and Performance Audit Committee reports complies with its responsibilities arising from section 166(2)(a) and (b) of the MFMA.

The Audit and Performance Audit Committee has adopted appropriate formal terms of reference as its Audit and Performance Committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### **The effectiveness of internal control**

The system of internal controls applied by the municipality over financial and risk management is considered generally adequate in design and is partially ineffective in its implementation on some entities and this was evident by the reasonable assurance given by the Internal Audit Unit. However, there is a vast improvements on some internal controls. The identification of corrective actions and suggested enhancements to the controls were done through risk management process and interaction with management on the action plan on audited report.

### **Evaluation of financial statements**

The Audit and Performance Audit Committee has:

- reviewed and discussed the unaudited financial statements that will be presented to the Auditor-General South Africa;
- reviewed changes in accounting policies and practices;
- reviewed the adjustment made which appear on notes of prior period error and re-classification;
- reviewed SCM Policy;
- provide assurance on irregular, fruitless and wasteful expenditure;
- provide assurance on the write off on debtors;
- monitors asset management;
- monitor the implementation of the procurement plan;
- monitor the implementation of the SCM policy on deviation;

### **Internal audit**

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

### **Auditor-General of South Africa**

The Audit and Performance Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit and Performance Committee**

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**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**Audit & Performance Audit Committee Report**

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Date: \_\_\_\_\_



A U D I T O R - G E N E R A L

## Report of the Auditor General

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### Report of the auditor-general to the Free State Provincial Legislature and the council on the Setsoto Local Municipality

#### Report on the financial statements

##### Introduction

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

##### Accounting officer's responsibility for the financial statements

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

##### Auditor-general's responsibility

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

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

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

##### Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Setsoto Local Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

##### Emphasis of matters

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# Report of the Auditor General

---

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

## Restatement of corresponding figures

7. As disclosed in note 56 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of reclassifications that had to be made/ errors discovered during 2015-16 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

## Material impairments

8. As disclosed in note 5 to the financial statements, a provision for the impairment of debtors amounting to R148 406 866 (2015: R127 785 657) was made with regard to consumer debts amounting to R291 591 158 (2015: R246 820 305).

## Going concern

9. Note 55 to the financial statements indicates that the municipality incurred a deficit of R126 711 817 (2015: R104 623 089). Furthermore, debtors increased from R119 034 648 to R143 184 292 and payables from R52 922 872 to R71 819 017. These conditions, along with other matters as set forth in note 55, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern and to meet its service delivery objectives.

## Irregular expenditure

10. As disclosed in note 48 to the financial statements, the municipality incurred irregular expenditure of R2 188 129 (2015: R33 449 533) during the year under review, mainly due to non-compliance with supply chain management requirements.

## Additional matters

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

## Unaudited supplementary information

12. The municipality provided supplementary information in the financial statements on whether resources were obtained and used according to the legally adopted budget, in accordance with GRAP 1, *Presentation of financial statements*. The supplementary budget information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion thereon.

## Unaudited disclosure notes

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

## Report on other legal and regulatory requirements

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

# Report of the Auditor General

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## **Predetermined objectives**

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

Key performance area 1: Infrastructure and service delivery on pages ... to ...

16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned key performance area. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for Managing Programme Performance Information*.

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

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected key performance area.

## **Additional matters**

19. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected key performance area, I draw attention to the following matters:

Achievement of planned targets

20. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information for key performance area 1: Infrastructure and service delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## **Compliance with legislation**

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

## **Strategic planning and performance information**

23. The key performance indicators set by the municipality did not include indicators on the percentage of households with access to basic levels of water, sanitation and electricity, as required by section 43(2) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and municipal planning and performance management regulation 10(a).

## **Financial statements and annual report**

24. The annual performance report for the year under review did not include measures taken to improve performance, as required by section 46(1)(c) of the MSA.

## **Expenditure management**

25. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA.

26. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA

# Report of the Auditor General

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## **Internal control**

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

## **Leadership**

28. Inadequate review and monitoring by management during the preparation of the annual report on predetermined objectives resulted in material findings on predetermined objectives.

## **Financial and performance management**

29. Formal processes to ensure compliance with key legislation did not prevent non-compliance with laws and regulations in certain cases. Consequences management was not adequate in these instances.

Bloemfontein

30 November 2016

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

## **Accounting Officer's Report**

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

### **1. Review of activities**

#### **Main business and operations**

The municipality is a local authority providing municipal services and maintaining the best interest of the community in the Setsoto Municipal area.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements.

Net deficit of the municipality was R 126,711,817 (2015: deficit R 104,623,089).

### **2. Going concern**

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 3,313,713,233 and that the municipality's total assets exceed its liabilities by R 3,313,713,233.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality operate on a favourable bank balance for the financial year.

The municipality is aware of the debtors that is increasing and the reduction of it will be the implementation of the revenue enhancement strategy that has been approved by Council and it was implemented in the current financial in phases and it will have an affect on the cash flow forecast for financial year 30 June 2017.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would impact on the financial results as disclosed in these financial statements.

### **4. Accounting Officer's interest in contracts**

The Accounting Officer had no interest in any contracts.

### **5. Accounting policies**

The financial statements prepared as required in terms of Section 122 of the Municipal Finance Management Act (Act 56 of 2003) and in accordance with the South African Standards of Generally Recognized Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, as the prescribed framework by National Treasury.

### **6. Retirement benefit obligation**

Management performed an actuarial valuation of the Employee Benefits of the employer's liability as arising from the postretirement healthcare subsidy ("PRHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and have determined the items required for disclosure in terms of this standard.

Refer to note 20 for detail about this valuations.

### **7. Non-current assets**

There were no major changes in the nature of the non-current assets of the municipality during the year .

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**Accounting Officer's Report**

---

**8. Accounting Officer**

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

Name	Nationality
Mr. STR Ramakarane	RSA

**9. Auditors**

Auditor-General of South Africa (AGSA) will continue in office for the next financial period.

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**Statement of Financial Position as at 30 June 2016**

	Note(s)	2016 R	2015 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	1,886,760	1,811,319
Receivables from exchange transactions	5&6	103,900,676	95,673,547
Receivables from non-exchange transactions	7	47,166,865	31,422,447
VAT receivable	8	-	40,471,056
Cash and cash equivalents	9	3,655,924	3,702,108
		<b>156,610,225</b>	<b>173,080,477</b>
<b>Non-Current Assets</b>			
Investment property	10	74,574,176	71,176,424
Property, plant and equipment	11	3,210,956,018	3,333,721,693
Intangible assets	12	3,146,712	3,477,031
Heritage assets	13	15,385,903	15,385,903
Other financial assets	4	3,100,004	3,105,173
		<b>3,307,162,813</b>	<b>3,426,866,224</b>
<b>Total Assets</b>		<b>3,463,773,038</b>	<b>3,599,946,701</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	14	617,692	541,222
Payables from exchange transactions	16	71,819,017	52,922,872
Consumer deposits	17	2,521,447	2,429,002
Unspent conditional grants and receipts	18	952,460	806,883
Provisions	19	1,278,000	1,207,000
VAT payable	8	859,649	-
		<b>78,048,265</b>	<b>57,906,979</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	14	5,666,599	6,284,291
Employee benefit obligation	20	47,224,805	43,612,805
Provisions	19	19,120,136	17,362,136
		<b>72,011,540</b>	<b>67,259,232</b>
<b>Total Liabilities</b>		<b>150,059,805</b>	<b>125,166,211</b>
<b>Net Assets</b>		<b>3,313,713,233</b>	<b>3,474,780,490</b>
Accumulated surplus	58	3,313,713,233	3,474,780,490

\* See Note 57 & 54



**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**Statement of Financial Performance**

	Note(s)	2016 R	2015 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	146,817,268	137,434,425
Rental of facilities and equipment	22	1,563,900	1,298,235
Interest received (trading)		17,200,323	19,993,457
Licences and permits		100,173	13,553
Commissions received		207,208	224,093
Sale of land		369,163	824,007
Insurance Claims		-	306,953
Other income	23	2,127,250	8,388,639
Interest earned	24	1,933,630	2,457,920
Dividends received	24	36,226	32,189
<b>Total revenue from exchange transactions</b>		<b><u>170,355,141</u></b>	<b><u>170,973,471</u></b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	41,090,394	32,146,757
<b>Transfer revenue</b>			
Government grants & subsidies	26	267,735,960	250,595,751
Public contributions and donations	50	20,182,796	-
Fines, Penalties and Forfeits		2,163,900	1,926,679
<b>Total revenue from non-exchange transactions</b>		<b><u>331,173,050</u></b>	<b><u>284,669,187</u></b>
<b>Total revenue</b>	27	<b><u>501,528,191</u></b>	<b><u>455,642,658</u></b>
<b>Expenditure</b>			
Employee related costs	28	169,775,771	154,017,291
Remuneration of councillors	29	10,354,786	9,884,247
Depreciation and amortisation	31	215,927,790	210,322,602
Impairment loss/ Reversal of impairments	32	2,109,756	18,698,792
Finance costs	33	947,282	918,796
Lease rentals on operating lease		14,750,082	8,529,014
Debt Impairment	34	84,545,849	25,097,238
Collection costs		6,092	18,622
Bulk purchases	35	53,292,708	53,594,386
Contracted services	36	17,223,877	28,235,384
Transfers and Subsidies	37	2,501,241	2,606,556
Assets write-off		3,373,640	87,524
General Expenses	39	53,431,135	48,255,295
<b>Total expenditure</b>		<b><u>628,240,009</u></b>	<b><u>560,265,747</u></b>
Taxation		-	-
<b>Deficit for the year</b>		<b><u>(126,711,817)</u></b>	<b><u>(104,623,089)</u></b>

\* See Note 57 & 54

**Setsoto Local Municipality**  
 (Registration number Municipal demarcation code FS191)  
 Financial Statements for the year ended 30 June 2016

**Statement of Changes in Net Assets**

	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2014</b>	<b>3,503,016,299</b>	<b>3,503,016,299</b>
Changes in net assets		
Correction of VAT on Landfill Site Provision	(1,161,841)	(1,161,841)
Corrections effecting previous years	(46,534)	(46,534)
Asset corrections effecting previous years assets	79,906,655	79,906,655
Correction of Inventory Erven	(2,311,000)	(2,311,000)
Net income (losses) recognised directly in net assets	76,387,280	76,387,280
Surplus/(deficit) for the year	(104,623,089)	(104,623,089)
Total recognised income and expenses for the year	(28,235,809)	(28,235,809)
Total changes	(28,235,809)	(28,235,809)
<b>Restated* Balance at 01 July 2015</b>	<b>3,474,780,483</b>	<b>3,474,780,483</b>
Changes in net assets		
Surplus/(deficit) for the year	(126,711,817)	(126,711,817)
Reclassification of VAT	(30,915,342)	(30,915,342)
Correction of Asset Register	(3,440,091)	(3,440,091)
Total changes	(161,067,250)	(161,067,250)
<b>Balance at 30 June 2016</b>	<b>3,313,713,233</b>	<b>3,313,713,233</b>

\* See Note 57 & 54

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**Cash Flow Statement**

	Note(s)	2016 R	2015 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property Rates		32,517,236	28,724,981
Sale of goods and services		110,619,573	158,900,512
Grants		267,735,960	250,595,750
Interest income		19,133,953	2,457,920
Dividends received		36,226	32,189
Other receipts		6,531,594	12,982,159
Other non-cash item		20,182,796	-
		<u>456,757,338</u>	<u>453,693,511</u>
<b>Payments</b>			
Employee costs		(180,130,557)	(163,901,538)
Suppliers		(175,495,363)	(220,425,786)
Finance costs		(947,282)	(918,796)
Other cash item		-	(227,323)
		<u>(356,573,202)</u>	<u>(385,473,443)</u>
<b>Net cash flows from operating activities</b>	40	<u><b>100,184,136</b></u>	<u><b>68,220,068</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(94,338,855)	(74,539,120)
Disposal of property, plant and equipment	11	3,373,640	150,523
Purchase of investment property	10	(4,596,306)	-
Purchase of other intangible assets	12	(672,928)	(1,655,696)
Proceeds from sale of financial assets		5,169	(506,140)
Purchase of biological assets that form part of an agricultural activity		-	-
Proceeds from sale of non current receivables and loss on sale of assets		(3,373,640)	(87,524)
<b>Net cash flows from investing activities</b>		<u><b>(99,602,920)</b></u>	<u><b>(76,637,957)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(627,400)	(477,638)
<b>Net cash flows from financing activities</b>		<u><b>(627,400)</b></u>	<u><b>(477,638)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(46,184)</b></u>	<u><b>(8,895,527)</b></u>
Cash and cash equivalents at the beginning of the year		3,702,108	12,597,635
<b>Cash and cash equivalents at the end of the year</b>	9	<u><b>3,655,924</b></u>	<u><b>3,702,108</b></u>

\* See Note 57 & 54

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Sale of goods	123,500	(103,500)	<b>20,000</b>	-	<b>(20,000)</b>	
Service charges	166,662,000	7,474,711	<b>174,136,711</b>	146,817,268	<b>(27,319,443)</b>	Sue to drought the expected income decreased.
Rental of facilities and equipment	1,254,000	5,000	<b>1,259,000</b>	1,563,900	<b>304,900</b>	Income increased due to letting of properties
Interest received (trading)	27,000,000	-	<b>27,000,000</b>	17,200,323	<b>(9,799,677)</b>	Improved debt collection and writtrn off of bad debt previous year.
Licences and permits	-	40,000	<b>40,000</b>	100,173	<b>60,173</b>	Increased controle
Administration and management fees received	585,200	-	<b>585,200</b>	-	<b>(585,200)</b>	Sundry income did not realised
Commissions received	220,000	-	<b>220,000</b>	207,208	<b>(12,792)</b>	
Sale of land and erven	-	500,000	<b>500,000</b>	369,163	<b>(130,837)</b>	Decrease in land sales
Other income - (rollup)	2,373,550	(596,500)	<b>1,777,050</b>	2,127,250	<b>350,200</b>	Increase in sundry services
Interest received - investment and Debtors	1,400,000	400,000	<b>1,800,000</b>	1,933,630	<b>133,630</b>	Increase debtors control resulted in less interest
Dividends received	35,000	-	<b>35,000</b>	36,226	<b>1,226</b>	
<b>Total revenue from exchange transactions</b>	<b>199,653,250</b>	<b>7,719,711</b>	<b>207,372,961</b>	<b>170,355,141</b>	<b>(37,017,820)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	38,500,000	3,543,922	<b>42,043,922</b>	41,090,394	<b>(953,528)</b>	The effect of the implementation of the new valuation roll
<b>Transfer revenue</b>						
Government grants & subsidies	218,334,000	5,500,000	<b>223,834,000</b>	267,735,961	<b>43,901,961</b>	Additional Ad Hoc grants received during the year from Government

**Setsoto Local Municipality**  
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Financial Statements for the year ended 30 June 2016

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Public contributions and donations	-	-	-	20,182,796	<b>20,182,796</b>	Assets donated by donars
Fines, Penalties and Forfeits	101,000	-	<b>101,000</b>	2,163,900	<b>2,062,900</b>	Increase in traffic control
Other transfer revenue 1	40,000	(40,000)	-	-	-	
<b>Total revenue from non-exchange transactions</b>	<b>256,975,000</b>	<b>9,003,922</b>	<b>265,978,922</b>	<b>331,173,051</b>	<b>65,194,129</b>	
<b>Total revenue</b>	<b>456,628,250</b>	<b>16,723,633</b>	<b>473,351,883</b>	<b>501,528,192</b>	<b>28,176,309</b>	
<b>Expenditure</b>						
Personnel	(159,569,262)	(1,553,391)	<b>(161,122,653)</b>	(169,775,771)	<b>(8,653,118)</b>	Provision made on accumulated leave and contineous employee benefits
Remuneration of councillors	(10,353,882)	-	<b>(10,353,882)</b>	(10,354,786)	<b>(904)</b>	
Depreciation and amortisation	(25,282,489)	(5,426,449)	<b>(30,708,938)</b>	(215,927,790)	<b>(185,218,852)</b>	Asset register enhanced
Impairment loss/ Reversal of impairments	-	-	-	(2,109,756)	<b>(2,109,756)</b>	
Finance costs	(3,227,000)	1,448,276	<b>(1,778,724)</b>	(947,282)	<b>831,442</b>	Loan application not realised
Lease rentals on operating lease	(10,290,011)	(959,294)	<b>(11,249,305)</b>	(14,750,082)	<b>(3,500,777)</b>	A lot of equipment hire during the year for unexpected repairs and drought
Bad debts written off	(44,000,000)	(5,000,000)	<b>(49,000,000)</b>	(84,545,849)	<b>(35,545,849)</b>	Debtors written off during financial period
Collection costs	(250,000)	139,741	<b>(110,259)</b>	(6,092)	<b>104,167</b>	
Bulk purchases	(67,560,750)	30	<b>(67,560,720)</b>	(53,292,708)	<b>14,268,012</b>	Saving due to demand control
Contracted Services	(15,842,747)	(3,170,198)	<b>(19,012,945)</b>	(17,223,877)	<b>1,789,068</b>	
Transfers and Subsidies	-	-	-	(2,501,241)	<b>(2,501,241)</b>	Income forgone treated as transfer and grants during the year
General Expenses	(69,623,284)	1,168,369	<b>(68,454,915)</b>	(53,431,135)	<b>15,023,780</b>	Increase departmental usage
<b>Total expenditure</b>	<b>(405,999,425)</b>	<b>(13,352,916)</b>	<b>(419,352,341)</b>	<b>(624,866,369)</b>	<b>(205,514,028)</b>	
<b>Operating deficit</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>(123,338,177)</b>	<b>(177,337,719)</b>	
Loss on disposal of assets and liabilities	-	-	-	(3,373,640)	<b>(3,373,640)</b>	
<b>Deficit before taxation</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>(126,711,817)</b>	<b>(180,711,359)</b>	

**Setsoto Local Municipality**  
 (Registration number Municipal demarcation code FS191)  
 Financial Statements for the year ended 30 June 2016

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>(126,711,817)</b>	<b>(180,711,359)</b>	

## **Accounting Policies**

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### **1. Presentation of Financial Statements**

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

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

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

#### **1.1 Presentation currency**

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

#### **1.2 Significant judgements and sources of estimation uncertainty**

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

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

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

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

##### **Allowance for slow moving, damaged and obsolete stock**

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

##### **Fair value estimation**

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

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

## **Accounting Policies**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment testing**

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

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

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

#### **Useful lives and residual values of property, plant and equipment and intangible assets**

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual value on an annual basis, considering the conditional and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### **Post retirement benefits**

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

#### **Effective interest rate**

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

#### **Allowance for doubtful debts**

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



## **Accounting Policies**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **GRAP 24: Presentation of budget information**

Deviations between the budget and actual amounts are regarded as material if they exceed a 10% deviation.

All material differences are explained in the notes/appendices to the annual financial statements.

#### **Operating lease commitments**

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases. Payments received under operating leases are recognised in the statement of financial performance on a straight-line basis over the period of the lease.

### **1.3 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

#### **Cost model**

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

Depreciation is provided to write down the cost over the useful life of the property, which is as follows:

<b>Item</b>	<b>Useful life</b>
Property - land	indefinite
Property - buildings	5 - 30 years

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

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

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

## Accounting Policies

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### 1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	30 years
Plant and machinery	Straight line	10 years
Furniture and Office Equipment	Straight line	6 years
Transport Assets	Straight line	5 - 7 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years
Computer Equipment	Straight line	3 years
Infrastructure - Electricity	Straight line	20 - 30 years

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Buildings & Other Structure (Community)	Straight line	30 years
Other property, plant and equipment	Straight line	3 - 7 years
Infrastructure: Waste Management	Straight line	15 - 20 years
Infrastructure: Road, Pavement, Bridges & Stormwater	Straight line	10 - 30 years
Infrastructure: Water	Straight line	15 - 20 years
Infrastructure - Wastewater management	Straight line	15 - 20 years
Infrastructure - Water	Straight line	15 - 20 years
Work in Process	Straight line	Transfer to asset on completion

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. There is no depreciation on land.

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

## **Accounting Policies**

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### **1.5 Intangible assets (continued)**

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

<b>Item</b>	<b>Useful life</b>
Computer software, other	3 - 5 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### **1.6 Heritage assets**

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

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

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

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

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

## **Accounting Policies**

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### **1.6 Heritage assets (continued)**

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

#### **Recognition**

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

#### **Initial measurement**

Heritage assets are measured at cost.

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

#### **Subsequent measurement**

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

#### **Impairment**

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

#### **Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### **Derecognition**

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### **1.7 Financial instruments**

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

A financial asset is:

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

## **Accounting Policies**

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### **1.7 Financial instruments (continued)**

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

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

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

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

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

#### **Initial recognition**

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

#### **Initial measurement of financial assets and financial liabilities**

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

Financial Instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

## **Accounting Policies**

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### **1.7 Financial instruments (continued)**

#### **Subsequent measurement of financial assets and financial liabilities**

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

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

## **Accounting Policies**

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### **1.7 Financial instruments (continued)**

#### **Loans to (from) municipal entities**

These include loans to municipal entities and recognised at fair value plus any transaction costs and subsequently measured at cost.

An impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### **Debtors**

Debtors are initially recognised at fair value plus any transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of debtors 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 the debtors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified in the Statement of Financial Performance.

#### **Creditors**

Trade payables are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

These are initially and subsequently recorded at amortised cost.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

#### **Borrowings and other financial liabilities**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

#### **Loans and receivables**

Loans and receivables are measured initially and subsequently at fair value, gains and losses arising from changes in fair value are included in the Statement of Financial Performance for the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.



## **Accounting Policies**

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### **1.7 Financial instruments (continued)** **Fixed and Negotiable Deposits**

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the municipality will hold to maturity.

Fixed and negotiable deposits are initially and subsequently measured at fair value which in the case of investments that have an original maturity date of less than 12 months equates the cost. Fixed and negotiable deposits held for greater than 12 months are fair valued annually and the difference recognised in the statement of financial performance.

On disposal of Fixed and negotiable deposits, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

### **1.8 Tax**

#### **Current tax assets and liabilities**

The Municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

### **1.9 Leases**

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

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

#### **Finance leases - lessee**

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

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

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

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

#### **Operating leases - lessor**

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

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

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

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

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

## **Accounting Policies**

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### **1.9 Leases (continued)**

#### **Operating leases - lessee**

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

### **1.10 Inventories**

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

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

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

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

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

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

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

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

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

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

### **1.11 Housing development fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### **1.12 Investments**

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

## **Accounting Policies**

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### **1.13 Conditional grants and receipts**

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

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

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

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

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. For example, equitable share grants per the Division of Revenue Act where the period of use of such funds is stated, should be recognised on a time proportion basis, i.e. over the stated period. Where there is no restriction on the period, such revenue should be recognised on receipt or when the Act becomes effective, whichever is earlier.

In certain circumstances government will only remit grants on a re-imburement basis. Revenue should therefore be recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with and not when the grant is received.

### **Other Grants and Donations**

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations shall be recognised as revenue when:

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

### **1.14 Related parties**

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

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

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

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

## **Accounting Policies**

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### **1.15 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 be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

### **1.16 Impairment of cash-generating assets**

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

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

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

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

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

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

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

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

Useful life is either:

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

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

The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return. The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

### **1.17 Impairment of non-cash-generating assets**

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

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

## **Accounting Policies**

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### **1.17 Impairment of non-cash-generating assets (continued)**

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

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

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

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

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

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

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

Useful life is either:

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

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

The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return. The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

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

#### **Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

## **Accounting Policies**

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### **1.17 Impairment of non-cash-generating assets (continued)**

#### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### **1.18 Employee benefits**

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

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

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

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

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

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

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

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

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

## **Accounting Policies**

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### **1.18 Employee benefits (continued)**

#### **Short-term employee benefits**

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

Short-term employee benefits include items such as:

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

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

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

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

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

#### **Post-employment benefits**

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

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

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

## **Accounting Policies**

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### **1.18 Employee benefits (continued)**

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

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

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

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

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

#### **Post-employment benefits: Defined contribution plans**

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

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

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

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



## **Accounting Policies**

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### **1.18 Employee benefits (continued)**

#### **Post-employment benefits: Defined benefit plans**

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

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

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

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

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

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

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

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and

## **Accounting Policies**

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### **1.18 Employee benefits (continued)**

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

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

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

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

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

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

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

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

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

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

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

## **Accounting Policies**

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### **1.18 Employee benefits (continued)**

#### **Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

#### **Other post retirement obligations**

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

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

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

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

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

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

## **Accounting Policies**

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### **1.18 Employee benefits (continued)**

#### **Termination benefits**

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

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

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

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

### **1.19 Provisions and contingencies**

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

## **Accounting Policies**

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### **1.19 Provisions and contingencies (continued)**

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 55.

### **1.20 Revenue from exchange transactions**

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

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

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

When uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

#### **Measurement**

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

#### **Sale of goods**

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

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

## **Accounting Policies**

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### **1.20 Revenue from exchange transactions (continued)**

#### **Rendering of services**

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

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

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

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

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

### **1.21 Revenue from non-exchange transactions**

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

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

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

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

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

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

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

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

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

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

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

## **Accounting Policies**

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### **1.21 Revenue from non-exchange transactions (continued)**

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

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

#### **Recognition**

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

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

#### **Measurement**

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

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

#### **Assessment Rates**

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

## **Accounting Policies**

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### **1.21 Revenue from non-exchange transactions (continued)**

#### **Transfers**

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

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

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

#### **Fines**

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

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

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

#### **Gifts and donations, including goods in-kind**

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

### **1.22 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

### **1.23 Comparative figures**

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

### **1.24 Unauthorised expenditure**

Unauthorised expenditure means:

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

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

### **1.25 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

### **1.26 Irregular expenditure**

MFMA Circular No 68 and section 32 of the Municipal Finance Management Act No. 56 of 2003 states the following::



## **Accounting Policies**

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### **1.26 Irregular expenditure (continued)**

Irregular expenditure is defined in section 1 of the MFMA as follows:

“irregular expenditure”, in relation to a municipality or municipal entity, means—

- with, a (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- with, a (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- of the (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- with, a (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:

- Municipal Finance Management Act, Act 56 of 2003, and its regulations;
- Municipal Systems Act, Act 32 of 2000, and its regulations;
- Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
- The municipality's supply chain management policy, and any by-laws giving effect to that policy

Although a transaction or an event may trigger irregular expenditure, a municipality or municipal entity will only identify irregular expenditure when a payment is made, in other words, the recognition of irregular expenditure will be linked to a financial transaction. If the possibility of irregular expenditure is determined prior to a payment being made, the transgression shall be regarded as a matter of non-compliance.

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

### **1.27 Use of estimates**

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

### **1.28 Value Added Tax (VAT)**

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the Standard rate (14%) in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis.

### **1.29 Budget information**

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

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

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

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

## **Accounting Policies**

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### **1.29 Budget information (continued)**

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

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

### **1.30 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.

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**Notes to the Financial Statements**

2016  
R

2015  
R

**2. New standards and interpretations**

**2.1 Standards and interpretations issued, but not yet effective**

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

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 18: Segment Reporting	01 April 2017	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 20: Related parties	01 April 2017	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 108: Statutory Receivables	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 109: Accounting by Principals and Agents	01 April 2017	It is unlikely that standard will have a material impact on the municipality's annual financial statements.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2017	It is unlikely that standard will have a material impact on the municipality's annual financial statements.

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## Notes to the Financial Statements

### 2. New standards and interpretations (continued)

- |  |               |   |
|--|---------------|---|
| <ul style="list-style-type: none"> <li>• GRAP 26 (as amended 2015): Impairment of cash-generating assets</li> </ul>                      | 01 April 2017 | It is unlikely that standard will have a material impact on the municipality's annual financial statements. |
| <ul style="list-style-type: none"> <li>• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities</li> </ul> | 01 April 2018 | It is unlikely that standard will have a material impact on the municipality's annual financial statements. |

### 3. Inventories

Consumable Stores	1,225,056	1,062,728
Water	661,704	748,591
	<b>1,886,760</b>	<b>1,811,319</b>
Inventories written off during the year	96,798	87,887
Inventories recognised as an expense during the year	754,029	1,600,809

Items in the store are booked out against the relevant service expenditure .

Obsolete, redundant and slow moving inventory was identified and written down to estimated economic or realisable values to the relevant service through the statement of financial performance.

#### Inventory pledged as security

No inventory was pledged as security for the year.

### 4. Other financial assets

#### Designated at fair value

Listed shares	869,848	956,026
Sanlam Shares		
Unlisted shares	1,142,369	1,121,878
OVK / EFC Shares		
	<b>2,012,217</b>	<b>2,077,904</b>

#### At amortised cost

Other financial assets	1,087,787	1,027,269
Consist of a Sanlam Redemption fund and a housing collateral at ABSA Bank		
<b>Total other financial assets</b>	<b>3,100,004</b>	<b>3,105,173</b>

#### Non-current assets

Designated at fair value	2,012,217	2,077,904
At amortised cost	1,087,787	1,027,269
	<b>3,100,004</b>	<b>3,105,173</b>

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**Notes to the Financial Statements**

	2016 R	2015 R
<b>4. Other financial assets (continued)</b>		
<b>Fair value hierarchy of financial assets at fair value</b>		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
<b>Level 1</b>		
Sanlam	869,848	956,026
As at 30 June 2016, the Sanlam share value was:	R60.36 (2015: R66.34).	
<b>Level 3</b>		
OVK	1,142,368	1,121,878
As at 30 June 2016, the OVK share value was as follow:	OVK Operations R13.57 (2015: R13.35) OVK Holdings: R12.57 (2015: R12.31).	
	<b>2,012,216</b>	<b>2,077,904</b>
<b>Financial assets at amortised cost</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Other financial assets	1,087,787	1,027,269
<b>5. Consumer debtors disclosure</b>		
<b>Gross balances</b>		
Consumer debtors - Rates	50,699,642	42,126,484
Consumer debtors - Electricity	40,970,010	48,872,344
Consumer debtors - Water	116,031,917	91,773,286
Consumer debtors - Sewerage	35,905,777	24,462,112
Consumer debtors - Refuse	45,666,405	37,629,197
Consumer debtors - Other	2,317,407	1,956,882
	<b>291,591,158</b>	<b>246,820,305</b>

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**Notes to the Financial Statements**

	2016 R	2015 R
<b>5. Consumer debtors disclosure (continued)</b>		
<b>Less: Allowance for impairment</b>		
Consumer debtors - Rates	(11,416,026)	(18,765,383)
Consumer debtors - Electricity	(20,311,390)	(33,331,988)
Consumer debtors - Water	(53,422,543)	(32,987,272)
Consumer debtors - Sewerage	(26,248,169)	(15,672,774)
Consumer debtors - Refuse	(34,851,590)	(26,081,363)
Consumer debtors - Other	(2,157,148)	(946,877)
	<b><u>(148,406,866)</u></b>	<b><u>(127,785,657)</u></b>
<b>Net balance</b>		
Consumer debtors - Rates	39,283,616	23,361,101
Consumer debtors - Electricity	20,658,620	15,540,356
Consumer debtors - Water	62,609,374	58,786,014
Consumer debtors - Sewerage	9,657,608	8,789,338
Consumer debtors - Refuse	10,814,815	11,547,834
Consumer debtors - Other	160,259	1,010,005
	<b><u>143,184,292</u></b>	<b><u>119,034,648</u></b>
<b>Rates</b>		
Current (0 -30 days)	3,414,247	7,111,223
31 - 60 days	2,836,292	2,959,471
61 - 90 days	2,738,825	2,712,505
91 - 120 days	2,689,986	2,044,912
121 + days	39,020,292	27,298,373
Less: Impairment	(11,416,026)	(18,765,383)
	<b><u>39,283,616</u></b>	<b><u>23,361,101</u></b>
<b>Electricity</b>		
Current (0 -30 days)	21,931,461	20,413,047
31 - 60 days	2,721,966	1,875,582
61 - 90 days	1,721,461	1,888,117
91 - 120 days	1,536,894	1,709,021
121 + days	13,058,228	22,986,577
Less: Impairment	(20,311,390)	(33,331,988)
	<b><u>20,658,620</u></b>	<b><u>15,540,356</u></b>
<b>Water</b>		
Current (0 -30 days)	5,133,380	6,187,640
31 - 60 days	5,686,079	2,551,649
61 - 90 days	5,471,285	2,493,706
91 - 120 days	5,139,068	2,847,768
121 + days	94,602,105	77,692,523
Less: Impairment	(53,422,543)	(32,987,272)
	<b><u>62,609,374</u></b>	<b><u>58,786,014</u></b>

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**Notes to the Financial Statements**

	2016 R	2015 R
<b>5. Consumer debtors disclosure (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	1,991,689	1,635,802
31 - 60 days	1,771,926	1,461,471
61 - 90 days	1,720,439	1,437,706
91 - 120 days	1,692,405	1,433,264
121 + days	28,729,318	18,493,869
Less: Impairment	(26,248,169)	(15,672,774)
	<b><u>9,657,608</u></b>	<b><u>8,789,338</u></b>
<b>Refuse</b>		
Current (0 -30 days)	1,106,142	1,444,441
31 - 60 days	2,170,853	1,715,011
61 - 90 days	2,111,465	1,698,851
91 - 120 days	2,079,787	1,707,483
121 + days	38,198,158	31,063,411
Less: Impairment	(34,851,590)	(26,081,363)
	<b><u>10,814,815</u></b>	<b><u>11,547,834</u></b>
<b>Other Debtors</b>		
Current (0 -30 days)	626,670	1,033,727
31 - 60 days	97,822	137,845
61 - 90 days	85,498	107,965
91 - 120 days	99,022	91,110
121 + days	1,408,395	586,235
Less: Impairment	(2,157,148)	(946,877)
	<b><u>160,259</u></b>	<b><u>1,010,005</u></b>

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**Notes to the Financial Statements**

	2016 R	2015 R
<b>5. Consumer debtors disclosure (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	32,092,739	35,906,125
31 - 60 days	11,707,790	8,503,691
61 - 90 days	10,809,467	8,280,283
91 - 120 days	10,217,477	8,142,264
121 + days	183,152,425	156,801,705
	<b>247,979,898</b>	<b>217,634,068</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	2,107,167	2,624,670
31 - 60 days	1,585,374	1,152,920
61 - 90 days	1,096,301	638,543
91 - 120 days	1,124,038	626,355
121 + days	13,114,655	9,330,171
	<b>19,027,535</b>	<b>14,372,659</b>
<b>National and provincial government</b>		
Current (0 -30 days)	3,682	3,386,086
31 - 60 days	1,991,774	1,044,419
61 - 90 days	1,943,206	1,420,026
91 - 120 days	1,895,647	1,064,938
121 + days	18,749,416	7,898,110
	<b>24,583,725</b>	<b>14,813,579</b>
<b>Total</b>		
Current (0 -30 days)	34,203,589	37,825,880
31 - 60 days	15,284,938	10,701,029
61 - 90 days	13,848,973	10,338,850
91 - 120 days	13,237,162	9,833,558
121 + days	215,016,496	178,120,988
	291,591,158	246,820,305
Less: Allowance for impairment	(148,406,866)	(127,785,657)
	<b>143,184,292</b>	<b>119,034,648</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(127,785,657)	(192,724,644)
Contributions to allowance	(84,545,848)	(25,097,237)
Debt impairment written off against allowance	63,924,640	90,036,224
	<b>(148,406,865)</b>	<b>(127,785,657)</b>
<b>6. Receivables from exchange transactions</b>		
Consumer debtors - Electricity	20,658,620	15,540,356
Consumer debtors - Water	62,609,374	58,786,014
Consumer debtors - Sewerage	9,657,608	8,789,338
Consumer debtors - Refuse (Filtered)	10,814,815	11,547,834
Consumer debtors - Other	160,259	1,010,005
	<b>103,900,676</b>	<b>95,673,547</b>



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**Notes to the Financial Statements**

	2016 R	2015 R
<b>6. Receivables from exchange transactions (continued)</b>		
<b>Trade and other receivables pledged as security</b>		
No consumer debtors were pledged as security for overdraft facilities.		
<b>Credit quality of trade and other receivables</b>		
In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. Further more the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.		
<b>Fair value of trade and other receivables</b>		
In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of consumer debtors has been made for all consumer balances outstanding based on the payment ration over 12 months per service type. No further credit provision is required in excess of the Provision for impairment.		
<b>7. Receivables from non-exchange transactions</b>		
Fines	414,468	685,496
Sundry Debtors	5,496,420	5,496,420
Prepayments (Eskom and Fuel Deposits)	1,972,361	1,879,430
Rates (Details as per Note 5 above)	39,283,616	23,361,101
	<b>47,166,865</b>	<b>31,422,447</b>
<b>8. VAT receivable</b>		
VAT Receivable	-	40,471,056
	-	-
Vat Payable	859,649	-
	859,649	-
The Municipality is registered on the payment basis, therefore VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.		
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	8,707	8,707
Bank balances	3,587,897	583,817
Short-term deposits	59,320	3,109,584
	<b>3,655,924</b>	<b>3,702,108</b>
<b>Credit quality of cash at bank and short term deposits, excluding cash on hand</b>		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:		
<b>Credit rating</b>		
AA	3,647,218	3,693,401
	3,647,218	3,693,401

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Financial Statements for the year ended 30 June 2016

**Notes to the Financial Statements**

	2016	2015
	R	R

**9. Cash and cash equivalents (continued)**

**Cash and cash equivalents pledged as collateral**

The Municipality has a overdraft facility of R3,000,000. There is a pledge amount of R3,000,000.00 against the investment account with account number 62049046205 to secure this overdraft facility.

**The municipality had the following bank accounts**

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB BANK - Current Account - 620 480 92647	3,557,178	574,105	7,336,317	3,587,897	583,817	7,347,501
FNB BANK - Business Money Market - 621 517 83563	33,760	10,732	206,552	33,760	10,732	206,552
FNB BANK - NSTD Account - 620 490 46205	24,561	3,063,184	4,656,759	24,561	3,063,184	4,656,759
FNB BANK - Call Account - 623 105 40465	1,000	35,668	3,777,116	1,000	35,668	377,716
<b>Total</b>	<b>3,616,499</b>	<b>3,683,689</b>	<b>15,976,744</b>	<b>3,647,218</b>	<b>3,693,401</b>	<b>12,588,528</b>

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**Notes to the Financial Statements**

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**10. Investment property**

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	99,774,059	(25,199,883)	74,574,176	95,177,754	(24,001,330)	71,176,424

**Reconciliation of investment property - 2016**

	Opening balance	Additions	Depreciation	Total
Investment property	71,176,424	4,596,306	(1,198,554)	74,574,176

**Reconciliation of investment property - 2015**

	Opening balance	Depreciation	Total
Investment property	72,794,302	(1,617,878)	71,176,424

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

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

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**Notes to the Financial Statements**

Figures in Rand

**11. Property, plant and equipment**

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	54,607,900	-	54,607,900	56,969,000	-	56,969,000
Furniture and Office Equipment	6,367,737	(5,863,331)	504,406	6,370,215	(5,647,560)	722,655
Transport Assets	17,871,279	(11,135,164)	6,736,115	14,381,880	(9,452,643)	4,929,237
Computer Equipment	6,867,245	(5,710,766)	1,156,479	7,550,892	(6,233,219)	1,317,673
Infrastructure - Electricity	278,995,336	(96,451,607)	182,543,729	278,995,338	(85,268,555)	193,726,783
Buildings & Other Structure (Community)	428,655,062	(123,777,597)	304,877,465	353,114,720	(112,370,369)	240,744,351
Infrastructure: Waste Management	24,009,567	(2,384,367)	21,625,200	23,854,567	(1,343,807)	22,510,760
Infrastructure: Road, Pavement, Bridges & Stormwater	2,798,896,456	(1,356,287,808)	1,442,608,648	2,798,896,458	(1,205,295,821)	1,593,600,637
Machinery & Equipment	3,765,824	(2,787,060)	978,764	4,267,792	(2,865,365)	1,402,427
Infrastructure - Wastewater management	508,811,629	(105,918,579)	402,893,050	444,461,579	(91,107,150)	353,354,429
Infrastructure - Water	865,821,751	(137,036,796)	728,784,955	836,840,849	(117,588,497)	719,252,352
Work in Process	63,639,307	-	63,639,307	145,191,389	-	145,191,389
<b>Total</b>	<b>5,058,309,093</b>	<b>(1,847,353,075)</b>	<b>3,210,956,018</b>	<b>4,970,894,679</b>	<b>(1,637,172,986)</b>	<b>3,333,721,693</b>

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**Notes to the Financial Statements**

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**11. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2016**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	56,969,000	-	(2,361,100)	-	-	-	54,607,900
Furniture and Office Equipment	722,655	221,444	(6,007)	-	(433,686)	-	504,406
Transport Assets	4,929,237	3,489,392	-	-	(1,682,514)	-	6,736,115
Computer Equipment	1,317,673	347,325	(12,922)	-	(495,597)	-	1,156,479
Infrastructure - Electricity	193,726,783	-	-	-	(11,183,054)	-	182,543,729
Buildings & Other Structure (Community)	240,744,351	8,391,621	(512,392)	69,087,096	(12,958,247)	125,036	304,877,465
Infrastructure: Waste Management	22,510,760	155,000	-	-	(1,040,560)	-	21,625,200
Infrastructure: Road, Pavement, Bridges & Stormwater	1,593,600,637	-	-	(129,940)	(150,862,049)	-	1,442,608,648
Machinery & Equipment	1,402,427	133,017	(3,379)	-	(553,301)	-	978,764
Infrastructure - Wastewater management	353,354,429	1,730,471	(477,840)	63,354,669	(15,068,679)	-	402,893,050
Infrastructure - Water	719,252,352	4,018,112	-	24,962,790	(19,448,299)	-	728,784,955
Work in Process	145,191,389	75,852,473	-	(157,404,555)	-	-	63,639,307
	<b>3,333,721,693</b>	<b>94,338,855</b>	<b>(3,373,640)</b>	<b>(129,940)</b>	<b>(213,725,986)</b>	<b>125,036</b>	<b>3,210,956,018</b>

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Financial Statements for the year ended 30 June 2016

**Notes to the Financial Statements**

Figures in Rand

**11. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2015**

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	19,700,964	37,268,036	-	-	-	56,969,000
Furniture and Office Equipment	1,610,213	-	-	(887,488)	(70)	722,655
Transport Assets	5,776,012	988,135	-	(1,834,910)	-	4,929,237
Computer Equipment	1,916,779	-	-	(596,106)	(3,000)	1,317,673
Infrastructure - Electricity	199,353,994	5,503,036	-	(11,130,247)	-	193,726,783
Buildings & Other Structure (Community)	261,277,452	-	-	(10,700,489)	(9,832,612)	240,744,351
Infrastructure: Waste Management	2,946,803	20,605,814	-	(1,041,857)	-	22,510,760
Infrastructure: Road, Pavement, Bridges & Stormwater	1,751,671,944	-	-	(150,534,997)	(7,536,310)	1,593,600,637
Machinery & Equipment	2,054,594	-	-	(652,167)	-	1,402,427
Infrastructure - Wastewater management	364,242,625	751,617	-	(11,639,813)	-	353,354,429
Infrastructure - Water	714,224,402	23,933,908	-	(18,905,958)	-	719,252,352
Work in Process	114,769,669	61,558,205	(31,136,485)	-	-	145,191,389
	<b>3,439,545,451</b>	<b>150,608,751</b>	<b>(31,136,485)</b>	<b>(207,924,032)</b>	<b>(17,371,992)</b>	<b>3,333,721,693</b>

**Pledged as security**

No Property, Plant and Equipment was pledged as security.

**Assets subject to finance lease (Net carrying amount)**

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	2016 R	2015 R
<b>11. Property, plant and equipment (continued)</b>		
<b>Reconciliation of Work-in-Progress 2016</b>		
	Included within Infrastructure	Total
Opening balance	145,191,389	145,191,389
Additions/capital expenditure	78,619,806	78,619,806
Adjustment for Retension	(2,767,333)	(2,767,333)
Transferred to completed items	(157,404,555)	(157,404,555)
	<b><u>63,639,307</u></b>	<b><u>63,639,307</u></b>

**Reconciliation of Work-in-Progress 2015**

	Included within Property, Plant and Equipment	Included within Community	Total
Opening balance	62,214,956	-	62,214,956
Additions/capital expenditure	8,574,166	1,631,134	10,205,300
Correction of opening balances	102,959,695	-	102,959,695
Transferred to completed items	(30,188,562)	-	(30,188,562)
	<b><u>143,560,255</u></b>	<b><u>1,631,134</u></b>	<b><u>145,191,389</u></b>

With the physical verification process that was done to correct the infrastructure asset register and the movable asset register during the current financial year, new classifications was used and therefore certain figures changed from the prior year to the current year. There were also assets found that were omitted from last year's asset register and these were subsequently added, also resulting in a change of prior period figures. Refer to note 43 & 54.

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

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Figures in Rand

**12. Intangible assets**

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,604,622	(2,457,910)	3,146,712	4,931,694	(1,454,663)	3,477,031

**Reconciliation of intangible assets - 2016**

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,477,031	672,928	(1,003,247)	3,146,712

**Reconciliation of intangible assets - 2015**

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software, other	2,693,453	1,655,696	(104,000)	(768,118)	3,477,031

**Details of valuation**

The Municipality had assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption because information about the acquisition cost of the assets was not available, and the Municipality applied Directive 7 to those assets. The effective date of the revaluations was 01 July 2008. After that date assets are carried at cost.

The valuation was based on open market value for existing use.

These assumptions were based on current market conditions at the date of recalculation.



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	2016 R	2015 R
<b>13. Heritage assets</b>		
	2016	2015
	Cost	Accumulated impairment losses
	Carrying value	Cost
	Accumulated impairment losses	Carrying value
Historical buildings	15,385,903	-
	15,385,903	15,385,903

**Reconciliation of heritage assets 2016**

	Opening balance	Total
Historical buildings	15,385,903	15,385,903

**Reconciliation of heritage assets 2015**

	Opening balance	Total
Historical buildings	15,385,903	15,385,903

**14. Other financial liabilities**

**At amortised cost**

Financial liabilities	6,284,291	6,825,513
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Refer to Appendix A for further details on the borrowings.

**Non-current liabilities**

At amortised cost	5,666,599	6,284,291
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**Current liabilities**

At amortised cost	617,692	541,222
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**15. Finance lease obligation**

It is Municipality's policy to lease certain vehicles, computers, faxes, equipment and photo copy machines under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 11% (2015: 11%).

During the current financial year there were no financial leases and no new lease agreements were entered into.

**16. Payables from exchange transactions**

Trade payables	34,654,593	18,231,592
Payments received in advance	13,552,222	11,612,520
Bonus	3,610,017	3,443,094
Accrued leave pay	10,701,310	9,137,382
Other payables	3,942,498	3,336,465
Salary Control	2,739,075	1,775,184
Retension monies	2,619,302	5,386,635
	<b>71,819,017</b>	<b>52,922,872</b>

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	2016 R	2015 R
<b>16. Payables from exchange transactions (continued)</b>		
<b>Fair value of trade and other payables</b>		
<p>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.</p> <p>The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.</p>		
<b>17. Consumer deposits</b>		
Electricity	2,361,373	2,417,491
Water	127,889	-
Rental Deposits	32,185	11,511
	<b>2,521,447</b>	<b>2,429,002</b>
Guarantees held in lieu of electricity and other deposits		
<b>18. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Provincial Government - Free State	952,460	806,883
<b>Movement during the year</b>		
Balance at the beginning of the year	806,882	4,320,808
Additions during the year	267,881,537	250,342,633
Income recognition during the year	(267,735,959)	(253,856,558)
	<b>952,460</b>	<b>806,883</b>

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	2016	2015
	R	R

**19. Provisions**

**Reconciliation of provisions - 2016**

	Opening Balance	Additions	Total
Environmental rehabilitation	9,196,000	674,000	9,870,000
Long service bonus (short term portion)	1,207,000	71,000	1,278,000
Long service bonus (long term portion)	8,166,136	1,084,000	9,250,136
	<b>18,569,136</b>	<b>1,829,000</b>	<b>20,398,136</b>

**Reconciliation of provisions - 2015**

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	9,460,700	-	(264,700)	9,196,000
Long service bonus (short term portion)	1,168,000	39,000	-	1,207,000
Long service bonus (long term portion)	7,033,136	1,133,000	-	8,166,136
	<b>17,661,836</b>	<b>1,172,000</b>	<b>(264,700)</b>	<b>18,569,136</b>

Non-current liabilities	19,120,136	17,362,136	
Current liabilities	1,278,000	1,207,000	
	<b>20,398,136</b>	<b>18,569,136</b>	

**1. Long Service Bonus**

An actuarial valuation of the liability in respect of the long service awards was performed by an independent company. The primary purpose of this valuation is to enable the Municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and can therefore be used in the compilation of the Annual Financial Statements of the Municipality.

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future.

**Membership Data**

Number of current employees	674	700
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The amounts recognised in the statement of financial position are as follows:

**Carrying value**

Present value long service awards liability - wholly unfunded	(9,373,000)	(8,201,000)	
Service Cost	(1,207,000)	(1,063,000)	
Interest Cost	(878,000)	(664,000)	
Actuarial Benefits paid	1,128,192	748,186	
Actuarial gains/(losses)	(198,192)	(193,186)	
	<b>(10,528,000)</b>	<b>(9,373,000)</b>	

**Valuation Assumptions**

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**Notes to the Financial Statements**

2016  
R

2015  
R

**19. Provisions (continued)**

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

**Financial Variables**

The two most important financial variables used in our valuation are the discount rate and salary inflation. We have assumed the following values for these variables:

Financial Variable	Assumed Value	Assumed Value
	30-06-2016 (Current Valuation)	at 30-06-2015 (Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve	Difference between nominal and real yield curve
Normal Salary Increase Rate	Equal to CPI+1%	Equal to CPI+1%
Net Effective Discount Rate	Yield Curve Based**	Yield Curve Based**

**Discount Rate**

We use the nominal and real zero curves as at **30 June 2016** supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.

\*\* The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

**Normal Salary Inflation Rate**

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%.

The salaries used in the valuation include an assumed increase on 01 July 2016 of 6.00%. The next salary increase was assumed to take place on 01 July 2017.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

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	2016	2015
	R	R

**19. Provisions (continued)**

Promotional Salary Increase Rates:

Age Band	Promotional Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0%

**Average Retirement Age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

**Normal Retirement Age**

The normal retirement age (NRA) for all active employees was assumed to be **65** years.

**Mortality Rates**

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

**Withdrawal Decrements**

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16%	24%
25 - 29	12%	18%
30 - 34	10%	15%
35 - 39	8%	10%
40 - 44	6%	6%
45 - 49	4%	4%
50 - 54	2%	2%
55 - 59	1%	1%
60 +	0%	0%

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**Notes to the Financial Statements**

	2016	2015
	R	R

**19. Provisions (continued)**

**2. Environmental Rehabilitation (Landfill Sites)**

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites at Ficksburg, Clocolan, Marquard and Senekal. Provision has been made for this cost based on actual cost calculations received from Consulting Engineers. The value of the provision is based on the expected future cost to rehabilitate the various sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

The following assumptions were used to calculate the provision:

- Total area expected to be rehabilitated: 329 000 square metres;
- Average rate per square metre: R45 escalating every year by 10%;
- Total area to be rehabilitated can be reconciled to the different sites as follows:

Ficksburg	98 000
Senekal	153 000
Marquard	17 000
Clocolan	61 000

Each of the landfill sites have a different lifespan for rehabilitation ranging from 5 years to 10 years and are best estimates provided for by the respective Manager waste management, parks and properties.

Ficksburg	10 Years
Senekal	10 Years
Marquard	0 Years - applied for extension
Clocolan	0 Years - applied for extension

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**Notes to the Financial Statements**

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	2016	2015
	R	R

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**20. Employee benefit obligations**

**Defined benefit plan**

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below and which are administrated by various pension, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1956 (Act No. 24 of 1956) and include defined contribution plans. The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specified contributions.

Sufficient information was not available to use defined benefit accounting for the funds and it was accounted for as defined contribution plans due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements are compiled for all the funds and not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which states that where information required for proper defined benefit accounting is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

**Defined contribution plans**

The following are defined contribution plans:

- Free State Municipal Provident Fund
- South African Local Authorities Provident Fund
- National Fund for Municipal Workers
- Municipal Employees Pension Fund
- South African Municipal Workers Union Provident Fund
- Municipal Councillors Pension Fund.

The following are defined benefit plans

- Free State Municipal Pension Fund
- South African Local Authorities Pension Fund

These are not treated as a defined benefit plan as defined by GRAP 25, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million). The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

The actuarial valuation determined that the retirement plan was in a sound financial position.

**Post retirement medical aid plan**

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**Notes to the Financial Statements**

	2016 R	2015 R
<b>20. Employee benefit obligations (continued)</b>		
The Post Retirement Medical Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	529	520
Continuation members (e.g: Retirees, widows, orphans)	41	37
<b>Total Members</b>	<b>570</b>	<b>557</b>

The primary purpose of this valuation is to enable the Municipality to comply with the requirements of GRAP 25. The liability amounts are calculated in accordance with GRAP 25 and the related actuarial practice guidance note (APN 301) of the Actuarial Society of South Africa and can therefore be used in the compilation of the Annual Financial Statements of the Municipality..

The Municipality's current active employees and pensioners have the choice of participating in the following medical schemes:

- LA Health Medical Scheme;
- Bonitas Medical Scheme;
- Hosmed Medical Scheme;
- Samwumed Medical Scheme; and
- KeyHealth Medical Scheme

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

Present value of the defined benefit obligation - wholly unfunded -	(43,612,000)	(41,184,000)
Service Cost	(2,215,000)	(1,994,000)
Interest Cost	(4,031,000)	(3,716,000)
Actuarial Benefits paid	1,430,621	1,279,204
Actuarial gains/(losses)	1,203,379	2,002,796
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<b>As at 30 June</b>	<b>(47,224,000)</b>	<b>(43,612,000)</b>

**Valuation Assumptions**

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

**Financial Variables**

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:.

<b>Financial Variable</b>	<b>30-06-2016 Valuation</b>	<b>30-06-2015 Valuation</b>
Discount rate	Yield Curve	Yield Curve
Consumer price inflation	Difference between nominal and yield curves	Difference between nominal and yield curve
Medical aid Inflation	CPI+1%	CPI+1%
Net effective discount rate	Yield curve based	Yield curve based

**Discount Rate**

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:



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2016	2015
R	R

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**20. Employee benefit obligations (continued)**

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

\*Statement of Financial Position (herein referred to as the "balance sheet").

We used the nominal and real zero curves as at 30 June 2016 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period.

**Medical Aid Inflation**

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

**Average Retirement Age**

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

**Normal Retirement Age**

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**Mortality Rates**

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

**Spouses and Dependents**

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

The main reasons for the actuarial gain can be attributed to the following factors:

1. **Changes in economic variables** – We used the nominal and real zero curves as at 30 June 2016 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result, the interest rates, bond yields and inflation figures changed. This resulted in a higher net effective discount rate and hence an overall decrease in the liability of around R 1,450,000.
2. **Membership changes** – Over the past financial year there were various changes in the membership data. An increase in membership, along with other small changes, resulted in an overall increase in the liability of around R 247,000.

The report is available for inspection at the Municipality.

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	2016 R	2015 R
<b>20. Employee benefit obligations (continued)</b>		
<b>Calculation of actuarial gains and losses</b>		
Actuarial (gains) losses – Plan assets	<u>1,203,379</u>	<u>(2,002,796)</u>
<b>21. Service charges</b>		
Sale of electricity	63,625,991	64,532,419
Sale of water	40,326,296	32,982,634
Sewerage and sanitation charges	21,382,193	18,109,760
Refuse removal	21,296,069	21,678,872
Other service charges	186,719	130,740
	<u><b>146,817,268</b></u>	<u><b>137,434,425</b></u>
<b>22. Rental of facilities and equipment</b>		
Rental of facilities	<u>1,563,900</u>	<u>1,298,235</u>
<b>23. Other income</b>		
Sundry income	471,707	5,132,747
Skills Development Claims	-	963,080
Cemetery Fees	452,164	290,016
Post Retirement Medical Actuarial Gain	1,203,379	2,002,796
	<u><b>2,127,250</b></u>	<u><b>8,388,639</b></u>
<b>24. Interest and Dividends received - investment</b>		
<b>Dividend revenue</b>		
Unlisted financial assets - Local	<u>36,226</u>	<u>32,189</u>
<b>Interest revenue</b>		
Interest earned on cash and bank	279,901	231,208
Investments and short term deposits	1,653,729	2,226,712
	<u><b>1,933,630</b></u>	<u><b>2,457,920</b></u>

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	2016 R	2015 R
<b>25. Property rates</b>		
<b>Rates received</b>		
Residential	35,965,493	23,132,687
State	23,518,774	22,321,699
Less: Income forgone	(18,393,873)	(13,307,629)
	<b><u>41,090,394</u></b>	<b><u>32,146,757</u></b>
<b>Valuations</b>		
Residential	2,353,176,499	2,344,134,099
Commercial	361,496,900	360,381,500
State	308,051,400	309,399,400
Municipal	32,762,700	32,015,600
Small holdings and farms	2,433,377,720	2,439,991,720
Churches	38,088,000	36,818,000
	<b><u>5,526,953,219</u></b>	<b><u>5,522,740,319</u></b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.04 (2015: R0.1) is applied to property valuations to determine assessment rates of residential. A general rate of R0.08 (2015: R0.8) is applied to property valuations to determine assessment rates of business.

Rebates of 82% (2015: 85%) are granted to residential, commercial and small holdings and farm property owners.

Rates are levied on an annual basis with equal payments over twelve months. Interest at prime plus 1% per annum is levied on outstanding rates.

The new general valuation was implemented on 1 July 2014.

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	2016 R	2015 R
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	166,309,000	165,381,001
EPWP Grant	2,042,000	2,632,000
Municipal Systems Improvement Grant (MSIG)	930,000	934,000
Financial Management Grant (FMG)	1,600,000	1,600,000
Provincial Government - Free State	5,354,424	3,013,925
Independent Development Trust	-	503,759
SETA Funding	1,416,639	-
	<u>177,652,063</u>	<u>174,064,685</u>
<b>Capital grants</b>		
MIG Grant	45,952,999	59,660,001
Lotto Grant	-	1,000,000
Department of Water Affairs Grant	42,630,898	15,871,065
INEG Grant	1,500,000	-
	<u>90,083,897</u>	<u>76,531,066</u>
	<b><u>267,735,960</u></b>	<b><u>250,595,751</u></b>

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

**Equitable Share**

Current-year receipts	166,309,000	165,381,001
Conditions met - transferred to revenue	<u>(166,309,000)</u>	<u>(165,381,001)</u>
	<u>-</u>	<u>-</u>

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 of R 451 (2015: R 254), which is funded from the grant.

**MIG Grant**

Current-year receipts	45,952,999	59,660,000
Conditions met - transferred to revenue	<u>(45,952,999)</u>	<u>(59,660,000)</u>
	<u>-</u>	<u>-</u>

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

In terms of the MFMA Circular No.48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The entity reports at year-end all unspent conditional grants were committed to identifiable projects.

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grants was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

**EPWP Grant**

Current-year receipts	2,042,000	2,632,000
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**Notes to the Financial Statements**

	2016 R	2015 R
<b>26. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(2,042,000)	(2,632,000)
	<u>-</u>	<u>-</u>

This grant is used in respect of job creation projects and programmes.

**Municipal Systems Improvement Grant (MSIG)**

Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	<u>-</u>	<u>-</u>

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act.

**Financial Management Grant (FMG)**

Current-year receipts	1,600,000	1,600,000
Conditions met - transferred to revenue	(1,600,000)	(1,600,000)
	<u>-</u>	<u>-</u>

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

**Department of Water Affairs Grant**

Current-year receipts	42,630,898	15,871,065
Conditions met - transferred to revenue	(42,630,898)	(15,871,065)
	<u>-</u>	<u>-</u>

This grant was used to address water loss control and assisting with water shortages in Clocolan, Marquard and Senekal during drought period.

**Provincial Government - Free State**

Balance unspent at beginning of year	806,883	3,320,809
Current-year receipts	5,500,000	500,000
Conditions met - transferred to revenue	(5,354,423)	(2,513,926)
Other	-	(500,000)
	<u>952,460</u>	<u>806,883</u>

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

Provincial Treasury give a R5 000 000 for the cleaning and maintenance of a pipeline.

COGTA also contributes R500 000 per year towards the Municipal Manager's salary.

**Independent Development Trust**

Current-year receipts	-	503,759
Other	-	(503,759)
	<u>-</u>	<u>-</u>

The Independent Development Trust Provide explanations of conditions still to be met and other relevant information.

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	2016 R	2015 R
<b>26. Government grants and subsidies (continued)</b>		
<b>INEG Grant</b>		
Current-year receipts	1,500,000	-
Conditions met - transferred to revenue	(1,500,000)	-
	-	-
Conditions still to be met - remain liabilities (see note 18).		
This grant is provided by the Department of Energy to upgrade the electric network.		
<b>SETA Funding</b>		
Current-year receipts	(1,416,639)	-
Conditions met - transferred to revenue	1,416,639	-
	-	-
Conditions still to be met - remain liabilities (see note 18).		
SETA will ensure that the skill requirements sector are identified and that adequate and appropriate skills are readily given to staff of the Municipality.		
<b>National Lottery</b>		
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)
	-	-
Conditions still to be met - remain liabilities (see note 18).		
National Lottery gave this grant for the upgrading of the Hennie De Wet Stadium.		
<b>Changes in level of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>27. Revenue</b>		
Service charges	146,817,268	137,434,425
Rental of facilities and equipment	1,563,900	1,298,235
Interest received (trading)	17,200,323	19,993,457
Licences and permits	100,173	13,553
Commissions received	207,208	224,093
Sale of land	369,163	824,007
Insurance Claims	-	306,953
Other income	2,127,250	8,388,639
Interest received - investment	1,933,630	2,457,920
Dividends received	36,226	32,189
Property rates	41,090,394	32,146,757
Government grants & subsidies	267,735,961	250,595,751
Public contributions and donations	20,182,796	-
Fines, Penalties and Forfeits	2,163,900	1,926,679
	<b>501,528,192</b>	<b>455,642,658</b>

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**Notes to the Financial Statements**

	2016 R	2015 R
<b>27. Revenue (continued)</b>		
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	146,817,268	137,434,425
Rental of facilities and equipment	1,563,900	1,298,235
Interest received (trading)	17,200,323	19,993,457
Licences and permits	100,173	13,553
Commissions received	207,208	224,093
Sale of land	369,163	824,007
Insurance claims	-	306,953
Other income	2,127,250	8,388,639
Interest received - investment	1,933,630	2,457,920
Dividends received	36,226	32,189
	<b>170,355,141</b>	<b>170,973,471</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	41,090,394	32,146,757
<b>Transfer revenue</b>		
Government grants & subsidies	267,735,961	250,595,751
Public contributions and donations	20,182,796	-
Fines, Penalties and Forfeits	2,163,900	1,926,679
	<b>331,173,051</b>	<b>284,669,187</b>

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	2016 R	2015 R
<b>28. Employee related costs</b>		
Basic	99,251,220	92,895,349
Medical aid - company contributions	15,787,600	13,807,227
UIF	1,030,329	951,041
WCA	622,819	-
SDL	1,564,764	1,200,917
Leave pay provision charge	2,559,000	2,596,993
Defined contribution plans	16,547,100	15,510,209
Travel, motor car, accommodation, subsistence and other allowances	9,964,472	9,555,903
Overtime payments	9,897,619	7,742,816
Long-service awards	2,283,193	1,920,185
Acting allowances	1,039,801	607,394
Housing benefits and allowances	458,707	368,639
Holiday Bonus	7,402,110	6,245,391
Casual wages	23,943	-
Allowance - Telephone	560,050	557,361
Industrial Council Levies	783,044	57,866
	<b>169,775,771</b>	<b>154,017,291</b>
<b>Remuneration of Municipal Manager - Mr STR Ramakarane</b>		
Annual Remuneration	1,491,420	1,398,309
Contributions to UIF, Medical and Pension Funds	18,830	18,079
Travel , accommodation , motor car and other subsistence allowances	304,099	278,364
Other	92,375	93,324
	<b>1,906,724</b>	<b>1,788,076</b>
COGTA financed an annual amount of R500,000.00 towards the salary of the Municipal Manager. Please refer to note 26		
<b>Remuneration of Chief Finance Officer - Mr GT Banda</b>		
Annual Remuneration	1,053,623	937,882
Contributions to UIF, Medical and Pension Funds	12,321	11,163
Other	-	7,950
Travel , accommodation , motor car and other subsistence allowances	93,290	67,742
	<b>1,159,234</b>	<b>1,024,737</b>
<b>Remuneration of Corporate Services Director - Mr T Masejane</b>		
Annual Remuneration	909,587	880,720
Contributions to UIF, Medical and Pension Funds	11,358	11,017
Travel , accommodation , motor car and other subsistence allowances	183,284	133,268
Other	-	61,171
	<b>1,104,229</b>	<b>1,086,176</b>
<b>Remuneration of Development, Planning, Security Services - Mr M Ntheli</b>		
Annual Remuneration	909,587	809,665
Contributions to UIF, Medical and Pension Funds	11,358	10,363
Travel , accommodation , motor car and other subsistence allowances	208,284	133,632
Other	-	80,928



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	2016 R	2015 R
<b>28. Employee related costs (continued)</b>		
	<u><b>1,129,229</b></u>	<u><b>1,034,588</b></u>
<b>Remuneration of Engineering Services Director (Acting) - Mrs TF Zondi</b>		
Mrs TF Zondi was appointed as acting Director on 1 March 2013. She was permanently appointed to the position from 1 December 2013.		
<b>Remuneration of Technical Services Director - Mrs TF Zondi</b>		
Annual Remuneration	791,144	704,234
Contributions to UIF, Medical and Pension Funds	11,368	10,610
Travel , accommodation , motor car and other subsistence allowances	267,203	235,719
Other	79,575	73,388
	<u><b>1,149,290</b></u>	<u><b>1,023,951</b></u>
<b>29. Remuneration of councillors</b>		
Mayor	568,509	770,024
Speaker	454,808	620,639
Councillors	9,331,469	6,540,264
Executive Committee Members	-	1,953,320
	<u><b>10,354,786</b></u>	<u><b>9,884,247</b></u>
<b>30. Administrative expenditure</b>		
The Mayor and Speaker are appointed on a full-time basis. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	213,526,408	210,322,602
Investment property	1,398,135	-
Intangible assets	1,003,247	-
	<u><b>215,927,790</b></u>	<u><b>210,322,602</b></u>

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	2016 R	2015 R
<b>32. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	17,371,992
During the current year the Municipality embarked on a process to assess the condition of roads. After this assessment roads were impaired.		
Also refer to Note 11		
Impairment Fines Debtors	2,023,578	1,326,800
During the period ending 30 June 2014 the Setsoto Local Municipality changed its accounting policy, whereby traffic offence income included under fines, is now recognised on an accrual basis rather than on the cash basis.		
The reason for the change in accounting policy is as a result of an accounting guideline issued by National Treasury, which will have an impact on the application of GRAP 23 in the 2013 financial year.		
The change in accounting policy did result in a fair presentation of financial information.		
Also refer to Note 7.		
Other financial liabilities	86,178	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Also refer to Note 4.		
	<b>2,109,756</b>	<b>18,698,792</b>
<b>33. Finance costs</b>		
Trade and other payables	109,144	15,931
Bank	-	1,143
Current borrowings	838,138	901,722
	<b>947,282</b>	<b>918,796</b>
<b>34. Debt impairment</b>		
Contributions to debt impairment provision	84,545,849	25,097,238
<b>35. Bulk purchases</b>		
Electricity	53,292,708	53,594,386
<b>36. Contracted services</b>		
Information Technology Services	69,296	-
Operating Leases	5,802,547	-
Specialist Services	11,352,034	7,582,086
Other Contractors	-	20,653,298
	<b>17,223,877</b>	<b>28,235,384</b>
<b>37. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Distitutional help	2,501,241	2,606,556

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	2016 R	2015 R
<b>38. Loss on disposal of assets</b>		
	<u>3,373,640</u>	<u>87,524</u>
<p>During the current year the Municipality disposed of old and redundant asset.</p> <p>There were also assets that were destroyed due to a fire and were paid out through insurance.</p> <p>Also refer to Note 11.</p>		
<b>39. General expenses</b>		
Advertising	705,801	671,253
Audit and Performance Audit Committee Expenses	551,522	357,727
Bank charges	518,579	406,154
Cleaning	-	273,494
Consulting and professional fees	-	4,658,975
Casualty insurance	-	66,172
Donations	-	23,365
Conferences and delegations	58,165	159,706
Disaster management	-	20,455
Insurance	1,011,413	1,401,385
Town planning	42,953	2,792
Conferences and delegations	2,852,390	51,796
Levies paid	-	862
Youth expenditure	-	244,508
Fuel and oil	5,158,904	3,788,189
Postage and courier	1,214,950	1,025,223
Printing and Stationery	1,723,512	2,066,805
Publicity	-	20,469
Protective clothing	961,595	275,045
License Fees	2,284,078	3,433,282
Security (Guarding of municipal property)	266,103	512,071
Subscriptions and membership fees	32,342	22,063
Telephone and fax	770,338	1,097,670
Training	-	1,099,956
Travel and subsistence	3,671,952	3,222,143
Valuation costs	-	208,678
Tourism development	500,000	469,298
Analysis	45,033	45,222
Casualty insurance	-	627,690
Departmental consumption	6,343,391	6,530,884
Manuring and weed control	-	61,352
Streetlight electricity consumption	-	942,755
Ward committee expenses	946,000	959,000
IDP establishment	-	238,584
Meter reading costs	-	69,295
Water & Chemicals	10,829,169	4,411,404
Skills development levy	-	1,335,997
Other expenses	12,942,945	7,453,576
	<u><b>53,431,135</b></u>	<u><b>48,255,295</b></u>

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	2016 R	2015 R
<b>40. Cash generated from operations</b>		
Deficit	(126,711,817)	(104,623,089)
<b>Adjustments for:</b>		
Depreciation and amortisation	215,927,790	210,322,602
Loss on sale of assets and liabilities	3,373,640	87,524
Impairment deficit	2,023,578	17,373,288
Debt impairment	84,545,849	25,097,238
Movements in retirement benefit assets and liabilities	3,612,000	2,428,000
Movements in provisions	1,829,000	907,300
Correction of VAT on Landfill Site Provision	-	(1,161,841)
Corrections effecting previous years	-	(46,536)
Reclassification of VAT	(30,915,341)	-
Correction of Asset Register	(5,372,598)	-
<b>Changes in working capital:</b>		
Inventories	(75,441)	(129,950)
Receivables from exchange transactions	(8,227,129)	-
Consumer debtors	(84,545,849)	(60,899,491)
Other receivables from non-exchange transactions	(15,744,418)	(13,555,560)
Payables from exchange transactions	18,896,145	10,177,282
VAT	41,330,705	14,900,765
Taxes and transfers payable (non exchange)	-	(29,290,116)
Unspent conditional grants and receipts	145,577	(3,513,926)
Consumer deposits	92,445	146,578
	<b>100,184,136</b>	<b>68,220,068</b>
<b>41. Capital commitments</b>		
<b>Commitments in respect of capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	136,116,998	16,769,441
• Investment property	10,866,107	14,093,262
• Other financial assets	4,904,550	4,683,700
	<b>151,887,655</b>	<b>35,546,403</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	21,167,299	40,001,291
• Investment property	20,978,052	599,428
	<b>42,145,351</b>	<b>40,600,719</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	151,887,655	35,546,403
Not yet contracted for and authorised by accounting officer	42,145,351	40,600,719
	<b>194,033,006</b>	<b>76,147,122</b>
<b>This expenditure will be financed from:</b>		
Grants, subsidies and own funding	194,033,006	76,147,122

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

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	2016	2015
	R	R
<b>42. Related parties</b>		
<b>Related party transactions</b>		
<b>Purchases from (sales to) related parties</b>		
ERB Marketing	173,000	187,000
Lira Transport	30,150	-
Baseline Securities	62,920	54,250
Itumeleng Building & Training	137,635	626,606
Mtembana Construction	-	7,140

The IT Specialist have close family relations with the management of ERB Marketing that maintains the web site of Council.

The owner of Itumeleng Building and Training have close relations with the: Manager Human Resources.

The owner of Baseline Securities have close family relations with the expenditure accountant (2015 year).

The owner of Mthembana Construction have close family relations to Me. S Metithafa in Corporate Services (2015 year).

The owner of Lira Transport have close family relations with the asset clerk stationed in Marquand.

**Key management and Councillors**

No transactions took place between the entity and key management personnel or their close family members during the reporting period, except for salaries paid.

Details relating to remuneration are disclosed in note 28 for key management and note 29 for Councillors.

**Setsoto Integrated Dairy**

Setsoto Integrated Dairy was a related party to the Municipality in the previous financial year. The Setsoto Integrated Dairy was deregistered in the previous financial year.

**43. Comparative figures**

Setsoto Municipality was one of the Municipalities selected to implement the newly Municipal Standard Chart of Accounts (mSCOA) introduced by National Treasury. Certain comparative figures have been reclassified to meet with this new chart of accounts.

The effects of the reclassification are as follows:

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**Notes to the Financial Statements**

Figures in Rand

**43. Comparative figures (continued)**

**Statement of financial position - extract**

	Comparative figures previously reported	Reclassificatio n	After reclassification
Investment Property	75,822,234	(4,645,811)	71,176,423
Property, plant and equipment	-	-	-
- Infrastructure	3,003,112,147	(3,003,112,147)	-
- Land	42,634,590	14,334,410	56,969,000
- Community(mSCOA - Buildings & Other Structures)	252,111,314	(11,622,630)	240,488,684
- Other property, plant and equipment	8,371,980	(8,371,980)	-
- Landfill (mSCOA - Infrastructure: Waste Management)	22,510,761	-	22,510,761
Intangible assets	3,477,031	-	3,477,031
Reclassified in terms of mSCOA	-	-	-
Infrastructure: Electricity	-	193,647,371	193,647,371
Infrastructure: Water	-	719,252,352	719,252,352
Infrastructure: Waste Water	-	353,354,429	353,354,429
Infrastructure: Road, Pavement, Bridges & Stormwater	-	1,593,600,637	1,593,600,637
Work in Progress	-	145,191,389	145,191,389
Transport Assets	-	4,929,237	4,929,237
Machinery & Equipment	-	1,402,427	1,402,427
Furniture and Office Equipment	-	722,642	722,642
Computer Equipment	-	1,317,674	1,317,674
Trade payables	23,618,228	(5,386,635)	18,231,593
Retentions	-	5,386,635	5,386,635
<b>Total</b>	<b>3,431,658,285</b>	<b>-</b>	<b>3,431,658,285</b>

**Statement of financial performance - extract**

	Comparative figures previously reported	Reclassificatio n	After reclassification
Interest Received	22,291,885	(19,388,904)	2,902,981
Interest received (trading)	-	19,388,904	19,388,904
Repairs and maintenance	20,653,298	(20,653,298)	-
Contracted services	7,582,086	20,653,298	28,235,384
Other income	8,612,732	(224,093)	8,388,639
Commissions received	-	224,093	224,093
<b>Total</b>	<b>59,140,001</b>	<b>-</b>	<b>59,140,001</b>

**44. Unauthorised expenditure**

Opening balance	-	147,032,593
Unauthorised expenditure	237,530,497	286,684,628
Irrecoverable and written off by the council	-	(147,032,593)
Condoned by Council	-	(286,684,628)
	<b>237,530,497</b>	<b>-</b>

Due to the fact that the elections was held on 3 August 2016, a council meeting could not be held to condone the expenditure above before submission of the AFS 2015/16.

**Details of unauthorised expenditure**

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**44. Unauthorised expenditure (continued)**

Overspending of expenditure votes, mainly contributed by depreciation on revalued assets.	-	-	237,530,497	147,032,593

**45. Fruitless and wasteful expenditure**

Opening balance			-	9,620
Fruitless and wasteful expenditure - current year			131,799	135,322
Irrecoverable and written off by the council			-	(144,942)
			<b>131,799</b>	<b>-</b>

Due to the fact that the elections were held on 3 August 2016, a council meeting could not be held to condone the expenditure above before submission of the AFS 2015/16.

**Details of fruitless and wasteful expenditure**

Payments made on interest and penalties	-	-	83,469	135,322
Interest paid on VAT submission	-	-	48,330	-
			<b>131,799</b>	<b>135,322</b>

**46. Irregular expenditure**

Opening balance			401,698	63,310,946
Add: Irregular Expenditure - current year			2,188,129	33,449,533
			-	-
Less: Amounts condoned			(1,858,489)	(96,358,781)
			<b>731,338</b>	<b>401,698</b>

**Overpayments of Councillors to be recouped**

Opening Balance			543,483	633,802
Current year			(11,338)	(90,319)
			<b>532,145</b>	<b>543,483</b>

During the 2010/11 and 2011/12 financial year Councillors were overpaid and Council's decision were to recouped this money.

Due to the fact that the elections were held on 3 August 2016, a council meeting could not be held to condone the expenditure above before submission of the AFS 2015/16.

**Details of irregular expenditure – current year**

**Details of irregular expenditure**

Expenditure item identified where the SCM process and procedures were not followed			1,153,706	1,454,344
Shortcomings on SCM processes identified during the audit			1,034,423	31,995,189
			<b>2,188,129</b>	<b>33,449,533</b>

**47. Auditors' remuneration**

Audit and Performance Audit Committee			551,522	357,727

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**48. Additional disclosure in terms of Municipal Finance Management Act**

**Contributions to organised local government (SALGA)**

Opening balance	(1,539,841)	(956,290)
Current year subscription / fee	1,563,375	1,231,700
Amount paid - current year	-	(1,815,251)
Discount early payment	(54,718)	-
	<u>(31,184)</u>	<u>(1,539,841)</u>

The amount of R1,539,841 is in respect of the 2015/2016 subscription and was paid in May 2015.

**Reticulation losses**

Estimated electricity losses suffered by the municipality for the year under review are as follows:

Estimated electricity losses included distribution to townships with unmetered electricity.

The prescribed norm from National Treasury for water losses is estimated to be between 7% and 10%

Estimated electricity losses	<u>7,014,382</u>	<u>16,658,061</u>
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**Electricity**

Percentage loss	<u>11%</u>	<u>21%</u>
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Estimated water losses suffered by the municipality for the year under review is as follows:

Estimated water losses included distribution to townships with unmetered water.

The prescribed norm from National Treasury for water losses is estimated to be between 15% and 30%.

**Water**

Estimated reticulation water losses	877,725	14,576,040
To townships not metered	-	5,713,617
	<u>877,725</u>	<u>20,289,657</u>

**Water**

Percentage loss	<u>4%</u>	<u>68%</u>
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**Audit fees**

Opening balance	6,199	-
Current year subscription / fee	4,610,660	5,814,216
Amount paid - current year	(4,478,717)	(5,808,017)
	<u>138,142</u>	<u>6,199</u>

**PAYE and UIF**

Current year subscription / fee	18,301,620	15,996,858
Amount paid - current year	(16,839,008)	(15,996,858)
	<u>1,462,612</u>	<u>-</u>



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

**Pension and Medical Aid Deductions**

Opening balance	2,006,235	-
Current year subscription / fee	42,462,884	51,098,692
Amount paid - current year	(40,847,321)	(49,092,457)
	<b>3,621,798</b>	<b>2,006,235</b>

**Skills Development Levy**

Current year subscription / fee	1,436,689	1,311,882
Amount paid - current year	(1,319,669)	(1,311,882)
	<b>117,020</b>	-

**VAT**

VAT receivable	-	40,471,056
VAT payable	859,649	-
	<b>859,649</b>	<b>40,471,056</b>

VAT output payables and VAT input receivables are shown in note 8 and .

All VAT returns have been submitted by the due date throughout the year.

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

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor C P Marwick	703	118	821
Councillor D L Mohapi	235	642	877
Councillor K E Koalane	-	10,496	10,496
Councillor M C Nakasi	498	2,476	2,974
Councillor M D Malebo	1,626	4,115	5,741
Councillor M P Mohlomi	804	228	1,032
Councillor T J Tsolo	1,099	13,272	14,371
Councillor L Setai	60	1,607	1,667
Councillor M D Monokoane / Motsei	424	73	497
Councillor M H Semahla	958	49	1,007
Councillor M M Maphisa	556	106	662
Councillor MA Mahlangu	520	755	1,275
Councillor MJ Raboroko	592	7,065	7,657
Councillor MM Mothibeli	315	737	1,052
Councillor PI Mavaleliso	459	2,972	3,431
Councillor MP Thamae	379	141	520
Councillor T G Makhwanyane	546	4,768	5,314
Councillor TB Jakobo	7,084	21,879	28,963
Councillor VR Mohala	386	9,841	10,227
	<b>17,244</b>	<b>81,340</b>	<b>98,584</b>

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor KS Mokhuoane	564	2,865	3,429
Councillor MD Malebo	643	66	709
Councillor RV Mohala	965	7,514	8,479
Councillor T J Tsolo	665	1,643	2,308
Councillor PI Mavaleliso	837	3,048	3,885
Councillor MH Semahla	947	2,574	3,521
Councillor MA Mahlangu	844	769	1,613
Councillor MC Nakasi	519	2,534	3,053
Councillor MM Rasunyane	688	1,874	2,562
Councillor MS Maduna	6,316	1,565	7,881
Councillor Mohlomi	684	172	856
	<b>13,672</b>	<b>24,624</b>	<b>38,296</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2016	Highest outstanding amount	Aging (in days)
Councillor C P Marwick	821	75
Councillor D L Mohapi	1,389	176
Councillor K E Koalane	12,897	2,087
Councillor M C Nakasi	4,754	432
Councillor M D Malebo	7,452	650

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

Councillor M P Mohlomi	1,540	129
Councillor TJ Tsolo	14,881	1,879
Councillor L Setai	3,218	4,274
Councillor M D Monokoane / Motsei	996	99
Councillor M H Semahla	4,994	503
Councillor M M Maphisa	1,167	101
Councillor MA Mahlangu	2,961	262
Councillor MJ Raboroko	10,823	890
Councillor MM Mothibeli	3,346	366
Councillor PI Mavaleliso	4,714	596
Councillor MP Thamae	1,171	211
Councillor T G Makhwanyane	5,571	986
Councillor TB Jakobo	29,470	498
Councillor VR Mohala	11,460	971
	<b>123,625</b>	<b>15,185</b>

30 June 2015

	Highest outstanding amount	Aging (in days)
Councillor KS Mokhuoane	3,567	464
Councillor MD Malebo	817	156
Councillor RV Mohala	10,651	1,088
Councillor TJ Tsolo	2,310	284
Councillor PI Mavaleliso	4,373	462
Councillor MH Semahla	3,522	349
Councillor MA Mahlangu	1,666	197
Councillor MC Nakasi	3,113	429
Councillor MM Rasunyane	2,746	317
Councillor MS Maduna	8,450	128
Councillor Mohlomi	856	151
	<b>42,071</b>	<b>4,025</b>

**49. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Various goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the normal procurement processes as required by paragraph 12(1) of the same gazette. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. These deviations were recorded and reported to the meeting of Council.

**50. In-kind donations and assistance**

**Assets donated**

Landfill Office	155,000	-
Nissan Bakkies x 10	1,551,490	-
Recreational Parks x 2	12,000,000	-
Transnet houses	4,596,306	-
JCB Backhoe x 2	1,880,000	-
	<b>20,182,796</b>	<b>-</b>

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**50. In-kind donations and assistance (continued)**

The Municipality received in-kind donations and assistance during the financial year from various institutions. These donations was all of a capital nature and were accordingly capitalised in Property, Plant and Equipment.

**51. Events after the reporting date**

Disclosed in contingent liabilities (note 56), there was a claim for R256 253 in regards of an arbitration awards case. Judgment on 26 September 2016 had been made in favour of the municipality for an amount of R105 157, 22

**52. Risk management**

**Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a risk management unit under Municipal Manager Department and policies are approve by Council. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

**Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	617,692	-	-	5,666,599
Payables from exchange transactions	74,522,470	-	-	-
Consumer deposits	2,521,447	-	-	-
Unspent conditional grants and receipts	952,460	-	-	-
Provisions	1,278,000	-	-	19,120,136
<b>At 30 June 2015</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Borrowings	541,222	-	-	6,284,291
Payables from exchange transactions	52,922,873	-	-	-
Consumer deposits	2,429,002	-	-	-
Unspent conditional grants and receipts	806,883	-	-	-
Provisions	1,207,000	-	-	17,891,536

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**52. Risk management (continued)**

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

With the exception of trade receivables, the economic entity only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the economic entity uses other publicly available financial information and its own trading records to rate its major customers.

The entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Potential concentrations of credit risk consist mainly of investments, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents

The credit exposure to any single counterparty is managed by setting transaction or exposure limits, which are included in the entity's Investment Policy.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers.

Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by levying penalty charges, issuing demands for payment, restricting service and handing customers over for collection, whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Financial instrument	2016	2015
FNB BANK - Current Account - 620 480 92647	3,561,590	583,817
FNB BANK - Business Money Market - 621 517 83563	33,760	10,732
FNB BANK - Savings Account - 620 490 46205	24,561	3,063,184
FNB BANK - Call Account - 623 105 40465	1,000	35,668
Sanlam Shares	869,848	956,026
OVK / EFC Shares	1,142,368	1,121,878
Other Financial Assets	1,087,787	1,027,269

**Market risk**

**Interest rate risk**

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2016 and 2015, the municipality's borrowings at variable rate were denominated in the Rand.

**Price risk**

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

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**53. Going concern**

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- The significant increase in accounts payable of R (18,896,145) (2015: R 10,177,282);
- The municipality incurred a deficit of R 126,711,817 during the year (2015: deficit R 104,623,089);
- The creditors are not paid within 30 days as required by the MFMA;
- Debt collection period has not improved during the current year;
- The gross outstanding debtors increased from R 246,820,305 in 2015 to R 291,591,158 as at 30 June 2016;
- The provision for doubtful debts have been estimated at R (148,406,866) (2015: R (127,785,657)). This equates to approximately 51% of gross outstanding debtors (2015: 52%).
- At 30 June 2016 the municipality's current liabilities amounted to R 78,048,265 (2015: R 57,906,979), whilst the current assets amounted to R 156,610,225 (2015: R 173,080,477).

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 3,313,713,233 and that the municipality's total assets exceed its liabilities by R 3,313,713,233.

Previously disadvantaged areas are charged a basic tariff on water as opposed to the consumption tariff, thus resulting in a possible loss of income for the municipality. The above challenges did not impair the municipality to deliver services to the community as mandated by the Constitution of the Republic of South Africa.

The municipality shall therefore continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseeable future, as a going concern.

The municipality is also exploring alternative options to improve its financial position.

**54. Prior period errors**

**Asset Register**

During the current year the Municipality embarked on a project to further enhance their asset register and also ensure that it is mSCOA compliant.

Certain audit adjustments in terms of the prior year was also addressed.

The comparative amounts were restated accordingly.

The correction of the error(s) results in adjustments as follows:

**Statement of financial position**

Investment Property - Cost	-	(8,691)
Investment Property - Accumulated Depreciation	-	5,383,708
Land - Cost	-	(2,953,399)
Community - Cost	-	(4,975,179)
Community - Accumulated Depreciation	-	3,522,261
Infrastructure - Cost	-	67,131,062
Infrastructure - Accumulated Depreciation	-	67,999,186
Landfill Site - Accumulated Depreciation	-	(129,941)
Opening Accumulated Surplus or Deficit	-	(79,571,559)

**Statement of Financial Performance**

Depreciation	-	(51,498,912)
Impairment	-	(4,898,536)

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**54. Prior period errors (continued)**

**Inventory - Unsold Properties Held for Resale**

During the current year the Municipality embarked on a project to further enhance their asset register and also ensure that it is mSCOA compliant and the Register for Unsold Properties held for resale was corrected.

**Statement of financial position**

Inventory - Unsold Properties Held for Resale	-	(2,311,000)
Opening Accumulated Surplus or Deficit	-	2,311,000

**Provision - Environmental rehabilitation**

With the prior year audit was established that the above provision includes VAT. This was accordingly corrected.

**Statement of financial position**

VAT Receivable	-	(1,161,841)
Opening Accumulated Surplus or Deficit	-	1,161,841

**55. Contingencies**

**Contingent Liabilities - Pending claims**

Damage to property - register available at Municipality	6,197,547	10,574,998
Costs to defend these cases	728,200	1,438,700
Arbitration awards were made to employees after their dismissal from the municipality. The employees were found to have been unfairly dismissed on 27 July 2014 and even though the municipality has issued an appeal with the labour court there might be a contingent liability	256,253	256,253
	<b>7,182,000</b>	<b>12,269,951</b>

**Contingent assets**

There is a civil claim against Sharp Connect a service provider whose contract was terminated in July 2015. They continued deducting money from the municipality's bank account until December 2015. civil proceedings have commenced against the Service provider concerned to recover an amount of R 208,280.

**56. Operating lease**

The municipality have the following significant leasing arrangements:

- Nashua - photocopiers and printers
- there are no existing terms of purchases options on these contracts;
- Leases are negotiated for an average term of 3 years. No sublease contracts exists and no contingent rent is payable for the reporting period. The lease agreements have escalations of 10% per year. There are no renewal and/or purchase options.

**Operating leases - as lessee (expense)**

Within one year	1,516,469	1,516,469
Year two and three	252,750	1,769,214
	<b>1,769,219</b>	<b>3,285,683</b>

Certain of the municipality's property is held to generate rental income. Rental of property is expected to generate rental yields of 5% on an ongoing basis.

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**56. Operating lease (continued)**

**Operating leases - as lessor (income)**

Within one year	506,204	691,174
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**57. Changes in accounting policy**

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards that were adopted in 2014 Financial year and had therefore a impact on that years' information.:

-

**58. Accumulated surplus**

**Changes to Accumulated Surplus**

	Opening Balance	Total
Opening balance	3,341,949,228	3,341,949,228
Changes in regards to Non-Current Assets	79,906,652	79,906,652
Depreciation expense corrected in terms of above correction	56,397,443	56,397,443
Correction of Inventory Erven	(2,311,000)	(2,311,000)
Provision - Environmental rehabilitation	(1,161,841)	(1,161,841)
Current year corrections to Non-Current Assets	(3,440,091)	(3,440,091)
Reclassification of VAT	(30,915,341)	(30,915,341)
Surplus/(deficit) for the year	(126,711,817)	(126,711,817)
	<b>3,313,713,233</b>	<b>3,313,713,233</b>



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**Appropriation Statement**

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>2016</b>											
<b>Financial Performance</b>											
Property rates	38,500,000	3,543,922	42,043,922	-	-	42,043,922	41,090,394	-	(953,528)	98 %	107 %
Service charges	166,662,000	7,474,711	174,136,711	-	-	174,136,711	146,817,268	-	(27,319,443)	84 %	88 %
Investment revenue	1,400,000	400,000	1,800,000	-	-	1,800,000	1,969,856	-	169,856	109 %	141 %
Transfers recognised - operational	218,334,000	5,500,000	223,834,000	-	-	223,834,000	177,652,063	-	(46,181,937)	79 %	81 %
Other own revenue	31,732,250	(195,000)	31,537,250	-	-	31,537,250	23,731,917	-	(7,805,333)	75 %	75 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>456,628,250</b>	<b>16,723,633</b>	<b>473,351,883</b>	<b>-</b>	<b>-</b>	<b>473,351,883</b>	<b>391,261,498</b>	<b>-</b>	<b>(82,090,385)</b>	<b>83 %</b>	<b>86 %</b>
Employee costs	(159,569,262)	(1,553,391)	(161,122,653)	-	-	(161,122,653)	(169,775,771)	-	(8,653,118)	105 %	106 %
Remuneration of councillors	(10,353,882)	-	(10,353,882)	-	-	(10,353,882)	(10,354,786)	-	(904)	100 %	100 %
Debt impairment	(44,000,000)	(5,000,000)	(49,000,000)	-	-	(49,000,000)	(84,545,849)	-	(35,545,849)	173 %	192 %
Depreciation and asset impairment	(25,282,489)	(5,426,449)	(30,708,938)	-	-	(30,708,938)	(218,037,546)	-	(187,328,608)	710 %	862 %
Finance charges	(3,227,000)	1,448,276	(1,778,724)	-	-	(1,778,724)	(947,282)	-	831,442	53 %	29 %
Materials and bulk purchases	(67,560,750)	30	(67,560,720)	-	-	(67,560,720)	(53,292,708)	-	14,268,012	79 %	79 %
Transfers and grants	-	(2,030,830)	(2,030,830)	-	-	(2,030,830)	(2,501,241)	-	(470,411)	123 %	DIV/0 %
Other expenditure	(96,006,042)	(790,552)	(96,796,594)	-	-	(96,796,594)	(88,784,826)	-	8,011,768	92 %	92 %
<b>Total expenditure</b>	<b>(405,999,425)</b>	<b>(13,352,916)</b>	<b>(419,352,341)</b>	<b>-</b>	<b>-</b>	<b>(419,352,341)</b>	<b>(628,240,009)</b>	<b>-</b>	<b>(208,887,668)</b>	<b>150 %</b>	<b>155 %</b>
<b>Surplus/(Deficit)</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>	<b>-</b>	<b>53,999,542</b>	<b>(236,978,511)</b>	<b>-</b>	<b>(290,978,053)</b>	<b>(439)%</b>	<b>(468)%</b>

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**Appropriation Statement**

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	45,953,000	1,500,000	47,453,000	-		47,453,000	90,083,898		42,630,898	190 %	196 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	20,182,796		20,182,796	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>96,581,825</b>	<b>4,870,717</b>	<b>101,452,542</b>	<b>-</b>		<b>101,452,542</b>	<b>(126,711,817)</b>		<b>(228,164,359)</b>	<b>(125)%</b>	<b>(131)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>96,581,825</b>	<b>4,870,717</b>	<b>101,452,542</b>	<b>-</b>		<b>101,452,542</b>	<b>(126,711,817)</b>		<b>(228,164,359)</b>	<b>(125)%</b>	<b>(131)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	12,656,447	61,749,350	74,405,797	-		74,405,797	99,608,089		25,202,292	134 %	787 %

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
<b>Cash flows</b>											
Net cash from (used) operating	-	-	-	-	-	-	100,184,136	-	100,184,136	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-	-	-	(99,602,920)	-	(99,602,920)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-	-	-	(627,400)	-	(627,400)	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	-	-	-	-	-	<b>(46,184)</b>	-	<b>(46,184)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Cash and cash equivalents at the beginning of the year	-	-	-	-	-	-	3,702,108	-	3,702,108	DIV/0 %	DIV/0 %
<b>Cash and cash equivalents at year end</b>	-	-	-	-	-	-	<b>3,655,924</b>	-	<b>(3,655,924)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

**Setsoto Local Municipality**  
(Registration number Municipal demarcation code FS191)  
Financial Statements for the year ended 30 June 2016

**Appropriation Statement**

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	R
<b>2015</b>				
<b>Financial Performance</b>				
Property rates				32,146,757
Service charges				137,434,425
Investment revenue				2,490,109
Transfers recognised - operational				174,064,685
Other own revenue				32,975,616
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>379,111,592</b>
Employee costs	-	-	-	(154,017,291)
Remuneration of councillors	-	-	-	(9,884,247)
Debt impairment	-	-	-	(25,097,238)
Depreciation and asset impairment	-	-	-	(229,021,394)
Finance charges	-	-	-	(918,796)
Materials and bulk purchases	-	-	-	(53,594,386)
Transfers and grants	-	-	-	(2,606,556)
Other expenditure	-	-	-	(85,125,839)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(560,265,747)</b>
<b>Surplus/(Deficit)</b>				<b>(181,154,155)</b>
Transfers recognised - capital				76,531,066
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) for the year</b>				<b>(104,623,089)</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				8,003,205

**Setsoto Local Municipality**  
 (Registration number Municipal demarcation code FS191)  
 Financial Statements for the year ended 30 June 2016

**Appropriation Statement**

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
	R	R	R	v
<b>Cash flows</b>				
Net cash from (used) operating				68,220,068
Net cash from (used) investing				(76,637,957)
Net cash from (used) financing				(477,638)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(8,895,527)</b>
Cash and cash equivalents at the beginning of the year				12,597,635
<b>Cash and cash equivalents at year end</b>				<b>3,702,108</b>

## Setsoto Local Municipality

(Registration number Municipal demarcation code FS191)

### Appendix A

June 2016

#### Schedule of external loans as at 30 June 2016

Loan Number	Redeemable	Balance at 30 June 2015	Interest for the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand	
		Rand	Rand	Rand	Rand	Rand	Rand	
<b>Development Bank of South Africa</b>								
DBSA Loan @ 16.75%	13457	2020-06-30	1,442,236	-	203,508	1,238,728	-	-
DBSA Loan @ 11.36%	101389	2024-12-31	5,383,277	-	337,714	5,045,563	-	-
			<b>6,825,513</b>	<b>-</b>	<b>541,222</b>	<b>6,284,291</b>	<b>-</b>	<b>-</b>
<b>Total external loans</b>								
Development Bank of South Africa			6,825,513	-	541,222	6,284,291	-	-
			<b>6,825,513</b>	<b>-</b>	<b>541,222</b>	<b>6,284,291</b>	<b>-</b>	<b>-</b>

# Setsoto Local Municipality

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	56,969,000	-	(2,361,100)	-	-	-	54,607,900	-	-	-	-	-	-	54,607,900
	<b>56,969,000</b>	<b>-</b>	<b>(2,361,100)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,607,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,607,900</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	2,798,896,458	-	-	(129,940)	-	-	2,798,766,518	1,205,295,821	-	-	(150,862,049)	-	1,356,157,870	1,442,608,648
Transmission & Reticulation	278,995,338	-	-	-	-	-	278,995,338	(85,268,555)	-	-	(11,183,054)	-	(96,451,609)	182,543,729
Water purification	836,840,849	4,018,112	-	24,962,790	-	-	865,821,751	(117,588,497)	-	-	(19,448,299)	-	(137,036,796)	728,784,955
Sewerage purification	444,461,579	1,730,471	(477,840)	63,354,669	-	-	509,068,879	(91,107,150)	-	-	(15,068,679)	-	(106,175,829)	402,893,050
Waste Management	23,854,567	155,000	-	-	-	-	24,009,567	(1,343,807)	-	-	(1,040,560)	-	(2,384,367)	21,625,200
Work in Progress	145,191,389	75,852,473	-	(157,404,555)	-	-	63,639,307	-	-	-	-	-	-	63,639,307
	<b>4,528,240,180</b>	<b>81,756,056</b>	<b>(477,840)</b>	<b>(69,217,036)</b>	<b>-</b>	<b>-</b>	<b>4,540,301,360</b>	<b>1,500,603,830</b>	<b>-</b>	<b>-</b>	<b>(197,602,641)</b>	<b>-</b>	<b>1,698,206,471</b>	<b>2,842,094,889</b>
<b>Community Assets</b>														
General	353,114,720	8,391,621	(512,392)	69,087,096	-	-	430,081,045	(112,370,369)	-	-	(12,958,247)	125,036	(125,203,580)	304,877,465
	<b>353,114,720</b>	<b>8,391,621</b>	<b>(512,392)</b>	<b>69,087,096</b>	<b>-</b>	<b>-</b>	<b>430,081,045</b>	<b>(112,370,369)</b>	<b>-</b>	<b>-</b>	<b>(12,958,247)</b>	<b>125,036</b>	<b>(125,203,580)</b>	<b>304,877,465</b>

**Setsoto Local Municipality**

**Appendix B**

June 2016

**Analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Other property, plant and equipment</b>														
General vehicles	14,381,880	3,489,392	-	-	-	-	17,871,272	(9,452,643)	-	-	(1,682,514)	-	(11,135,157)	6,736,115
Plant & equipment	4,267,792	133,017	(3,379)	-	-	-	4,397,430	(2,865,365)	-	-	(553,301)	-	(3,418,666)	978,764
Computer Equipment	7,550,892	347,325	(12,922)	-	-	-	7,885,295	(6,233,219)	-	-	(495,597)	-	(6,728,816)	1,156,479
Furniture & Fittings	6,370,217	221,444	(6,007)	-	-	-	6,585,654	(5,647,560)	-	-	(433,686)	-	(6,081,246)	504,408
	<b>32,570,781</b>	<b>4,191,178</b>	<b>(22,308)</b>	-	-	-	<b>36,739,651</b>	<b>(24,198,787)</b>	-	-	<b>(3,165,098)</b>	-	<b>(27,363,885)</b>	<b>9,375,766</b>



# Setsoto Local Municipality

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2016

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	56,969,000	-	(2,361,100)	-	-	-	<b>54,607,900</b>	-	-	-	-	-	-	54,607,900
Infrastructure	4,528,240,180	81,756,056	(477,840)	(69,217,036)	-	-	<b>4,540,301,360</b>	1,500,603,830	-	-	(197,602,641)	-	<b>1,698,206,471</b>	2,842,094,889
Community Assets	353,114,720	8,391,621	(512,392)	69,087,096	-	-	<b>430,081,045</b>	(112,370,369)	-	-	(12,958,247)	125,036	<b>(125,203,580)</b>	304,877,465
Other property, plant and equipment	32,570,781	4,191,178	(22,308)	-	-	-	<b>36,739,651</b>	(24,198,787)	-	-	(3,165,098)	-	<b>(27,363,885)</b>	9,375,766
	<b>4,970,894,681</b>	<b>94,338,855</b>	<b>(3,373,640)</b>	<b>(129,940)</b>	-	-	<b>5,061,729,956</b>	<b>1,637,172,986</b>	-	-	<b>(213,725,986)</b>	<b>125,036</b>	<b>1,850,773,936</b>	<b>3,210,956,020</b>
<b>Intangible assets</b>														
Computers - software & programming	3,379,999	1,655,695	-	(104,000)	-	-	<b>4,931,694</b>	686,545	-	-	(768,118)	-	<b>(81,573)</b>	3,477,031
	<b>3,379,999</b>	<b>1,655,695</b>	-	<b>(104,000)</b>	-	-	<b>4,931,694</b>	<b>686,545</b>	-	-	<b>(768,118)</b>	-	<b>(81,573)</b>	<b>3,477,031</b>
<b>Investment properties</b>														
Investment property	95,177,754	4,596,306	-	-	-	-	<b>99,774,060</b>	(24,001,330)	-	-	-	(1,198,554)	<b>(25,199,884)</b>	74,574,176
	<b>95,177,754</b>	<b>4,596,306</b>	-	-	-	-	<b>99,774,060</b>	<b>(24,001,330)</b>	-	-	-	<b>(1,198,554)</b>	<b>(25,199,884)</b>	<b>74,574,176</b>
<b>Total</b>														
Land and buildings	56,969,000	-	(2,361,100)	-	-	-	<b>54,607,900</b>	-	-	-	-	-	-	54,607,900
Infrastructure	4,528,240,180	81,756,056	(477,840)	(69,217,036)	-	-	<b>4,540,301,360</b>	1,500,603,830	-	-	(197,602,641)	-	<b>1,698,206,471</b>	2,842,094,889
Community Assets	353,114,720	8,391,621	(512,392)	69,087,096	-	-	<b>430,081,045</b>	(112,370,369)	-	-	(12,958,247)	125,036	<b>(125,203,580)</b>	304,877,465
Other property, plant and equipment	32,570,781	4,191,178	(22,308)	-	-	-	<b>36,739,651</b>	(24,198,787)	-	-	(3,165,098)	-	<b>(27,363,885)</b>	9,375,766
Intangible assets	3,379,999	1,655,695	-	(104,000)	-	-	<b>4,931,694</b>	686,545	-	-	(768,118)	-	<b>(81,573)</b>	3,477,031
Investment properties	95,177,754	4,596,306	-	-	-	-	<b>99,774,060</b>	(24,001,330)	-	-	-	(1,198,554)	<b>(25,199,884)</b>	74,574,176
	<b>5,069,452,434</b>	<b>100,590,856</b>	<b>(3,373,640)</b>	<b>(233,940)</b>	-	-	<b>5,166,435,710</b>	<b>1,660,487,771</b>	-	-	<b>(214,494,104)</b>	<b>(1,073,518)</b>	<b>1,876,055,393</b>	<b>3,289,007,227</b>

**Segmental analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation**

**Accumulated Depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Work in Progress Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Electricity	278,995,338	-	-	-	-	-	278,995,338	(85,268,555)	-	-	(11,183,052)	-	(96,451,607)	182,543,731
Waste Water Management/Sewerage	444,461,579	1,730,471	(477,840)	63,354,669	-	-	509,068,879	(91,107,150)	-	-	(15,068,679)	-	(106,175,829)	402,893,050
Road Transport/Roads	2,798,896,458	-	-	(129,940)	-	-	2,798,766,518	(1,205,295,820)	-	-	(150,862,049)	-	(1,356,157,869)	1,442,608,649
Water/Water Distribution	836,840,849	4,018,112	-	24,962,790	-	-	865,821,751	(117,588,497)	-	-	(19,448,297)	-	(137,036,794)	728,784,957
ASSETS	582,004,417	175,630,452	(6,446,604)	(88,187,519)	-	-	663,000,746	(163,368,747)	-	-	(15,824,866)	125,036	(179,068,577)	483,932,169
	<b>4,941,198,641</b>	<b>181,379,035</b>	<b>(6,924,444)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,115,653,232</b>	<b>(1,662,628,769)</b>	<b>-</b>	<b>-</b>	<b>(212,386,943)</b>	<b>125,036</b>	<b>(1,874,890,676)</b>	<b>3,240,762,556</b>
<b>Total</b>														
Municipality	4,941,198,641	181,379,035	(6,924,444)	-	-	-	5,115,653,232	(1,662,628,769)	-	-	(212,386,943)	125,036	(1,874,890,676)	3,240,762,556
	<b>4,941,198,641</b>	<b>181,379,035</b>	<b>(6,924,444)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,115,653,232</b>	<b>(1,662,628,769)</b>	<b>-</b>	<b>-</b>	<b>(212,386,943)</b>	<b>125,036</b>	<b>(1,874,890,676)</b>	<b>3,240,762,556</b>

## Appendix D

June 2016

### Segmental Statement of Financial Performance for the year ended 2016

Prior Year

Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
102,335,700	81,808,255	20,527,445	Executive & Council/Mayor and Council	53,943,951	92,409,827	(38,465,876)
1,550,193	37,874,648	(36,324,455)	Finance & Admin/Finance	80,520,270	46,319,496	34,200,774
-	23,400	(23,400)	Health/Clinics	-	517,786	(517,786)
247,101	7,391,856	(7,144,755)	Comm. & Social/Libraries and archives	548,094	4,498,488	(3,950,394)
1,384,863	20,651,735	(19,266,872)	Housing	17,997,519	21,687,511	(3,689,992)
1,955,028	16,548,636	(14,593,608)	Public Safety/Police	2,228,718	18,192,685	(15,963,967)
26,782,736	8,221,265	18,561,471	Sport and Recreation	49,989	11,037,742	(10,987,753)
36	-		36 Environmental Protection/Pollution Control	-	-	-
93,464,663	42,213,952	51,250,711	Waste Water Management/Sewerage	37,329,109	37,796,996	(467,887)
36,223,722	277,496,011	(241,272,289)	Road Transport/Roads	51,764,490	225,983,923	(174,219,433)
73,254,062	39,060,938	34,193,124	Water/Water Distribution	141,049,360	98,518,156	42,531,204
118,444,553	85,372,499	33,072,054	Electricity /Electricity Distribution	(101,163,155)	55,691,274	44,819,293
<b>455,642,657</b>	<b>616,663,195</b>	<b>(161,020,538)</b>		<b>284,268,345</b>	<b>612,653,884</b>	<b>(126,711,817)</b>
<b>Municipal Owned Entities Other charges</b>						
455,642,657	616,663,195	(161,020,538)	Municipality	284,268,345	612,653,884	(126,711,817)
<b>455,642,657</b>	<b>616,663,195</b>	<b>(161,020,538)</b>	<b>Total</b>	<b>284,268,345</b>	<b>612,653,884</b>	<b>(126,711,817)</b>

**Setsoto Local Municipality**

**Appendix E(1)**

June 2016

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2016**

	<b>Current year 2015 Act. Bal. Rand</b>	<b>Current year 2015 Adjusted budget Rand</b>	<b>Variance Rand</b>	<b>Var</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
<b>Revenue</b>					
Sale of goods	-	20,000	(20,000)	(100.0)	
Service charges	146,817,268	174,136,711	(27,319,443)	(15.7)	
Rental of facilities and equipment	1,563,899	1,259,000	304,899	24.2	
Interest received (trading)	17,200,323	27,000,000	(9,799,677)	(36.3)	
Licences and permits	100,173	40,000	60,173	150.4	
Rates	41,090,394	42,043,922	(953,528)	(2.3)	
Fines, Penalties & Forfeites	2,163,900	101,000	2,062,900	2,042.5	Increase traffic control
Government grants & subsidies	267,735,960	223,834,000	43,901,960	19.6	
Commissions received	207,208	220,000	(12,792)	(5.8)	
Other income 1	369,163	500,000	(130,837)	(26.2)	Increase in Sundry Services
Other income 2	20,182,796	585,200	19,597,596	3,348.9	
Other income - (rollup)	2,127,250	1,777,050	350,200	19.7	Increase in Sundry Services
Interest received - investment	1,933,630	1,800,000	133,630	7.4	
Dividends received	36,226	35,000	1,226	3.5	
	<b>501,528,190</b>	<b>473,351,883</b>	<b>28,176,307</b>	<b>6.0</b>	
<b>Other income Expenses</b>					
Personnel	(169,775,775)	(161,122,653)	(8,653,122)	5.4	
Remuneration of councillors	(10,354,785)	(10,353,882)	(903)	-	
Depreciation	(215,927,790)	(30,708,938)	(185,218,852)	603.1	Impairment of Roads Infrastructure
Lease rentals	(14,750,082)	-	(14,750,082)	-	
Impairments	(2,109,756)	-	(2,109,756)	-	
Finance costs	(947,282)	(1,778,724)	831,442	(46.7)	

**Setsoto Local Municipality**

**Appendix E(1)**

June 2016

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2016**

	<b>Current year 2015 Act. Bal.</b>	<b>Current year 2015 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Bad debts written off	(84,545,840)	(49,000,000)	(35,545,840)	72.5 As a result of debtors with old debt written off
Collection costs	(6,092)	(110,259)	104,167	(94.5) Contract to appoint service providers not yet finalised
Other	-	(11,249,305)	11,249,305	(100.0) Unexpected/Unplanned repairs
Bulk purchases	(53,292,708)	(67,560,720)	14,268,012	(21.1)
Contracted Services	(17,223,878)	(19,012,945)	1,789,067	(9.4)
Transfers and Subsidies	(2,501,241)	-	(2,501,241)	- Income foregone treated as transfer and grants during year
General Expenses	(53,431,135)	(68,454,915)	15,023,780	(21.9) Increase in departmental usage
Other revenue and costs	(624,866,364)	(419,352,341)	(205,514,023)	49.0
Gain or loss on disposal of assets and liabilities	(3,373,640)	-	(3,373,640)	-
Net surplus/ (deficit) for the year	(126,711,814)	53,999,542	(180,711,356)	(334.7)

**Setsoto Local Municipality**

**Appendix E(2)**

June 2016

**Budget Analysis of Capital Expenditure as at 30 June  
2016**

	Yearly		Yearly		
	Additions	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Rand	Rand	%	variances from budget
<b>Municipality</b>					
Comm. & Social/Libraries and archives	206,733	206,733	-	-	
Waste Water Management/Sewerage	65,085,140	46,000,000	(19,085,140)	(41)	
Water/Water Distribution	28,980,902	30,000,000	1,019,098	3	unconditional Grant received
Waste management	155,000	-	(155,000)	-	
	<b>94,427,775</b>	<b>76,206,733</b>	<b>(18,221,042)</b>	<b>(24)</b>	

**Setsoto Local Municipality**

**Appendix F**

**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**

June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar
MIG	National Treasury	15,823,000	13,339,000	-	16,791,000	-	(8,291,315)	(11,684,897)	(7,277,172)	(15,313,174)
FMG	National Treasury	1,600,000	-	-	-	-	(180,534)	(273,842)	(578,877)	(201,639)
MSIG	National Treasury	930,000	-	-	-	-	(600,559)	-	(34,270)	(49,690)
EPWP	Free State Provincial Department of Public Works	817,000	613,000	612,000	-	-	(758,798)	(339,110)	(390,735)	(382,784)
DWA	Department of Water Affairs	-	12,154,667	14,822,592	15,653,640	-	-	(15,129,664)	(14,949,624)	(12,551,610)
COGTA	Department of Cooperative Governance and Traditional Affairs	500,000	806,883	-	-	-	(500,000)	-	(806,883)	-
PIG	Provincial Treasury	-	4,047,541	-	-	-	-	-	(1,425,000)	(1,425,000)
INEG	Department of Energy	1,000,000	500,000	-	-	-	-	-	(358,907)	(1,141,093)
LGSETA	Local Government Sector Education Training Authority	6,011	66,456	1,247,331	96,842	-	-	(6,011)	(66,456)	(1,247,331)
EQUITABLE SHARE	National Treasury	69,296,000	55,436,000	-	41,577,000	-	(69,296,000)	(55,436,000)	-	(41,577,000)
		89,972,011	86,963,547	16,681,923	74,118,482	-	(79,627,206)	(82,869,524)	(25,887,924)	(73,889,321)

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

**Appendix G1  
Budgeted Financial Performance (revenue and expenditure by standard classification)  
for the year ended 30 June 2016**

	2015/2016							2014/2015						
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>														
<b>Governance and administration</b>	<b>133,406,200</b>	<b>7,842,000</b>	<b>141,248,200</b>	-		<b>141,248,200</b>	<b>134,464,222</b>		<b>(6,783,978)</b>	<b>95 %</b>	<b>101 %</b>			<b>103,885,896</b>
Executive and council	48,199,050	420,000	48,619,050	-		48,619,050	52,427,465		3,808,415	108 %	109 %			33,061,528
Budget and treasury office	81,307,500	5,400,000	86,707,500	-		86,707,500	80,520,270		(6,187,230)	93 %	99 %			69,361,696
Corporate services	3,899,650	2,022,000	5,921,650	-		5,921,650	1,516,487		(4,405,163)	26 %	39 %			1,462,672
<b>Community and public safety</b>	<b>1,808,500</b>	<b>5,000</b>	<b>1,813,500</b>	-		<b>1,813,500</b>	<b>20,824,320</b>		<b>19,010,820</b>	<b>1,148 %</b>	<b>1,151 %</b>			<b>30,369,728</b>
Community and social services	413,500	-	413,500	-		413,500	548,094		134,594	133 %	133 %			247,101
Sport and recreation	34,000	5,000	39,000	-		39,000	49,989		10,989	128 %	147 %			26,782,736
Public safety	180,000	-	180,000	-		180,000	2,228,718		2,048,718	1,238 %	1,238 %			1,955,028
Housing	1,181,000	-	1,181,000	-		1,181,000	17,997,519		16,816,519	1,524 %	1,524 %			1,384,863
<b>Economic and environmental services</b>	<b>30,339,850</b>	<b>-</b>	<b>30,339,850</b>	-		<b>30,339,850</b>	<b>51,764,490</b>		<b>21,424,640</b>	<b>171 %</b>	<b>171 %</b>			<b>36,223,758</b>
Road transport	30,339,850	-	30,339,850	-		30,339,850	51,764,490		21,424,640	171 %	171 %			36,223,722
<b>Trading services</b>	<b>305,473,350</b>	<b>133,796,189</b>	<b>439,269,539</b>	-		<b>439,269,539</b>	<b>325,930,348</b>		<b>(113,339,191)</b>	<b>74 %</b>	<b>107 %</b>			<b>324,131,955</b>
Electricity	116,835,000	118,310,517	235,145,517	-		235,145,517	101,163,155		(133,982,362)	43 %	87 %			36
Water	109,175,350	10,485,672	119,661,022	-		119,661,022	141,049,360		21,388,338	118 %	129 %			230,667,257
Waste water management	46,117,000	-	46,117,000	-		46,117,000	37,329,110		(8,787,890)	81 %	81 %			53,047,374
Waste management	33,346,000	5,000,000	38,346,000	-		38,346,000	46,388,723		8,042,723	121 %	139 %			40,417,288
<b>Total Revenue - Standard</b>	<b>471,027,900</b>	<b>141,643,189</b>	<b>612,671,089</b>	<b>-</b>		<b>612,671,089</b>	<b>532,983,380</b>		<b>(79,687,709)</b>	<b>87 %</b>	<b>113 %</b>			<b>494,611,337</b>



**Appendix G1  
Budgeted Financial Performance (revenue and expenditure by standard classification)  
for the year ended 30 June 2016**

	2015/2016							2014/2015							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s28 and s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Standard</b>															
<b>Governance and administration</b>	<b>131,311,190</b>	<b>(161,932)</b>	<b>131,149,258</b>	-	-	<b>131,149,258</b>	<b>141,495,607</b>	-	<b>10,346,349</b>	<b>108 %</b>	<b>108 %</b>	-	-	-	<b>119,595,379</b>
Executive and council	85,348,369	(1,531,532)	83,816,837	-	-	83,816,837	95,176,111	-	11,359,274	114 %	112 %	-	-	-	50,722,971
Budget and treasury office	45,962,821	1,369,600	47,332,421	-	-	47,332,421	46,319,496	-	(1,012,925)	98 %	101 %	-	-	-	30,997,760
<b>Community and public safety</b>	<b>43,195,210</b>	<b>5,099,755</b>	<b>48,294,965</b>	-	-	<b>48,294,965</b>	<b>55,934,206</b>	-	<b>7,639,241</b>	<b>116 %</b>	<b>129 %</b>	-	-	-	<b>52,836,892</b>
Community and social services	4,417,458	137,244	4,554,702	-	-	4,554,702	4,498,480	-	(56,222)	99 %	102 %	-	-	-	7,391,856
Sport and recreation	10,514,760	(1,852,229)	8,662,531	-	-	8,662,531	11,037,743	-	2,375,212	127 %	105 %	-	-	-	8,221,265
Public safety	15,528,048	439,250	15,967,298	-	-	15,967,298	18,192,685	-	2,225,387	114 %	117 %	-	-	-	16,548,636
Housing	12,734,944	6,375,490	19,110,434	-	-	19,110,434	21,687,512	-	2,577,078	113 %	170 %	-	-	-	20,651,735
Health	-	-	-	-	-	-	517,786	-	517,786	DIV/0 %	DIV/0 %	-	-	-	23,400
<b>Economic and environmental services</b>	<b>38,486,511</b>	<b>191,550,425</b>	<b>230,036,936</b>	-	-	<b>230,036,936</b>	<b>225,983,923</b>	-	<b>(4,053,013)</b>	<b>98 %</b>	<b>587 %</b>	-	-	-	<b>277,408,477</b>
Road transport	38,486,511	191,550,425	230,036,936	-	-	230,036,936	225,983,923	-	(4,053,013)	98 %	587 %	-	-	-	277,408,477
<b>Trading services</b>	<b>200,482,774</b>	<b>45,716,507</b>	<b>246,199,281</b>	-	-	<b>246,199,281</b>	<b>236,281,461</b>	-	<b>(9,917,820)</b>	<b>96 %</b>	<b>118 %</b>	-	-	-	<b>378,933,056</b>
Electricity	87,347,974	9,588,728	96,936,702	-	-	96,936,702	55,691,274	-	(41,245,428)	57 %	64 %	-	-	-	-
Water	42,288,767	25,520,527	67,809,294	-	-	67,809,294	98,518,156	-	30,708,862	145 %	233 %	-	-	-	336,719,104
Waste water management	34,537,133	11,688,805	46,225,938	-	-	46,225,938	37,796,996	-	(8,428,942)	82 %	109 %	-	-	-	6,087,441
Waste management	36,308,900	(1,081,553)	35,227,347	-	-	35,227,347	44,275,035	-	9,047,688	126 %	122 %	-	-	-	36,126,511
<b>Total Expenditure - Standard</b>	<b>413,475,685</b>	<b>242,204,755</b>	<b>655,680,440</b>	-	-	<b>655,680,440</b>	<b>659,695,197</b>	-	<b>4,014,757</b>	<b>101 %</b>	<b>160 %</b>	-	-	-	<b>828,773,804</b>
<b>Surplus/(Deficit) for the year</b>	<b>57,552,215</b>	<b>(100,561,566)</b>	<b>(43,009,351)</b>	-	-	<b>(43,009,351)</b>	<b>(126,711,817)</b>	-	<b>(83,702,466)</b>	<b>295 %</b>	<b>(220)%</b>	-	-	-	<b>(334,162,467)</b>

**Appendix G2**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2016**

	2015/2016										2014/2015				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue by Vote</b>															
Executive & COUNCIL	48,666,182	502,650	49,168,832	-	-	49,168,832	52,427,465	-	3,258,633	107 %	108 %	-	-	-	73,727,183
Budget and Treasury office	77,059,728	(17,240,728)	59,819,000	-	-	59,819,000	80,520,270	-	20,701,270	135 %	104 %	-	-	-	52,844,365
CORPORATE SUPPORT SERVICES	4,421,953	306,652	4,728,605	-	-	4,728,605	1,516,487	-	(3,212,118)	32 %	34 %	-	-	-	399,702
COMMUNITY SERVICES	453,640	(106,081)	347,559	-	-	347,559	548,094	-	200,535	158 %	121 %	-	-	-	186,054
Sport and Recreation	57,240	(31,794)	25,446	-	-	25,446	49,989	-	24,543	196 %	87 %	-	-	-	33,289
Public Safety	291,600	(11,001)	280,599	-	-	280,599	2,228,718	-	1,948,119	794 %	764 %	-	-	-	1,458,499
Housing	546,480	3,520	550,000	-	-	550,000	17,997,519	-	17,447,519	3,272 %	3,293 %	-	-	-	3,979,835
Road Transport	28,556,698	(1,318)	28,555,380	-	-	28,555,380	51,764,490	-	23,209,110	181 %	181 %	-	-	-	25,754,400
Electricity	108,654,175	9,656,344	118,310,519	-	-	118,310,519	101,163,155	-	(17,147,364)	86 %	93 %	-	-	-	97,338,205
Water	113,855,109	(965,611)	112,889,498	-	-	112,889,498	141,049,360	-	28,159,862	125 %	124 %	-	-	-	138,999,943
Waste Water management	28,359,966	1,680,843	30,040,809	-	-	30,040,809	37,329,110	-	7,288,301	124 %	132 %	-	-	-	26,533,927
Waste management	37,769,032	2,132,371	39,901,403	-	-	39,901,403	46,388,723	-	6,487,320	116 %	123 %	-	-	-	33,721,904
<b>Total Revenue by Vote</b>	<b>448,691,803</b>	<b>(4,074,153)</b>	<b>444,617,650</b>	<b>-</b>	<b>-</b>	<b>444,617,650</b>	<b>532,983,380</b>	<b>-</b>	<b>88,365,730</b>	<b>120 %</b>	<b>119 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,319,455,505</b>
<b>Expenditure by Vote to be appropriated</b>															
Executive and council	45,521,357	10,185,024	55,706,381	-	-	55,706,381	85,259,328	-	29,552,947	153 %	187 %	-	-	-	55,074,137
Budget and treasury office	32,520,426	41,783,503	74,303,929	-	-	74,303,929	46,319,496	-	(27,984,433)	62 %	142 %	-	-	-	39,535,930
Corporate services	28,967,153	(49,463,526)	(20,496,373)	-	-	(20,496,373)	9,916,783	-	30,413,156	(48)%	34 %	-	-	-	43,115,477
Community and social services	7,045,133	(6,276,925)	768,208	-	-	768,208	4,498,488	-	3,730,280	586 %	64 %	-	-	-	10,186,334
Sport and recreation	9,503,916	(9,286,968)	216,948	-	-	216,948	11,037,743	-	10,820,795	5,088 %	116 %	-	-	-	33,599,193
Public safety	13,771,931	(13,557,656)	214,275	-	-	214,275	18,192,685	-	17,978,410	8,490 %	132 %	-	-	-	12,044,693
Housing	7,538,363	(7,367,721)	170,642	-	-	170,642	21,687,511	-	21,516,869	12,709 %	288 %	-	-	-	6,912,430
Road transport	22,472,228	(22,428,907)	43,321	-	-	43,321	225,983,923	-	225,940,602	521,650 %	1,006 %	-	-	-	15,567,763
Electricity	82,406,473	26,037,460	108,443,933	-	-	108,443,933	55,691,274	-	(52,752,659)	51 %	68 %	-	-	-	69,285,450
Water	50,826,079	54,421,607	105,247,686	-	-	105,247,686	98,518,156	-	(6,729,530)	94 %	194 %	-	-	-	261,771,316
Waste water management	42,392,326	(20,149,558)	22,242,768	-	-	22,242,768	37,796,996	-	15,554,228	170 %	89 %	-	-	-	29,442,542
Waste management	43,930,281	(11,764,022)	32,166,259	-	-	32,166,259	44,275,035	-	12,108,776	138 %	101 %	-	-	-	39,260,833
Health	-	-	-	-	-	-	517,786	-	517,786	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>386,895,666</b>	<b>(7,867,689)</b>	<b>379,027,977</b>	<b>-</b>	<b>-</b>	<b>379,027,977</b>	<b>659,695,204</b>	<b>-</b>	<b>280,667,227</b>	<b>174 %</b>	<b>171 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>615,804,102</b>
<b>Surplus/(Deficit) for the year</b>	<b>61,796,137</b>	<b>3,793,536</b>	<b>65,589,673</b>	<b>-</b>	<b>-</b>	<b>65,589,673</b>	<b>(126,711,824)</b>	<b>-</b>	<b>(192,301,497)</b>	<b>(193)%</b>	<b>(205)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,703,651,403</b>

**Appendix G3  
Budgeted Financial Performance (revenue and expenditure)  
for the year ended 30 June 2016**

	2015/2016							2014/2015							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue By Source</b>															
Property rates	38,500,000	3,543,922	42,043,922	-		42,043,922	41,090,394		(953,528)	98 %	107 %				32,146,757
Service charges - electricity revenue	79,335,000	-	79,335,000	-		79,335,000	63,625,991		(15,709,009)	80 %	80 %				64,532,419
Service charges - water revenue	35,525,000	7,474,711	42,999,711	-		42,999,711	40,326,296		(2,673,415)	94 %	114 %				32,982,634
Service charges - sanitation revenue	26,685,000	-	26,685,000	-		26,685,000	21,382,194		(5,302,806)	80 %	80 %				18,109,761
Service charges - refuse revenue	25,117,000	-	25,117,000	-		25,117,000	21,296,069		(3,820,931)	85 %	85 %				21,678,872
Service charges - other	-	-	-	-		-	186,719		186,719	DIV/0 %	DIV/0 %				130,740
Rental of facilities and equipment	1,254,000	5,000	1,259,000	-		1,259,000	1,563,899		304,899	124 %	125 %				1,298,235
Interest earned - external investments	28,400,000	400,000	28,800,000	-		28,800,000	19,133,954		(9,666,046)	66 %	67 %				22,451,376
Dividends received	35,000	35,000	70,000	-		70,000	36,226		(33,774)	52 %	104 %				32,189
Fines	101,000	101,000	202,000	-		202,000	2,163,900		1,961,900	1,071 %	2,142 %				1,926,679
Licences and permits	-	40,000	40,000	-		40,000	100,173		60,173	250 %	DIV/0 %				13,553
Transfers recognised - operational	218,334,000	5,500,000	223,834,000	-		223,834,000	267,735,960		43,901,960	120 %	123 %				250,595,751
Other revenue	3,342,250	(376,000)	2,966,250	-		2,966,250	26,478,916		23,512,666	893 %	792 %				9,831,216
Gains on disposal of PPE	-	-	-	-		-	(3,373,640)		(3,373,640)	DIV/0 %	DIV/0 %				(87,524)
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>456,628,250</b>	<b>16,723,633</b>	<b>473,351,883</b>	<b>-</b>		<b>473,351,883</b>	<b>501,747,051</b>		<b>28,395,168</b>	<b>106 %</b>	<b>110 %</b>				<b>455,642,658</b>

**Appendix G3  
Budgeted Financial Performance (revenue and expenditure)  
for the year ended 30 June 2016**

	2015/2016							2014/2015							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure By Type</b>															
Employee related costs	159,569,262	1,553,391	161,122,653	-	-	161,122,653	169,775,775	-	8,653,122	105 %	106 %	-	-	-	154,017,291
Remuneration of councillors	10,353,882	-	10,353,882	-	-	10,353,882	10,354,785	-	903	100 %	100 %	-	-	-	9,884,247
Debt impairment	44,000,000	5,000,000	49,000,000			49,000,000	84,545,848	-	35,545,848	173 %	192 %	-	-	-	25,097,237
Depreciation & asset impairment	25,282,489	5,426,449	30,708,938			30,708,938	218,037,546	-	187,328,608	710 %	862 %	-	-	-	210,322,602
Finance charges	3,227,000	(1,448,276)	1,778,724			1,778,724	947,282	-	(831,442)	53 %	29 %	-	-	-	918,797
Bulk purchases	67,560,750	(30)	67,560,720			67,560,720	53,292,708	-	(14,268,012)	79 %	79 %	-	-	-	53,594,386
Contracted services	15,842,747	3,170,198	19,012,945			19,012,945	17,223,878	-	(1,789,067)	91 %	109 %	-	-	-	28,235,384
Transfers and grants	-	-	-			-	2,501,241	-	2,501,241	DIV/0 %	DIV/0 %	-	-	-	2,606,556
Other expenditure	80,163,295	(348,816)	79,814,479			79,814,479	71,779,802	-	(8,034,677)	90 %	90 %	-	-	-	75,589,247
<b>Total Expenditure</b>	<b>405,999,425</b>	<b>13,352,916</b>	<b>419,352,341</b>	<b>-</b>	<b>-</b>	<b>419,352,341</b>	<b>628,458,865</b>	<b>-</b>	<b>209,106,524</b>	<b>150 %</b>	<b>155 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>560,265,747</b>
<b>Surplus/(Deficit)</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) after taxation</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) attributable to municipality</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>
<b>Surplus/(Deficit) for the year</b>	<b>50,628,825</b>	<b>3,370,717</b>	<b>53,999,542</b>	<b>-</b>		<b>53,999,542</b>	<b>(126,711,814)</b>		<b>(180,711,356)</b>	<b>(235)%</b>	<b>(250)%</b>				<b>(104,623,089)</b>

**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2016**

2015/2016										2014/2015				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Capital expenditure - Vote  
Multi-year expenditure  
Single-year expenditure

**Appendix G4  
Budgeted Capital Expenditure by vote, standard classification and funding  
for the year ended 30 June 2016**

	2015/2016							2014/2015							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget (i.t.o. s28 and s31 of the MFMA)	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital Expenditure - Standard</b>															
Community and public safety	206,733	-	206,733	-	-	206,733	206,733	-	-	100 %	100 %	-	-	-	4,106,564
Community and social services	206,733	-	206,733	-	-	206,733	206,733	-	-	100 %	100 %	-	-	-	1,226,564
Trading services	76,000,000	-	76,000,000	-	-	76,000,000	94,221,042	-	18,221,042	124 %	124 %	-	-	-	150,914,359
Water	30,000,000	-	30,000,000	-	-	30,000,000	65,085,140	-	35,085,140	217 %	217 %	-	-	-	142,800,000
Waste water management	46,000,000	-	46,000,000	-	-	46,000,000	28,980,902	-	(17,019,098)	63 %	63 %	-	-	-	6,089,359
Waste management	-	-	-	-	-	-	155,000	-	155,000	DIV/0 %	DIV/0 %	-	-	-	2,025,000
<b>Total Capital Expenditure - Standard</b>	<b>76,206,733</b>	<b>-</b>	<b>76,206,733</b>	<b>-</b>	<b>-</b>	<b>76,206,733</b>	<b>94,427,775</b>	<b>-</b>	<b>18,221,042</b>	<b>124 %</b>	<b>124 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,895,923</b>
<b>Funded by:</b>															

**Setsoto Local Municipality**  
**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2016**

	2015/2016					2015			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Cash flow from operating activities</b>									
Ratepayers and other	174,575,603	14,745,048	189,320,651	189,320,651	173,219,390	(16,101,261)	91 %	99 %	200,607,651
Government - operating	180,030,000	(3,488,000)	176,542,000	176,542,000	177,652,063	1,110,063	101 %	99 %	174,064,685
Government - capital	59,660,000	(4,122,000)	55,538,000	55,538,000	90,083,897	34,545,897	162 %	151 %	76,531,066
Interest	34,391,200	(11,209,200)	23,182,000	23,182,000	19,133,953	(4,048,047)	83 %	56 %	2,457,920
Dividends	35,000	-	35,000	35,000	36,226	1,226	104 %	104 %	32,189
Suppliers and employees	(342,994,907)	(322,071)	(343,316,978)	(343,316,978)	(358,994,111)	(15,677,133)	105 %	105 %	(384,327,324)
Finance charges	(997,000)	105,000	(892,000)	(892,000)	(947,282)	(55,282)	106 %	95 %	(1,146,119)
<b>Net cash flow from/used operating activities</b>	<b>104,699,896</b>	<b>(4,291,223)</b>	<b>100,408,673</b>	<b>100,408,673</b>	<b>100,184,136</b>	<b>(224,537)</b>	<b>100 %</b>	<b>96 %</b>	<b>68,220,068</b>
<b>Cash flow from investing activities</b>									
Proceeds on disposal of PPE	-	-	-	-	(99,602,920)	(99,602,920)	DIV/0 %	DIV/0 %	(76,637,957)
Capital assets	(4,084,835)	(3,117,961)	(7,202,796)	(7,202,796)	-	7,202,796	- %	- %	-
<b>Net cash flow from/used investing activities</b>	<b>(4,084,835)</b>	<b>(3,117,961)</b>	<b>(7,202,796)</b>	<b>(7,202,796)</b>	<b>(99,602,920)</b>	<b>(92,400,124)</b>	<b>1,383 %</b>	<b>2,438 %</b>	<b>(76,637,957)</b>
<b>Cash flow from financing activities</b>									
Repayment of borrowing	-	-	-	-	(627,400)	(627,400)	DIV/0 %	DIV/0 %	(477,638)
<b>Net cash flow from/used financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(627,400)</b>	<b>(627,400)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>	<b>(477,638)</b>
<b>Net increase/(decrease) in cash held</b>	<b>100,615,061</b>	<b>(7,409,184)</b>	<b>93,205,877</b>	<b>93,205,877</b>	<b>(46,184)</b>	<b>(93,252,061)</b>	<b>- %</b>	<b>- %</b>	<b>(8,895,527)</b>
Cash/cash equivalents at the year begin:					3,702,108				12,597,635
<b>Cash/cash equivalents at the year end:</b>	<b>100,615,061</b>	<b>(7,409,184)</b>	<b>93,205,877</b>	<b>93,205,877</b>	<b>3,655,924</b>	<b>(93,252,061)</b>	<b>4 %</b>	<b>4 %</b>	

## Contact Information

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**Editorial**

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Setsoto Local Municipality  
Draft Annual Performance Report 2015/2016

Published by the Department of the Office of the Municipal Manager  
Integrated Development Plan and Performance Management Plan Unit

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**PR: 303/2016**  
**ISBN: 978-0-621-44894-8**