

	stormwater channel in Masilo			
5	Chanan Consulting : Construction of 1km paved road in Masilo	16 May 2016	30 April 2017	R441 864.00
6	Mafuri Projects : Construction of Sports Complex in Brandfort	28 October 2013	30 November 2016	R18 540 984.89
7	Ruwacon : Construction of bulk pipeline in Brandfort	4 November 2013	31 October 2016	R82 785 384.18

**APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE**

**Draft Audit and Performance Committee Report 2015/16 Financial Year**

We are pleased to present our report for the financial year ended 30 June 2016.

**Background Information**

The Audit and Performance Committee of Masilonyana Local Municipality is established in terms of section 166 of MFMA 56 of 2003. The committee consists of four members, three of the four members serve as audit committee and three of them serve as performance committee. The previous council of municipality has approved the appointment of Me. Thembela Mqeta as the chairperson of Performance Committee on 30 June 2016.

**Members**

To address issues relating to the municipality, the audit committee consists of the following members:

**(i) Audit Committee**

No.	Members	Position	Date of Appointment
1	Mr. Donovan Nadison	Chairperson	30 April 2015

2	Ms. T Mnqeta	Member	30 April 2015
3	Mr. V Litabe	Member	30 April (Period extended with three years)

**(ii) Performance Audit Committee**

No	Members	Position	Date of Appointment
1	Ms Tembela Mnqeta	Chairperson	30 April 2015
2	Mr. Donovan Nadison	Member	30 April 2015
3	Ms. Palesa Kaota	Member	30 April 2015 (Period extended with three years)
4	Mr. V Litabe	Member	30 April (Period extended with three years)

Due to cost containment measures, all members of the audit committee have agreed to serve as members of the performance audit committee. The meetings are held jointly with the discussions affecting activities of audit and performance committee.

**Attendance of meeting for 2015/16 financial year:**

Number of Meetings attended 2014/15	Date of Meeting
1 <sup>st</sup> Meeting	26 August 2015
2 <sup>nd</sup> Meeting	29 September 2015
3 <sup>th</sup> Meeting	30 November 2015
4 <sup>th</sup> Meeting	24 May 2016

All members of the Audit and Performance Committee are declared independent, with no interest in the management or conduct of the business of the Municipality.

The annual financial statements for the period ended 30 June 2016 were reviewed by Internal Audit of municipality; they have also been submitted to the Audit and Performance Committee of Lejweleputswa District Municipality on 26 August 2016 for further review.

**Audit committee responsibility**

The audit and performance committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA in terms of its defined responsibilities as an advisory body to the municipal council. The audit and performance committee also reports that it has adopted appropriate formal terms of

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

### **The effectiveness of internal control**

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the MFMA, Internal Audit provides the Audit and Performance Committee and management with assurance that the internal controls are appropriate and effective and performance management system is operating as intended. This is achieved by means of the risk management processes, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Audit, Auditor- General and Management it was noted that there were instances of weaknesses in controls. However the Audit and Performance Committee is pleased to report that there has been significant improvement in the general controls and management has put mechanisms and action plans in place to deal with identified weaknesses. Management has further undertaken to report to the Audit and Performance Committee on a regular basis on progress made in this regard. The Audit and Performance Committee therefore urges management to address these problems without any further delay.

The committee received good support from the Internal Audit function as part of its mandate and managed to sit at least four times a year as required in terms of section 166 of Municipal Finance Management Act No. 56 of 2003. The committee also held meetings separately with Internal Audit to establish if there were matters of concern that could not be discussed in an open session with management.

Whilst the Risk Management Strategy and Framework is in place, it was however adopted by the council for the financial year under review. The report on risk, governance and leadership was issued by internal audit as to the effectiveness of risk management. Specific few control weaknesses were identified and reported as such. We received positive comments applauding improvements noted by AGSA and progress made in addressing previous audit findings and matters contained in the Management Report through implementation of audit action plan.

### **Performance Management**

The Audit Committee has agreed to serve as a Performance Audit Committee in terms of Municipal Planning and Performance Management Regulations 2001.

The committee takes note of the progress made regarding Performance Management System. Internal Audit has performed audits on performance information and few specific weaknesses were noted and management has undertaken significant steps to put in place corrective measures to ensure that internal audit findings are addressed. The committee has also noted that four quarterly reports were submitted to internal audit for review. PMS policy was developed and approved by the council. The PMS workshops and internal PMS session were held to ensure that PMS is also cascaded to the lower level of staff members and matters affecting performance management are communicated with all officials.

## Risk Management and Internal Audit

The Audit Committee is also satisfied with the risk management and internal audit function of the municipality. The internal Audit Plan, Charter and methodology were approved by the committee in ensuring that the work of internal audit is properly planned and communicated to the relevant stakeholders accordingly. Internal Audit has also conducted an audit on risk management and provided assurance as to the effectiveness and maturity level thereon.

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Mr D. Nadison (Chairperson-Audit Committee)

## APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into during Year 0)					
NAME OF SERVICE PROVIDER	DESCRIPTION OF SERVICES RENDERED BY THE SERVICE PROVIDER	START DATE OF CONTRACT	EXPIRY DATE OF CONTRACT	PROJECT MANAGER	CONTRACT VALUE
The municipality does not have long contracts					

## APPENDIX I – MUNICIPAL SERVICE PROVIDER PERFORMANCE SCHEDULE

SERVICE PROVIDER	PROJECT NAME	BUDGET VALUE	CONTRACT DURATION	PROJECT STATUS	END USER REMARKS ON OVERALL PERFORMANCE BY THE PROVIDER
<b>WWW Civil &amp; construction</b>	Repairs & Maintenance of roads & storm water	As in when required	Three (3) years	Ongoing	Technical Construction of Verkeerdevlei New Settlement Gravel Roads. Grading of Masilo gravel roads. Grading of Majwemasweu gravel roads. We are 79% satisfied with their services/performance
<b>Makola holdings (Pty) Ltd</b>	Rental & maintenance of machine	R 2,192,400.00	Three (3) years	Ongoing	Satisfied with overall work
<b>Brevimode (Pty) Ltd</b>	Refurbishment & commissioning of Winburg Water	595,866.98	Once off	Service rendered	Technical Emergency appointment to complete the refurbishment of the WWTW.

	treatment Plant					The project is 100% complete. We are 56% satisfied with their services/performance
<b>MJM</b>	Supply and delivery of Yellow Fleet	8,823,908.90	Once off	Service rendered		60% satisfied with work overall; however they take long to fix broken trucks and rental of trucks takes long to be delivered
<b>Letz be pabz/ TPS JV</b>	Renovations of offices in Winburg	1,409,926.50	Once off	Ongoing		Satisfied with work overall but very slow.
<b>Matsapa trading</b>	Renovations of Offices in Verkeerdevlei	3,390,069.86	Once off	Ongoing		Satisfy with work overall but also very slow.
<b>MG Tubes &amp; tyre</b>	Supply and repairs of tyres	As in when required	Three (3) years	Ongoing		Satisfied with overall work
<b>Lesegotumelo</b>	Supply and repairs of tyres	As in when required	Three (3) years	Ongoing		Satisfied with overall work
<b>Masilonyana News</b>	S& D of Newspaper	2 443 094.60	Three (3) years	Ongoing		Satisfied with overall work
<b>BMK Consulting</b>	3, 5 KM storm water channel ( Consultant )	536 750.00	Once off	Ongoing		Technical Needs to improve on Project Monitoring. We are 50% satisfied with their services/performance
<b>Tsotetsi&amp;Mchuni Inc</b>	Debt collection and litigation services	12% Commission	Three (3) years	Ongoing		The appointment has grown the revenue from average of 35% to 60% during the first month and now is steadily on 40% plus. They also assist with the purification of accounts which will assist in data cleansing. Therefore I am still content with their performance.
<b>Palmar Trading</b>	Wireless connection	2 623 925.70	Three (3) years	Ongoing		The appointment of the service provider has improved the performance of the network. The municipality was able to connect and use blade server
<b>Bageso Housing Development Consultants</b>	Township Establishment: Theunissen/ Masilo	3,955,000.00	Once off	Ongoing		Satisfy with work done.
<b>Bageso Housing Development Consultants</b>	Township Establishment: Brandfort	1,075,000.00	Once off	Ongoing		Satisfied with performance
<b>AJ Mining</b>	Refurbishment of concrete reservoir tower: Theunissen/ Masilo	4,743,066.52	Once Off	Ongoing		The project is 85% to completion. Needs to improve on the accuracy of the requested information/machinery/equipment . We are 60% satisfied with their services/performance
<b>Chanan Industries (Pty)</b>	1 Km block pave in Masilo: Phase II	441,864.00	Once off	Ongoing		The project is on Tender and Design phase. We are 83% satisfied with their

Ltd					services/performance
Marabe Projects	3,5 Km storm water channel ( Contractor )	4,629,536.32	Once off	Ongoing	The project is 85% to completion. Needs to improve on the progress We are 50% satisfied with their services/performance
LF Sets investments JV	SDF	6,45,000.00	Once off	Ongoing	Satisfied with overall performance
SSS Auctioneer	Auction (Disposal of Municipal Assets)	10% commission	Once off	Completed	Satisfied with the overall performance provided to the municipality as per service level agreement.
Pula Strategic Resources Mngt	Land Use Scheme	645,240.00	Once off	Ongoing	Satisfied with overall performance
Vumba Trading	Supply and Delivery of Protective Clothing	As in when required	Three (3) years	Ongoing	The service providers overall performance has been satisfactory thus far, however need to improve lead time.
Manna Holdings (Pty) Ltd	Maintenance of Municipal Valuation Roll	1,900,000.00	Three (3) years	Ongoing	The service providers has been appointed recently, however the service provider holds and exemplify the qualities required by the municipality.

## APPENDIX J – DISCLOSURES OF FINANCIAL INTEREST

DISCLOSURES OF FINANCIAL INTERESTS		
PERIOD 1 JULY 2015 TO 30 JUNE 2016		
POSITION	NAME	DESCRIPTION OF FINANCIAL INTERESTS
Municipal Manager	Mr. M.D. Nthau	<ul style="list-style-type: none"> <li>➤ Flat in Sasolburg</li> <li>➤ House in Sasolburg</li> <li>➤ Old Mutual</li> </ul>
Chief Financial Officer	Ms. F.V. Mzizi	<ul style="list-style-type: none"> <li>➤ Close Corporation Company</li> <li>➤ MEPF</li> </ul>
Director Social and Community Services	Excinia Makgahlela	<ul style="list-style-type: none"> <li>➤ IEC MEO</li> <li>➤ Old Mutual</li> </ul>
Acting Director Infrastructure and Technical Services	Mr. F. Malatji	<ul style="list-style-type: none"> <li>➤ N/A</li> </ul>

**APPENDIX K (1) – REVENUE COLLECTION PERFORMANCE BY VOTE  
AND BY SOURCE**

<b>REVENUE COLLECTION PERFORMANCE BY SOURCE</b>					
<b>R '000</b>					
<b>DESCRIPTION</b>	<b>YEAR 2015/16</b>			<b>VARIANCE</b>	
	<b>ORIGINAL BUDGET</b>	<b>ADJUSTMENTS BUDGET</b>	<b>ACTUAL</b>	<b>ORIGINAL BUDGET</b>	<b>ADJUSTMENTS BUDGET</b>
Property rates	18 947 000	33 528 000	48 818 236	-29 901 236	-15 290 236
Property rates - penalties & collection charges	-	-	-	-	-
Service Charges - electricity revenue	27 437 000	28 626 000	18 732 945	8 704 055	9 893 055
Service Charges - water revenue	23 448 000	32 606 000	40 012 885	-16 564 885	-7 406 885
Service Charges - sanitation revenue	19 484 000	19 484 000	21 838 407	-2 354 407	-2 354 407
Service Charges - refuse revenue	11 993 000	11 993 000	11 910 299	82 701	82 701
Service Charges - other	-	-	-	-	-
Rentals of facilities and equipment	196 000	264 000	265 570	-69 570	-1 570
Interest earned - external investments	399 000	500 000	495 130	-96 130	4 870
Interest earned - outstanding debtors	4 597 000	4 597 000	7 613 293	-3 016 293	-3 016 293
Dividends received	5 000	5 000	4 860	140	140

**REVENUE COLLECTION PERFORMANCE BY SOURCE**

R '000

DESCRIPTION	YEAR 2015/16			VARIANCE	
	ORIGINAL BUDGET	ADJUSTMENTS BUDGET	ACTUAL	ORIGINAL BUDGET	ADJUSTMENTS BUDGET
Fines	11 000	111 000	260 000	-249 000	-149 000
Licenses and permits	-	-	-	-	-
Agency services	-	-	-	-	-
Transfers recognized - operational	92 163 000	92 163 000	91 435 000	728 000	728 000
Other revenue	6 053 000	6 153 000	354 020	5 698 980	5 798 980
Gains on disposal of PPE	334 000	334 000	473 745	-139 745	-139 745
Environmental Protection	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>205 066 000</b>	<b>230 363 000</b>	<b>242 214 390</b>	<b>(37 177 390)</b>	<b>-11 850 390</b>



**APPENDIX K (II) – REVENUE COLLECTION PERFORMANCE BY SOURCE**

Refer to above table

**APPENDIX L – CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG**

CONDITIONAL GRANTS: EXCLUDING MIG						
R' 000						
DETAILS	BUDGET	ADJUSTMENTS BUDGET	ACTUAL	VARIANCE		MAJOR CONDITIONS APPLIED BY DONOR (CONTINUE BELOW IF NECESSARY)
				BUDGET	ADJUSTMENTS BUDGET	
Finance management Grant	1 800 000	1 800 000	1 800 000	0	0	
Municipal systems Improvement Grant	930 000	930 000	930 000	0	0	
EPWP	1 112 000	1 112 000	1 112 000	0	0	
IIEG	1 500 000	1 500 000	1 500 000	0	0	
<b>Total</b>	<b>5 342 000</b>	<b>5 342 000</b>	<b>5 342 000</b>	<b>0</b>	<b>0</b>	

**APPENDIX M – CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES**

N/A

**APPENDIX M (I): CAPITAL EXPENDITURE – NEW ASSETS PROGRAMME**

N/A

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

N/A

**APPENDIX N – CAPITAL PROGRAMME BY PROJECT YEAR 0**

N/A

APPENDIX O – CAPITAL PROGRAMME BY PROGRAMME BY PROJECT BY  
WARD YEAR 0

N/A

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND  
CLINICS

N/A

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

N/A

APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE  
MUNICIPALITY

ALL ORGANISATION OR PERSON IN RECEIPT OF LOANS/GRANTS PROVIDED BY THE MUNICIPALITY	NATURE OF PROJECT	CONDITIONS ATTACHED TO FUNDING	VALUE AMOUNT
DBSA	Infrastructure	Infrastructure loan	R4164 325.79

APPENDIX S – NATIONAL AND PROVINCIAL OUTCOMES FOR LOCAL  
GOVERNMENT

Already reported

**VOLUME II: ANNUAL FINANCIAL STATEMENTS**