MAFUBE LOCAL MUNICIPALITY

2012/2013

ANNUAL REPORT




ACKNOWLEDGEMENTS

This annual report is published by the Mafube Local Municipality. It reviews all activities of the municipality for the period July 2012 to June 2013. Every effort has been made to ensure that the facts are correct.

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FOREWORD BY THE MAYOR

Mayor Jabulane Elliot Sigasa

Herewith our Annual Report for the period July 2012 to June 2013. We submit this report a year before the country celebrates 20 years of freedom and democracy. As a municipality we are proud to continue playing our part in the broader effort to improve the lives of South Africans in the past 20 years.

In the past few years, including the year under review, the municipality continued to have all hands on deck to improve the lives of our people guided by our Integrated Development Plan (IDP) which is informed by the broader vision of the National Development Plan and the Provincial Growth and Development Strategy that rests on the following pillars:

- Inclusive Economic Growth and Sustainable Job Creation
- Education, Innovation and Skills Development
- Improved Quality of Life
- Sustainable Rural Development
- Build Social Cohesion
- Good Governance

In line with the above we have made significant strides and have a good story to tell. Working together with the provincial government, the District Municipality and communities, we continued to implement economic development and infrastructure projects for sustained inclusive economic growth and job creation. By the close of the financial year, the municipality was in the process of organizing an LED Summit meant to bring all business and economic stakeholders to chart a way forward for stimulating economic growth in our area.

Given the centrality of education and the reality that many of our people do not have the means to take children to school and further education, we continued to make little contribution by assisting a few children to further their education.

Within our modest resources we continued to work with the province and the district to provide infrastructure and community services, housing and safety and security for overall improvement of the quality of life of our people. While significant strides have been made, we are acutely aware that more still needs to be done.

As a municipality located in the rural hinterland, we continued to implement programmes with a clear rural bias. Our development strategy hinges on the necessity to take into account the opportunities and constraints presented by our geographic location. In this regards our programmes continued to be characterized by support to small scale farming and other rural economic development projects.

To build social cohesion, we continued to interact with communities in their various formations to understand their challenges and find ways to involve them in the running of our municipality. The municipality also continues to engage various communities in various community and social activities including sports and recreation to build a united community of Mafube.

To promote good governance, we continued to strengthen our Ward Committees to ensure maximum participation of communities in the affairs of the municipality while enhancing accountability of Councillors. We also continued to strengthen our oversight structures as well as internal controls and systems for good governance.

While we think we have registered progress with limited resources, our communities rightly expect more and we agree more still needs to be done. This financial year has been one of our toughest financially but working together with other spheres of government we trust that long term solutions will be found to place the municipality on a better footing financially so that we can meet the expectations of our communities. In this regard, I would like to thank our communities for the understanding and patience they have shown over the years.

I would like to thank my fellow Councillors, the Municipal Manager and the rest of staff for a job well done under trying circumstances. Together, we have played our part to ensure a better life for all.

Cllr JE Sigasa
Executive Mayor

OVERVIEW BY THE MUNICIPAL MANAGER

Puseletso I Radebe

It is again with a great sense of pride and honour that we present the municipality's Annual Report for 2012-2013. The Report details some of the challenges the municipality faced, especially financial, the work undertaken, progress recorded, the limitations as well as the corrective measures to be put in place for improved performance in the forthcoming year. It should be said that the municipality performed reasonably well as this has been one of the most challenging year for the municipality financially and institutionally.

The municipality continued to deliver services and perform all the functions allocated to it in terms of the Constitution and attendant local government legislation. The powers and functions are highlighted in the introductory section of the Report. The municipality continued to provide municipal services and perform these functions on its own as it does not have entities to shoulder the responsibility with it. Much of its successes however are due to close working relationships with various provincial departments and the Fezile Dabi District Municipality who within the spirit of cooperative governance came to the party and assist the municipality during the difficult times. The municipality wishes to record its appreciation for the continuous support from the province and the district.

With all the challenges and successes, the municipality remains unable to improve its audit outcomes. For a number of years now, including the current financial year, the municipality continued to receive a disclaimer rating from the Auditor General. This has been ascribable to the many weaknesses in our financial management and organisational controls and systems. Despite the efforts to try to improve, the municipality continues to fall short mainly due to various factors including governance, lack of capacity at different levels and financial distress the municipality has been under for a number of years now.

Various interventions are nevertheless being made to turn the situation around. The municipality continues to strengthen its internal Risk Management Unit to ensure that all identified risks dealt with decisively. Further, with the assistance of the province and the district, the municipality continues to benefit from the services of external service providers to assist with strengthening our financial management and internal control and systems.

The municipality however remains in great financial distress. The situation, exacerbated by high levels of poverty in the community has seen the municipality unable to collect what is due to it from trading services as consumers are unable to pay. This has resulted in the municipality increasingly relying on bank overdraft facilities and grants, some of which have been steadily dwindling and thus affecting the municipality's capacity to deliver much needed services.

The municipality also ran for much of the year without full complement of its staff at senior level. Two critical vacancies were created with the departure of the Chief Financial Officer and Director of Infrastructure Services. The municipality has had to function with makeshift arrangements for much of the year. However processes are under way to fill the positions while the organisational structure was also revised to ensure that capacity is moved to critical areas of work in the municipality and we thus trust that significant improvements will be seen in the coming year.

I would like to seize the opportunity to thank the outgoing and the new Mayor and Council for steady leadership and guidance throughout the financial year. Many heartfelt thanks also go to the staff, communities, colleagues at provincial and district level as well as service providers who continued to provide needed support to ensure that we record some success against the modest resources we have.

Mr PI Radebe
Municipal Manager

CHAPTER 1: MUNICIPAL OVERVIEW

Introduction

The Mafube Local Municipality is one of the local municipalities located within the Fezile Dabi District Municipality. The municipality was established in terms of the section 12 of the Municipal Structures Act, 1998 and following the local government elections of 2000. The municipality is made up of four towns, namely, Frankfort, Villiers, Cornelia and Tweeling. Frankfort, serves as a home for the headquarters of the municipality.

Loosely defined, Mafube is a South Sotho word for 'a place of dawn'.

1.1 The Municipality

Mafube Local Municipality, like other municipalities in South Africa is an organ of state that is made up of Council, Administration and the Community. Each of these components work cooperatively in an interrelated and interdependent manner and each has organised into own structures.

1.2 Council and Council Committees

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The Mayor has certain legislative and delegated powers and appoints members of the Executive Committee in terms of sections 60 and 80 of the Municipal Structures Act, 1998. The Executive Committee is accountable and reports to the Municipal Council. The Council also has Portfolio Committees to oversee execution of various municipal functions and programmes. So in essence the Council has the following structures to provide political oversight over municipal programmes and these are:

- Municipal Council
- Executive Committee
- Portfolio Committees

Council

The municipality has a Council made up of 17 Councilors. The Mafube Local Municipality Council currently consists of 17 Councillors, 9 Ward Councillors and 8 Proportional Councillors. The following political parties are represented in the Council:

- African National Congress (ANC) 12
- Democratic Alliance (DA) 3
- Cope 2

Mafube Local Municipality perfoms the following powers and functions in terms of the constitution:

Category B Functions	Category C Functions	Provincial and National
Local Municipality	**District Municipality**	**District Municipality**
Air pollution	Refuse removal and solid waste	Libraries
Building regulations	Municipal roads	Housing
Bill boards and display of advertisements	Municipal airports	
Storm water	Fire fighting	
Trading regulations	Markets	
Cleansing	Cemeteries	
Facilities, accommodation and burial of animals	Municipal public works	
Fencing and fences	Electricity regulation	
Local sport facilities	Municipal health	
Municipal parks and recreation	Storm water	
Municipal planning	Potable water	
Municipal public transport	Sanitation	
Municipal roads	Licensing	
Public places and local amenities		
Street lighting		
Traffic and parking		
Licensing of dogs		

Below is a list of Councilors making up the Council of Mafube Local Municipality:

Name	Party	Ward	Proportional Representative
Jabulane Elliot Sigasa	ANC	1	
Mildred Moloi	ANC		PR
Jabulane Jan Hlongwane	ANC	2	
Fusi Petrus Motloung	ANC	3	
Madise Andries Mosia	ANC	4	
Johannes Jacobus Pretorious	DA	5	
MM Mofokeng	ANC	6	
Undikho Christopher Jafta	ANC	7	
Willam Caravan Motloung	ANC	8	
Lucky Simon Kubheka	ANC	9	
Maleseli Saria Sekhoto	ANC		PR
Ntswaki Emmeldah Xaba	ANC		PR
Puleng Maria Monaune	ANC		
Marchand Casper du Plessis	DA		PR
Shoeshoe Adel Mosia-Mazibuko	DA		PR
Peter Motloung	COPE		PR
Miriam Hadebe	COPE		PR

Executive Committee

The Council established an Executive Committee that comprises the following members to provide leadership to the administration between Council meetings:

Name	Designation
JE Sigasa	Chairperson and Finance Committee
MA Mosia	Community and Corporate Services
JJ Pretorius	Project Management Unit

Portfolio Committees

The municipality also established Portfolio Committees to provide oversight over programmes of various municipal Directorates. The following are Portfolio Committees established by the municipality:

Portfolio Committee: Corporate Services

- Cllr W.C. Motloung as Chairperson
- Cllr T.M. Monaune
- Cllr P. Motloung

Portfolio Committee: Project Management Unit

- Cllr F.P. Motloung as Chairperson
- Cllr N.E. Xaba
- Cllr S.A. Mazibuko
- Cllr J.J. Pretorius

Portfolio Committee: Community Services and Local Economic Development

- Cllr L.F. Kubeka as Chairperson
- Cllr M.M. Mofokeng
- Cllr U.C. Jafta
- Cllr M. Hadebe

Portfolio Committee: Finance

- Cllr J.J. Hlongwane
- Cllr M.C. du Plessis
- Cllr M.M. Sekhoto

Local Labour Forum

- Cllr W.C. Motloung as Chairperson
- Cllr T.M. Monaune
- Cllr P. Motloung

1.3 Municipal Administration

Mafube Local Municipality has fully functioning administration headed by a Municipal Manager (Mr PI Radebe). The administration is organised into the following departments headed by Directors who are directly accountable to the Municipal Manager:

- Corporate Services, Mr S Malindi;
- Community Services, Ms Z Mofokeng;
- Financial Services, Mr G Gwanya (Acting);
- Land Use and Human Settlements, Ms N Radebe; and
- Technical Services, Mr M Maboya.

1.4 Community

In accordance with the applicable legislation requiring participation of communities in the affairs of the municipalities, Mafube Local Municipality has established a number of structures and platforms for participation of communities. Over and above the participation of communities in Council meetings, the municipality has also established IDP Forum that serves as a platform for community participation in the formulation and review of the IDPs of the municipality. In addition, the municipality has also established Ward Committees in all the 9 wards within its area of jurisdiction. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes.

The following are the Ward Committees established in various areas of the municipality and the members that constitute them:

Ward 1

Name & Surname	Sector Representation	Area
JE Sigasa		
Skosana Puleng Selina	Social Affairs	Mokaba Village
Moloi Lettia Rosilina	Children & Women with Disabilities	Rethabile Section
Molefe Puseletso Frans	Agriculture	Mokaba Village
Tsotetsi Tryphina Khozi	Projects	Magashule Section
Sibeko Nthabiseng Topsy	Education & Human Development	Tholulwazi Section
Mashinini Jabulani Johannes	Faith Based & Traditional Healers	Tholulwazi Section
Sekhoto Nthabiseng Jemina	Sports & Recreation	Mokaba Village
Makhubo Jacob Vusi John	Local Farms & Transport	Palmer Street

Ward 2

Name & Surname	Sector Representation	Area
Cllr JJ Hlongwane		
Mofokeng Mpuse Maria	Governance	Mamello Section
Mofokeng Morgan Motsamai	Ward Committee Secretary	Sunrise Section
Mhlambi Ndlabu Lukas	LED & IDP	Sunrise Section
Mashinini Sonto Sarah	Home Affairs	Seabata Section
Khanye Modiehi Alina	Social Development	Seabata Section
Mosikidi David	Education & Human Development	Sunrise Section
Mokoena Maria	Health	Seabata Section
Gumede Elizabeth Sonto	Sports & Recreation	Mamello Section
Mofokeng Alina	Youth Development	Sunrise Section
Rampai Direngwana Jemina	Safety & Security	Seabata Section

Ward 3

Name & Surname	Sector Representation	Area
Cllr FP Motloung		
Xaba Nomacala Julia	Ward Committee Secretary	Molamodi Str, Qalabotjha
Khanye Authority	(Ward Committee Deputy sec) Youth, Sports, Arts & Recreation	Ext 6, Qalabotjha
Mokoena Ntswaki Lucy	Social Development	Ext 3, Qalabotjha
Rutse Malefu Elsie	Housing and Infrastructure	Ext 3, Qalabotjha
Thusi Nunu Martha	Health and Well being	Ext 3, Qalabotjha
Maduna Beigi Simon	Safety & Security	Thuthukani Str, Qalabotjha
Motsoeneng Victor Lehana	Communication & Education	
Ndaba Velaphi	Community Service	
Mokoena Tselane	Local Economic Development	

Ward 4

Name & Surname	Sector Representation	Area
Cllr MA Mosia		
Gamede Johannes Cishimpi	Infrastructure	Extension 6
Msimaka Lucas Buti	Education	Tshabalala Street
Rakoloti Elizabeth Nokuvuna	Social Development & Health	Sigasa Street
Mokoena Dikeledi Kate	Youth Development & Sports	
Mthembu William Patrick	Agriculture	Molope Street
Leotlela Elizabeth	Religion & Traditional Affairs	Koening Street
Tsotetsi Jemina	LED & Businesses	Mapena Street
Mokuene Rampou Phillmon	Safety and Security	
Mahlophe Mahlopheho	Secretary	Dimaza Street

Ward 5

Name & Surname	Sector Representation	Area
Cllr JJ Pretorius		
Motsamai Pogisego Private	Secretary	Mamello Section
Ramatsekane Thapelo Christian	Infrastructure	Butayi Section
Modise Emily Sussy	Health and Social Development	
Mahlamba Mziwakhe Thomas	Safety and Security	
Muller Reinier Johan	Agriculture	
Van Der Merwe E. Johannes	Religion and Traditional Affairs	
Muller Maria Magdalena	Education and Communication	

Ward 6

Name & Surname	Sector Representation	Area
Cllr M Mofokeng		
Mofokeng Dibuseng Merriam	Sports & Recreation	Butayi Section
Khambule Aletta Buyisiwe	Safety & Security	Butayi Section
Molelekoa Lerato Thomas		Butayi Section
Makhotsa Ntombizodwa Tryphine	Health & Well Being	
Mokoena Dinah Molebollo	Social Development	Butayi Section
Mazibuko Lefina Mashembe	Sports & Recreation	Sunrise Section
Motaung Thandiwe Evelyn	Social Development	

Ward 7

Name & Surname	Sector Representation	Area
Cllr UC Jafta		
Skosana Maria Maleki	Health & Wellbeing	Phahameng Section
Masiteng Nomakhubo Emma	Secretary	Phahameng Section
Nkutha Zandile Tryphina	Social Development	Phomolong Section
Motsima Malefa Mabel	Social Development	Phahameng Section
Tshabalala Mthandeki Prinse	LED	Phahameng Section
Mokoena Evelina Maleqhoa	Health & LED	Phahameng Section
Motsoeneng Madilori Elizabeth	Safety & Security	Phomolong Section
Moloi Mathoto Maria		
Motaung Helepi Paulina		

Ward 8

Name & Surname	Sector Representation	Area
Cllr WC Motloung		
Mazibuko Simon Lekgotla	Sports & Recreation	Mokoena Section
Miya Norah Nondlela	Disabilities, Old Aged & Orphans	10th Street
Mokoaqatsa Tiisetso	Home Affairs	Winnie Mandela
Mofokeng Joyce Jwalane	Health & Well being	Extension 1
Jokanisi Bricks Bulisile	Projects	Mzizi Street
Skosana William Mohobelo	Education & Human Development	Tsoku Street
Motaung Elizabeth	Police & Transport	Winnie Mandela
Mphuthi Alfred Mphakamele	Faith Based & Traditional Healers	Chris Hani
Dlamini Rosie Hluphekile	Agriculture	Chris Hani

Ward 9

Name & Surname	Sector Representation	Area
Cllr LS Kubeka		
Kubeka Mampele Ema	Health & Social Development	Extension 4
Molefe Anna Ntaoleng	Infrastructure	Extension 4
Zimu Abraham	Agriculture	Tshabalala Street
Morajane Papa	Sports	
Motaung Mmalefu Liesbeth	Religion & Traditional Affairs	Extension 3
Moloi Refilwe Friedah	Secretary	Extension 3
Mofokeng Tabitha Ntsekiseng	Safety & Security	Extension 7

In addition, the municipality has also established other fora to ensure structured engagement with the community and other key roleplayers. These include the IDP Representative Forum established to ensure community input in the formulation of the IDP.

1.5 Geographic profile

The Mafube Local Municipality is situated in the far eastern end of the Fezile Dabi region. The municipality covers a total of 21,5% of the total area of Fezile Dabi region. The municipality is made up of four main towns,namely; Frankfort, Villiers, Cornelia and Tweeling.

Frankfort, which serves as headquarters for the municipality, is situated 55 kilometres east of Heilbron and approximately 120 kilometres south east of Sasolburg.

Villiers is situated at the banks of the Vaal River, adjacent to the N3 National Road linking Gauteng to KZN. The town is located about 120 kilometres from Johannesburg, 80 kilometres from Vereeniging and 117 from Sasolburg.

Cornelia is situated about 157 kilometres east of Sasolburg and 36 kilometres south east of Villiers. The town is also adjacent to the R103 road between Warden and Villiers.

Map of Mafube

Finally, Tweeling is situated about 150 kilometres east of Sasolburg and is within 160 kilometres of major urban centres like Vereeniging and Vanderbijlpark.

1.6 Demographic profile

The recent 2011 Census states that Mafube has a population size estimated at 57850. The population of the whole of Mafube is broken down as shown in the following figures:

POPULATION		AGE STRUCTURE						DEPENDENCY RATIO		SEX RATIO		POPULATION GROWTH (%p.a)	
2001	2011	<15		15-64		65+		Per 100 (15-64)		Males per 100 females			
		2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	1996-2001	2001-2011
56 637	**57 876**	**34,4**	**31,6**	**59,7**	**62,1**	**5,9**	**6,3**	**67,5**	**61,1**	**87,8**	**92,5**	**1,71**	**0,22**

The following comments should be made in respect of the figures above.

- Between 2001 and 2011, the total Mafube population grew by about 0.22% compared to 1,71 between 1996 to 2011.
- Not surprisingly and consistent with national averages, young people continue to constitute largest component of the population of Mafube.
- The numbers of older people seem to be increasing albeit marginally.

1.7 Employment and Education profile

This section provides an overview of the economic profile of Mafube with particularly focus on education levels and unemployment rates. The Census 2011 reveals the following in this regard.

The recent Census 2011 shows that important improvements in the services the municipality deliver to their community. The figures below highlight some of the increases in municipal services.

Clearly the results below show reasonable progress in the following respects since 2001:

- Flush toilet connected to sewer has increased by 17%;
- Weekly refuse removal has increased by about 8%;
- Piped water inside the dwelling has almost tripled since 2001;
- Electricity provision has increased by about 12%.

LABOUR MARKET				EDUCATION (aged 20 +)					
Unemployment rate (official)		Youth unemployment rate (official) 15-34 years		No schooling		Higher Education		Matric	
2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
45,0	**33,4**	**59,1**	**44,3**	**26,2**	**14,1**	**14,2**	**24,6**	**5,6**	**6,1**

The above table shows a mixed bag of results over the past 10 years. It shows that despite the increasing levels of poverty in Mafube:

- Unemployment levels appear to have gone down from 45% to 33%;
- Similarly, the youth unemployment seems to have gone down from 59% to 44% among the youth;
- Number of graduates has increased by about 10% since 2001.

1.8 Municipal Services profile

MUNICIPAL CODE	HOUSEHOLD SERVICES							
FS 205	Flush toilet connected to sewerage %		Weekly refuse removal %		Piped water inside dwelling %		Electricity for lighting %	
	2001	2011	2001	2011	2001	2011	2001	2011
	59,8	**77,2**	**72,3**	**80,2**	**16,1**	**39,8**	**72,7**	**84,4**

CHAPTER 2: GOVERNANCE

2.1 Governance Structures

As alluded to, Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The municipality has a Council made up of 17 Councillors. Nine (9) of the Councillors are Ward Councillors while eight (8) are drawn from the proportional representative list.: The Council established an Executive Committee comprising the following members to provide leadership and guidance to the administration between Council meetings: The municipality has also established Ward Committees in all the 9 wards within the area of jurisdiction of Mafube. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes. In addition, the municipality has also established other fora to ensure structured engagement with the community and other key role players. These include the IDP Representative Forum established to ensure community input in the formulation of the IDP.

2.2 Political Governance Structure

Council

The municipality has a Council made up of 17 Councilors. The Mafube Local Municipality Council currently consists of 17 Councillors, 9 Ward Councillors and 8 Proportional Councillors.

Executive Committee

The Council established an Executive Committee that comprises the following members to provide leadership to the administration between Council meetings:

Portfolio Committees

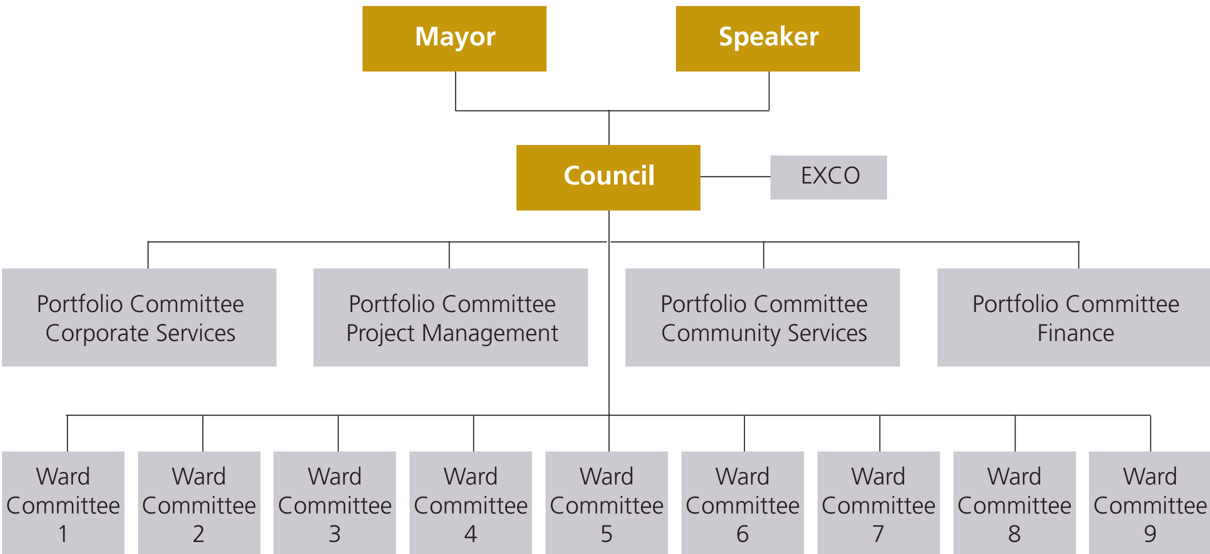
The municipality also established Portfolio Committees to provide oversight over programmes of various municipal Directorates. The following are Portfolio Committees established by the municipality:

Name	Designation
JE Sigasa	Chairperson and Finance Committee
MA Mosia	Community and Corporate Services
JJ Pretorius	Project Management Unit

- Portfolio Committee: Corporate Services
- Portfolio Committee: Project Management Unit
- Portfolio Committee: Community Services and Local Economic Development
- Portfolio Committee: Finance

As indicated earlier, the municipality has also established 9 Ward Committees which serve as critical organs for structured community involvement in governance.

The structures explained above are represented in the diagram below:



Council Leadership

Cllr. JE Sigasa
Mayor

Cllr. TM Moloi
Speaker

Cllr. PM Monaune

Cllr. JJ Hlogwane

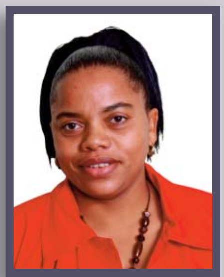
Cllr. WC Motloung

Cllr. S Mosia

Cllr. FP Motloung

Cllr. LS Kubeka

Cllr. MM Sekhoto



Cllr. M Mofokeng

Cllr. JJ Pretorius

Cllr. MA Mosia

Cllr. P Motloung

Cllr. MC Du Plessis

Cllr. UC Jafta

Cllr. MM Hadebe

Cllr. NE Xaba

2.3 Administrative Governance Structures

Mafube Local Municipality is a small Executive Committee type municipality with an administration organised into 6 programmes meant to support Council in the implementation of resolutions and policies within the broad framework of the IDP, applicable legislation and the Constitution. The programmes under the administrative leadership of the Municipal Manager are as follows:

- Office of the Municipal Manager;
- Budget and Treasury Office;
- Technical Services and Infrastructure;
- Community Services;
- Corporate Services; and
- Town Planning and Economic Development

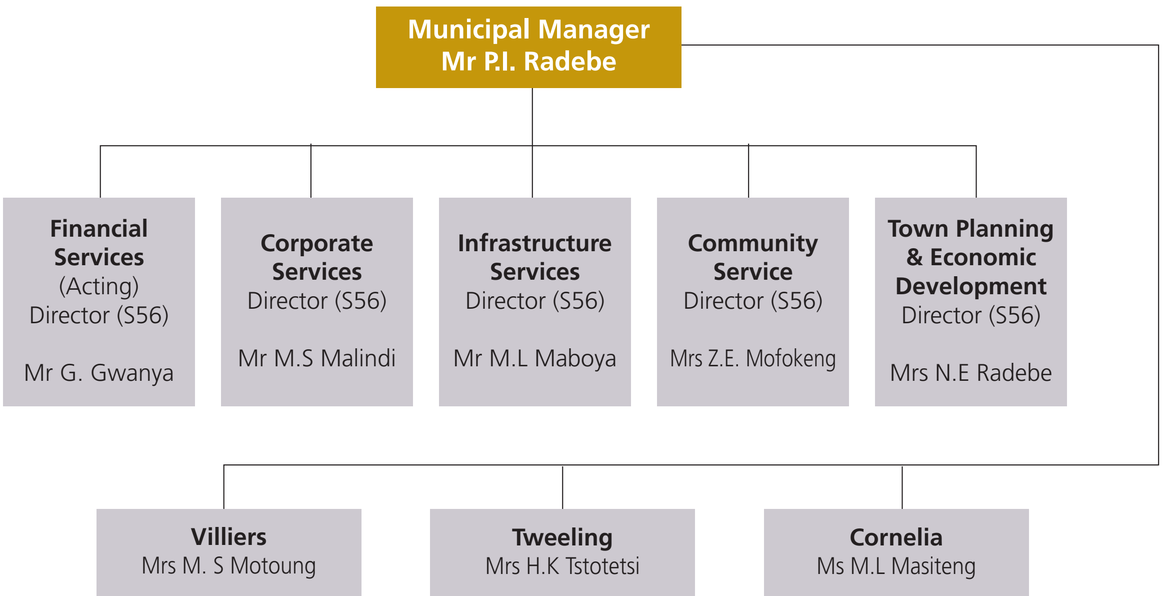
The programmes are structured and organised in a manner that take into consideration the various constitutional and legislative mandates, powers and functions entrusted in the municipality.

The Office of the Municipal Manager serves as a pivot that facilitates interface between the political offices, community and administration as key components of the municipality. The Office is also responsible and accountable for the overall implementation of municipal programmes. The Municipal Manager executes his functions in conjunction with or with the support of managers accountable to him/her. These managers (Directors) serve as heads of the various programmes highlighted above.

As part of planning, implementation and monitoring of municipal programmes, the Municipal Manager has set up management structures. The most critical is the management meeting. This is a forum that convenes once every week to report progress, review programmes and plan ahead on a weekly basis. The forum is attended by all the Directors, middle managers/supervisors responsible for certain key programmes and the heads of Units or regional offices of the municipality. This is a senior management team responsible for daily management of the municipality.

2.4 Executive Management

The top management team of the municipality referred to above is represented in the diagram below:

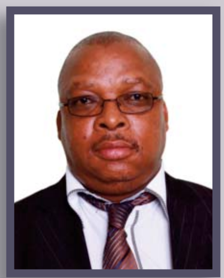


Executive Management

Mr PI Radebe
Municipal Manager

Ms ZE Mofokeng
Director:
Community Services

Ms NE Radebe
Director:
Town Planning &
Economic Development



Mr MS Malindi
Director:
Corporate Services

Mr ML Maboya
Director:
Infrastructure Services

Mr G Gwaya
Acting CFO

2.6 Public Accountability and Participation

Public Meetings

As alluded earlier, Mafube Local Municipality has cultivated a strong culture of public participation with numerous structures, systems and processes created to deepen public participation and engender public accountability. The municipality continuously advertises and issues notices for their Council meetings to which the public is invited to participate. During this year under review a total of 12 Council meetings were convened and the public attended and participated.

In addition, wherever there is a policy or by-law that is to be passed, the municipality regularly issues notices for public participation and/or feedback from the community. In addition, the municipality would also call public meetings where Councillors, officials and communities come together to discuss those policies and by-laws. This financial year, the municipality had numerous workshops and public meetings with the community on a number of policies and by-laws including the following:

In addition, the municipality, under the leadership of the Mayor and Speaker regularly has meetings or 'imbizos' with the community to report on progress and challenges with the delivery of programmes and projects as contained in the IDP and SDBIP and also receive feedback for corrective action and acceleration of delivery. This year alone, the municipality had a number of imbizos in the community including the following:

Venue	Summary of issues raised by communities
Sunset – Ward 7 (Namahadi)	• ID documents • Business and residential sites • Clinic development • Cemeteries upgrades • Livestock support • A speed humps in Phomolong • Billing and accounts • Roads and bridge construction • Electricity provision
Mamello Sports Ground – Ward 2 & 5 (Namahadi) Mfundo Secondary School (Ward 2)	• Electricity tampering • Electricity tariffs by Rural Maintenance • State of RDP houses • Water leaks and spillages • Traffic control • Electricity provision • SMME support • Youth support
Zomba Stadium – (Wards 5 & 6) Namahadi	• Meters not read • Street lighting • Roads and streets • Sewer leaks and blockages • Rehabilitation of stadium • SMME support • State of RDP houses • Industrial waste • Billing • Council communications
Mlindo Silinga Hall (Ward 5) Ekukhanyeni Community Hall (Ward 1)	• Care for public spaces • Billing • Free Basic Services • State of RDP houses • Water leaks and spillages • Fencing of public amenities • Title deeds

Venue	Summary of issues raised by communities
Mafahlaneng Community Hall (Ward 8)	• Sewer leaks • SMME support • Billing • Fencing of public amenities • Metering • State of RDP houses
Qalabotjha Sports Ground Villiers Town Hall (Ward 4)	• Meters not read • Traffic control and safety • RDP beneficiary list management
Open Space Ext 4 (Ward 9)	• State of RDP houses • Indigent register management • Faulty meters • Water leaks and spillages
Mohlakeng Primary School (Ward 3)	• Title deeds and change of ownership • Billing

2.7 IDP Participation and Alignment

As per the requirements of the legislation and in keeping with the culture of public participation that has been cultivated over the years, the municipality continued to involve communities in the drafting of the new IDP and the Budget. An extensive community participation programme that saw Councillors and officials crisscrossing the length and breath of the Mafube consulting communities on key priorities and allocation of resources was unfolded. This community participation programme that also involved extensive involvement of Ward Committees happened in terms of the programme below:

PHASE	DATES ON WHICH MEETINGS HAPPENED	ACTION FOR THE IDP REVIEW PROCESS
Preparatory Phase	August – September 2012	Draft IDP process plan Submission of IDP Process plan to Portfolio Committee Approval of IDP Process by Council
Analysis Phase	October – November 2012	IDP need analysis Compilation of ward profiles
Strategic Phase	November-December 2012	Development of objectives, strategies, projects & programmes (Mayoral Strategic Workshop)
Project Phase	January – February 2013	Formulate of project proposals Screen, adjust, consolidate and agree on projects
Integration Phase	February – March 2013	Alignment session with District
Approval Phase	March – May 2013	Table Draft reviewed IDP to Council Submission of the Draft IDP to FDDM and Cogta Advertisement for comments on Draft IDP Final adoption of the IDP & Budget by the Municipal Council Adoption of the SDBIP by Council

Apart from engaging directly with the community through community meetings, the municipality also engaged with representative structures of the community in the process of formulating its IDP. One of the structures the municipality consulted with was the IDP Representative Forum. This is a structure established by the municipality to institutionalize and guarantee structured participation of the community in the IDP Process.

The IDP Representative Forum was established to:

- Represent the interest of their communities in the IDP process
- To form a structured link between the municipality, government and representatives of the public
- Provide an organizational mechanism for discussion, negotiation and decision making between the stakeholders including the Municipality.
- Ensure communication between all stakeholders representatives including Mafube Council.
- Monitor the performance of the reviewing and implementation process.

The Forum is made up of community representatives from a cross section of the community including the following:

- Members of Mafube Municipality Council (number to be determined by Council)
- Ward Councilors
- Municipal Manager
- Manager: IDP & LED
- IDP Officer
- LED Officer
- A designated official of the Mafube Municipality to represent (Gender, Disability and Unorganized Group) as there is no incumbent for now.
- Provincial Sector Department
- Representative from Traditional Leaders
- All Directors and Designated senior officials
- Local stakeholders representatives of organized groups including:-
  - Business groups (Nafcoc, SMME's, etc
  - Parastatals ESKOM, TELKOM, etc
  - Organized labour SAMWU, SADTU, FAWU, NEHAWU, POPCRU, etc
  - Constituency office
  - Church bodies

- Ward Committees
- Organized Groups e.g. disable, youth,
- Social development and rural development

The municipality ensured that the Forum actively participated in the formulation of the IDP.

2.8 Corporate Governance

With respect to improving good corporate governance the municipality introduced various measures in the following areas:

Risk Management

Building on the comprehensive Risk Management Register developed the previous year, the municipality developed Risk Management and Audit Plans which assist in continuously identifying business risks and dealing with them. The municipality continues to work with the Risk Management Unit established at the district level to continuously monitor business and operational risks and bring these to the attention of management for action.

Anti-corruption and Fraud

The municipality intended to develop own Anti-corruption and Fraud Management policies and plans. This was so mainly because the Auditor General has continuously raised the matter with the municipality. However due to lack of internal capacity and limited resources, the municipality has not been able develop these policies and plans. It is however the plan of the municipality to ensure that these policies and plans are developed in the next financial year.

Supply Chain Management

The municipality has developed and continues to revise its Supply Chain Management Policy with all attendant structures and systems in place. Despite its best efforts, the municipality has not been able to comply fully with the requirements of the Policy. This has been so mainly because of poor planning for acquisition and procurement of goods and services resulting in endless procurement on deviations. This situation is also attributable to the municipality's current financial situation. Due to uncertainty regarding availability of resources, it has been difficult for the municipality to plan properly and determine what and when to procure goods and services. This is however not an excuse for proper planning for acquisition and procurement of goods and services by the municipality. The municipality will pay particular attention to improving supply chain management in the next financial year.

By-laws

As indicated elsewhere in the Report, the municipality continues to revise and develop by-laws to improve good governance, peaceful coexistence, service delivery and orderly development in Mafube. This financial year the municipality drafted a number of by-laws which were to be subjected to public participation processes before approval by Council. The draft by-laws developed include:

- Building Regulations
- Dumping and Littering
- Informal Settlements
- Keeping of Animals
- Refuse Removal
- Street Trading
- Impoundment of Animals
- Spaza Shops, Tuckshop

Websites

The municipality has a website that is functioning at a fairly basic level. It was the intention of the municipality to revamp the website and ensure that it is regularly updated and function at optimal level. However due to lack of internal capacity and lack of resources, the municipality has not been able to meet this objective. Again, it is the intention of the municipality to ensure that this matter is attended to a matter of urgency.

Public Satisfaction on Municipal Services

The municipality has not been able to undertake comprehensive public satisfaction surveys on municipal services mainly because of lack of planning for it and limited capacity and resources. The municipality however regularly interact with communities through various platforms and structures including Imbizos and Ward meetings etc where feedback on service delivery is obtained and discussed. The municipality acknowledges that this cannot be sufficient and more needs to be done.


FDC
FDC

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

The performance review of the municipality will be undertaken in relation to the five areas of Local Government Strategic Agenda agreed to nationally. These are Municipal Transformation and Organisational Development, Infrastructure Development and Service Delivery, Local Economic Development, Municipal Financial Viability and Management, and Good Governance and Public Participation.

3.1 Municipal Transformation and Organisational Development

Challenges

- Ensuring that the organizational structure is aligned to the IDP and responsive to the organizational needs;
- Ensuring that the organizational functions at optimal capacity;
- Making sure that organizational policies are in place and are effectively implemented;
- Ensuring that performance of staff is effectively monitored and improved; and
- Ascertaining that organizational and HR systems are in place and effectively implemented.
- Old, poor maintenance and shortage of fleet.
- Poor maintenance of Municipal buildings

Key Priorities

- Revise organizational structure and align it to the needs in the IDP;
- Recruitment of staff to fill all critical posts identified;
- Revise and implement the Workplace Skills Plan;
- Develop and implement outstanding HR policies;
- Develop and implement Performance Management System;
- Develop and implement organizational and HR systems;
- Develop outstanding bylaws;
- Develop and implement Employee Assistance Programme;
- Maintain a vibrant and healthy labour relations environment in the municipality;
- Ensure efficient running of the municipal administration;
- Improvement of municipal Information and Communication Technology Systems (ICT).

Key Performance Indicators

- Organizational structure revised and aligned to the needs in the IDP;
- All critical posts identified and filled;
- Workplace Skills Plan revised and implemented;
- Outstanding HR policies developed and implemented;
- Performance Management System developed and implemented;
- Organizational and HR systems developed and implemented;
- Outstanding by-laws developed and implemented;
- Employee Assistance Programme developed and implemented;
- A vibrant and healthy labour relations environment maintained in the municipality;
- Efficient running of the municipal administration ensured;

Key Performance Highlights

- During this financial year the municipality revised the organizational structure with some significant changes to respond to the changing needs of the municipality. The new organizational structure was adopted by Council but to be implemented from 1 July 2013.Some of the changes to the structure included the following:

  – Moving Local Economic Development function to Community Services and thus broadening the mandate of the Directorate. The Directorate will now be called Community Services and LED.
  – Moving Town Planning function to Technical Services and thus extending the mandate of the Directorate. This Directorate will now be called Planning and Infrastructure Services.
  – Creation of a new Directorate, Service Delivery and Public Safety. The Directorate will primarily be responsible for Units or regional offices of the municipality while attending to public safety issues as well.

- The restructuring process was also accompanied by minimal movement of managers and portfolios. The Director of Town Planning and Economic Development (a Directorate that was essentially disbanded), was moved to Corporate Services a while the Director of Corporate Services was moved to new Directorate, Service Delivery and Public Safety.

- The municipality also filled the managers' positions that had been vacant for some time. The position of Chief Financial Officer was filled by Mr NN Molefe who had been acting in that position for a while. In addition, the position of Director Planning and Infrastructure Services was filled by appointment of Mr S Maboya.

- The filling of these critical management positions also followed the confirmation of managers whose appointments had to be regularised in line with the new requirements of the Municipal Systems Act as amended. The appointments that had to be regularised were those of the Municipal Manager and Director, Town Planning and Economic Development. Following extensive processes the incumbents were appointed on fix term contracts of five years each.

- The municipality also identified a further number of critical posts that needed to be filled. Many positions were consequently filled and that brought the staff compliment the numbers as shown below:

Section	Filled Posts	Vacant Posts	Total number of Posts
Office of the Mayor	7	7	14
Office of the Speaker	3	3	6
Office of the Municipal Manager	7	1	8
Land Use and Human Settlement	6	4	10
Infrastructure and Technical Services	95	26	121
Financial Services	35	14	49
Corporate Services	28	3	31
Villiers Unit	97	55	152
Cornelia Unit	48	27	75
Tweeling Unit	57	29	86
Grand Total	**383**	**169**	**552**

- The municipality also ensured that the Workplace Skills Plan (WSP) was revised this year again as required by the legislation. Upon revision, the WSP was submitted to the Department of Labour (DoL) and the Local Government Sector Education Training Authority (LGSETA). The municipality ensured that identified beneficiaries employees were trained in various vocations and the Annual Training Reports was compiled and submitted to the Department and the SETA. A summary of the Report is to be found later in this report in the next Chapter on Human Resources Performance.

- The Employment Equity Plan was also revised for 2012-2013 as required by applicable legislation. The revised Employment Equity Plan was submitted t Council for approval.

- As far as Human Resources policies are concerned, the municipality has ensured that 90% of the policies were developed and implemented? The municipality has however developed a number of other policies which were submitted to Council but had not been approved by the end of the financial year. The policies developed included the following:

  - Records Management Policy, meant to ensure that records are kept in a structured manner and in compliance with Free State Archives Act of 1999;
  - Bereavement Policy meant to determine equitable support to be given to staff in the event of their death or of close family.
  - Indigent Paupers Funeral Policy, meant to ascertain the support the municipality may give in paupers funerals.
  - Use of Local Halls Policy, meant to regulate access and use of community halls in a manner that benefits the community and the municipality;

- With the support of the department of COGTA, Free State, the municipality also developed a set of by-laws which were also submitted to Council. The Council resolved that the by-laws be subjected to a public participation process before they are finalised. The by-laws referred to include the following:

  - Building Regulations
  - Dumping and Littering
  - Informal Settlements
  - Keeping of Animals
  - Refuse Removal
  - Street Trading
  - Impoundment of Animals
  - Spaza Shops, Tuckshop

- With regard to performance management, the municipality has ensured that work continues. With all the performance management frameworks and monitoring and reporting templates in place, the municipality continues to use the services of a service provider to assist with various aspects including drafting of performance agreements and plans for senior managers, the SDBIP and drafting of Annual Reports. More still can be done to cover other areas of performance management more comprehensively. The municipality has not robust and consistent in giving effect to the implementation of the system. The quarterly reports and assessments were not done, let alone the annual performance assessment of managers which should result in the payment of payment of bonuses, among others. The municipality has however identified this as a weakness and hopes to make the necessary improvements in the following financial year.

- The municipality has also ensured that the Annual Report (2011/12), required in terms of section 46 of the Municipal Systems Act, 2000, was developed and approved by Council. This is a Report that gives full account of the work the municipality did during this financial year as it implements its IDP and SDBIP commitments.

- On the labour relations front, the municipality continued to improve the overall functionality of the Local Labour Forum. The Forum has met a more times than usual to attend to a variety of labour issues at the workplace. More work is being done to take Forum to higher levels of functionality.

- The municipality also faced a number of labour relations cases this financial year. The municipality dealt with a number of disciplinary cases involving a variety of acts of misconduct. The municipality managed to effect disciplinary measures in some of the cases while agreed on settlements on others.

- The municipality continued to implement its Occupational Health and Safety programme with the continued services of Drs Motau and van Wyk. Employees have been provided with the single pair of overall and other PPE's as part of the continued effort to assure their safety at work. It is the view of the municipality that the services of the two doctors have added great value to the organisation and its employees.

- The municipality continued to implement its Communication Strategy with some relative success and challenges. Measures are going to be introduced to ensure effective implementation of the Strategy in the new financial year.

- The municipality also continues to do work to improve overall state of the municipal buildings and property. In this regard, the municipality ensured that Council buildings and halls in Frankfort and Villiers were renovated and rehabilitated.

- The municipality has also done some work in respect of the management of its fleet. Firstly, the municipality managed to develop a Fleet Management Policy which provides a framework for effective control, management and sustenance of the fleet of the municipality. As part of the implementation of the policy, the municipality ensured that staff was inducted. The municipality has also been receiving presentations from fleet management companies on modern fleet management solutions that the municipality may consider moving forward.

3.2 Infrastructure Development and Service Delivery

Challenges

- Appropriate prioritization and planning for community needs;
- Provision of basic services within limited infrastructure capacity;
- Provision of shelter to the poor; and
- Provision of basic social services
- Ensure availability and sustainable use of land for development.

Key Strategic Priorities

- Review the IDP in a manner that prioritizes community needs;
- Provide and extend basic services including water, sanitation, electricity, roads and storm water and waste removal;
- Upgrade and maintain infrastructure for provision of services;
- Facilitate the provision of housing to the community; and
- Provide social and community services to the community
- Undertake land audit, develop SDF/LUMS and upgrade informal settlements.

Key Performance Indicators

- IDP revised and adopted in accordance with legislation;
- Communities provided with access to basic services;
- Infrastructure projects implemented and completed;
- Number of houses built and related town planning services provided; and
- Social and community services provided to the community.
- Land audit completed, SDF/LUMS developed and informal settlements upgraded

Key Performance Highlights

Integrated Development Plan

- As required by the Municipal Systems Act, 2000 and related Regulations, the municipality had to develop a long term integrated development plan (IDP).Accordingly, the municipality developed a long term 2012/2017 IDP to align with the term of the new Council. The IDP was developed following extensive consultations with communities and other stakeholders in accordance with the applicable legislation and the IDP Process Plan adopted by Council. The IDP process was driven by an IDP and Budget Steering Committee comprising the Mayor, 6 Councillors, Heads of Directorates, Units and other relevant managers. The municipality also ensured that the IDP was aligned to other plans as required including the Provincial Growth and Development Strategy. The IDP was also with other related sector plans like Housing Sector Plan.

  Below is list of public meetings the municipality had with communities as part of its consultation process on the IDP:

Basic Services

- The municipality continued to improve infrastructure development and service delivery with limited resources. It continued to implement the multi-year infrastructure projects that started in 2009. Below is a list of the multi-year projects supported by the municipality and infrastructure grants.

MAFUBE LOCAL MUNICIPALITY - 2012/2013 PROJECTS

Project description	Budget	MIG/Municipal Budget	Total Expenditure to date	Total Balance of project	12/13 Financial Progress %
PMU 2012/2013	1,292,050.00	1,292,050.00	1,284,159.33	R 7,890.67	99
Cornelia/Ntswanatsatsi Bucket Eradication	6,588,366.66	5,779,269.00	6,502,222.90	R 86,143.76	81
Villiers: Water Purification Plant	20,757,690.00	17,543,549.57	17,543,549.57	R 3,214,140.43	100
Namahadi: Roads & Stormwater Drainage Upgrading	11,222,160.00	11,222,160.00	4,082,103.86	R 7,140,056.14	100
Mafahlaneng: Roads & Stormwater Drainage Upgrading	7,315,849.68	7,315,849.68	5,616,080.52	R 874,070.93	23
Namahadi-Phahameng: Upgrading of Gravel Roads to Paved Roads	16,430,000.00	16,430,000.00	11,091,122.65	R 5,338,877.35	0
Namahadi : Water Reticulation Network and Installation of 1714 Erf Connections - Phase 4: Erf Connections	21,325,745.16	21,325,745.16	21,325,745.16	–	100
Qalabotjha: Construction of the Extension of Waste Water Treatment Works	35,843,709.00	19,950,549.48	5,471,330.16	R 30,372,378.84	57
Upgrade Mafahlaneng Sports Stadium and Kgatholoha Sports Facilities	3,800,000.00	3,800,000.00	–	R 3,800,000.00	0
Electrification of 1 082 houses in Namahadi, Mafahlaneng & Ntswanatsatsi	7,908,000.00	7,908,000.00	R 5,691,090.00	R 2,216,910.00	72
Cornelia Substation (Phase 2)	1,815,000.00	1,815,000.00	R 1,062,725.62	R 752,274.38	59
Namahadi MV Feeder Line from Frankfort Substation(or from specified Eskom Connection)	2,377,000.00	2,377,000.00	R 3,346,240.00	R -969,240.00	141
Electrification of 1000 houses in Namahadi and Qalabotjha	10,000,000.00	10,000,000.00	R 8,084,820.50	R 1,915,179.50	81

Electricity Provision

- As reported last year, the municipality entered into an agreement with Rural Maintenance (Pty) Ltd for the management, operation, administration, maintenance and expansion of electricity network and revenue management services for a period of 25 years. In terms of that agreement, the municipality stood to benefit the following:

- Investment of R71m in electricity infrastructure
- Total maintenance of electricity infrastructure
- Transfer of R2.1 salary bill to the company as they take over electricity staff
- Recovery of R16m shortfall and settlement of Eskom bill

Owing to certain operational and compliance issues, the municipality decided to review the agreement with Rural Maintenance. The process of reviewing the agreement was still on-going at the end of the financial year.

- The municipality also entered into an agreement with mobile network company, MTN to erect a high mast light in Qalabotjha. This was after MTN approached the municipality as the absence of lights in the area affected their operations. This development therefore, stood to mutually benefit the community of Qalabotjha while enhancing network operations for the company in that area.

- Overall, the municipality has ensured that 1300 houses were electrified, 22.5% households provided with free 50kw electricity seven (7) high mast lights were erected.

Water provision

- The municipality also continues to improve provision of water to the community. Current readings show that more communal taps in accordance with RDP standards were provided in various parts of the municipality. Numbers below illustrate the point:

Area	Number of taps
Namahadi	286
Ntswanatsatsi	30
Mafahlaneng	8
Qalabotjha	32

- The municipality has also ensured that all the qualifying households are provided free 6kl water.

- The work on the Namahadi WWTW is nearly complete.

Roads and Stormwater

- The work on upgrading of roads continued this financial year. These included 45kms of roads that were gravelled and 2.1km of roads paved.
- The municipality also continued to do work in relation to upgrading roads and storm water channels. One of the pieces of work the municipality did, involved the paving of roads in Ntswanatsatsi.
- A number of jobs were created through the infrastructure programme of the municipality. These included the following:

Contract(or)	No of jobs created
Tamarron (paving in Ntswanatsatsi)	50
Group 2	28
WBHO	40

Human Settlements

- While the provision of housing is a provincial function, the municipality continued to play a supportive role in this regard. The support role came in different forms including identification of housing needs, identification of housing beneficiaries, maintenance and updating of beneficiaries lists, keeping beneficiaries informed and identification and provision of land and sites for housing development. This is apart from the servicing of sites for housing development.

- In the above regard, the municipality developed a draft Housing Sector Plan along- side the new IDP. The Plan provides data on the housing needs in Mafube while providing a framework for responding to the needs. The Plan is also used to inform submission of applications and allocation of these by the province.

- Further a housing register or waiting list for housing beneficiaries has been developed and keep being updated for Namahadi, Qalabotjha and Ntswanatsatsi. The latest update shows that 8 961 of beneficiaries were allocated houses. A waiting list for allocation sites and RDP houses has also been compiled and updated. In this connection, the municipality has ensured that 89 of the 242 sites have been unoccupied since 2008 are allocated to the needy beneficiaries.

- In addition, the municipality continued to implement the campaign to create awareness about the waiting list and how it works. This was critical to forge common understanding among prospective and thereby remove misperceptions in the community and create stability in the allocation of houses. In this regard, the municipality held a number of workshops with beneficiaries on the waiting list.

- The municipality also continued to monitor the construction of houses and compiled reports for Department of Human Settlements.

- Following the audit undertaken the previous financial year regarding the building and housing improvements done without plans being approved by the municipality, measures were taken to ensure that building and homeowners comply with the applicable building laws and regulations. As a result, the municipality has observed steady decrease in the number transgressions of building regulations and by-laws of the municipality.

Land

- Following the application submitted to the Department Rural Development for the purchase of the land adjacent to Frankfort and Cornelia, negotiations have been on-going to finalise the matter.

- The Department of Human Settlements has also appointed a service provider to identify residential erven for housing development in Mafube and that process is ensuing.

- The municipality also finalised its Spatial Development Framework (SDF) and Land Use Management System (LUMS) were developed and finalised.

Waste Management

- The municipality finalized the draft Waste Management Policy and Plan that were submitted to Council the previous financial year.

- The municipality however started implementing its Waste Management Policy and Plan. As part of implementing the Policy and Plan, the municipality continued to ensure that illegal dumping sites are monitored and cleaned every day after hours. The municipality has also taken advantage of EPWP employees to pick paper at these dumping sites as well. The municipality went further to draft by-laws on Illegal Dumping. At the end of the financial year, the draft by-laws were being discussed with the community through various community participation mechanisms.

- The municipality has also continued to ensure that refuse is collected once a week from each household and twice a week from business sites. Garden refuse is collected upon request.

- Given the backlog and shortage of dustbins, the municipality had planned to purchase a total of 4000 dustbins but could only buy 2000 due to resources constraints. The dustbins have been distributed to strategic points of need in the community and have thus assisted the municipality to ensure an orderly management and collection of waste.

- The municipality also purchased three compact tractors for waste management purposes. These tractors have filled an important gap in the municipality's arsenal of waste management equipment capacity.

Parks and Open Spaces

- The municipality continued to maintain its parks and open spaces. As in previous years, the municipality continued to ensure that the grass is cut regularly as part of the maintenance of the parks and open spaces.

Roads, Streets and Traffic Management

- The municipality continues to undertake various responsibilities related to maintenance of roads and streets, as well as management of traffic. In particular, the municipality refreshed the road markings and signs while ensuring that JJ Hadebe Street is cleaned every day.

- The municipality has also ensured that road markings in certain streets redone including in Villiers to enhance visibility and proper traffic control.. In other streets, the municipality erected speed humps to ensure safety and protection of pedestrians. road blocks continued to be mounted regularly to ensure effective management of traffic. The municipality has also worked with the provincial government to improve monitoring of roads especially during Easter and the festive season.

- The municipality also introduced new traffic control measures and ensured that traffic officers are deployed strategically and had to work overtime to assure effective traffic management. Traffic enforcement strategies have also been improved resulting in a total of R31000.00 in traffic fines collected.

- A Policy on Escorting Funerals was also developed to provide a framework for governing the support the municipality would give in directing burial processions and thereby minimise traffic disruptions.

Cemeteries

- The municipality also continued to improve maintenance of cemeteries in and around Mafube. For this financial year, the municipality erected fencing around the Mafahlaneng cemetery.
- For further improvements on other cemeteries, the municipality compiled and submitted a detailed Business Plan to MIG and DBSA for funding.

Sports and Recreation

- The municipality revitalised the Mafube Sports, Arts Coucil. The Council's work is being closely monitored by the municipality to ensure overall improvement in the functionality of the structure.
- The municipality continued to support various sporting codes in the area. The municipality continued to provide financial and material support to the Mafube Chapter of OR Tambo games held annually in various parts of the Free State province. This financial year, the municipality facilitated the participation of Mafube in the games. Mafube contributed significantly in haul of 21 gold medals by Fezile Dabi region and coming second in the overall rankings at the games that included rugby, netball and football.
- In addition, the municipality also continued to provide financial and material support to the Easter Tournament which is held annually in Mafube.
- The municipality completed the R3,8 million rehabilitation of the Tweeling Stadium. The rehabilitation included upgrades on the Multi- Purpose Sports Courts supported by Social Development.
- As part of the broader effort to improve sporting facilities in Mafube, graded two open spaces at Namahadi for sports grounds.
- Further, the municipality has submitted a detailed Business Plan for upgrading of Tweeling and Kgatholoha sports has been developed and submitted to the provincial department of Sports, Arts and Culture for potential funding from MIG.

3.3 Local Economic Development

Challenges

- Increasing rates of unemployment and poverty;
- Economic decline in critical sectors;
- Absence of strategic and planning frameworks to drive economic development;
- Weak informal sector or the second economy; and
- Uncontrolled informal trading;
- Slow rates of investments in the local economy.

Key Priorities

- Development of the LED Strategy;
- Mobilise investments and promote tourism;
- Support the local business sector;
- Support the SMME Sector;
- Introduce measures to regulate informal trading;
- Support strategy sectors in the local economy (e.g. agriculture and tourism manufacturing); and
- Create jobs and alleviate poverty.

Key Performance Indicators

- LED Strategy developed and approved by Council;
- Measures taken to mobilise business to invest locally;
- Measures taken to support local business;
- Measures taken to support SMME's; and
- Measures taken to stimulate strategic sectors in the local economy.

Key Performance Highlights

- Following the many challenges relating to resources and lack of capacity, the municipality has now finally procured the services of service provider to review or develop its LED Strategy. It is hoped that the Strategy, which will set out a strategic framework to guide LED work in the municipality, will be finalized in the next financial year.

- The municipality is also in the process of strengthening its LED institutional capacity. In this regard has also appointed an LED Manager who is charged with the responsibility to strengthen the LED Unit and drive LED strategy and programmes in a structured, focused and dedicated manner.

- The municipality has also established an LED Forum that brings together the various role-players in the economy of the Mafube to serve as an institutional mechanism to integrate, coordinate and drive LED interventions in Mafube. The Forum has elected its leadership, finalized its terms of reference and is in the process sorting a variety other institutional and management arrangements.

- At the end of the financial year, the municipality was in the final stages of arranging an LED Summit scheduled to take place on 18 and 19 July 2013. The objective of the LED Summit was bring all role-players together and look at the challenges facing the local economy, challenges facing the small businesses and find ways of responding strategically to these challenges. The Summit was also meant to feed into the LED Strategy being developed.

- The municipality continues monitor and support the following small business initiatives supported under the provincial initiative, Operation Hlasela.

No	Beneficiary	Description	Allocated Funding	Implementation Status
1	Kgatholoha B&B	Improve revenue for unemployed women	R1m	Establishment complete and running
2	Mafube Fashion	Create sustainable fashion designs	R1m	Establishment complete and running
3	Botho Centre	Home based care for orphans	R 120 000	Establishment complete and running
4	4 Car Washes (1 in each town)	Job creation for young people	R 300 000	Establishment complete and running but some people have withdrawn
5	Sikhula Sonke Saloon	Assist young people to open saloons	R 50 000	Establishment complete and running
6	Young greening project	Environmental development and job creation	R 69 000	Successfully started but not fully operational yet
7	Kgothalang Bricks	Brick making project	R 550 000	Started but yet operational
8	Siyakha Mfundo	Establishment of a restaurant	R 150 000	Establishment complete and running
9	Tsoa o iketsetse and pula madibuo bakery	Establish baking business	R 80 000	Establishment complete and running
10	Bahlodi Vegetables	Vegetation business	R 400 000	Establishment complete and running
11	Nguni Cattle	Cattle farming activity	R 90 000	
12	Qalabotjha Women Project	Purchase of equipment	R 250 000	Done
13	Phaphamani Tent Hire and Catering	Cooking and catering	R 250 000	Done
14	Shine the Way	Poultry project	R 500 000	Running on temporary structure

- The municipality also continues to support the SMME projects initiated in collaboration with the Department of Police, Roads and Transport as the Department launches its Contractor Development Programme. The following SMMEs are meant to benefit from the programme:

  - Nowaya Construction
  - Dieketseng Construction
  - Blackeyed Construction
  - Mkhwnazi Construction and
  - World Watch Trading were dispersed across jurisdictional tarr roads to conduct and perform minor road maintenance including:
  - Shoulder Repair
  - Pothole Repair
  - Edge-breaks
  - Grass cutting
  - Culvert cleaning

- To deal with the challenge of uncontrolled informal trading, the municipality held meetings with small business traders to encourage them to formalize and register their businesses with the municipality for proper allocation of business sites.

- The municipality has also been involved in discussions with the province and IDC to initiate a Paper Kraft Mill in Frankfort. The IDC has now undertaken feasibility studies and by the end of the financial year, the municipality had received a letter from IDC requesting the municipality to release land for purposes of this Mill. The municipality was in the process of considering the request but it seems the work on the Mill may start in earnest during the coming financial year.

3.4 Financial Viability and Management

Challenges

- Increasing service delivery costs;
- Increasing operating costs including personnel costs;
- Growing population vis a vis shrinking economy and revenue base;
- Steady decrease in infrastructure funding;
- Cash flow crises;
- Improving revenue collection for the municipality to meet its service delivery obligations.

Key Strategic Priorities

- That the 2011/2012 budget is compiled and adopted in accordance with applicable Municipal legislation;
- Develop and implement Debt Collection Strategy to improve revenue collection;
- Ensure that outstanding financial management policies and systems are in place;
- Ensure that budget and expenditure is in accordance with legislation; and
- Build internal capacity for improved financial management.

Key Performance Indicators

- 2010/2011 budget developed and adopted in line with the requirements of applicable legislation;
- Debt Collection Strategy developed and implemented, and revenue collection improved;
- Outstanding Financial Management policies and systems developed and implemented;
- Budget and treasury office established;
- Creditors paid within prescribed time-frames; and
- Financial management staff trained and capacitated.

Key Performance Highlights

- The municipality ensured that the 2013/2014 Budget was prepared and adopted in accordance with the Municipal Finance Management Act and Circular 54 of National Treasury. The municipality developed a Budget Process Plan that provided for extensive consultations and time-frames. In accordance with this, the municipality consulted widely and ensured that the Budget (aligned to the IDP) was finalized and adopted in time, 31 May 2012.

- In addition, the municipality compiled and approved the 2013/2014 Service Delivery Budget Implementation Plan (SDBIP). The Plan is a concrete expression of how the budget is translated into deliverables for the financial year. It also serves as a link between the budget planning and performance management. In fact, the SDBIP serves as a basis for the compilation of performance agreements for Section 57 managers.

- The municipality continues to implement the first volume of the Revenue Management Strategy to increase payment levels. The Strategy is built around the following pillars. Over and above tough measures to enforce credit control measures, increasing pay points for consumers and the introduction of incentive schemes, the municipality has also entered into an agreement with staff for the municipality to deduct monies from their salaries towards payment of outstanding arrears to the municipality.

- The municipality has also prioritised full implementation of its Indigent Policy. This is a policy that enables the municipality to both ensure the poor have reasonable access to basic services while ensuring that those who have to pay services, do so. To this extent, extent, the municipality continued to update its indigent register regularly. Registers were updated on a monthly basis. The threshold for Mafube is R1500 and to date 3456 registrations have been approved.

- The municipality further finalized its updated universal Valuation Roll in compliance with all municipal finance legislation and regulations. The Roll now enables the municipality to determine rates on scientific basis and more fairly and objectively. In addition, an Appeal Board was established to further deal with objections and queries from ratepayers. The Appeal Board sat to assess all appeals received and the supplementary valuation roll is ready for implementation.

- The municipality also developed a number of financial management policies. These included the Petty Cash Management Policy and Payment of Creditors Policy. These were submitted to Council but were yet to be approved.

- The municipality continued to implement Cost Containment measures to ensure prudent use of Council resources, eradicate wastage while redirecting resources to critical areas of need. One of those measures was an arrangement entered into with Councillors for usage of their mobile phone to be tightly managed and due deductions against allowances be processed through payroll system.

- These and other financial management interventions saw the municipality showing positive improvements in cash flow and overall financial health of the municipality this financial year.

- The municipality has also ensured that the financial reports and mid-term performance report in terms of section 71 and 72 were compiled and submitted to Council in time.

- To improve asset management, the municipality continued to graduate its systems to be GRAP compliant. A fully GRAP compliant asset register has been developed. Asset verification was done and all assets which are held on the floor were traced back to the register for confirmation and those which were not included in the register were included accordingly.

- The municipality also continued to rigorously implement the Supply Chain Management Policy. Among others, the municipality issued an advert inviting service providers to register on municipality' SCM database and the process of capturing applicants was still on-going at the end of the financial year.

- To build capacity in the Finance section, the municipality not only trained its staff but also used FMG to bring in 4 interns to provide capacity back up in various areas of budget and treasury functions.

- The municipality is required to report on its financial viability in terms of 2001 IDP and PMS Regulations. Below is a calculation of the municipality's viability ratings in terms of prescribed ratios in the regulations:

FINANCIAL VIABILITY RATIOS

1. DEBT COVERAGE RATIO

	2013	2012
TOTAL REVENUE (NET OF GRANTS)	74,113,343.00	100,351,100.00
CURRENT PORTION OF LONG TERM LIABILITIES	324,429.00	323,297.00
Ratio	**228.44**	**310.40**

Interpretation
For every R1 in current portion of long term liabilities, there is R228.44 of revenue generated by the municipality. The municipality makes sufficient revenue to pay the full debt and in addition ot other expenditure

2. OUTSTANDING SERVICE DEBTORS TO REVENUE

	2013	2012
ACCOUNTS RECEIVABLE SERVICE DEBTORS	41,055,541.00	60,300,556.00
- Trade receivables from exchange transactions	2,211,419.00	18,486,817.00
- Consumer debtors	38,844,122.00	41,813,739.00
ANNUAL REVENUE ACTUALLY RECEIVED	179,936,752.00	206,447,825.00
Ratio	**0.23**	**0.29**

Interpretation:
In every R1 of revenue generated, the municipality has R0.23 in debtors.

3. COST COVERAGE

	2013	2012
BANK BALANCE AT YEAR END	2,349,950.00	642,061.00
INVESTMENTS	284,131.00	268,909.00
TOTAL ACTUAL CASH AVAILABLE	2,634,081.00	910,970.00
MONTHLY FIXED OPERATING EXPENDITURE:	9,730,041.67	11,099,304.50
Employee cost	5,541,583.17	4,572,548.33
Councillor's remuneration	453,413.67	452,332.08
General expenses	2,861,235.17	3,101,719.92
Bulk purchases	873,809.67	2,972,704.17
Ratio	**0.27**	**0.08**

There is R0.27 actual cash available at year end for every R1 of fixed operating expenditure.

Conclusion:
The municipality makes sufficient revenue to cover its debt servicing payments, it collects sufficient revenue however, does not have sufficient cash resources available to cover all its fixed operating expenditure.

3.5 Good Governance and Public Participation

Challenges

- Lack of sufficient involvement of communities in governance and municipal affairs in general; and
- Weak public participation structures in the community

Key priorities

- Ensuring maximum participation of all key stakeholders in the development of IDPs, the budgeting process, implementation and monitoring of programmes; and
- Improve the functionality of ward committees.

Key Strategies

- Ensure active involvement of communities in the planning and budgeting process;
- Build capacity of community structures to effectively engage in local governance and development processes; and
- Encourage civic responsibility and voluntarism.

Performance Highlights

- As per usual the municipality took measures to ensure that communities participate actively in the formulation of the IDP and Budget for 2013/2014. This took the form of ward level meetings, Imbizos, road-shows as well as involvement at the level of the IDP Representative Forum.

- The municipality also organised various activities that sought to maximise involvement of communities in the affairs of the municipality while also deepening public participation. Early in 2013, the municipality unfolded a community participation campaign as part of the IDP and Budget consultation processes. **Refer to Chapter 2 for summaries of issues raised during the campaign.**

- The municipality also developed a draft Public Participation Strategy which sets out a framework within which the participation of communities can be structured, enhance and managed. The Strategy was still being consulted on at the end of the financial year.

- Further in order to support the Ward Committees, the municipality decided to pay a stipend of R500 per sitting for Ward Committee members. This is line with the Provincial Framework on Ward Committees Funding Model for Metropolitan and Local Municipalities in the Free State. The framework is geared to incentivise maximum participation and dedication of members of Ward Committees while enhancing optimal functioning of the Committees.

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 Introduction to the municipal workforce

Workforce establishment

Mafube Local Municipality is small Executive Committee type municipality with an administration of a workforce estimated at 552. The workforce in the administration headed by a Municipal Manager is made up of six section 57 managers (including the Municipal Manager) middle managers, low level officers and the general workers located in various divisions and Units ('regional offices') of the municipality. Below is a table that represents the total workforce of the municipality as at the end of the 2012-2013 financial year.

Section	Filled Posts	Vacant Posts	Total number of Posts
Office of the Mayor	7	7	14
Office of the Speaker	3	3	6
Office of the Municipal Manager	7	1	8
Land Use and Human Settlement	6	4	10
Infrastructure and Technical Services	95	26	121
Financial Services	35	14	49
Corporate Services	28	3	31
Villiers Unit	97	55	152
Cornelia Unit	48	27	75
Tweeling Unit	57	29	86
Grand Total	**383**	**169**	**552**

4.2 Managing the Workforce

The municipality revised its organisational structure during 2011-2012 financial year. Below is a diagram representing the organisational structure (top level) of the municipality which was operational during the 2012-2013 financial year. The structure represents the top level structure of the municipality only showing top management while the total structure (not showing) would depict location and placement of the workforce above.

4.3 Organisational Structure

The top structure of the municipality for the period under review was as follows:

4.4 Functions and Responsibilities

The municipality is administratively organised into 5 programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- Office of the Municipal Manager
- Budget and Treasury Office
- Technical Services and Infrastructure
- Community Services
- Corporate Services
- Town Planning and Economic Development

4.4.1 Office of the Municipal Manager

This programme is meant to provide overall strategic management for the municipality.

Objective	Key Focus Areas
To oversee overall programmes of the municipality, coordinate and manage the transformation and strategic agenda of the municipality as well as facilitating the transformation process by providing strategic advice and project support to the Municipal Manager, Mayor and Speaker and thereby ensuring political and administrative cohesion.	• Integrated Development Planning (IDP) • Local Economic Development • Implementation Support

4.4.2 Budget and Treasury Office

This programme is responsible for the general management of finances of the municipality.

Objective	Key Focus Areas
To manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.	• Budgeting • Credit Control, Billing and Collections • Financial Accounting • Budgeting and Financing • Assets management • Insurance and public management • Banking and Investments • Management Accounting • Supply Chain Management • Meter reading

4.4.3 Technical Services and Infrastructure

This programme is broadly responsible for infrastructure development, service delivery and maintenance (internal and external).

Objective	Key Focus Areas
To deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks.	• Water • Sanitation • Electricity • Road and Storm Water • Mechanical services

4.4.4 Community Services

This programme attends to social issues involved in the development of Mafube community

Objective	Key Focus Areas
To ensure that social services are effectively provided to the Mafube community.	• Municipal health – and primary Health Care services • Library Services • Social Development • Environmental Management • Waste Management • Traffic • Public Safety • Sport and Recreation • Emergency Services • Arts and Culture • Cemeteries • Refuse Removal

4.4.5 Town Planning and Economic Development

This programme is meant to deal with issues relating land use and management as well as housing development.

Objective	Key Focus Areas
To ensure that land is properly managed and that housing is provided sustainably for the poor.	• Land Use Management • Town Planning • Housing • Property Management

4.4.6 Corporate Services

This programme is meant to provide organisational support services to the municipality.

Objective	Key Focus Areas
To provide internal support services, facilitate transformation and ensure service excellence to the Mafube Community.	• Human resource management/development • Corporate Management Support • Information Management and Technology • Legal Services • Corporate branding • Committee Secretariat

4.5 Capacitating the Municipal Workforce.

Mafube Local Municipality has the responsibility to build the capacity of staff to ensure that they are ready to meet the challenge delivering on the commitments in the IDP and acceleration of service delivery in general. To this end the municipality revised its Workplace Skills Plan and submitted it to the Department of Labour and the LGSETA.

Informed by the Workplace Skills Plan, the municipality undertook various training initiatives and placed a number of staff on various training programmes to improve their skills. For the year under review, a total of R712 875 00 was spent on training staff in terms of the Workplace Skills Plan. This however excludes other training initiatives undertaken by the municipality outside the Workplace Skills Plan. Below is a brief report of the training programmes and initiatives that various staff members were placed on.

Number of actual beneficiaries of training per occupation category, by gender, population group and disability status and age group

Strategic Focus Area	OFO Code and Description	Female				Male				Total				Age Group		
		A	C	I	W	A	C	I	W	A	C	I	W	<35	35-55	>55
Financial Viability	6 - Sales Workers	3				2				5	0	0	0	3	2	
Financial Viability	5 - Clerical & Administrative Workers	2				1				3	0	0	0	1	2	
Financial Viability	5 - Clerical & Administrative Workers	2			1					2	0	0	0	2	1	
Financial Viability	5 - Clerical & Administrative Workers	2				5				7	0	0	0	6	1	
Financial Viability	12 - Managers	3				3				6	0	0	0	6		
Workplace Training Systems	5 - Clerical & Administrative Workers	1								1	0	0	0	1		
Management & Leadership	12 - Managers	4				4				8	0	0	0	1	7	
Workplace Training Systems	5 - Clerical & Administrative Workers	1								1	0	0	0		1	
Management & Leadership	12 - Managers					1				1	0	0	0		1	
Community Based Participation & Planning	4 - Community & Personal Workers	2								2	0	0	0	1	1	
Management & Leadership	12 - Managers					2				2	0	0	0		2	
Community Based Participation & Planning	5 - Clerical & Administrative Workers	3				1				4	0	0	0	2	2	
Community Based Participation & Planning	12 - Managers					1				1	0	0	0		1	
Financial Viability	5 - Clerical & Administrative Workers	1								1	0	0	0	1		
Infrastructure & Service Delivery	3 - Technicians & Trade Workers	1				1				2	0	0	0	2		
Workplace Training Systems	4 - Community & Personal Workers	3				2				5	0	0	0	1	4	
Workplace Training Systems	5 - Clerical & Administrative Workers					1				1	0	0	0	1		
Financial Viability	5 - Clerical & Administrative Workers	1								1	0	0	0	1		
Financial Viability	5 - Clerical & Administrative Workers	2				1				3	0	0	0	3		
Workplace Training Systems	5 - Clerical & Administrative Workers	3				2				5	0	0	0	3	2	

4.6 Managing the Municipal Workforce Expenditure

Mafube Local Municipality has the responsibility to build the capacity of staff to ensure that they are ready to meet the challenge delivering on the commitments in the IDP and acceleration of service delivery in general. To this end the municipality revised its Workplace Skills Plan and submitted it to the Department of Labour and the LGSETA.

4.6.1 Remuneration of Staff

For the period under review, the municipality paid a total of ??? towards salaries and wages of staff. This constitutes a total of ???% of the total operating budget of the municipality for 2012-2013 financial year shown further below. Immediately below is a representation of the remuneration scales of section 57 managers for 2012-2013.

4.6.2

Remuneration of Municipal Manager Radebe P I	2013	2012
Annual remuneration	450 732	510 214
Back pay	25 653	59 059
Contributions to SDL	9 904	7 032
Contributions to UIF	1 718	1 497
Contributions to medical aid	42 796	–
Contributions to pension fund	210 129	168 080
Leave paid out	134 306	–
Travel allowance	213 978	213 978
Grand Total	**1 089 216**	**959 860**

4.6.3

Remuneration of Chief Financial Officer Molefe N N	2013	2012
Acting allowance	204 416	215 470
Annual remuneration	181 737	281 895
Back pay	104 051	52 255
Contributions to SDL	6 836	6 097
Contributions to UIF	1 296	1 497
Contributions to medical aid	22 527	–
Contributions to pension fund	70 735	23 801
Leave paid out	78 475	–
Travel allowance	91 639	113 410
Grand Total	**761 712**	**694 425**

The CFO resigned on 15 March 2013, thus the remuneration of the Chief Financial Officer in 2013 is for a period of 9 months. An acting CFO was nominated during March 2013.

4.6.4

Director Corporate Services Malindi M S	2013	2012
Acting allowance	–	210 216
Annual remuneration	591 553	303 083
Back pay	19 701	51 650
Contributions to SDL	6 829	6 206
Contributions to UIF	3 090	1 622
Contributions to pension fund	157 605	49 665
Leave paid out	–	44 516
Travel allowance	99 800	97 476
Grand Total	**878 578**	**764 434**

4.7.5

Director Community Services Mofokeng Z E	2013	2012
Annual remuneration	568 047	536 677
Back pay	19 701	49 809
Contributions to SDL	6 864	7 109
Contributions to UIF	3 090	1 622
Contributions to medical aid	13 688	–
Contributions to pension fund	88 530	79 892
Leave paid out	–	109 082
Travel allowance	144 299	74 017
Grand Total	**844 219**	**858 208**

4.7.6

Director Land use and Human Settlement Radebe N E	2013	2012
Annual remuneration	631 531	514 685
Backpay	19 701	53 657
Contributions to SDL	8 375	6 420
Contributions to UIF	1 718	1 497
Contributions to pension fund	–	8 753
Leave paid out	109 479	–
Travel allowance	96 000	96 000
Grand Total	**866 804**	**681 012**

4.7.3

Director Technical Services Maboya L M	2013	2012
Annual remuneration	205 000	–
Contributions to SDL	2 481	–
Contributions to UIF	595	–
Contributions to pension fund	31 949	–
Travel allowance	68 333	–
Grand Total	**308 358**	**–**

The position was vacant in the prior year and the remuneration as reflected in 2013 was for a period of 4 months.

CHAPTER 5: Financial Performance for the year ended 30 June 2013

This Chapter presents a summary of financial performance of the municipality for the year ending June 2013 with particular focus on the following components:.

- **Component A: Statement of Financial Performance**

	Note(s)	2013 (R)	2012 (R)
Revenue			
Property rates	23	16 322 286	19 167 186
Service charges	24	43 222 421	67 415 830
Royalty income	25	648 011	–
Rental of facilities and equipment	26	151 086	181 074
Fines		133 744	218 185
Government grants and subsidies	27	112 298 133	106 096 725
Auction fees		772 173	190 919
Recoveries	28	2 594 934	1 254 972
Other income	29	2 244 696	2 094 899
Interest received	30	7 514 847	9 166 555
Total Revenue		**185 902 331**	**205 786 345**
Expenditure			
Employee related costs	31	(66 470 109)	(54 870 577)
Remuneration of councillors	32	(5 420 628)	(5 097 072)
Depreciation, amortisation and impairments	33	(123 676 891)	(120 148 656)
Finance charges	34	(7 278 597)	(7 862 228)
Debt impairment	35	(40 276 463)	(9 430 773)
Repairs and maintenance		(15 246 022)	(10 767 643)
Bulk purchases	36	(9 168 910)	(36 778 657)
Grants and subsidies paid	37	(7 529 210)	(7 708 564)
General expenses	38	(34 349 443)	(38 342 883)
Total Expenditure		**(309 416 273)**	**(291 007 053)**
Actuarial loss on employee benefits	39	(99 413)	(662 669)
Gain on disposal of assets		608 632	–
Deficit for the year		**(123 004 723)**	**(85 883 377)**

- **Component B: Spending against Capital Budget**

Capital Expenditure of 5 largest projects					
		2013		Variance: 2013	
Name of Project	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Expenditure Variance
Namahadi water reticulation	5,078,452.00	5,078,452.00	6,114,102.01	(1,035,650.01)	(1,035,650.01)
Construction of new clean water purification works - Villiers	2,316,823.00	2,316,823.00	840,003.79	1,476,819.21	1,476,819.21
Upgrading of gravel roads to paved road and proper storm water drainage	4,335,475.00	4,335,475.00	1,459,862.69	2,875,612.31	2,875,612.31
Namahadi and Qalabotjha Electrification	10,000,000.00	10,000,000.00	8,902,769.89	1,097,230.11	1,097,230.11
TOTAL	**21,730,750.00**	**21,730,750.00**	**17,316,738.38**	**4,414,011.62**	**4,414,011.62**

- **Component B: Spending against Capital Budget**

Cash Flow Outcomes				
	2012	2013		
Description	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	40,137,451.00	52,902,000.00	50,585,394.00	25,767,730.00
Government - operating	71,805,607.00	77,402,000.00	77,402,000.00	78,979,329.00
Government - capital	39,931,437.00	36,865,000.00	36,865,000.00	38,522,049.00
Interest	239,438.00	2,783,000.00	1,695,529.00	150,028.00
Dividends	–	–	–	–
Payments				
Suppliers and employees	(107,212,868.00)	(101,993,000.00)	(106,439,955.00)	(104,577,996.00)
Finance charges	-	(660,000.00)	-	(201,349.00)
Transfers and Grants	(7,708,564.00)	(11,295,000.00)	(11,295,000.00)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	**37,192,501.00**	**56,004,000.00**	**48,812,968.00**	**38,639,791.00**

Cash Flow Outcomes				
	2012	2013		
Description	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE				1,409,384.00
Payments				
Purchase of financial assets				(632.00)
Capital assets	(55,741,358.00)	(36,865,000.00)	(45,878,320.00)	(34,670,322.00)
NET CASH FROM/(USED) INVESTING ACTIVITIES	**(55,741,358.00)**	**(36,865,000.00)**	**(45,878,320.00)**	**(33,261,570.00)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans				398,467.00
Borrowing long term/refinancing				
Increase (decrease) in consumer deposits				
Payments				
Repayment of borrowing	(1,060,872.00)			(283,243.00)
NET CASH FROM/(USED) FINANCING ACTIVITIES	**(1,060,872.00)**	**–**	**–**	**115,224.00**
NET INCREASE/ (DECREASE) IN CASH HELD	(19,609,729.00)	19,139,000.00	2,934,648.00	5,493,445.00
Cash/cash equivalents at the year begin:	16,815,381.00			(2,794,348.00)
Cash/cash equivalents at the year end:	(2,794,348.00)	19,139,000.00	2,934,648.00	2,699,097.00

Municipal Investments

Investment Type	2011 Actual	2012 Actual	2013 Actual
Call Account	9,679.00	55,056.00	2,226.00
Friends of the Poor	28,761.00	48,913.00	119,738.00
Operation Hlasela	11,860.00	12,160.00	2,306.00
Fixed Deposit	145,602.00	152,780.00	159,861.00
Total Investments	**195,902.00**	**268,909.00**	**284,131.00**

- **Component D: Other Financial Matters**

Repair and Maintenance Expenditure: 2013				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repair and Maintenance	8,200,000.00	8,387,000.00	15,246,022.00	6,859,022.00

CHAPTER 6: Annual Financial Statements for the year ended 30 June 2013

- Abbreviations

DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association
SARS	South African Revenue Services
VAT	Value Added Tax

General Information

Legal form entity of mafube local municipality

An organ of state within the local sphere of government exercising executive and legislative authority.

Nature of business and principal activities

Providing municipal services, infrastructure development and furthering the interests of the local community mainly in the Mafube area.

The following is included in the scope of operation

Area FS205, as a local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS205.

Grading of local authority

Medium capacity, category B municipality as defined by the Municipal Structures Act, 1998 (Act No. 117 of 1998).

Mayor

Ntombela L M D (Resigned on 30/09/2012)
Sigasa J E (Appointed on 1/10/2012)

Speaker

Moloi T M
Members of Council Du Plessis M C
Hadebe M
Hlongwane J J
Jafta U C
Kubeka L S
Mofokeng M M
Moloi T M *
Mosia A S
Mosia M A **
Monaune P M
Motloung F P
Motloung P
Motloung W C
Pretorius J J *
Sekhoto M M
Sigasa J E *
Xaba N E

** Executive Council Member*
*** Executive Council Member and Council Whip*

Accounting Officer

Radebe P I

Chief Finance Officer

Molefe N N (Resigned on 15/03/2013)
Gwanya G (Acting from 15/03/2013)

Business address

64 JJ Hadebe Street
Frankfort
Free State
9830

Postal address

PO Box 2
Frankfort
Free State
9830

Bankers

ABSA Bank Limited

Auditors

Auditor General
Attorneys Nkaiseng Attorneys
Podbielski Mhlambi Inc
Richter and Boshoff Attorneys
Debt collectors Richter and Boshoff Attorneys
Zandile Management Services CC

Enabling legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
Municipal Structures Act, 1998 (Act No. 117 of 1998)
Municipal Systems Act, 2000 (Act No. 32 of 2000)
Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996)

Website

www.mafube.gov.za

Accounting Officer's Responsibilities and Approval

In terms of section 126(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), I am responsible for the presentation of these annual financial statements set out on pages x to xx, which have been prepared on the going concern basis, were approved by the audit committee on 29 August 2013 and were signed on its behalf below.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 32 of these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with the Remuneration of Public Officer Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

PI Radebe
Municipal Manager
Frankfort
30 August 2013

Accounting Officer's Report

The Accounting Officer submits his report for the year ended 30 June 2013.

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services as per schedule 5 and 6 of the Constitution, infrastructure development and furthering the interests of the local community mainly in the Mafube area and operates principally in the Free State province.

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

2. Financial sustainability

The municipality is experiencing financial difficulties, indicators are as follow:
- Suppliers were not paid within the legislative 30 days;
- The municipality defaulted on the repayment of the DBSA non current borrowings;
- The municipality used conditional grants received to pay for operating expenses
- VAT returns were not submitted and paid to SARS on time;
- PAYE, UIF and SDL were not submitted and paid over to SARS on time;
- Statutory deductions from salaries were deducted but not paid over on time; and
- Employee benefit obligations are unfunded.

The municipality is exploring alternative options to improve it's financial position.

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

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

Although certain financial ratio's may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2012 (Act No. 5 of 2012).

3. Subsequent events

The Accounting Officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The Accounting Officer has no interests in contracts for the year under review.

5. Accounting Officer

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

Name:	**PI Radebe**
Nationality:	**South African**

6. Auditors

Auditor General will continue in office for the next financial period.

Statement of Financial Position for the year ended 30 June 2013

	Note(s)	2013 (R)	2012 (R)
Assets			
Current Assets			
Inventories	3	539 196	556 792
Financial assets	4	121 056	110 848
Receivables from exchange transactions	5	2 070 855	2 667 499
Consumer receivables from non exchange transactions	6	3 586	867 3 708 222
Consumer receivables from exchange transactions	7	35 257 255	38 105 517
Cash and cash equivalents	8	2 699 097	329 930
		44 274 326	**45 478 808**
Non Current Assets			
Investment property	9	44 868 286	45 248 635
Property, plant and equipment	10	1 681 116 741	1 770 341 205
Intangible assets	11		202 500
Financial assets	4	296 611	262 945
		1 726 281 638	**1 816 055 285**
Total Assets		**1 770 555 964**	**1 861 534 093**
Liabilities			
Current Liabilities			
Current portion of non current borrowings	13	324 429	323 297
Current portion of finance lease liabilities	14	790 164	1 213 540
Payables from exchange transactions	15	150 196 325	117 788 007
VAT payable	16	7 628 085	11 216 466
Consumer deposits	17	702 102	684 969
Unspent conditional grants and receipts	18	13 044 256	7 841 011
Cash and cash equivalents	8		3 124 278
		172 685 361	**142 191 568**
Non Current Liabilities			
Non current borrowings	13	1 752 745	1 931 835
Non current portion of finance lease liabilities	14	1 414 540	355 358
Employee benefits	19	11 474 814	10 947 945
Non current provisions	20	3 089 832	2 964 000
		17 731 931	16 199 138
Total Liabilities		**190 417 292**	**158 390 706**
Net Assets		**1 580 138 672**	**1 703 143 387**
Net Assets			
Accumulated surplus		1 580 138 672	1 703 143 387

Statement of Financial Performance for the year ended 30 June 2013

	Note(s)	2013 (R)	2012 (R)
Revenue			
Property rates	23	16 322 286	19 167 186
Service charges	24	43 222 421	67 415 830
Royalty income	25	648 011	–
Rental of facilities and equipment	26	151 086	181 074
Fines		133 744	218 185
Government grants and subsidies	27	112 298 133	106 096 725
Auction fees		772 173	190 919
Recoveries	28	2 594 934	1 254 972
Other income	29	2 244 696	2 094 899
Interest received	30	7 514 847	9 166 555
Total Revenue		**185 902 331**	**205 786 345**
Expenditure			
Employee related costs	31	(66 470 109)	(54 870 577)
Remuneration of councillors	32	(5 420 628)	(5 097 072)
Depreciation, amortisation and impairments	33	(123 676 891)	(120 148 656)
Finance charges	34	(7 278 597)	(7 862 228)
Debt impairment	35	(40 276 463)	(9 430 773)
Repairs and maintenance		(15 246 022)	(10 767 643)
Bulk purchases	36	(9 168 910)	(36 778 657)
Grants and subsidies paid	37	(7 529 210)	(7 708 564)
General expenses	38	(34 349 443)	(38 342 883)
Total Expenditure		**(309 416 273)**	**(291 007 053)**
Actuarial loss on employee benefits	39	(99 413)	(662 669)
Gain on disposal of assets		608 632	–
Deficit for the year		**(123 004 723)**	**(85 883 377)**

REPORT OF THE AUDITOR-GENERAL to the Free State Legislature and The Council on the Mafube Local Municipality

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of the Mafube Local Municipality set out on pages 6 to 76, which comprise the statement of financial position as at 30 June 2013, the statements of financial performance, changes in net assets, cash flows for the year then ended, a statement of comparison of budget and actual amounts and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2012 (Act No. 5 of 2012) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

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

Basis for disclaimer of opinion

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence regarding property, plant and equipment due to lack of an adequate asset management system and a system to maintain the cost records of the assets. I was unable to confirm the assets by alternative means. Consequently, I was unable to determine whether any further adjustments to property, plant and equipment stated at R1 681 116 741 (2012: 1 770 341 205) in note 10 to the financial statements were necessary.

5. The municipality did not review the residual values and useful lives of infrastructure assets at each reporting date in accordance with Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment*. Infrastructure assets with a gross carrying amount of R2 089 564 849 (2012: R2 089 564 849) are included in note 10 to the financial statements. I was not able to determine the correct net carrying amount of infrastructure assets as it was impracticable to do so.

6. The municipality did not capitalise all items of property, plant and equipment in accordance with Standard of Generally Recognised Accounting Practice, GRAP 17, *Property, plant and equipment*. Items of property, plant and equipment were incorrectly recognised as work in progress, projects were included at negative values and non-capital expenditure was included as work in progress. Consequently, infrastructure is understated by R11 462 603, work in progress is overstated by R12 996 587 and general expenses is understated by R1 533 984. Additionally, there is a consequential impact on the deficit for the period and the accumulated surplus.

Consumer receivables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence about consumer receivables from exchange transactions as service contracts, indigent and arrangement applications could not be submitted. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine if any adjustment to consumer receivables from exchange transactions stated at a gross balance of R153 582 636 (2012: R120 864 418) in note 7 to the financial statements was necessary. In addition, the municipality did not adequately disclose each material class of similar items separately as required by Standard of Generally Recognised Account Practice, GRAP 1, *Presentation of financial statements* as consumer receivables from exchange transactions include an amount of R31 017 395 (2012: R23 861 077) disclosed as sundry consumer services.

8. I was unable to obtain sufficient appropriate evidence with regards the provision for debt impairment per category of consumer receivables from exchange transactions due to the fact that the provision per service category and consumer type has been apportioned pro rata in relation to the total gross provision for debt impairment. Consequently, I was unable to determine whether any further adjustments to provision for debt impairment stated at R118 325 381 (2012: R82 758 901) in the financial statements were necessary.

Irregular expenditure

9. I was unable to obtain sufficient appropriate audit evidence regarding irregular expenditure as the municipality did not have adequate systems in place to identify and record all instances of irregular expenditure incurred. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments to the amount disclosed for irregular expenditure stated at R30 058 469 (2012: R29 024 434) in note 51 to the financial statements were necessary. In addition, the municipality did not include particulars of all the irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements which were not included in irregular expenditure, resulting in irregular expenditure being understated by R90 052 312 (2012: R27 065 229).

Unauthorised expenditure

10. I was unable to obtain sufficient appropriate audit evidence about unauthorised expenditure during 2012. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustment to unauthorised expenditure stated at R17 925 031 for 2012 in note 49 to the financial statements was necessary. My audit opinion on the financial statements for the period ended 30 June 2012 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures. In addition, the municipality did not include particulars of all the unauthorised expenditure incurred in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in excess of budgeted amounts which were not disclosed, resulting in unauthorised expenditure for the current period being understated by R159 534 678.

Accumulated surplus

11. During 2012, I was unable to obtain sufficient appropriate audit evidence regarding various suspense accounts included under payables and receivables to the amount of R71 265 577 that were cleared to accumulated surplus. The municipality's system did not allow the performance of alternative procedures. My audit opinion on the financial statements for the period ended 30 June 2012 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Investment Property

12. Contrary to Standards of Generally Recognised Accounting Practice GRAP 3, *Accounting estimates, change in accounting estimates and errors*, the municipality did not recognised the correction of investment property valued at R45 628 985 as a prior period error, instead it was disclosed as a reclassification in the financial statements by debiting Investment property and crediting Infrastructure assets.

    In addition, the value of investment properties were not accurately determined in terms of Generally recognised Accounting Practice, GRAP 16, *Investment Property* as a number of investment properties have been recognised at zero value, the assumptions used in the investment property register have not been accurately applied in the determination of the deemed cost and adequate records of the assumptions used in the determination of deemed cost were not kept. I was not able to determine the full extent of the misstatement as it was impracticable to do so.

Revenue from service charges

13. I was unable to obtain sufficient appropriate audit evidence regarding service charges as the municipality did not have adequate systems in place to maintain records of basic charges, service charges and record accurate meter readings. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments to service charges stated at R43 222 421 (2012: R67 415 830) in the financial statements were necessary. The municipality did not recognise revenue from water service charges in accordance with SA Standards of GRAP, GRAP 9, *Revenue from exchange transactions*. The municipality did not have adequate systems in place to maintain records of basic charges, service charges and record accurate meter readings, which resulted in water service charges and Consumer receivables from exchange transactions being understated by R3 054 849, respectively. Additionally there is a consequential impact on the deficit for the period and accumulated surplus.

General expenses

14. I was unable to obtain sufficient appropriate audit evidence for general expenses due to the absence of supporting records. I was unable to confirm general expenses by alternative means. Consequently I was unable to determine whether any further adjustment to general expenses stated at R34 349 443 (2012: R38 342 883) in the financial statements were necessary.

Fruitless and wasteful expenditure

15. The municipality did not include particulars of all the fruitless and wasteful expenditure incurred in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. An amount of R17 727 744 was deducted from the balance of fruitless and wasteful expenditure in note 50 without proper investigations having been performed. This resulted in an understatement of fruitless and wasteful expenditure by R17 727 744.

Revenue from property rates

16. I was unable to obtain sufficient appropriate audit evidence about property rates due to an unsubstantiated difference between the chargeable rates per the valuation roll and the accounting records. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments to property rates stated at R16 322 286 (2012: R19 167 186) in the financial statements were necessary. In addition, the municipality did not recognise Revenue from property rates in accordance with Standard of Recognised Accounting Practice, GRAP23, *Revenue from non- exchange transactions*. Inconsistencies were identified between the market value of properties per the valuation roll and the system on which billing is generated. Consequently, property rate income and consumer receivables from non-exchange transactions are understated by an amount of R7 816 103 (2012: R3 974 411 overstatement), respectively. Additionally, there is a consequential impact on the deficit for the period and accumulated surplus.

Commitments

17. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for commitments. As described in note 41 to the financial statements, the restatement was made in order to rectify a prior year misstatement. I was unable to confirm the restatement by alternative means. Consequently I was unable to determine whether any adjustment to the corresponding figure for commitments stated at R19 755 896 in note 41 to the financial statements was necessary. In addition, the municipality did not record all contractual commitments for goods and services received in accordance with Standard of Generally Recognised Accounting Practice, GRAP1, *Presentation of Financial Statements* due to lack of an adequate contract management system . Consequently, commitments are understated by R15 885 690.

Consumer receivables from non-exchange transactions

18. I was unable to obtain sufficient appropriate audit evidence about consumer receivables from non-exchange transactions as supporting documentation could not be provided. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine if any adjustment to consumer receivables from non-exchange transactions stated at a gross balance of R15 833 152 (2012: R12 845 529) in note 6 to the financial statements was necessary.

19. I was unable to obtain sufficient appropriate evidence about the provision for debt impairment of consumer receivables from non-exchange transactions due to the fact that the provision per service category and consumer type has been apportioned pro-rata in relation to the total gross provision for impairment. Consequently, I was unable to determine whether any further adjustments to the provision for debt impairment stated at R12 246 285 (2012: R9 137 307) in the financial statements were necessary.

Consumer receivables from exchange transactions

20. I was unable to obtain sufficient appropriate audit evidence for the reclassification of receivables from exchange transactions of R15 816 818 that has been included in payables from exchange transactions in the prior year. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine if any adjustment to receivables from exchange transactions stated at R2 070 855 in note 5 to the financial statements was necessary.

Repairs and maintenance

21. I was unable to obtain sufficient appropriate audit evidence for Repairs and maintenance due to the absence of supporting records. I was unable to confirm Repairs and maintenance by alternative means. Consequently I was unable to determine whether any further adjustment to repairs and maintenance stated at R15 246 022 in the financial statements were necessary.

Employee benefits

22. The municipality did not recognise the post retirement benefit in accordance with Standard of Generally Recognised Accounting Practice, GRAP 25, *Employee Benefits*, due to incorrect information being included in the calculation of the retirement benefit obligation as disclosed in note 19 to the financial statements. I was not able to determine the correct amount of the post retirement benefit obligation as it was impracticable to do so.

Bulk purchases

23. I was unable to obtain sufficient appropriate audit evidence for Bulk purchases due to the absence of supporting records. I was unable to confirm Bulk purchases by alternative means. Consequently I was unable to determine whether any further adjustment to Bulk purchases stated at R9 168 910 in the financial statements were necessary.

Value- added tax (VAT)

24. I was unable to obtain sufficient appropriate audit evidence regarding VAT payable due to inadequate record keeping by the municipality. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments relating to VAT payable stated at R7 628 085 (2012: R11 216 466) as disclosed in the financial statements was necessary.

Finance charges

25. I was unable to obtain sufficient appropriate audit evidence for finance charges due to the absence of supporting records. I was unable to confirm finance charges by alternative means. Consequently I was unable to determine whether any further adjustment to finance charges stated at R7 278 597 in the financial statements were necessary.

Unspent conditional grants and receipts

26. The municipality did not accurately roll forward the balance of unspent conditional Municipal Infrastructure Grants (MIG) from the prior year financial statements in accordance with the Standard of Generally Recognised Accounting Practice, GRAP 23, *Revenue from non- exchange transactions*. Where the municipality had spent its own funds before MIG allocations were received the amount receivable was not recognised. Consequently, unspent conditional grants is understated and grant expenditure (capital or operating) is overstated by R4 352 283, respectively. The municipality also did not have adequate processes in place to ensure that VAT has been correctly accounted for relating to unspent grants. Therefore unspent conditional grants have been overstated and VAT understated by R484 307 for VAT that has been incorrectly been included in the balance.

Pension and medical aid

27. I was unable to obtain sufficient appropriate evidence regarding the opening and closing balance of pension fund and medical aid deductions as disclosed in note 52 to the financial statements. I was unable to confirm the amount by alternative means. Consequently I was unable to determine whether any further adjustments to pension fund and medical aid deductions stated at R1 727 039 (2012: R4 304 599) in the financial statements were necessary.

Bank and cash

28. During 2012 I was unable to obtain sufficient appropriate audit evidence about cash and cash equivalents reflected as R3 124 278 due to unreconciled deposits of R3 762 995 included in the bank reconciliation. I was unable to confirm the cash and cash equivalents by alternative means. Consequently I was unable to determine whether any adjustments to this amount were necessary. My audit opinion on the financial statements for the period ended 30 June 2012 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Grants and subsidies paid

29. The municipality did not correctly calculate Grants and subsidies paid relating to indigent debtors as required by Section 64(2)(f) of the MFMA. The indigent information contained on the billing system is inaccurate. Consequently, grants and subsidies paid are understated and receivables from exchange transactions overstated by R3 037 287, respectively. Additionally, there is a consequential impact on the deficit for the period and the accumulated surplus.

Other income

30. I was unable to obtain sufficient appropriate audit evidence about other income due to a lack of proper processes to ensure that registers of all other income are maintained. I was unable to confirm the other income by alternative means. Consequently I was unable to determine whether any adjustments were necessary to other income stated at R2 244 696 (2012: R2 094 899) in note 29 to the financial statements. In addition, other income was not disclosed in accordance with Standard of Generally Recognised Accounting Practice, GRAP1, P*resentation of Financial Statements*. Other income received was not allocated to the correct sub- category included in note 29 to the financial statements. Consequently, other income has been incorrectly classified between the various sub-categories with R1 279 143. Included in other income are also sundry amounts of R1 533 478 (2012: R1 178 776) that have not been separately presented.

Intangible assets

31. The municipality did not review the useful lives of intangible assets at each reporting date in accordance with Standard of Generally Recognised Accounting Practice, GRAP 102, Intangible Assets. Intangible assets with a gross carrying amount of R1 747 397 (2012: R1 747 397) are included in the financial statements at a zero net carrying amount whilst still being in use. I was not able to determine the correct net carrying amount of intangible assets as it was impracticable to do so.

Payables from exchange transactions

32. I was unable to obtain sufficient appropriate evidence for salary control accounts included in payables from exchange transactions due to the unavailability of reconciliations for this balance. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments to the salary control accounts stated at R1 073 138 (2012: R15 819 318) in note 15 to the financial statements was necessary.

33. I was unable to obtain sufficient appropriate evidence about retention creditors included in payables from exchange transactions due to lack of proper record keeping regarding retention monies owed. I was unable to confirm if all retention creditors were recorded by alternative means. Consequently, I was unable to determine if any adjustment to retention creditors stated at R1 039 500 (2012: R3 373 618) in note 15 to the financial statements was necessary.

34. The municipality did not recognise accrued staff leave in accordance with Standard of Generally Recognised Accounting Practice, GRAP19, *Provisions, contingent liabilities and contingent assets.* The municipality did not have adequate systems in place to maintain records of amounts accrued for staff leave days reflected as R5 288 611 in note 15 of the financial statements, which resulted in accrued staff leave days and employee cost being overstated by R1 272 464.

Cash flow statement

35. I was unable to obtain sufficient appropriate audit evidence as to whether the cash flow statement and the related notes for the current and prior years were fairly stated, due to the material effect of misstatements and scope limitations identified in the financial statements, as set out in this report. I was unable to confirm the cash flow by alternative means. Consequently I was unable to determine whether adjustments were necessary to the amounts disclosed in the cash flow statement.

Budget information

36. I was unable to obtain sufficient appropriate audit evidence for the differences between the statement of financial performance and the actual results contained in note 53. Also, I was unable to obtain sufficient appropriate evidence about the budgeted figures as disclosed in note 53. This was due to material differences between the amounts disclosed and the actual budget prepared by the municipality. I was unable to confirm these differences by alternative means. Therefore I am unable to determine whether adjustments to the financial statements are necessary.

37. The required budget information was not presented in accordance with Standard of Generally Recognised Accounting Practice, GRAP24, *Presentation of Budget Information in Financial Statements*. The financial statements did not contain a separate additional financial statement or budget column with an explanation of significant variances between the actual results and budgeted amounts.

Contingent liabilities

38. The municipality did not disclose all contingent liabilities in accordance with SA Standards of GRAP, GRAP 19, Provisions, contingent liabilities and contingent assets. Employees' job evaluations were not completed and they were not paid according to the wage scales and rates in the wage curve agreement and did not receive the nine months retrospective increase. The contingent liability was however not disclosed.

Disclaimer of opinion

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

Emphasis of matters

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

Significant uncertainties

41. With reference to note 42 to the financial statements, criminal charges have been laid against the municipality over the contamination of drinking water by sewerage. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

Material impairments

42. As disclosed in note 5, 6 and 7 to the financial statements, material impairments on trade and other receivables of R131 434 703 (2012: R91 896 208) were incurred as a result of irrecoverable debtors.

Financial sustainability

43. The accounting officer's report on page xx and note 45 to the financial statements indicate that Mafube Local Municipality has been experiencing financial difficulties. These conditions, as set forth in the accounting officer's report and note 45 indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern. The ability of the municipality to continue as a going concern is dependent on a number of factors, the most significant factor is that the accounting officer continues to procure funding for the ongoing operations of the municipality.

Additional matters

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

Material inconsistencies in other information included in the annual report

45. The municipality did not timeously submit a draft annual report for the financial period under review. The draft annual report which was subsequently submitted was incomplete. Consequently, the consistency and accuracy of information that will be reported in the annual report could not be confirmed against the audited financial statements.

Unaudited supplementary schedules

46. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

48. The annual performance report was not presented for auditing and consequently my findings below are limited to the procedures performed on the strategic planning and performance management documents.

49. The information was assessed to determine whether performance indicators and targets were measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury's *Framework for managing programme performance information (FMPPI)*.

50. The material findings are as follows:

    Usefulness of information

    The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 100% of the targets. This was due to the fact that management was aware of the requirements of the FMPPI but vacancies in core performance management positions were not being filled within 12 months.

Compliance with laws and regulations

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

Strategic planning and performance management

52. The municipality did not give effect to its Integrated Development Plan (IDP) and conduct its affairs in a manner which was consistent with its IDP, as required by section 36 of the Municipal Systems Act, 2000 (Act No.32 of 2000) (MSA) section 21(2)(a) of the MFMA and Municipal planning and performance management (MPPM) Regulation 6.

53. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.

54. The municipality did not set key performance indicators, including input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives set out in the IDP, as required by section 41(1)(a) of the MSA and the MPPM Regulation 1 and 9(1)(a).

55. The municipality did not set measurable performance targets for the financial year with regard to each of the development priorities and objectives and key performance indicators set out in the IDP, as required by section 41(1)(b) of the MSA and the MPPM Regulation 12(1) and 12(2)(e).

56. The municipality did not have and maintain effective, efficient and transparent systems of financial and risk management and internal controls as required by section 62(1)(c)(i) of the MFMA.

Budget

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

58. Quarterly reports were not submitted to the council on the implementation of the budget and financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.

59. Sufficient appropriate audit evidence could not be obtained that monthly budget statements were submitted to the mayor, as required by section 71(1) of the MFMA.

Annual report and annual financial statements

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

61. The 2011/12 annual report was not made public immediately after the annual report was tabled in the council, as required by section 127(5)(a) of the MFMA.

62. The council's oversight report on the 2011/12 annual report was not made public within seven days of its adoption, as required by section 129(3) of the MFMA.

63. The annual performance report for the financial year under review was not prepared, as required by section 46 of the Municipal Systems Act and section 121(3)(c) of the MFMA.

Audit committee

64. The audit committee did not advise the council or accounting officer on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the MFMA.

65. The audit committee did not advise the council or accounting officer on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.

66. A performance audit committee was not in place and the audit committee was not used to fulfil the performance audit committee function, as required by MPPM Regulation 14(2)(a).

Internal audit

67. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:

    - it did not prepare a risk-based audit plan and an internal audit programme for the financial year under review.
    - it did not report to the audit committee on the implementation of the internal audit plan.
    - it did not advise the accounting officer and/or report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.

68. The internal audit unit did not advise the accounting officer or report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

69. The internal audit did not audit the results of performance measurements, as required by section 45(1)(a) of the MSA and MPPM Regulation (14)(1)(a).

70. The internal audit did not assess the functionality of the performance management system, as required by MPPM Regulation (14)(1)(b)(i).

71. The internal audit did not assess the extent to which the performance management system were reliable in measuring the performance of the municipality on key and general performance indicators, as required by MPPM Regulation (14)(1)(b)(iii).

72. The internal audit did not audit the performance measurements on a continuous basis and submitted quarterly reports on their audits to the municipal manager and the performance audit committee, as required by MPPM Regulation (14)(1)(c).

Procurement and contract management

73. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by Supply Chain Management Regulation (SCM) 17(a) and (c).

74. Bid adjudication was not always done by committees which were composed in accordance with SCM Regulation 29(2).

75. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM Regulation 14(1)(a)(ii) and 14(2).

76. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by means of inviting competitive bids or that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by SCM Regulations 19(a) and 36(1).

77. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services, as per required by SCM Regulation 27(2)(a).

78. Sufficient appropriate audit evidence could not be obtained that contract and quotations were only awarded to providers whose tax matters have been declared by the South African Revenue Service to be in order as required by SCM Regulation 43.

79. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded only to bidders who submitted a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

80. The preference point system was not applied in the procurement of goods and services above R30 000 as per the requirements of section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and SCM Regulation 28(1)(a).

81. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM Regulations 22(1) and 22(2).

Human Resource Management

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

83. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury as required by regulation 14(2)(a) the Municipal Regulations on Minimum Competency Levels.

84. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies as required by regulation 14(2)(b)/14(3) of the Municipal Regulations on Minimum Competency Levels

85. Sufficient appropriate audit evidence could not be obtained that those newly appointed managers directly accountable to municipal manager submitted original/certified copies of academic and professional qualifications prior to appointment as per the requirements of Regulation 4 of GNR 805.

86. A number of senior managers did not have the higher education qualification as required by regulation 6 and 7 of the Municipal Regulations on Minimum Competency Levels.

87. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor, measure and evaluate performance of staff in contravention of MSA sec 67(d).

88. We were unable to confirm that the municipal manager and senior managers directly accountable to the municipal manager signed performance agreements within the timeframe, as required by section 57(2)(a) of the MSA

89. Sufficient appropriate audit evidence could not be obtained that the senior managers dismissed for financial misconduct in a previous position and re-appointed before the expiry of ten years in contravention of section 57A of the Municipal Finance Management Act.

Expenditure management

90. Money owing by the municipality was not always paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.

91. Payments were made without the approval of the accounting officer or a properly authorised official as required by section 11(1) of the MFMA.

92. An effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, was not in place, as required by section 65(2)(a) of the MFMA.

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

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

Conditional grant received

95. The municipality did not submit quarterly performance reports to the transferring national officer, the relevant provincial treasury and the National Treasury, within 30 days after the end of each quarter, as required by section 12(2)(c) of the DoRA.

96. The municipality did not evaluate its performance in respect of programmes funded by the Provincial Treasury or submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(5) of the DoRA.

97. The municipality did not submit MFMA implementation plans to National Treasury to address weaknesses in financial management, as required by the DoRA Grant Framework, Gazette No.35399.

Revenue management

98. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(e) of the MFMA.

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

Asset management

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

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

102. The municipality did not establish an investment policy that was adopted by council, as required by section 13(2) of the MFMA and Municipal investment Regulation 3(1)(a).

Liability management

103. Short-term debt was incurred without a resolution of the municipal council approving the debt agreement, in contravention of section 45(2) of the MFMA.

104. Short-term debt was not repaid within the financial year, as required by section 45(4)(a) of the MFMA.

Consequence management

105. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.

106. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.

107. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, in accordance with the requirements of section 32(2) of the MFMA.

108. The condoning of irregular expenditure was not approved by the appropriate relevant authority, in accordance with the requirements of sections 1 and 170 of the MFMA.

109. Council certified irregular, fruitless and wasteful expenditure as irrecoverable without conducting an investigation by council committee to determine recoverability of the expenditure, as required by section 32(2) of the MFMA.

Environmental management

110. The municipality operated their waste disposal sites without a waste management license or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) and section 20(1) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989).

Internal control

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

Leadership

112. Management did not adequately respond to the AGSA message as they did not effectively discharge their oversight responsibilities in order to ensure an improvement in the audit outcome. The leadership did not always take timely and adequate action to address weaknesses in the finance and supply chain management directorate, which resulted in non-compliance with applicable legislation and gave rise to irregular expenditure. Management failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root causes previously reported.

Financial and performance management

113. Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. Effective performance systems, processes and procedures as well as the management thereof had not been adequately developed and implemented. Inadequate filing procedures at the municipality resulted in limitations of scope during the current and previous year's audits. As a result significant difficulties were experienced in respect of the availability of information. The financial statements were not properly reviewed for completeness and accuracy prior to submission for auditing.

114. Management also did not establish effective monitoring and evaluation components or processes both within its finance and strategic planning directorates to regularly review and monitor management's compliance with laws, regulations and internally designed policies and procedures due to capacity problems. As a result, significant non-compliance issues were noted that could have been prevented.

Governance

115. On-going monitoring and supervision were not undertaken to enable an assessment of the effectiveness of internal control over financial and performance reporting due to the fact that the chief internal auditor position in the internal audit department was still vacant. Thus internal control deficiencies were not identified, communicated and corrected in a timely manner. The implementation of external audit recommendations was not prioritised and also not monitored. This resulted in the prior year audit findings not being substantially addressed.

116. As a result of the ineffective functioning of the internal audit unit as well as inadequate support by management, the audit committee could not adequately promote accountability and service delivery by evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Bloemfontein
28 November 2013

Statement of Changes in Net Assets for the year ended 30 June 2013

	Note (s)	Accumulated surplus (R)	Total net assets (R)
Balance at 01 July 2011		**1 789 026 764**	**1 789 026 764**
Changes in net assets			
Deficit for the year		(85 883 377)	(85 883 377)
Total changes		(85 883 377)	(85 883 377)
Opening balance as previously reported		671 591 558	671 591 558
Adjustments			
Correction of errors	43	1 031 551 837	1 031 551 837
Balance at 01 July 2012 as restated		**1 703 143 395**	**1 703 143 395**
Changes in net assets			
Deficit for the year		(123 004 723)	(123 004 723)
Total changes		(123 004 723)	(123 004 723)
Balance at 30 June 2013		**1 580 138 672**	**1 580 138 672**

Cash Flow Statement for the year ended 30 June 2013

	Note(s)	2013 (R)	2012 (R)
Cash flows from operating activities			
Receipts			
Property rates and service charges		22 926 931	40 137 451
Government grants and subsidies		117 501 378	111 737 044
Interest received		150 028	239 438
Other receipts		2 840 799	
		143 419 136	**152 113 933**
Payments			
Employee related costs		(66 623 311)	(52 600 146)
Suppliers		(32 366 595)	(48 563 526)
Finance charges		(201 349)	–
Remuneration of councillors		(5 588 090)	(7 630 412)
Other payments			(6 127 348)
		(104 779 345)	(114 921 432)
Net cash flows from operating activities	**40**	**38 639 791**	**37 192 501**
Cash flows from investing activities			
Purchase of property, plant and equipment		(34 670 322)	(55 741 358)
Proceeds from disposal of property, plant and equipment		1 409 384	–
Purchase of financial assets		(632)	–
Net cash flows from investing activities		**(33 261 570)**	**(55 741 358)**
Cash flows from financing activities			
Repayment of non current borrowings		(283 243)	–
Finance lease payments		(2 112 498)	(1 060 872)
Finance lease receipts		2 510 965	–
Net cash flows from financing activities		**115 224**	**(1 060 872)**
Net increase in cash and cash equivalents		**5 493 445**	**(19 609 729)**
Cash and cash equivalents at the beginning of the year		(2 794 348)	16 815 381
Cash and cash equivalents at the end of the year	**8**	**2 699 097**	**(2 794 348)**

1. Statement of compliance and basis of measurement

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for loans and receivables and other financial instruments measured at fair value.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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

Receivables and consumer receivables

The municipality assesses its receivables and consumer 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 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.

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 of certain inventory items. The write down is included in the operation surplus or deficit note.

Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting policy 1.9 on financial instruments describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities. In making the judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Fair value estimation

The fair value of financial instruments traded in active markets 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.

Provisions

Provisions were raised based on estimates determined by management on the information available. Additional disclosure of these estimates of provisions are included in note 20 Provisions.

1.1 Transfer of functions between entities under common control (continued)

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for the moveable assets. This estimate is based on industry norm. Management will increase or decrease the depreciation charge where useful lives are less than or higher than the previous estimated useful.

Employee benefit obligations

The present value of the post employee benefit 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 include the discount rate. Any changes in these assumptions will impact on the carrying amount of post employee benefit obligations.

The actuaries determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuaries make reference to market yields at the year end date of South African long term bonds.

Other key assumptions for employee benefits are based on current market conditions. Additional information is disclosed in Note 19.

Effective interest rate

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

Acquisition dates of Property, Plant and Equipment

The assumptions used to determine the acquisition dates for items of Property, Plant and Equipment that have been recognised for the first time as part of the reconstruction of the immovable asset register is as follows (in order of application):
- Dates from existing asset register;
- Keystone or inscription on the asset;
- Dates from Delphi Group workshops;
- Asset material or technology (i.e. PVC pipes were not implemented before a particular date);
- Dates of township proclamation;
- Information from residents.

1.2 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The comparative figures have been restated, additional disclosures are included in note 44.

1.3 Presentation of currency

These annual financial statements are presented in South African Rand which is the Municipality 's functional currency. All financial information has been rounded to the nearest Rand.

1.4 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration i.e 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 and the estimated costs necessary to make the sale, exchange or distribution.

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

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

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

1.6 Intangible assets

Initial recognition

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

The municipality recognises computer software cost as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the municipality and have a benefit exceeding one year.

An intangible asset acquired at no or nominal cost, i.e. non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Subsequent measurement

Intangible assets are subsequently 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.

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

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

Item	Estimated useful life in years
Computer software	5

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

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

1.7 Investment property

Initial recognition

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

Investment property excludes owner-occupied property that is used in the production or supply of goods and services or for administrative purposes, or property held to provide social services.

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

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent measurement

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

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

Item	Estimated useful life
Property - land	indefinite
Property - buildings	7-80 years

Disposal

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

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

1.8 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.

Property, plant and equipment is initially measured at cost.

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.

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

Where an asset is acquired at no cost, or for a nominal cost, i.e. non-exchange transaction, its cost is its fair value as at date of acquisition.

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.

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

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

Subsequent cost

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of. 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.

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 subsequently carried at cost less accumulated depreciation and any impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

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

Item	Estimated useful life in years
Vehicles, tractors and trailers	5-7
Infrastructure	
• Electricity network	10-80
• Water network	10-80
• Roads and bridges	7-50
• Sanitation	7-80
• Solid waste Landfills	15-75
Community	
• Cemeteries	15-80
• Livestock facilities *	7-80
• Municipal buildings	7-80
• Parks and gardens	7-80
• Sport facilities	7-80
• Housing*	7-80
Other plant and equipment	
• Computer equipment	3-10
• Office equipment	3-5
• Furniture and fixtures	3-10
• Other	3-10
Leased assets	3- 5
Landfill rehabilitation asset	30-72

* The useful lives of Livestock facilities and Housing were updated with the review and submission of the revised infrastructure register. No disclosures relating to the change in the estimated useful lives has been made as no depreciation were provided in the prior year on infrastructure assets. All changes were accounted for under note 43 Prior year errors.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

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

1.9 Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Classification

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

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Class	**Category**
Financial assets	Financial asset measured at amortised cost
Receivables	Financial asset measured at amortised cost
Consumer receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Non current borrowings	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost
Finance lease liabilities	Financial liability measured at amortised cost
Cash and cash equivalents	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets on the trade date.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

1.10 Impairment of cash-generating assets

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

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

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.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash-generating units

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

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.11 Impairment of non cash-generating assets

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

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

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.

The municipality consider the following indicators, in assessing whether there is any indication that an asset may be impaired:
- External sources of information
- Cessation, or near cessation, of the demand or need for services provided by the asset
- Significant long term changes with an adverse effect have taken place during the period in the technological, legal or government policy environment in which it operates.

Internal sources of information
- Evidence is available of physical damage of an asset
- Significant long term changes with an adverse effect during the period in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date
- A decision to halt the construction of the asset before it is complete or in a usable condition
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected

Value in use

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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.

1.12 Tax Value added tax (VAT)

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

1.13 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 liability.

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

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

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

Operating leases lessor

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

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

1.14 Employee benefits

Short term employee benefits

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed or state plans retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit valuation method as prescribed by IAS 19.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the statement of financial performance in the period that they occur.

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 surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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. A provision is 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 in surplus or deficit.

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

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

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

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

Contingent assets and contingent liabilities are not recognised, except in entity combinations. Contingencies are disclosed in note 41.

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

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

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.

- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounting for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

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

1.16 Site restoration and dismantling cost

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

1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

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

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

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

Use by others of the entity's assets

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

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

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

Royalties, auction fees and recoveries are recognised as they are earned in accordance with the substance of the relevant agreements.

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

1.18 Revenue from non-exchange transactions

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.

Recognition

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

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

Measurement

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

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

Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.19 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 all of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.20 Investment income

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

1.21 Borrowing costs

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

1.22 Commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actual liability. Capital commitments are not recognised but only disclosed. Capital commitments are disclosed in note 41.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.25 Irregular expenditure

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

1.26 Subsequent events

Events after the reporting date that are classified as adjusting events have been accounted for in the 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 Financial Statements.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (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 annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

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

The approved budget covers the period from 1 July 2012 to 30 June 2013.

1.28 Related parties

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

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

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

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

1.29 Public private partnerships (PPP's)

The municipality have the following PPP's:

The municipality appointed Rural Maintenance (Pty) Ltd in respect of management, operation, administration, maintenance and expansion of the municipal network, inclusive of the revenue management process, as well as the implementation of a regional electrification programme (“the project”). Rural will take over the operation of the existing/initial assets (“network assets”) and will also install new assets (“investment asset”). Rural will be allowed to commission the electricity generation plant for own generation and sale to consumers (“the public”) of electricity. The contract further stipulates the level of service Rural is to adhere to as the contract is a service level agreement. From the takeover date, any loss or profit associated with the project shall be for the account of Rural. The ownership of the network shall remain vested in the Municipality and the Municipality will bear the risk of loss relating to the network and shall ensure there is appropriately insurance cover in that regard. The ownership of the investment assets remains with Rural till the end of the contract.

At the end of the contract, the ownership of the investment assets will transfer to the Municipality. In the event that the contract is terminated by Rural during the term of the agreement, ownership of the investment assets will transfer to the Municipality at no cost to the Municipality (i.e. the assets will become the sole and paid up property of the Municipality). Rural shall pay to the Municipality a monthly royalty for the use of the Network. The amount of the monthly royalty will be based on the bulk use of electricity. The amount of the monthly royalty shall be fixed except with regards to annual rates increases. Rural shall be entitled from takeover date to collect, directly from consumers all monies due for all services rendered and other payments due from consumers (i.e. invoices and statements will be in the name of Rural). However, the charges collected for electricity consumption and related services are regulated and approved by NERSA. All municipal employees associated with electricity distribution shall be seconded to Rural and Rural shall bear responsibility for such employees during the term of the agreement. In the event that the employees are seconded to Rural, Rural shall transfer cost to company amounts to the Municipality for the payment of such employees on a monthly basis.

The agreement shall terminate at the end of the 25th year. The contract can be renegotiated 2 years from expiry of the term. In the event that the Municipality cancels the agreement prior to the 25th period without any material breach, the Municipality will be liable for compensation in respect of all demonstrable losses and damages including but not limited to, loss of future income as well as market-related compensation in respect of the equipment. At any time during the term of the agreement Rural may cancel the agreement by giving 1 years notice to the Municipality, whereupon all equipment will become the sole and exclusive paid-up property of the Municipality.

The municipality accounts for PPP's in accordance with the ASB PPP guideline when it controls the underlying asset. Control over the underlying asset is evidenced by the following:

The municipality controls or regulates the services the private party must provide with the associated asset, to whom it must provide them and at what price; The municipality controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the agreement.

Where the arrangement falls within the scope of the PPP guideline, the municipality applies the following accounting:

The underlying assets in the arrangement are recognised by the municipality; Any unitary payments made are split between the asset and service element; The municipality recognises a liability with respect to its obligation to the private entity (in the form of a financial liability where the private party will receive a consideration from the municipality).

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standards:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	The impact is not material but has resulted in additional disclosures.
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	The impact is not material but has resulted in additional disclosures.
• GRAP 103: Heritage Assets	01 April 2012	The impact is not material.
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	The impact is not material.
• GRAP 26: Impairment of cash-generating assets	01 April 2012	The impact is not material but has resulted in additional disclosures.
• GRAP 104: Financial Instruments	01 April 2012	The impact is not material but has resulted in additional disclosures.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

Standards:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	Not yet determined	Unlikely that the standard will have a material impact but will result in additional disclosures.
• IGRAP 1 (as revised 2012): Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue disclosures.	01 April 2013	Unlikely that the standard will have a material impact but will result in additional
• GRAP 25: Employee benefits	01 April 2013	Unlikely that the standard will have a material impact.
• IGRAP 16: Intangible Assets website costs	01 April 2013	Unlikely that the standard will have a material impact.
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Unlikely that the standard will have a material impact.
• GRAP 3 (as revised 2012): Accounting policies, Changes in Accounting Estimates and Errors	01 April 2013	Unlikely that the standard will have a material impact.

Standards:	Effective date: Years beginning on or after	Expected impact:
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Unlikely that the standard will have a material impact.
• GRAP 12 (as revised 2012): Inventories	01 April 2013	Unlikely that the standard will have a material impact.
• GRAP 13 (as revised 2012): Leases	01 April 2013	Unlikely that the standard will have a material impact.
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Unlikely that the standard will have a material impact.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Unlikely that the standard will have a material impact.
• GRAP 105: Transfers of functions between entities under common control	Not yet determined	Unlikely that the standard will have a material impact.
• GRAP 106: Transfers of functions between entities not under common control	Not yet determined	Unlikely that the standard will have a material impact.
• GRAP 107: Mergers	Not yet determined	Unlikely that the standard will have a material impact.
• GRAP 20: Related parties	Not yet determined	Unlikely that the standard will have a material impact but will result in additional disclosures.

	2013 (R)	2012 (R)
3. Inventories		
Consumable stores	306 071	268 588
Water in reservoirs and pipelines	233 125	288 204
	539 196	**556 792**
Inventories recognised as an expense during the year	167 705	184 457

Inventory pledged as security

No inventory items were pledged as security for any financial liabilities.

	2013 (R)	2012 (R)
4. Financial assets		
Loans and receivables at amortised cost		
VKB Agriculture Limited - Short term member loan The member loan bears interest at 4.5% per annum (2012: 5%) and is available on demand.	6 573	1 202
VKB Agriculture Limited - Security member loan When the member fund awards mature after 15 years it is transferred to the member loan account. The loan serves as security against the trading account. The loan bears interest at 4.5% (2012: 5%) per annum and is payable on demand after settling any outstanding balance on the trading account.	109 483	104 646
VKB Agriculture Limited - Member funds The member funds arises from awards earned by members based on purchases. Awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security member loan.	217 276	183 610
VKB Agriculture Limited - Membership The membership deposit was paid to open a trading account and become a member. The receivable do not earn interest nor dividends and is repayable when membership is cancelled.	5 000	5 000
VKB Agriculture Limited - Reserves The reserves arises from special awards allocated to members. Special awards do not earn interest or dividends and have a 15 year maturity life and are then transferred to the security member loan.	79 335	79 335
	417 667	**373 793**
Non current assets		
Loans and receivables	296 611	262 945
Current assets		
Loans and receivables	121 056	110 848
	417 667	**373 793**

Loans and receivables past due but not impaired

There are no loans and receivables past due but not impaired for the current or prior reporting period.

Loans and receivables impaired

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

Credit quality of loans and receivables

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

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

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

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

The municipality does not hold any collateral as security.

5. Receivables from exchange transactions

	2013 (R)	2012 (R)
Councillor overpayments receivable	2 700 802	2 533 340
Councillor overpayments receivable - Impairment	(863 037)	–
Other receivables*	228 690	–
Sundry receivables	4 400	134 159
	2 070 855	**2 667 499**

*Royalty income and salary recoveries receivable from Rural Maintenance (Pty) Ltd.

Credit quality of receivables from exchange transactions

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

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

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

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

The municipality does not hold any collateral as security.

Receivables past due but not impaired

At 30 June 2013, receivables of R 1 837 765 (2012: R 2 533 340) were past due but not impaired.

Receivables impaired

As of 30 June 2013, receivables of R 863 037 (2012: R -) were impaired and provided for.

Reconciliation of provision for impairment

	2013 (R)	2012 (R)
Provision for impairment	(863 037)	–

	2013 (R)	2012 (R)
6. Consumer receivables from non-exchange transactions		
Rates	15 833 152	12 845 529
Rates - Impairment	(12 246 285)	(9 137 307)
	3 586 867	**3 708 222**
Ageing		
Rates		
Current (0 - 30 days)	1 812 807	1 816 764
31 - 60 days	621 213	732 488
61 - 90 days	600 171	705 707
91 days +	12 798 961	9 590 570
	15 833 152	**12 845 529**

Consumer receivables from non-exchange transactions impaired

As of 30 June 2013, consumer receivables from non-exchange transactions of R 12 246 285 (2012: R 9 137 307) were impaired and provided for.

Reconciliation of provision for debt impairment

	2013 (R)	2012 (R)
Opening balance	(9 137 307)	44 045 474
Contribution to provision	(3 108 978)	(53 182 781)
	(12 246 285)	**(9 137 307)**

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

The maximum exposure to credit risk at the reporting date is the fair value of the receivables.

None of the receivables were pledged as security for any financial liability.

7. Consumer receivables from exchange transactions

	2013 (R)	2012 (R)
Gross balances		
Electricity	4 418 512	6 023 737
Water	45 663 597	37 026 531
Sewerage	37 707 897	28 028 386
Refuse	34 775 235	25 924 687
Sundry consumer services	31 017 395	23 861 077
	153 582 636	**120 864 418**

	2013 (R)	2012 (R)
Less: Provision for debt impairment		
Electricity	(3 409 403)	(4 139 128)
Water	(35 053 125)	(25 150 848)
Sewerage	(29 096 086)	(19 282 857)
Refuse	(26 833 192)	(17 790 257)
Sundry consumer services	(23 933 575)	(16 395 811)
	(118 325 381)	**(82 758 901)**
Net balance		
Electricity	1 009 109	1 884 609
Water	10 610 472	11 875 683
Sewerage	8 611 811	8 745 529
Refuse	7 942 043	8 134 430
Sundry consumer services	7 083 820	7 465 266
	35 257 255	**38 105 517**
Ageing		
Electricity		
Current (0 - 30 days)	–	5 658
31- 60 days	–	8 185
61 - 90 days	–	18 791
91 days +	4 418 512	5 991 103
	4 418 512	**6 023 737**
Water		
Current (0 - 30 days)	3 243 773	3 003 339
31 - 60 days	1 115 738	1 567 501
61 - 90 days	1 507 172	847 916
91 days +	39 561 407	31 183 662
Unmetered consumption	235 507	424 113
	45 663 597	**37 026 531**
Sewerage		
Current (0 - 30 days)	2 112 076	2 121 407
31 - 60 days	961 131	924 790
61 - 90 days	956 657	926 050
91 days +	33 678 033	24 056 139
	37 707 897	**28 028 386**
Refuse		
Current (0 - 30 days)	1 904 025	1 924 808
31 - 60 days	885 828	849 160
61 - 90 days	885 459	853 847
91 days +	31 099 923	22 296 872
	34 775 235	**25 924 687**
Sundry consumer services		
Current (0 - 30 days)	2 264 064	1 880 434
31 - 60 days	1 074 593	884 471
61 - 90 days	1 046 167	894 073
91 days +	26 632 571	20 202 099
	31 017 395	**23 861 077**

	2013 (R)	2012 (R)
Summary of debtors by customer classification		
Residential		
Current (0 - 30 days)	8 721 494	8 648 000
31 - 60 days	3 821 416	4 054 138
61 - 90 days	4 123 450	3 389 523
91 days + 124	298 337	94 028 801
	140 964 697	110 120 462
Less: Provision for debt impairment	(129 657 382)	(91 189 111)
	11 307 315	**18 931 351**
Municipal and government		
Current (0 - 30 days)	1 069 448	1 421 795
31 - 60 days	175 741	639 852
61 - 90 days	183 342	606 083
91 days +	5 788 942	13 764 271
	7 217 473	16 432 001
Less: Provision for debt impairment	(259 364)	(67 540)
	6 958 109	**16 364 461**
Business and industrial		
Current (0 - 30 days)	1 548 315	682 615
31 - 60 days	661 607	272 603
61 - 90 days	688 834	250 778
91 days +	17 939 384	5 979 509
	20 838 140	7 185 505
Less: Provision for debt impairment	(654 920)	(639 557)
	20 183 220	**6 545 948**
Total		
Current (0 - 30 days)	11 339 257	10 752 410
31 - 60 days	4 658 764	4 966 594
61 - 90 days	4 995 626	4 246 384
91 days	+ 148 186 634	113 782 581
	169 180 281	133 747 969
Unmetered consumption	235 507	424 113
	169 415 788	**134 172 082**

	2013 (R)	2012 (R)
Credit quality of consumer receivables		
The carrying value of the consumer receivables recorded at amortised cost approximate their fair values.		
The maximum exposure to credit risk at the reporting date is the fair value of the receivables.		
None of the receivables were pledged as security for any financial liability.		
Consumer receivables impaired		
The amount of the provision was R 118 325 381 as of 30 June 2013 (2012: R 82 758 901).		
Reconciliation of provision for impairment of consumer debtors		
Opening balance	(82 758 901)	(85 771 168)
Contribution to provision	(36 304 448)	680 985
Amounts written off as uncollectible	737 968	2 331 282
	(118 325 381)	**(82 758 901)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013 (R)	2012 (R)
Cash on hand	–	61 021
Bank balance	2 414 966	–
Call and short-term deposits	284 131	268 909
Bank overdraft	–	(3 124 278)
	2 699 097	**(2 794 348)**
Current assets	2 699 097	329 930
Current liabilities	–	(3 124 278)
	2 699 097	**(2 794 348)**

Securities:
Combined first Continuous Covering Mortage Bond (CCMB) for R 1 500 000 over erf 150 and 152 Villiers and the remaining extension of erf 915 Frankfort

The municipality had the following bank accounts:

Account number and description (30 June)	**Bank statement balances 2013**	**2012**	**2011**	**Cash book balances 2013**	**2012**	**2011**
ABSA - Primary cheque account - 40-5282-3517	2 349 950	642 061	1 935 468	2 414 966	(3 124 278)	16 588 527
ABSA - Call account - Savings - 90-9011-1270	2 226	55 056	9 679	2 226	55 056	9 679
ABSA - Call account - Friends of the poor - 92-2961-8782	119 738	48 913	28 761	119 738	48 913	28 761
ABSA - Call accountOperation Hlasela - 92-3238-7538	2 306	12 160	11 860	2 306	12 160	11 860
ABSA - Deposit account - 20-6691-9592	159 861	152 780	145 602	159 861	152 780	145 602
Total	**2 634 081**	**910 970**	**2 131 370**	**2 699 097**	**(2 855 369)**	**16 784 429**

9. Investment property

	2013			2012		
	Cost (R)	Accumulated depreciation (R)	Carrying value (R)	Cost (R)	Accumulated depreciation (R)	Carrying value (R)
Investment property	47 150 384	(2 282 098)	44 868 286	47 150 384	(1 901 749)	45 248 635

Reconciliation of investment property - 2013

	Opening balance (R)	Depreciation (R)	Total (R)
Investment property	45 248 635	(380 349)	44 868 286

Reconciliation of investment property - 2012

	Opening balance (R)	Depreciation (R)	Total (R)
Investment property	45 628 985	(380 350) 45	248 635

	2013 (R)	2012 (R)
Fair value of investment properties	80 052 955	75 951 570

Pledged as security

No investment property was pledged as security for any financial liability.

Other disclosures

No amounts were recognised in surplus or deficit for direct operating expenses

10. Property, plant and equipment

	2013 Cost / Valuation (R)	2013 Accumulated depreciation (R)
Community	173 680 243	(33 960 743)
Infrastructure	2 089 564 849	(637 410 741)
Landfill rehabilitation asset	2 964 000	(311 525)
Leased assets	2 510 965	(346 631)
Other plant and equipment	1 717 854	(470 950)
Vehicles, tractors and trailers	12 109 567	(1 923 526)
Work in progress	72 993 379	–
Total	**2 355 540 857**	**(674 424 116)**

Reconciliation of property, plant and equipment - 2013	Opening balance (R)	Additions (R)
Community	144 648 049	929 123
Infrastructure	1 564 572 250	–
Landfill rehabilitation asset	2 687 640	–
Leased assets	773 709	2 510 965
Other property, plant and equipment	799 454	759 154
Vehicles, tractors and trailers	13 304 705	869 164
Work in progress	43 555 398	29 437 981
	1 770 341 205	**34 506 387**

Reconciliation of property, plant and equipment - 2012	Opening balance (R)	Additions (R)
Community	150 505 721	–
Infrastructure	1 667 182 148	–
Landfill rehabilitation asset	2 372 984	377 309
Leased assets	1 352 406	–
Other property, plant and equipment	115 414	812 970
Vehicles, tractors and trailers	247 727	13 182 490
Work in progress	11 595 997	41 368 589
	1 833 372 397	**55 741 358**

Pledged as security

No property, plant and equipment was pledged as security for any financial liability. Leased assets are secured by the lessor's charge over the leased assets as set out in note 14.

2013 Carrying value (R)	2012 Cost / Valuation (R)	2012 Accumulated depreciation (R)	2012 Carrying value (R)
139 719 500	172 751 120	(28 103 071)	144 648 049
1 452 154 108	2 089 564 849	(524 992 599)	1 564 572 250
2 652 475	2 964 000	(276 360)	2 687 640
2 164 334	2 893 483	(2 119 774)	773 709
1 246 904	999 819	(200 365)	799 454
10 186 041	13 674 038	(369 333)	13 304 705
72 993 379	43 555 398	–	43 555 398
1 681 116 741	**2 326 402 707**	**(556 061 502)**	**1 770 341 205**

Disposals (R)	Depreciation (R)	Impairment loss (R)	Total (R)
–	(5 857 672)	–	139 719 500
–	(112 418 142)	–	1 452 154 108
–	(35 165)	–	2 652 475
–	(927 441)	(192 899)	2 164 334
(26 433)	(275 918)	(9 353)	1 246 904
(774 312)	(2 216 011)	(997 505)	10 186 041
–	–	–	72 993 379
(800 745)	**(121 730 349)**	**(1 199 757)**	**1 681 116 741**

Transfers (R)	Depreciation (R)	Total (R)
–	(5 857 672)	144 648 049
9 409 188	(112 019 086)	1 564 572 250
–	(62 653)	2 687 640
–	(578 697)	773 709
–	(128 930)	799 454
–	(125 512)	13 304 705
(9 409 188)	–	43 555 398
–	**(118 772 550)**	**1 770 341 205**

	2013 (R)	2012 (R)
Assets subject to finance lease (Net carrying amount)		
Leased assets - Photo copier machines	2 164 334	773 709

9. Intangible assets

	2013			2012		
	Cost (R)	Accumulated amortisation and accumulated impairment (R)	Carrying value (R)	Cost (R)	Accumulated amortisation and accumulated impairment (R)	Carrying value (R)
Computer software	1 747 397	(1 747 397)	–	1 747 397	(1 544 897)	202 500

Reconciliation of intangible assets - 2013

	Opening balance (R)	Amortisation (R)	Total (R)
Computer software	202 500	(202 500)	–

Reconciliation of intangible assets - 2012

	Opening balance (R)	Amortisation (R)	Total (R)
Computer software	531 979	(329 479)	202 500

Pledged as security

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

Other information

The capitalised computer software was estimated to have a finite life of 5 years at acquisition. The software is amortised using the straight-line method over a period of 5 years.

12. Financial assets by category

The accounting policies for financial instruments have been applied to the items below:

	Loans and receivables (R)	Total (R)
2013		
Financial assets - Current	121 056	121 056
Financial assets - Non-current	296 611	296 611
Receivables from exchange transactions	2 070 855	2 070 855
Cash and cash equivalents	2 699 097	2 699 097
Consumer receivables from non-exchange transactions	3 586 867	3 586 867
Consumer receivables from exchange transactions	35 257 255	35 257 255
	44 031 741	**44 031 741**
2012		
Financial assets - Current	110 848	110 848
Financial assets - Non-current	262 945	262 945
Receivables from exchange transactions	2 667 499	2 667 499
Cash and cash equivalents	329 930	329 930
Consumer receivables from non-exchange transactions	3 708 222	3 708 222
Consumer receivables from exchange transactions	38 105 517	38 105 517
	45 184 961	**45 184 961**

13. Non-current borrowings

	2013 (R)	2012 (R)
Held at amortised cost		
DBSA - 61006963	2 077 174	2 255 132

The loan is from the Development Bank of Southern Africa (DBSA) and repayments are payable on a 3 monthly basis in equal installments. The redemption date is 31 December 2021 and the loan bears interest at a fixed rate of 5% (2012: 5%) on the loan and 7% (2012: 7%) on arrears.

The municipality defaulted on the repayment terms, the balance of the arrear account is R 141 061 (2012: R 140 661). The loan was rescheduled, to the terms and conditions above, on 1 March 2012. No other remedies were actioned.

	2013 (R)	2012 (R)
Non-current liabilities		
At amortised cost	1 752 745	1 931 835
Current liabilities		
At amortised cost	324 429	323 297
	2 077 174	**2 255 132**

14. Finance lease liabilities

	2013 (R)	2012 (R)
Minimum lease payments due		
- within one year	965 793	1 379 391
- in second to fifth year inclusive	1 529 173	366 380
	2 494 966	1 745 771
Less: Future finance charges	(290 262)	(176 873)
Present value of minimum lease payments due	**2 204 704**	**1 568 898**
Present value of minimum lease payments due		
- within one year	790 164 1	213 540
- in second to fifth year inclusive	1 414 540	355 358
	2 204 704	1 568 898
Non-current liabilities	1 414 540	355 358
Current liabilities	790 164	1 213 540
	2 204 704	**1 568 898**

The municipality lease photo copier machines under finance lease. The lease term is 3 years and the average effective borrowing rate is 9.5% (2012: 15.5%). The interest rate is linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets to the carrying value of R 2 164 334 (2012: R 773 709) as per note 10.

The municipality did not default on the repayments during the current or prior reporting period. No terms and conditions were renegotiated.

15. Payables from exchange transactions

	2013 (R)	2012 (R)
13th Cheque accrual*	1 290 978	1 135 183
Accrued expenses	2 749 111	9 379 117
Accrued staff leave days	5 288 611	5 201 775
Advance payable**	7 224 609	–
Auditor-General	1 180 167	1 596 352
Department of Water Affairs (DWA)	49 254 193	38 864 425
Electricity payable***	7 512 550	2 890 882
Eskom	37 281 082	43 300 768
Income received in advance****	6 730 802	7 023 445
Other payables	10 164	12 160
Pre-payments received from consumer receivables from exchange transactions	10 269 695	11 368 853
Retention's on contract creditors	1 039 500	3 372 618
Salary control accounts	1 073 138	(15 819 318)
Trade payables	19 291 725	9 461 747
	150 196 325	**117 788 007**

	2013 (R)	2012 (R)
The Municipality defaulted on the payment of suppliers within the legislative 30 days.		
*Annual 13th cheque bonuses are paid to all municipal staff in their month of birth, excluding Section 57 managers. The balance at year end represents the portion of the bonus which has vested with regards to the current salary from month of birth up until year end.		
**The Municipality received an advance from Rural Maintenance (Pty) Ltd on 28 June 2013, the advance was repaid after the reporting period on 13 July 2013. Interest was charged on the advance at a daily compounded interest rate of prime +1.88% per annum.		
***Being the municipal electricity usage on municipal buildings, street lights, traffic lights, pumps etc. owing to the service provider Rural Maintenance (Pty) Ltd.		
****The Municipality is receiving an inflow of resources in the form of electricity assets from Rural Maintenance (Pty) Ltd, without having delivered on its portion of the exchange.		
16. VAT payable		
VAT payable	7 628 085	11 216 466
The Municipality is registered on the cash basis for VAT purposes, this means VAT is only declared once cash is received or actual payment is made.		
VAT returns were timeously submitted by due date, although the amounts payable were not paid on or before the due date. Penalties and interest charged on late payment were accounted for and disclosed as fruitless and wasteful expenditure.		
17. Consumer deposits		
Water	702 102	684 969
No guarantees are held in lieu of consumer deposits.		
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Expanded Public Works Programme Integrated (EPWP)	889 380	773 000
Finance management grant (FMG)	–	438 602
Integrated national electrification programme (INEP)	5 002 447	6 144 218
Municipal infrastructure grant (MIG)	7 152 429	–
Municipal systems improvement grant (MSIG)	–	485 191
	13 044 256	**7 841 011**

	2013 (R)	2012 (R)
The balances will be recognised as revenue when the qualifying expenditure is incurred. See note 27 for detail of other grants received from other spheres of government.		
An amount of R 2 239 000 was forfeited in respect of the unspent portion of the Integrated National Electrification Programme grant and was withheld from the Equitable share of the municipality during the year. No grants were withheld due to unfulfilled conditions for the prior reporting period.		

19. Employee benefits

Post-retirement medical aid plan

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

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

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

Long service benefits

The municipality's liability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of five years's service and every five years thereafter. These leave benefits are in accordance paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC which was signed on July 2010.

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

	2013 (R)	2012 (R)
Carrying value		
Present value of the defined benefit obligations	11 474 814	10 947 945

These obligations are not a funded arrangement, i.e. no separate assets have been set aside currently to meet these obligations.

	2013 (R)	2012 (R)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	10 947 945	9 624 299
Benefits paid and contributions made	(913 755)	(592 873)
Net expense recognised in the statement of financial performance	1 440 624	1 916 519
Closing balance	**11 474 814**	**10 947 945**
Net expense recognised in the statement of financial performance		
Service cost	517 922	453 049
Interest cost	823 289	800 801
Actuarial loss recognised	99 413	662 669
Total included in employee related costs	**1 440 624**	**1 916 519**
Calculation of actuarial gains and losses		
Actuarial loss – Obligations	99 413	662 669
Key assumptions used		
Discount rate	7.75 %	7.77 %
Medical aid inflation rate	6.75 %	6.27 %
Salary escalation rate	6.25 %	5.77 %

Benefit levels, for active members the projected contributions were used at retirement for their current scheme option and for pensioner members their current scheme option as at 1 January 2013.

Retirement age, it has been assumed that both male and female members retire at age 65. No allowance has been made for early retirement either due to ill health or at the option of the member.

Continuation on medical aid at retirement, it was assumed that all surviving members to retirement will continue their medical aid membership in retirement.

Pre retirement, mortality of continuation members and withdrawal rates are in accordance with SA85-90 male and female tables.

Post retirement, mortality of continuation members and withdrawal rates are in accordance with PA(90) ultimate male and female tables with a 2 year reduction in age, assuming that there is a 4 year age difference between male and female spouse.

The valuation is based on the Projected Unit Credit valuation method, as prescribed by IAS 19.

Other assumptions

Assumed medical inflation rate has a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed medical aid inflation rate would have the following effects:

	One percentatage point increase	One percentatage point increase
Increase in defined benefit obligation	895 944	(777 595)
Increase in service and interest cost	76 825	(66 644)

The municipality expects to pay benefits of R 483 813 towards post retirement medical aid and R 338 016 towards long service benefits to its employee benefits in 2014.

The municipality obtained an actuarial valuation for the first time on the post retirement medical aid at 30 June 2010 and for the long service benefits at 30 June 2011.

Amounts for the current and previous four years are as follows:

	2013 (R)	2012 (R)	2011 (R)	2010 (R)
Defined benefit obligations	(11 474 814)	(10 947 945)	(9 624 299)	(3 685 000)

Included in defined contribution plan information above, are the following plans which are multi-employer funds and are defined benefit plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as a defined benefit plans. The municipality accounted for the following plans as defined contribution plans:

South African Local Authorities Pension Fund (SALA)
Free State Municipal Pension Fund (FSMPF)
Municipal Councillors Pension Fund (MCPF)

This is in line with the exemption in IAS19 paragraph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

South African Local Authorities Pension Fund (SALA):
Some employees belong to the South African Local Authorities Pension Fund (SALA). The latest actuarial valuation of the fund was 1 July 2011. The valuation indicated that the fund is in sound financial position. The actuarial valuation state that the fund is currently 98% (2012: 96%) funded by employer contributions. This has remained stable since the previous valuation date. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation. The total liabilities of the fund are R 8 172 million (2012: R 7 418 million) which are financed by net assets of R 8 014 million (2012: R 7 110 million).

Free State Municipal Pension Fund (FSMPF):
Some employees belong to the Free State Municipal Pension Fund (FSMPF). The latest actuarial valuation of the fund was 30 June 2005. The valuation indicated that the fund is in sound financial position. The total liabilities of the fund are R 1 308 million which are financed by net assets of R 1 530 million.

Municipal Councillors Pension Fund (MCPF):
Some of the Councillors belong to the Municipal Councillors Pension Fund (MCPF). The latest actuarial valuation of the fund was 30 June 2009. The valuation indicated that the fund is in a financially sound position. An interim actuarial valuation of the fund was carried out as at 30 June 2010, the net assets available for benefits amounted to R 1 483 million and the contingency reserve account balance amounted to R36 million.

According to the actuaries it is not possible to report separately for each municipality on these funds, thus the reason for treating the funds as contribution plans in terms of IAS19 paragraph 30.

20. Non current provisions

Reconciliation of non-current provisions - 2013

	Opening balance (R)	Discounting (R)	Total (R)
Rehabilitation of landfill sites	2 964 000	125 832	3 089 832

Reconciliation of non-current provisions - 2013

	Opening balance (R)	Discounting (R)	Total (R)
Rehabilitation of landfill sites	2 586 691	377 309	2 964 000

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002).

The provision has been determined by an independent firm of consulting engineers through investigation to determine the best estimate for restoration at closure. The investigation comprised a desk study and site walkover. The sites were adjudicated according to the Minimum Requirements for Waste Disposal by Landfill as published by the Department of Water Affairs (DWA) which falls under the Waste Act (Act No. 59 of 2008).

The payment dates of total closure and rehabilitation are uncertain, but are currently expected to be between 2024 and 2071.

The Municipality has four active landfill sites as per the infrastructure asset register:
- Frankfort Landfill;
- Mafahlaneng Landfill (Tweeling);
- Ntshwanatsatsi Landfill (Cornelia); and
- Villiers Landfill.

There were no landfill sites developed, planned or closed during the current or prior reporting period.

A permit issued to any landfill site before 2008 would have fallen under the Environment Conservation Act, 1989 (Act No. 73 of 1989). It has been identified that the landfill sites situated in Cornelia, Frankfort, Tweeling and Villiers are not licensed as required by the Waste Act (Act No. 59 of 2008). Refer to note 42.

21. Financial liabilities by category

The accounting policies for financial instruments have been applied to the items below:

	Financial liabilites at amortised cost (R)	Total (R)
2013		
Current portion of finance lease liabilities	790 164	790 164
Payables from exchange transactions	150 196 325	150 196 325
Current portion of non-current borrowings	324 429	324 429
Non-current borrowings	1 752 745	1 752 745
Finance lease liabilities	1 414 540	1 414 540
	155 180 305	**155 180 305**
2012		
Current portion of finance lease obligation	1 213 540	1 213 540
Payables from exchange transactions	117 788 007	117 788 007
Cash and cash equivalents	3 124 278	3 124 278
Current portion of non-current borrowings	323 297	323 297
Non-current borrowings	1 931 835	1 931 835
Finance lease liabilities	355 358	355 358
	125 421 284	**125 421 284**

22. Revenue

	2013 (R)	2012 (R)
Fines	133 744	218 185
Government grants and subsidies	112 298 133	106 096 725
Property rates	16 322 286	19 167 186
Rental of facilities and equipment	151 086	181 074
Auction fees	772 173	190 919
Recoveries	2 594 934	1 254 972
Royalty income	648 011	–
Service charges	43 222 421	67 415 830
Other income	2 244 696	2 094 899
Interest received	7 514 847	9 166 555
	185 902 331	**205 786 345**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	43 222 421	67 415 830
Royalty income	648 011	–
Rental of facilities and equipment	151 086	181 074
Auction fees	772 173	190 919
Recoveries	2 594 934	1 254 972
	47 388 625	**69 042 795**

	2013 (R)	2012 (R)
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	16 322 286	19 167 186
Fines	133 744	218 185
Transfer revenue		
Government grants and subsidies	112 298 133	106 096 725
	128 754 163	**125 482 096**

23. Property rates

Actual rates received		
Residential	11 109 262	12 845 002
Business and industrial	11 531 993	12 516 132
Agricultural	813 720	455 566
Income forgone*	(7 132 689)	(6 649 514)
	16 322 286	**19 167 186**

*Income forgone can be defined as any income that the Municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations		
Residential	1 239 274 716	1 200 356 066
Business and industrial	198 753 880	199 749 880
Municipal and government	18 481 340	21 343 250
Agricultural	1 956 542 674	289 608 435
Institutional, educational and churches	51 130 532	56 668 032
	3 464 183 142	**1 767 725 663**

Valuations on land and buildings are performed every 5 years. The last general valuation roll was done in November 2010 and came into effect on 1 July 2011, and is based on market related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.

The first R 50 000 of the valuation of residential property is exempted from rates.

As per the approved budget the basic rates were adjusted as follows:

R 0.006286 (2012: R 0.008980) rate per Rand on the value of rateable residential property
R 0.134700 (2012: R 0.017960) rate per Rand on the value of rateable business property
R 0.057200 (2012: R 0.052000) rate per Rand on the value of rateable government property
R 0.000530 (2012: R 0.000505) rate per Rand on the value of agricultural property
R 0.044900 (2012: R 0.044900) rate per Rand on the value of vacant stands

	2013 (R)	2012 (R)
24. Service charges		
Refuse removal	12 904 720	11 449 812
Sale of electricity	–	25 044 915
Sale of water	14 824 634	17 513 749
Sundry service charges	1 146 875	857 142
Sewerage and sanitation charges	14 328 048	12 534 612
Solid waste	18 144	15 600
	43 222 421	**67 415 830**
25. Royalty income		
Royalty income*	648 011	–
*Rural Maintenance (Pty) Ltd pay a monthly royalty for the use of the electricity network. The amount of the monthly royalty is based on the bulk use of electricity. The amount of the royalty is fixed except with regards to annual rates increases.		
26. Rental of facilities and equipment		
Premises	141 028	149 926
Venue hire	10 058	31 148
	151 086	**181 074**
27. Government grants and subsidies		
Department of Water Affairs (DWA)	2 999 972	674 790
Equitable Share	75 102 000	67 056 228
Expanded Public Works Program Integrated Grant (EPWP)	907 620	–
Fezile Dabi District Municipality	528 119	3 199 209
Finance Management Grant (FMG)	1 938 601	1 011 398
Integrated National Electrification Program (INEP)	8 902 770	8 194 397
Local Government Sector Education and Training Authority (LGSETA)	125 418	233 963
Municipal Infrastructure Grant (MIG)	18 688 571	25 421 931
Municipal Systems Improvement Grant (MSIG)	1 285 191	304 809
Treasury and Cooperative Governance and Traditional Affairs (COGTA) 1	819 871	–
	112 298 133	**106 096 725**

Equitable share

In terms of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

Integrated national electrification program (INEP)

	2013 (R)	2012 (R)
Balance unspent at beginning of year	6 144 218	2 239 020
Current-year receipts	10 000 000	12 100 000
Conditions met - transferred to revenue	(8 902 771)	(8 194 397)
Forfeited - repaid	(2 239 000)	(405)
	5 002 447	**6 144 218**

	2013 (R)	2012 (R)
Conditions still to be met - remain liabilities (see note 18).		
This grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.		
Department of Water Affairs (DWA)		
Current-year receipts	2 999 972	674 790
Conditions met - transferred to revenue	(2 999 972)	(674 790)
	–	**–**
The purpose of the grant is to fund bulk connector and internal infrastructure for water services at a basic level of service.		
Finance management grant (FMG)		
Balance unspent at beginning of year	438 602	–
Current-year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 938 602)	(1 011 398)
	–	**438 602**
The purpose of this grant is to promote and support reforms to financial management and the implementation of the MFMA.		
Municipal infrastructure grant (MIG)		
Receipts	25 841 000	21 303 000
Conditions met - transferred to revenue	(18 688 571)	(25 421 931)
Own funding	–	4 118 931
	7 152 429	**–**

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.

This grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households.

	2013 (R)	2012 (R)
Municipal systems improvement grant (MSIG)		
Balance unspent at beginning of year	485 191	–
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(1 285 191)	(304 809)
	–	**485 191**

The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government and the Municipal Systems Act, 2000 (Act No. 32 of 2000).

Expanded Public Works Program Integrated (EPWP)

	2013 (R)	2012 (R)
Balance unspent at beginning of year	773 000	–
Current-year receipts	1 024 000	773 000
Conditions met - transferred to revenue	(907 620)	–
	889 380	**773 000**

The purpose of this grant is to incentivise municipalities to expand on work creation efforts through the use of labour intensive delivery methods in identified focus areas.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, 2012 (Act No. 5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming financial years

28. Recoveries

	2013 (R)	2012 (R)
Employee cost recoveries*	2 594 934	1 254 972

*The municipality pay the salaries of the seconded employees to Rural Maintenance (Pty) Ltd and recover the costs from Rural Maintenance on a monthly basis.

29. Other income

	2013 (R)	2012 (R)
Building plans	70 722	56 643
Cemetery fees	126 335	165 705
Certificates	60 149	70 339
Connection fees	68 887	169 875
Ground gravel and soil	13 728	27 862
Income from agency services*	301 415	292 644
Licences and permits	–	1 313
Loyalty awards - VKB Agriculture Limited	33 666	111 520
Meter fees	–	6 406
Sundry income	1 533 478	1 178 776
Tender deposits	36 316	13 816
	2 244 696	**2 094 899**

*Income from agency service consist out of the Rural Maintenance (Pty) Ltd electricity asset additions received that were initially recognised as a liability (revenue received in advance) and thereafter recognised as income over the term of the PPP agreement.

30. Interest received

	2013 (R)	2012 (R)
Interest		
Financial assets	9 576	5 159
Cash and cash equivalents	150 028	239 438
Interest charged on consumer receivables	7 355 243	8 921 958
	7 514 847	**9 166 555**

31. Employee related costs

	2013 (R)	2012 (R)
Salaries	61 225 798	47 093 293
Bonus	3 058 145	2 482 813
Leave	776 366	3 671 381
Travel and subsistence allowances	1 409 800	1 623 090
	66 470 109	**54 870 577**

Remuneration of Municipal Manager - Radebe P I

	2013 (R)	2012 (R)
Annual remuneration	664 710	510 214
Back pay	25 653	59 059
Contributions to SDL	9 904	7 032
Contributions to UIF	1 718	1 497
Contributions to pension fund	38 947	168 080
Leave paid out	134 306	–
Travel allowance	213 978	213 978
	1 089 216	**959 860**

Remuneration of Chief Financial Officer - Molefe N N

	2013 (R)	2012 (R)
Acting allowance	204 416	215 470
Annual remuneration	236 976	281 895
Back pay	104 051	52 255
Contributions to SDL	6 836	6 097
Contributions to UIF	1 296	1 497
Contributions to pension fund	38 023	23 801
Leave paid out	78 475	–
Travel allowance	91 639	113 410
	761 712	**694 425**

The CFO resigned on 15 March 2013, thus the remuneration of the Chief Financial Officer in 2013 is for a period of 9 months. An acting CFO was nominated during March 2013.

Remuneration of Acting Chief Financial Officer - Gwanya G

	2013 (R)	2012 (R)
Acting allowance	129 083	–
Annual remuneration	84 883	–
Contribution to UIF	571	–
Contribution to SDL	2 283	–
Contributions to pension fund	16 984	–
Travel allowance	41 658	–
	275 462	**–**

An acting CFO was nominated during March 2013.

	2013 (R)	2012 (R)
Director Corporate Services - Malindi M S		
Acting allowance	–	210 216
Annual remuneration	626 233	303 083
Back pay	19 701	51 650
Contributions to SDL	6 829	6 206
Contributions to UIF	3 090	1 622
Contributions to pension fund	122 925	49 665
Leave paid out	–	44 516
Travel allowance	99 800	97 476
	878 578	**764 434**
Director Community Services - Mofokeng Z E		
Annual remuneration	583 232	536 677
Back pay	19 701	49 809
Contributions to SDL	6 864	7 109
Contributions to UIF	1 593	1 622
Contributions to pension fund	88 530	79 892
Leave paid out	–	109 082
Travel allowance	144 299	74 017
	844 219	**858 208**
Director Land use and Human Settlement - Radebe N E		
Annual remuneration	631 531	514 685
Backpay	19 701	53 657
Contributions to SDL	8 375	6 420
Contributions to UIF	1 718	1 497
Contributions to pension fund	–	8 753
Leave paid out	109 479	–
Travel allowance	96 000	96 000
	866 804	**681 012**
Director Technical Services - Maboya L M		
Annual remuneration	205 000	–
Contributions to SDL	2 481	–
Contributions to UIF	595	–
Contributions to pension fund	31 949	–
Travel allowance	68 333	–
	308 358	**–**

The position was vacant in the prior year and the remuneration as reflected in 2013 was for a period of 4 months.

32. Remuneration of councillors

	2013 (R)	2012 (R)
Councillors	5 420 628	5 097 072

In-kind benefits

The Mayor and Speaker are full time employees and each are provided with an office and secretarial support at the cost of the municipality. The Mayor has the use of a separate municipal owned vehicle for official duties.

Previous Mayor - Ntombela L M D

	2013 (R)	2012 (R)
Annual remuneration	114 731	447 996
Back pay	–	14 569
Cellphone allowance	4 710	18 396
Contributions to pension fund	17 210	67 199
Contributions to SDL	1 839	6 085
Contributions to UIF	374	1 373
Travel allowance	38 244	149 332
	177 108	**704 950**

Current Mayor - Sigase J E

	2013 (R)	2012 (R)
Annual remuneration	385 190	–
Back pay	12 802	–
Cellphone allowance	19 769	–
Contributions to pension fund	28 149	–
Contributions to SDL	5 147	–
Contributions to UIF	998	–
Travel allowance	135 414	–
	587 469	**–**

Speaker - Moloi T M

	2013 (R)	2012 (R)
Annual remuneration	357 500	358 394
Back pay	19 252	11 655
Cellphone allowance	21 542	18 396
Contributions to medical aid	14 835	17 280
Contributions to pension fund	56 530	53 759
Contributions to SDL	5 253	4 950
Contributions to UIF	998 1	373
Travel allowance	126 305	119 465
	602 215	**585 272**

	2013 (R)	2012 (R)
33. Depreciation, amortisation and impairments		
Intangible assets	202 500	329 479
Investment property	380 350	380 350
Property, plant and equipment	123 094 041	119 438 827
	123 676 891	**120 148 656**
34. Finance charges		
Cash and cash equivalents	201 349	–
Employee benefits	823 289	800 801
Finance lease liabilities	237 339	523 305
Late payment of pension funds	455 510	573 626
Late payment of taxes	1 015 171	532 831
Non-current borrowings	105 285	115 798
Non-current provisions	125 832	–
Payables from exchange transactions	4 314 822	5 315 867
	7 278 597	**7 862 228**
35. Debt impairment		
Contributions to receivables from exchange transactions impairment provision	863 037	974 451
Contributions to consumer receivables from exchange transactions impairment provision	36 169 137	(45 886 065)
Contributions to consumer receivables from non-exchange transactions impairment provision	3 244 289	54 342 387
	40 276 463	**9 430 773**
36. Bulk purchases		
Electricity	–	33 588 498
Water	9 168 910	3 190 159
	9 168 910	**36 778 657**
37. Grants and subsidies paid		
Indigent subsidies	7 529 210	7 708 564

	2013 (R)	2012 (R)
38. General expenses		
Administration cost	107	122
Advertising	406 606	302 798
Assets expensed	162	247 298
Bank charges	247 661	741 185
Billing charges	–	450
Bursaries	1 280 710	380 602
Chemicals	1 426 957	2 639 209
Cleaning	137 013	1 511 777
Community development and training	3 355 186	1 778 338
Conferences and seminars	145 543	144 334
Consulting and professional fees	4 309 787	7 798 835
Consumables	167 705	184 457
Donations	37 630	50 332
Electricity	7 578 306	3 739 452
Entertainment	689 490	395 385
External and internal audit fees	3 462 993	2 645 254
Fuel and oil	2 199 182	2 660 919
IT expenses	881 196	712 639
Insurance	427 804	117 554
Integrated development plan (IDP)	1 061 666	413 759
Lease rentals on operating lease	510 853	544 107
Legal fees	422 199	730 163
Magazines, books and periodicals	17 320	48 794
Motor vehicle expenses	206 077	1 531 096
Other expenses	249 861	–
Pauper burials	37 136	77 947
Policies and by-laws	67 800	332 040
Postage and courier	403 961	376 760
Printing and stationery	837 737	1 080 890
Project management unit	(589 270)	1 000 145
Protective clothing	371 746	377 923
Refuse	376 845	292 109
Security	114 759	493 968
Software expenses	486 994	899 233
Staff welfare	350 705	146 455
Subscriptions and membership fees	247 222	542 381
Telephone and fax	1 960 627	3 157 438
Training	7 569	246 735
Water	453 598	–
	34 349 443	**38 342 883**
39. Actuarial loss on employee benefits		
Actuarial loss on employee benefits	(99 413)	(662 669)

40. Cash generated from operations

	2013 (R)	2012 (R)
Deficit for the year	(123 004 723)	(85 883 377)
Adjustments for:		
Depreciation, amortisation and impairments	123 676 891	120 148 656
(Gain)/loss on disposal of assets	(608 632)	–
Actuarial loss on employee benefits	99 413	662 669
Interest income	(7 364 819)	(8 927 117)
Finance charges	7 077 248	7 862 228
Debt impairment	40 276 463	9 430 773
Service charges on employee benefits	517 922	139 824
Other non-cash items	–	(64 170 615)
Loyalty awards	(33 666)	(111 520)
Income from agency services	(301 415)	(292 644)
Changes in working capital:		
Inventories	17 596	168 496
Receivables from exchange transactions	(266 393)	47 600 230
Consumer receivables from non-exchange transactions	(12 124 930)	–
Consumer receivables from exchange transactions	(16 963 636)	(38 737 001)
Payables from exchange transactions	26 924 230	40 622 367
VAT	(3 588 381)	2 879 579
Unspent conditional grants and receipts	5 203 245	5 640 319
Consumer deposits	17 133	61 973
Employee benefits	(913 755)	(279 648)
Non-current provisions	–	377 309
	38 639 791	**37 192 501**

41. Commitments

Capital commitments

	2013 (R)	2012 (R)
Approved and contracted for		
• Infrastructure assets	32 821 971	19 755 896

The 2012 comparative amount of R 19 775 896 has been restated from R 30 936 917 as a result of the correction in the determination of the capital commitment value.

This committed expenditure relates to infrastructure and community assets and will be financed by existing cash resources, grants and receipts.

Lease commitments

Finance lease liabilities are disclosed in Note 14.

42. Contingent liabilities

The municipality has the following contingent liabilities:

Unlicensed landfill sites:
The municipality has four active landfill sites. It has been identified that the landfill sites situated in Frankfort, Tweeling, Cornelia and Villiers are not licensed as required by the National Environmental Management: Waste Act, (Act No. 59 of 2008). In accordance with section 68(1) of the National Environmental Management: Waste Act, (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R 10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.

Sewerage leaking into the river:
Criminal charges have been laid against the Municipality over the contamination of drinking water by sewerage. A court date has been given when the municipality is expected to appear to answer to the charges relating to the sewerage spills. Estimation of the financial effect could not be made as it is unclear whether the court will impose a fine or imprisonment in the case that the municipality is found guilty.

43. Prior period errors

The following errors relating to prior year were identified in the current period and have been adjusted as indicated below:

1.) The audit fee expense, included under general expenses, of the prior year was overstated due to the incorrect classification of finance lease payments and consulting fees amounting to R 6 750 023.

2.) Receivables from exchange transactions were understated as no receivable was raised in the prior years for the overpayment of councillors's remuneration to the amount of R 2 535 840.

3.) Receivables from exchange transactions were overstated by R 219 683 as a journal was processed to account for the year end outstanding rent due and it was already accounted for on the Venus system.

4.) Consumer receivables were overstated by R 462 135 as the municipality incorrectly billed rates and raised a receivable on their own buildings.

5.) Expenses amounting to R 38 410 151 of a capital nature were incorrectly allocated to operating expenditure in the Statement of Financial Performance.

6.) Payables from exchange transactions were understated by R 211 283 as some the Eskom small accounts were omitted.

7.) Management initiated a project to address the asset management challenges and appointed consulting engineers to recreate the fixed asset register to be GRAP compliant. Property, plant and equipment was restated by R 969 989 431.

8.) Property, plant and equipment was understated by R 10 541 895 due to moveable assets that were omitted in the prior year and assets captured at the incorrect cost prices.

9.) Employee benefits were overstated by R 111 854 due to seconded employees that were incorrectly excluded and temporary employees that were incorrectly included from the long service employee benefit valuation.

10.) Unspent conditional grants were understated by R 773 000 as the Expanded Public Works Program grant was not recognised as conditional grant income.

11.) Inventories were overstated by R 122 099 as the stock adjustments were incorrectly capitalised and not expensed in the prior year.

The correction of the errors results in adjustments as follows:	2013 (R)	2012 (R)
Statement of Financial Position		
Decrease in inventories	(122 099)	(122 099)
Increase in receivables from exchange transactions	2 316 157	2 316 157
Decrease in consumer receivables	(462 135)	(462 135)
Increase in property, plant and equipment	1 030 537 475	1 030 537 475
Decrease in employee benefits	111 854	111 854
Decrease in payables from exchange transactions	(211 283)	(211 283)
Increase in VAT payable	154 869	154 869
Increase in unspent conditional grants and receipts	(773 000)	(773 000)
Decrease/(Increase) in accumulated (surplus)/deficit	(1 031 551 837)	(1 114 012 261)
Statement of Financial Performance		
Decrease in other income	–	773 000
Decrease in rental of facilities and equipment	–	219 683
Increase in bulk purchases	–	1 106 207
Decrease in councillors remuneration	–	(330 913)
Increase in depreciation, amortisation and impairments	–	119 090 247
Increase in finance charges	–	2 107
Decrease in general expenses	–	(38 288 052)
Decrease in actuarial loss on employee benefits	–	(111 854)

44. Comparative figures

Certain comparative figures have been reclassified to disclose and provide information that is more relevant to the users of the financial statements and to show each material class of similar items separately in the financial statements. Thus to present items of dissimilar nature or function separately in the financial stamens.

The effects of the reclassifications are as follows:

	2013 (R)	2012 (R)
Statement of Financial Position		
Increase in receivables from exchange transactions	–	(15 819 320)
Increase in consumer receivables	–	10 000
Increase in payables from exchange transactions	–	15 819 320
Decrease in property, plant and equipment	–	(45 248 635)
Increase in investment properties	–	45 248 635
Statement of Financial Performance		
Increase in auction fees	–	(190 919)
Increase in recoveries	–	(1 254 972)
Decrease in other income	–	1 334 371
Increase in grants and subsidies paid	–	7 708 564
Decrease in general expenses	–	(7 708 564)
Decrease in fair value adjustments	–	111 520

45. Financial sustainability

The municipality is experiencing financial difficulties, indicators are as follow:
– Suppliers were not paid within the legislative 30 days;
– The municipality defaulted on the repayment of the DBSA non-current borrowings;
– The municipality used conditional grants received to pay for operating expenses
– VAT returns were not submitted and paid to SARS on time;
– PAYE, UIF and SDL were not submitted and paid over to SARS on time;
– Statutory deductions from salaries were deducted but not paid over on time; and
– Employee benefit obligations are unfunded.

The municipality is exploring alternative options to improve it's financial position.

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

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

Although certain going concern ratios may appear unfavourable, the municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, 2012 (Act No. 5 of 2012).

46. Events after the reporting date

No significant events occurred after the reporting date.

47. Related parties

Relationships
Members of key management Refer to general info and note 31 employee related cost.
Members of Council Refer to general info and note 32 remuneration of Councillors.

Related party balances
In terms of section 164 (1)(c) of the Municipal Finance Management Act (Act No. 56 of 2003) the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

No related party balances were identified for the current and prior reporting period.

Related party transactions
Key management and Councillors receive and pay for services on the same terms and conditions as other rate payers. These transactions are recorded at arms length.

48. Risk management

Capital risk management
The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for all stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 13, 14, cash and cash equivalents disclosed in note 8 and net assets as disclosed in the statement of financial position.

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

Financial risk management
The municipality's activities expose it to a variety of financial risks: including market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk
Liquidity risk is the risk that the municipal entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's 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.

Interest rate risk
Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing.

The entity's interest rate risk arises from non-current borrowings and finance lease liabilities. Instruments issued at fixed rates expose the municipality to fair value interest rate risk. Interest rates on non-current borrowings are not based on prime and therefore fluctuations in prime will not affect the borrowings.

Financial liabilities which exposes the municipality to interest rate risk at year end were as follows:

Financial instrument	**2013**	**2012**
Non-current borrowings	2 077 174	2 255 132
Finance lease liabilities	2 204 704	1 568 898

Credit risk
Credit risk is the risk that counterparty to a financial or non financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risks consists mainly of cash deposits, cash equivalent and consumer receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any on counteparty.

Consumer receivables comprise a widespread customer base. Management evaluated credit risk relating to consumers on an ongoing basis. If consumers are independently related, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the consumers, taking into account its financial position, past experience and other factors.

Consumer receivables are presented net of an allowance for impairment. Credit risk pertaining to consumer receivables is considered to be high due to a history of nonpayment and limited follow up procedures by the municipality in the past. The municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. Consumer receivables whose accounts enter into arrears, council endeavours to collect such accounts by levying of penalty charges, demand for payment, restriction of services and as a last resort handing over of debt for collection.

No consumer receivables or receivable from exchange transaction is pledged as security for any financial liability.

Financial assets which exposes the municipality to credit risk at year end were as follows:

Financial instrument	**2013**	**2012**
Receivables from exchange transactions	2 050 519	2 667 499
Consumer receivables from non-exchange transactions (Net amount)	3 586 867	3 708 222
Consumer receivables from exchange transactions (Net amount)	35 257 255	38 105 517
Cash and cash equivalents (Favourable balances)	2 699 087	329 930
Financial assets	417 667	373 793

The municipality is exposed to a guarantee for the unused bank overdraft facility in favour of ABSA bank Limited. Refer to note 8 for details.

Price risk
The municipality is not exposed to price risk.

	2013 (R)	2012 (R)
49. Unauthorised expenditure		
Unauthorised expenditure - budget overspending	21 774	063 17 925 031

50. Fruitless and wasteful expenditure

	2013 (R)	2012 (R)
Opening balance	17 845 988	10 728 059
Fruitless and wasteful expenditure current year (see incidents below)	5 551 544	7 117 929
Items certified as irrecoverable by Council	(17 727 744)	–
	5 669 788	**17 845 988**

The above expenditure were condoned by council at an ordinary council meeting held on 7 December 2012 in the Frankfort council chamber.

Incidents for the year	**Disciplinary steps / criminal proceedings**	2013 (R)	2012 (R)
Interest on overdue account - Eskom	Reported and submitted, certified as irrecoverable by Council.	3 811 309	5 876 691
Interest on overdue account - Rural Maintenance (Pty) Ltd	Report to be submitted, awaiting condonement by Council.	397 364	–
Interest and penalties on late payment of VAT - SARS	Reported and submitted, certified as irrecoverable by Council.	121 455	76 292
Interest and penalties on late payment of PAYE, UIF & SDL - SARS by Council.	Reported and submitted, certified as irrecoverable	648 067	456 539
Interest on late payment of deductions to pension and provident funds by Council.	Reported and submitted certified as irrecoverable	455 510	573 025
Arrear interest on DBSA loan default	Reported and submitted, certified as irrecoverable by Council.	1 237	24 472
Interest on overdue account - Auditor-General	Reported and submitted, certified as irrecoverable by Council.	103 851	83 823
Interest on overdue account - Telkom	Reported and submitted, certified as irrecoverable by Council.	3 425	2 912
Interest on overdue account - VKB	Report to be submitted, awaiting condonement by Council.	4 753	3 267
Interest on overdue accounts - Other trade payables by Council.	Reported and submitted, certified as irrecoverable	–	68
Bank charges on unused fleet cards - ABSA	Reported and submitted, certified as irrecoverable by Council.	1 393	13 001
Interest and penalties on late payment of vehicle licenses and traffic fines paid	Reported and submitted, certified as irrecoverable by Council.	3 180	7 839

	2013 (R)	2012 (R)
51. Irregular expenditure		
Opening balance	71 142 949	42 118 515
Add: Irregular expenditure - current year	30 058 469	29 024 434
Less: Amounts condoned	(71 142 949)	–
Less: Amounts recovered (not condoned)	(56 316)	–
	30 002 153	**71 142 949**

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2013 (R)	2012 (R)
Opening balance	440 296	770 630
Subscription fees	499 971	440 296
Payments made	(440 296)	(770 630)
	499 971	**440 296**

SALGA subscriptions for the current and prior reporting period.

Material losses

There were no material losses through criminal conduct for the current or prior reporting period.

The last general valuation roll was done in November 2010 and came into effect on 1 July 2011. The valuation roll values were not accurately uploaded onto the Venus system, rates forgone due to lower values on the Venus system than on the valuation roll amounted to a loss of R 1 540 749 (2012: R 1 540 749) in property rates.

Auditor General - Audit fees

	2013 (R)	2012 (R)
Opening balance	1 596 352	806 358
Fees	3 206 873	2 645 254
Interest charged on overdue account	103 851	83 823
Payments	(3 726 909)	(1 939 083)
	1 180 167	**1 596 352**

SARS - PAYE, UIF & SDL

	2013 (R)	2012 (R)
Opening balance	406 738	1 850 184
Assessments	6 208 627	2 330 868
Amounts paid	75 329	(4 214 506)
Interest and penalties	648 067	440 192
	7 338 761	**406 738**

Pension fund and medical aid deductions	2013 (R)	2012 (R)
Opening balance	(4 304 599)	2 022 910
Deductions made	14 817 298	11 294 313
Amounts paid	(9 241 170)	(18 195 448)
Interest paid	455 510	573 626
	1 727 039	**(4 304 599)**

Councillors' arrear consumer accounts

The following Councillors have arrear accounts outstanding for more than 90 days as at year end 30 June 2013:

	Oustanding less than 90 days (R)	Outstanding more than 90 days (R)	Total (R)
Hadebe M	732	5 182	5 914
Jafta U C	349	–	349
Mofokeng M M	370	–	370
Mosia A S	1 264	314	1 578
Motloung F P	1 386	132	1 518
Motloung P	503	2 674	3 177
Motloung W C	1 135	10 396	11 531
	5 739	**18 698**	**24 437**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

	Highest outstanding amount (R)
Mosia M A	5 040
Xaba N E	1 216
	6 256

55. Statement of comparative and actual information 2013

	Original budget	Budget adjustment (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget
Financial Performance			
Property rates	8 280 000	7 572 439	15 852 439
Service charges	35 053 383	(4 924 466)	30 128 917
Royalty income	–	–	–
Rental of facilities and equipment	549 080	(302 736)	246 344
Fines	277 720	277 720	555 440
Government grants and subsidies	114 267 000	–	114 267 000
Auction fees	–	874 168 874	168
Recoveries	–	315	315
Other income	8 742 001	(3 065 758)	5 676 243
Interest received	2 782 500	(1 086 972)	1 695 528
Total revenue (excluding capital transfers and contributions)	**169 951 684**	**(655 290)**	**169 296 394**
Employee related costs	(55 567 279)	1 931	(55 565 348)
Remuneration of councillors	(4 914 833)	(200 000)	(5 114 833)
Depreciation, amortisation and impairment	(1 040 000)	–	(1 040 000)
Finance charges	(55 287)	(27 000)	(82 287)
Debt impairment	(5 500 000)	–	(5 500 000)
Repairs and maintenance	(8 200 000)	(187 000)	(8 387 000)
Bulk purchases	(9 210 000)	2 150 000	(7 060 000)
Grants and subsidies paid	–	(11 294 936)	(11 294 936)
General expenses	(41 113 263)	13 473 723	(27 639 540)
Total expenditure	**(125 600 662)**	**3 916 718**	**(121 683 944)**
Surplus/(Deficit) before transfers	44 351 022	3 261 428	47 612 450
Transfers recognised - capital	41 512 773	5 702 700	47 215 473
Surplus (Deficit) after capital transfers and contributions	**85 863 795**	**8 964 128**	**94 827 923**
Actuarial loss on employee benefits	–	–	–
Gain on disposal of assets	–	–	–
Surplus/(Deficit) for the year	**85 863 795**	**8 964 128**	**94 827 923**

The budget is approved on a cash basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013 for Mafube Local Municipality.

Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
15 852 439	16 322 286		469 847	103 %	197 %
30 128 917	43 222 421		13 093 504	143 %	123 %
–	648 011		648 011	– %	– %
246 344	151 086		(95 258)	61 %	28 %
555 440	133 744		(421 696)	24 %	48 %
114 267 000	112 298 133		(1 968 867)	98 %	98 %
874 168	772 173		(101 995)	88 %	– %
315	2 594 934		2 594 619	823 789 %	– %
5 676 243	2 244 696		(3 431 547)	40 %	26 %
1 695 528	7 514 847		5 819 319	443 %	270 %
169 296 394	**185 902 331**		**16 605 937**	**110 %**	**109 %**
(55 565 348)	(66 470 109)	10 861 641	(10 904 761)	120 %	120 %
(5 114 833)	(5 420 628)	326 131	(305 795)	106 %	110 %
(1 040 000)	(123 676 891)	–	(122 636 891)	11 892 %	11 892 %
(82 287)	(7 278 597)	7 196 310	(7 196 310)	8 845 %	13 165 %
(5 500 000)	(40 276 463)	–	(34 776 463)	732 %	732 %
(8 387 000)	(15 246 022)	1 281 071	(6 859 022)	182 %	186 %
(7 060 000)	(9 168 910)	2 108 910	(2 108 910)	130 %	100 %
(11 294 936)	(7 529 210)	–	3 765 726	67%	– %
(27 639 540)	(49 694 878)	–	(22 055 338)	180 %	121 %
(121 683 944)	**(324 761 708)**	**21 774 063**	**(203 077 764)**	**267 %**	**259 %**
47 612 450	(138 859 377)	–	(186 471 827)	(292)%	(313)%
47 215 473	15 345 435	–	(31 870 038)	33 %	37 %
94 827 923	**(123 513 942)**	**–**	**(218 341 865)**	**(130)%**	**(144)%**
–	(99 413)	–	(99 413)	– %	– %
–	608 632	–	608 632	– %	– %
94 827 923	**(123 004 723)**	**–**	**(217 832 646)**	**(130)%**	**(143)%**

APPENDIX A: June 2013

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable
Development Bank of South Africa		
DBSA fixed @ 5%	61006963	31/12/2021

Balance at 30 June 2012 (R)	Interest capitalised /Additions (R)	Redeemed written off during the period (R)	Balance at 30 June 2013 (R)	Carrying value of Property, Plant & Equip (R)	Other Costs in accordance with the MFMA (R)
2 255 132	105 285	283 243	2 077 174	–	–
2 255 132	**105 285**	**283 243**	**2 077 174**	**–**	**–**

APPENDICES

Appendix A: Councillors; Committee Allocation and Council Attendance

Below is a list of Councilors making up the Council of Mafube Local Municipality:

Name	Party	Ward	Proportional Representative
Jabulane Elliot Sigasa	ANC	1	
Mildred Moloi	ANC		PR
Jabulane Jan Hlongwane	ANC	2	
Fusi Petrus Motloung	ANC	3	
Madise Andries Mosia	ANC	4	
Johannes Jacobus Pretorious	DA	5	
MM Mofokeng	ANC	6	
Undikho Christopher Jafta	ANC	7	
Willam Caravan Motloung	ANC	8	
Lucky Simon Kubheka	ANC	9	
Maleseli Saria Sekhoto	ANC		PR
Ntswaki Emmeldah Xaba	ANC		PR
Puleng Maria Monaune	ANC		
Marchand Casper du Plessis	DA		PR
Shoeshoe Adel Mosia-Mazibuko	DA		PR
Peter Motloung	COPE		PR
Miriam Hadebe	COPE		PR

Appendix B: Committee and Committee Purpose

Executive Committee

The Council established an Executive Committee that comprises the following members to provide leadership to the administration between Council meetings:

Name	Designation
JE Sigasa	Chairperson and Finance Committee
MA Mosia	Community and Corporate Services
JJ Pretorius	Project Management Unit

Portfolio Committees

The municipality also established Portfolio Committees to provide oversight over programmes of various municipal Directorates. The following are Portfolio Committees established by the municipality:

Portfolio Committee: Corporate Services

- Cllr W.C. Motloung as Chairperson
- Cllr T.M. Monaune
- Cllr P. Motloung

Portfolio Committee: Project Management Unit

- Cllr F.P. Motloung as Chairperson
- Cllr N.E. Xaba
- Cllr S.A. Mazibuko
- Cllr J.J. Pretorius

Portfolio Committee: Community Services and Local Economic Development

- Cllr L.F. Kubeka as Chairperson
- Cllr M.M. Mofokeng
- Cllr U.C. Jafta
- Cllr M. Hadebe

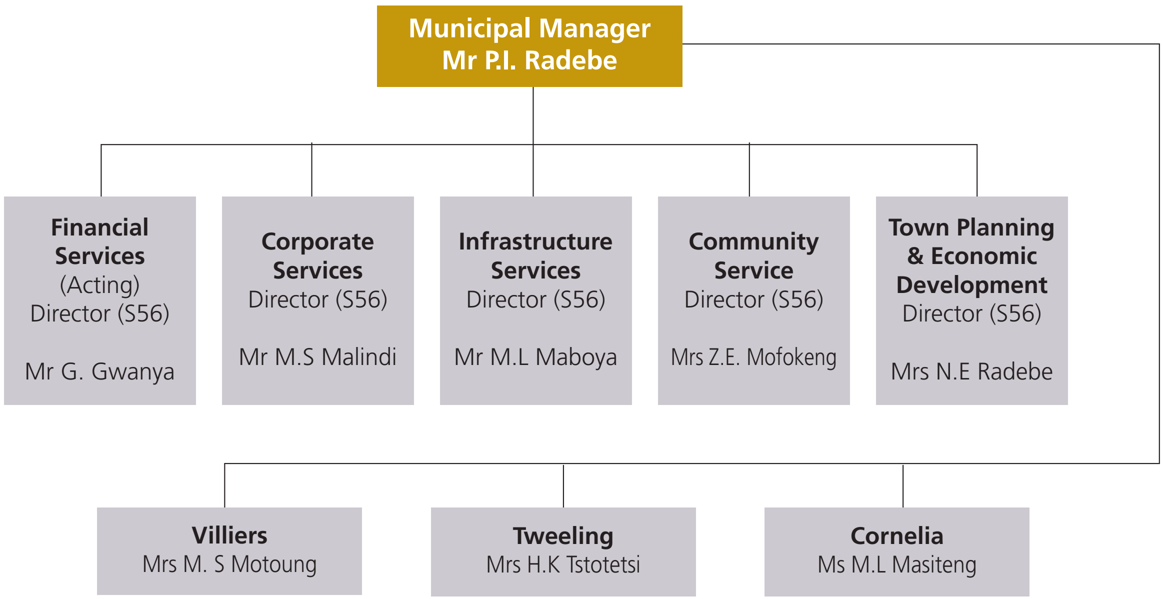
Portfolio Committee: Finance

- Cllr J.J. Hlongwane
- Cllr M.C. du Plessis
- Cllr M.M. Sekhoto

Local Labour Forum

- Cllr W.C. Motloung as Chairperson
- Cllr T.M. Monaune
- Cllr P. Motloung

Appendix C: Third Tier Administrative Structure



Appendix D: Functions of Municipality/Entity

Category B Functions	Category C Functions	Provincial and National
Local Municipality	**District Municipality**	**District Municipality**
Air pollution	Refuse removal and solid waste	Libraries
Building regulations	Municipal roads	Housing
Bill boards and display of advertisements	Municipal airports	
Storm water	Fire fighting	
Trading regulations	Markets	
Cleansing	Cemeteries	
Facilities, accommodation and burial of animals	Municipal public works	
Fencing and fences	Electricity regulation	
Local sport facilities	Municipal health	
Municipal parks and recreation	Storm water	
Municipal planning	Potable water	
Municipal public transport	Sanitation	
Municipal roads	Licensing	
Public places and local amenities		
Street lighting		
Traffic and parking		
Licensing of dogs		

Appendix E: Ward Reporting

Ward 1

Name & Surname	Sector Representation	Area
JE Sigasa		
Skosana Puleng Selina	Social Affairs	Mokaba Village
Moloi Lettia Rosilina	Children & Women with Disabilities	Rethabile Section
Molefe Puseletso Frans	Agriculture	Mokaba Village
Tsotetsi Tryphina Khozi	Projects	Magashule Section
Sibeko Nthabiseng Topsy	Education & Human Development	Tholulwazi Section
Mashinini Jabulani Johannes	Faith Based & Traditional Healers	Tholulwazi Section
Sekhoto Nthabiseng Jemina	Sports & Recreation	Mokaba Village
Makhubo Jacob Vusi John	Local Farms & Transport	Palmer Street

Ward 2

Name & Surname	Sector Representation	Area
Cllr JJ Hlongwane		
Mofokeng Mpuse Maria	Governance	Mamello Section
Mofokeng Morgan Motsamai	Ward Committee Secretary	Sunrise Section
Mhlambi Ndlabu Lukas	LED & IDP	Sunrise Section
Mashinini Sonto Sarah	Home Affairs	Seabata Section
Khanye Modiehi Alina	Social Development	Seabata Section
Mosikidi David	Education & Human Development	Sunrise Section
Mokoena Maria	Health	Seabata Section
Gumede Elizabeth Sonto	Sports & Recreation	Mamello Section
Mofokeng Alina	Youth Development	Sunrise Section
Rampai Direngwana Jemina	Safety & Security	Seabata Section

Ward 3

Name & Surname	Sector Representation	Area
Cllr FP Motloung		
Xaba Nomacala Julia	Ward Committee Secretary	Molamodi Str, Qalabotjha
Khanye Authority	(Ward Committee Deputy sec) Youth, Sports, Arts & Recreation	Ext 6, Qalabotjha
Mokoena Ntswaki Lucy	Social Development	Ext 3, Qalabotjha
Rutse Malefu Elsie	Housing and Infrastructure	Ext 3, Qalabotjha
Thusi Nunu Martha	Health and Well being	Ext 3, Qalabotjha
Maduna Beigi Simon	Safety & Security	Thuthukani Str, Qalabotjha
Motsoeneng Victor Lehana	Communication & Education	
Ndaba Velaphi	Community Service	
Mokoena Tselane	Local Economic Development	

Ward 4

Name & Surname	Sector Representation	Area
Cllr MA Mosia		
Gamede Johannes Cishimpi	Infrastructure	Extension 6
Msimaka Lucas Buti	Education	Tshabalala Street
Rakoloti Elizabeth Nokuvuna	Social Development & Health	Sigasa Street
Mokoena Dikeledi Kate	Youth Development & Sports	
Mthembu William Patrick	Agriculture	Molope Street
Leotlela Elizabeth	Religion & Traditional Affairs	Koening Street
Tsotetsi Jemina	LED & Businesses	Mapena Street
Mokuene Rampou Phillmon	Safety and Security	
Mahlophe Mahlopheho	Secretary	Dimaza Street

Ward 5

Name & Surname	Sector Representation	Area
Cllr JJ Pretorius		
Motsamai Pogisego Private	Secretary	Mamello Section
Ramatsekane Thapelo Christian	Infrastructure	Butayi Section
Modise Emily Sussy	Health and Social Development	
Mahlamba Mziwakhe Thomas	Safety and Security	
Muller Reinier Johan	Agriculture	
Van Der Merwe E. Johannes	Religion and Traditional Affairs	
Muller Maria Magdalena	Education and Communication	

Ward 6

Name & Surname	Sector Representation	Area
Cllr M Mofokeng		
Mofokeng Dibuseng Merriam	Sports & Recreation	Butayi Section
Khambule Aletta Buyisiwe	Safety & Security	Butayi Section
Molelekoa Lerato Thomas		Butayi Section
Makhotsa Ntombizodwa Tryphine	Health & Well Being	
Mokoena Dinah Molebollo	Social Development	Butayi Section
Mazibuko Lefina Mashembe	Sports & Recreation	Sunrise Section
Motaung Thandiwe Evelyn	Social Development	

Ward 7

Name & Surname	Sector Representation	Area
Cllr UC Jafta		
Skosana Maria Maleki	Health & Wellbeing	Phahameng Section
Masiteng Nomakhubo Emma	Secretary	Phahameng Section
Nkutha Zandile Tryphina	Social Development	Phomolong Section
Motsima Malefa Mabel	Social Development	Phahameng Section
Tshabalala Mthandeki Prinse	LED	Phahameng Section
Mokoena Evelina Maleqhoa	Health & LED	Phahameng Section
Motsoeneng Madilori Elizabeth	Safety & Security	Phomolong Section
Moloi Mathoto Maria		
Motaung Helepi Paulina		

Ward 8

Name & Surname	Sector Representation	Area
Cllr WC Motloung		
Mazibuko Simon Lekgotla	Sports & Recreation	Mokoena Section
Miya Norah Nondlela	Disabilities, Old Aged & Orphans	10th Street
Mokoaqatsa Tiisetso	Home Affairs	Winnie Mandela
Mofokeng Joyce Jwalane	Health & Well being	Extension 1
Jokanisi Bricks Bulisile	Projects	Mzizi Street
Skosana William Mohobelo	Education & Human Development	Tsoku Street
Motaung Elizabeth	Police & Transport	Winnie Mandela
Mphuthi Alfred Mphakamele	Faith Based & Traditional Healers	Chris Hani
Dlamini Rosie Hluphekile	Agriculture	Chris Hani

Ward 9

Name & Surname	Sector Representation	Area
Cllr LS Kubeka		
Kubeka Mampele Ema	Health & Social Development	Extension 4
Molefe Anna Ntaoleng	Infrastructure	Extension 4
Zimu Abraham	Agriculture	Tshabalala Street
Morajane Papa	Sports	
Motaung Mmalefu Liesbeth	Religion & Traditional Affairs	Extension 3
Moloi Refilwe Friedah	Secretary	Extension 3
Mofokeng Tabitha Ntsekiseng	Safety & Security	Extension 7

Appendix F: Recommendations of the Municipal Audit Committee

1. Establishment of the Audit Committee

The Audit Committee of Mafube Local Municipality was established by the municipality in terms of relevant provisions of Municipal Finance Management Act, 2003. The Committee consists of four independent, non-executive members.

2. Overall Duties of the Audit Committee

The Audit Committee is responsible for ensuring that the Municipality's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to effectively discharge its duties. Furthermore, the committee oversees co-operation between the internal and external auditors, and serves as a link between the Council and these functions, however, the Internal Audit Function was not functional until end of July 2013. As a result, the Audit Committee could not perform this duty.

3. Members of the Audit Committee

The Audit Committee is made up of the following members:

- Mr. Scholtz T, (Chairperson), Chartered Accountant (SA)
- Mr. Mgaga W, B.Com, LLB (Unisa
- Mr. Mahlangu W.K, Post Graduate Diploma, Advance Management
- Emile Cronje, B.Com, CA(SA)

Municipal Manager, Chief Finance Officer, Senior Internal Auditor, external auditor and other assurance providers attend meetings by invitation.

4. Meetings of the Audit Committee

The Committee meets at least four times per annum as per the committee mandate and terms of reference. During the year under review 6 meetings were held and members attended as follows:

Name of Attendees	03 July 2012	31 Aug 2012	02 Oct 2012	11 Dec 2012	05 Feb 2013	23 Apr 2013
Mr. Scholtz T. (Chairperson) Chartered Accountant (SA)	Present	Present	Present	Present	Present	Present
Mr. Mgaga W. B.Com (Unisa) Taxation Certificate (U.J) Project Management (Rosebank College) LLB Degree (Unisa)	Present	Present	Present	Present	Present	Present
Mr. Mahlangu W.K Post Graduate Diploma: Advance Management	Present	Present	Present	Present	Present	Present
Emile Cronje B.Com (Local Authorities) Completed Chartered Accountant's Articles	Apology accepted	Present	Present	Present	Present	Present

5. **Recommendations of the Audit Committee**

a) Statutory duties

In the conduct of its duties, the committee has recommended the following in accordance with their statutory duties (extract):

- Financial Disclosure. The audit committee reviewed the financial statements before they are publicly disclosed. With respect to other public disclosures of information that is extracted or derived from the financial statements, the audit committee has recommended that management should put appropriate procedures into place for adequate reviews of information;
- That the Accounting Officer prepares an item to council, which contains the previous council resolution which requires the overpayment made to Councillors to be recovered. A projected of R203, 442.14 was erroneously overpaid to Councillors. Arrangements were made in an effort to recover these funds. An amount of R56,316.00 was recovered during the financial year ending at 30 June 2013;
- The establishment of an information technology, risk, budget committee and the fraud prevention, business continuity and disaster recovery plan;
- A policy should be developed to address matters relating to processes and procedures to address planning, implementation, monitoring and reporting processes and events pertaining to performance management and reporting as well as related party transactions;
- A policy relating to suspense accounts should be developed in order to prevent uncleared suspense accounts at year end and possible fraudulent activities;
- Audit Committee advised the Municipality that they should have a determined staff for collections.

External auditor

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2013.

Financial Statements

The committee has reviewed the financial statements of Mafube Local Municipality and is satisfied that there is progress towards complying with the requirements of Generally Recognised Accounting Principles and the requirements of the Municipal Finance Management Act.

In addition, during the year, the committee met with the external auditors (Auditor General of South Africa) without management being present.

Mr. Scholtz T.L. CA (S.A)

Chairman
28 January 2014

Appendix G: Long term Contracts and Public Private Partnership

In 2012, the municipality entered into a long term contract and public private partnership with Rural Maintenance Pty, Ltd. The contract/partnership centers around the provision, extension and maintenance of electricity infrastructure and services in Mafube.

Appendix H: Municipal Entity/Service Provider Performance Schedule

The municipality does not have a Municipal Entity and can therefore not provide a performance schedule. The different service providers appointed by the municipality deliver different goods and services on various terms and schedules. Below is a list of service providers appointed by the municipality for the period under review and indicative schedules.

BID NO	BID DESCRIPTION	SERVICE PROVIDER	PERFORMANCE SCHEDULE
	ELECTRIFICATION PROJECT	NEELO AFRICA	Per Project Schedule
	MAINTENANCE OF WATER PIPES	WSSA	As And When
	COMPILATION OF SDBIP AND ANNUAL PERFORMANCE	UYINGCWELE BABA	Per Project Schedule
Rfq	Renovation Of Municipal Offices In Qalabotjha	Dikgau Trading	Per Project Schedule
	CATERING	METHATI TRADING	As And When By RFQ
	EMPLOYEE WELLNESS	BUTRIN GENERAL TRADING	Ongoing
	NEW TRACTOR	GREENFIELDS AGRICULTURE	Once Off
	CATERING	LUVUYO CATERING	As And When By RFQ
	CLEANING SEWER PIPES	ROCKENT INDUSTRIAL	As And When
Rfq	Water Equipment	River End	As And When
	ACCOUNTING SERVICES	KPMG INC	Ongoing On Short To Medium Terms
	CATERING	DEMOGZA TRADING	As And When By RFQ
Maf015/2012	Extension Of Waste Water Treatment Works	Ramutsa Rail	Per Project Schedule
	NAMAHADI WATER RETICULATION PHASE 4 OF 1714 STANDS	KUDJO CONSULTING	Per Project Schedule
	EMPLOYEE HEALTH ASSESSMENT	MOTAU OCUPATION	Ongoing
	LEGAL MATTERS	NKAISENG ATTORNEY	As And When
	BUCKET ERADICATION	SEZANANE GENERAL	Per Project Schedule
	RAZOR FENCING	PITDOG TRADING	Per Project Schedule
Rfq	Coldmix	Mvusi Wholesalers	Per Project Schedule
	PROFESSIONAL FEES (PMU)	MOLPRO CONSULTING	Ongoing On Short To Medium Terms
Rfq	Toilet Buckets	Rehauwetse Trading	Per Project Schedule
	CAR WASH STRUCTURE DEVELOPMENT	PURE STORM TRADING	Per Project Schedule
Rfq	Hall Renovation In Frankfort	Lemoha Consulting	Per Project Schedule
Rfq	Cleaning Material	Morake Moshwadiba	As And When By RFQ
Rfq	Road Making Paint	Victoria & Sebongile	As And When By RFQ

BID NO	BID DESCRIPTION	SERVICE PROVIDER	PERFORMANCE SCHEDULE
Maf030/2012	Waste Water Treatment Works	Flagg Consulting	Per Project Schedule
Mig/fs0505/rst/ 09/10	Upgrading of gravel roads and installation of storm water channels	Group two trading	Per Project Schedule
Maf/2012/06	Electrification Of Qalabotjha Ext Phase 2 And Namahadi Phase 2	Tumishi Electrical	Per Project Schedule
Rfq	Protective Clothing	Ponahalo Trading	As And When By RFQ
	ELECTRIFICATION PROJECT	T & T MARINE	Per Project Schedule
	MATERIAL FOR TUMISHI ELECTRICAL	VOLTEX PTY LTD	As And When By RFQ
Rfq	Cleaning Material	Rehaowetse Trading	As And When By RFQ
	ROLLER MACHINE/CATERING	SIYAKHA MFUNDO	As And When By RFQ
	PRINTING & STATIONERY	LITHOTECH	As And When By RFQ
	CAR HIRE FOR MAYOR	MRC & MSM	As And When By RFQ
	OFFICE RENOVATIONS IN QALABOTJHA	MSIMAKA CONSTRUCTION	Per Project Schedule
	COMPILATION OF ANNUAL REPORT	THAROLLO DEVELOPMENT	Per Project Schedule
	INSTALLATION OF HIGHMAST MAFUBE LM	SECTIONAL POLES	Per Project Schedule
	VALUATION FEES	MODISENYANE PROP	As And When By RFQ
	PURCHASE MAYOR'S CAR	NEW VAAL MOTORS	Once Off
Maf017/2012	Consultants:Waster Water Treatment Works	Engcor Engineers	Per Project Schedule
	PURCHASING OF VEHICLES	REPUBLIC BUS AND TRUCK	As And When By RFQ
	CATERING	TSOHA O IKETSETSE	As And When By RFQ
	HIRING OF MAYORAL VEHICLE	CLASSIC HUMAN CAPITAL	As And When By RFQ
	CONSULTING FEES	THULI NKABINDE	
	CATERING	TWIN CORNER	As And When By RFQ
Maf029/2012	Proposal For Debt Collection	Zandile Management	
	CLEANING MATERIAL	LEMPITSE TRADING	As And When By RFQ
	TRAINING OF WARD COMMITTEE	THUTO LERE COMMUNITY	Per Project Schedule
	BIG SCREEN FOR AFCON GAMES	PD MOLEFE T/A DIWAWENE	Once Off By RFQ
	T SHIRTS MAYORAL IMBIZO AND LOCAL GOVERMENT SUMMIT	MARENA PRINTING	Once Off By RFQ
	BANNERS DEPICTING THE FACES OF THE PRINCIPAL AND VISION AND MISSION OF THE MUNICIPAL	SALCORP 101 CC	Once Off By RFQ
	FURNITURE	MOKWEPO TRADING	Per Project Schedule
	PURCHASE OF TRACTOR	MMABALANE TRUST	Once Off
	BUSINESS CARDS AND COPY PAPER	DE DEVISION PROJECT	As And When
	INSTALLATION OF LOCAL AREA NETWORK AND WORLD AREA NETWORK	BLACKBIRD TRADING	Per Project Schedule
	PROTECTIVE CLOTHING	KIT GROUP	As And When
	OFFICE MOBILE RENTAL	MATHOTE MODULAR	As And When

Appendix I: Disclosure of Financial Interest

The following Councillors declared their financial interests in the following companies for 2012/2013:

Period: 1 July 2012 - 31 July 2013

Position	Name	Description of Financial Interest
MAYOR		
JE Sigasa	JBG Transport	100%
COUNCILLORS		
MT Moloi	Melody Hills Trading 144	50%
JJ Hlongwane	Sesiu Trading	100%
JJ Pretorius	HPJT Eiendomseleggings	50%
	Pretorius broers boerdery	100%
	Pretorius grondwerke	100%
	Strasburg ontwikkeling	50%
MC DU Plessis	A.Home Elect	100%
UC Jafta	Undikho Contruction	50%
M Hadebe	Manngwathele cc	100%
MM Mofokeng	Gentle rose trading	50%
	Kgathologa guest house	0%
	Phokzen trading	50%
PM Monaune	Shine the way	33%
	Mamapapumo Agri	0%
FP Motloung	Globex general trading	60%
	Ivory general trading	100%
	Motloung & Maco construction	50%
	Pasano	70%
LS Kubeka	N/A	0%
AS Mosia	N/A	0%
WC Motloung	N/A	0%
MM Sekhoto	N/A	0%
MA Mosia	N/A	0%
NE Xaba	N/A	0%
SECTION 57 MANAGERS		
PI Radebe	Barach ministries	0%
ZE Tshabalala	Zanten civil and projects	100%
NE Radebe	Full swing trading 530	5%
	Northcom communications	0%
	Thipa ka bohaleng	20%
NN Molefe	Kamohelong trading	40%
	M3H construction	25%
G Gwanya	N/A	0%
MS Malindi	N/A	0%

Appendix J: Conditional Grants Received: Excluding MIG

GRANTS RECEIVED 2013/14

Date	Equitable Share	MSIG	MIG	FMG	EEDG	EPWP	Total
JULY							
05/07/2013	26,648,000						26,648,000
19/07/2013				1,650,000			1,650,000
30/07/2013			5,733,000				5,733,000
AUGUST							
15/08/2013						400,000	400,000
23/08/2013		890,000					890,000
SEPTEMBER							
12/09/2013					421,700		421,700
NOVEMBER							
11/15/2013					2,000,000		2,000,000
11/25/2013			9,925,000				9,925,000
11/29/2013	22,265,000						22,265,000
TOTAL	**48,913,000**	**890,000**	**15,658,000**	**1,650,00**	**2,421,700**	**400,000**	**69,932,700**

Appendix K: Capital Expenditure – New & Upgrade/ Renewal Programmes: Including MIG

The municipality spent as follows on its capital budget:

CAPITAL EXPENDITURE FOR THE YEAR ENDING 30 JUNE 2013

	MIG	INEP
Opening balance	0.32	6,144,217.62
Grants received	25,841,000.00	10,000,000.00
Expenditure	(18,688,571.47)	(11,141,770.62)
Unspend grants	**7,152,428.85**	**5,002,447.00**

NOTES:

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