
Final Audited Annual Report
2014/2015 Financial Year



MASILONYANA LOCAL
MUNICIPALITY

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CHAPTER 1 – MAYOR’S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR’S FOREWORD

MAYOR’S FOREWORD

Since the successful 2011 Local Government Elections, which renewed the mandate of the ANC-led government in Masilonyana Local Municipality, we have sought to prioritize provision of basic services to our community, building on key policy frameworks & plans which laid a solid foundation upon which we could accelerate the delivery of services to our communities.



In a quest of doing that, the Municipality adopted the 2014 strategic planning report, as a strategic document that informs our Integrated Development Plan (IDP) and strategic objectives in order to address the main themes.

This annual report is presented mainly to assess and report back on our Municipality’s performance in making these themes a reality.

In line with the ANC Local Government Manifesto Priorities, Masilonyana Local Municipality has made the following strides in an effort to deliver quality services to our communities:

- Building the local economy to create more employment and sustainable livelihoods.
- During the year under review the Municipality managed to spend all its Municipal Infrastructure Grant, which was made available from the national fiscus, to fund much needed service delivery projects that included construction of roads, sewer networks, water networks, electrification of low cost housing, building of community amenities and facilities. Together all these projects resulted in the job creation within our communities. Working with our communities on the Expanded Public Works Program we have managed to create additional jobs.

Through our initiatives to develop small business, we have established 8 sectoral forums and registered corporative. Furthermore in promoting local economic development we have held workshops to empower our people on the establishment of functional small businesses as well as the establishment of corporative.

As Masilonyana Local Municipality we provided almost all households with access to water and sanitation for those living in our areas of jurisdiction, as well as access to electricity and

waste removal.

During the year under review we have achieved the following:

- We have conducted water audit which resulted in improved water quality. Resolved on average 90% of all water related complaints that were reported;
- In partnership with Bloemfontein Water we are seeking to resolve the long outstanding low water pressure by installing a new water connection that will increase the feed.
- Commissioned a study to reduce sewer spillages;
- Our waste water treatment plant achieved an effluent compliance level on average;
- Provided weekly refuse removal services to all our households;
- Removed illegal dumping in all our wards;
- Electrified new low cost houses,
- We are in the process of completing water pipe line to Brandford & Winburg,
- Provided free basic services such as water, sanitation, waste removal and electricity to nearly all households within our municipal areas

In promoting a culture of learning and improving literacy rate we have upgraded, maintained all libraries and improved access and usage to our communities.

Building more united, non-racial, integrated and safer communities

Masilonyana Local Municipality strengthens relations with the SAPS during the year under review. The Local Community Policing Forums are in operation and visible, and the SAPS conducted roadblocks Crime prevention campaigns which were initiated and held in partnerships with communities, amongst other things focused on substance abuse and domestic violence etc.

Promote more active community participation in Local Government

In Masilonyana Local Municipality, we have ensured that we involve our communities in crafting plans for the future but also to monitor progress we have registered through public participation programmes such as the LED Summit and rigorous IDP stakeholder engagements. We therefore pride ourselves, for having been one of the municipalities to establish functional ward committees before the end of 2011. The Council in the formulation of Integrated Development Plan (IDP) involves the public with the intention to encourage involvement to solicit public participation in order to influence government policy formulation and prioritization of service delivery. For the year under review, MLM had therefore conducted several consultative public participation meetings.

To ensure a proper use of resources, accountability and realization of service delivery objectives, the Municipality strengthened its governance structures by providing full support to committees such as Section 80 & Section 79 (Municipal Public Accounts Committee, Audit and Performance Audit Committee & Finance Committee) This commitment was undertaken

to allow these committees to play their oversight role over municipal affairs and deal appropriately with specific issues of priority for the overall development of the Municipality.

The Strategic Planning Session we held marked a complete break with the past practices of government doing things for the people and them being passive recipients of services from government. The new approach calls for a partnership between the government and the people hence the slogan “**Working Together, we can do more**”.

More effective, accountable and clean local government

The introduction of risk management as part of planning and promotion of good governance resulted in developing a compliant risk register and risk management strategy. The development of the risk management strategy and action plan resulted in the Municipality obtaining a risk maturity rating. With the implementation of Operation Clean Audit to achieve a clean audit by the year 2014 the Municipality for the first time since its formation and amalgamation of former TLC’s in the establishment and formation of a new administrative arm of Local Government.

We have thus far developed and implemented a compliant Generally Recognized Accounting Practices (GRAP 17) Asset Register and obtained a “qualified Audit Opinion from the Auditor General”, which is paving a way for us towards clean Governance to obtain a clean audit in the years to come.

This annual report gives an account of activities undertaken in the year under review.

We do hope that you will enjoy reading it as much as we have enjoyed putting it together. We will endeavour to deliver quality services to our communities and continue to abide by our values and mission.

(Signed by :) _____

**CLLR. K.S KOALANE
MAYOR
MASILONYANA LOCAL MUNICIPALITY**

MUNICIPAL MANAGER'S OVERVIEW

It is with great pleasure to present to the Masilonyana Municipal Council the annual report for the 2014/2015 financial year in compliance with the provisions of Section 46 of the Municipal Systems Act, No. 32 of 2000, as amended and the Municipal Finance Management Act , No. 56 of 2003, as amended.

The 2014/2015 financial year once again offered us some unique ups and downs, especially on the financial front, with the municipality (like all other local municipalities) suffering the effects of the economic crisis due to the instability in the mines, increasing food price and decreasing rand value. This financial year has been characterised by countless activities which posed challenges to both the Municipal Council and the entire community of Masilonyana. Among other challenges that faced the municipality is that the municipality was faced with community protests. Despite the foregoing, the municipality managed to rise to the challenges by fulfilling the constitutional obligations. It can be safely mentioned that the municipality is able to meet the service delivery requirements and implement the capital projects that have enormous impact on our community. The capital projects such as upgrading of waste water treatment plant in Makeleketla, replacement of asbestos air valves in Brandfort, construction of sport complex in Makeleketla and construction of reservoir in Soutpan are some of the on-going projects that the municipality has prioritised.

Basic Service Delivery:

The Municipality is doing well with regard to access to water and electricity while refuse removal and sanitation remains below the national target as set by government. According to Census 2011, 93.2% of the Masilonyana population had access to piped water inside the dwelling and yard. 24% of the households within the Municipality do not have access to basic sanitation while 16.1% is still using the bucket system. During the year under review most if not all our households received a weekly refuse removal service. While 88% of the households used electricity for lighting and cooking.

In our endeavour to perform within our mandate, the Municipality has therefore set itself targets to address the backlogs in order to achieve the national outcomes for basic services in its 2012-2017 approved Integrated Development Plan (IDP). During the period under review the Municipality provided free basic services to a total of eight hundred and twelve (812) indigent households in the form of 10kl of water, 50kW/h electricity, R 50.00 subsidy on assessment rates, free sanitation and refuse removal per month.

The main challenge faced by the Municipality with regard to provision of basic services to the community during the period under review was a lack of adequate funding for bulk infrastructure which in fact is further exacerbated by high unemployment rate that results in a low municipal tax base, hence our reliance on grant funding.

To improve our overall efficiency and effectiveness on municipal activities we have bound every departmental head in the municipality to specific targets that when met, will enable us

to address the said backlogs and these include among others, the requirement to source funding outside the normal channels and investigating alternative funding models for provision of these services to communities in their 2015/16 Performance Plans.

The departmental Head's performance plans for 2015/16 financial year are aligned with the municipal Budget, Integrated Development Plan performance indicators, municipal strategic planning report & action plan and which contains Council priorities.

Financial Viability:

Initiatives (Operation Patala) were launched this financial year under review, to ensure improved municipal financial viability and sustainability, under the guidance of the honourable Mayor. Among others the most notable was the registration of indigent families in an effort to update the current register.

Corporate Governance:

During the period under review the municipal council approved a number of policy documents to ensure compliance and alignment to king three reports.

Supply Chain Management Unit was basically strengthened during the period under review resulting in appointment of additional official so as to ensure segregation of duties and compliance. The Bid Committees was also strengthening among other things. These committees have since been established and are now fully operational.

The Audit and Municipal Public Account Committees are in existence and operational. It needs to be pointed out that much attention has to be given to the MPAC in terms of its operational effectiveness and efficiency.

Local Economic Development

The municipality is in the process of reviewing the LED strategy and Spatial Development Framework to ensure alignment with SPLUMA. The business community, mining houses in particular, have a relationship with the municipality, however this relationship must be taken to greater heights.

The municipality has to give much attention to the area of local economic development.

Good governance and Public participation

The council meetings are held in accordance with the council schedule and the level of commitment of councillors is unquestionably high. The section 79 and 80 committees are in existence and operational. It must be noted that the ward committees are also in existence and operational.

Mr. D Nthau
Municipal Manager

Geography, History and Economy

Area: 6 796km²

Masilonyana Local Municipality is situated between the province's biggest municipality (Mangaung Metropolitan Municipality in the south) and the second-biggest municipality (Matjhabeng Local Municipality in the north). The former administration of the following greater Transitional Local Councils: Theunissen, Brandfort, Winburg, Soutpan and Verkeerdevlei, were amalgamated into the local municipality of Masilonyana. It is an impoverished semi-urban area with a high unemployment rate. The municipality prides itself on its tourist destinations, such as the Florisbad National Quaternary Research Station. This is where the first human skull was discovered. There are also cooperatives in Soutpan working on the salt lakes to produce salt.

The municipality plays host to two toll plazas on two major roads in the province; the Verkeerdevlei Plaza on the N1 is the last before entering Bloemfontein from the north, and the Brandfort Plaza on the former R30 (now ZR Mahabane Road) is situated between Brandfort and Bloemfontein. Brandfort is also known for its rich political history, which includes the National Military Museum on a farm that used to be a concentration camp during the Anglo-Boer War and the Winnie Mandela House, where Mandela was sentenced to House Arrest during the State of Emergency in the 1980s. Theunissen is also situated on the ZR Mahabane Corridor between Bloemfontein and Welkom, and hosts the three mines within the municipal jurisdiction. Winburg has economic potential because of its location, which is 100km west of Bloemfontein, and its linking of Bloemfontein with Johannesburg, Cape Town and Durban. It prides itself with the Voortrekker Monument as its Heritage Site, and Masilonyana boasts several game reserves across all its towns.
Towns: Brandfort, Soutpan, Theunissen, Verkeerdevlei, Winburg
Main Economic Sectors: Agriculture, Mining, Community Services

DEMOGRAPHICS

Population	63 334
Age Structure	
Population under 15	29.80%
Population 15 to 64	64.40%
Population over 65	5.80%
Dependency Ratio	
Per 100 (15-64)	55.30
Sex Ratio	
Males per 100 females	101.90
Population Growth	
Per annum	-0.17%
Labour Market	
Unemployment rate (official)	38.80%
Youth unemployment rate (official) 15-34	49.80%
Education (aged 20 +)	
No schooling	
Higher education	4.50%
Matric	23.10%
Household Dynamics	
Households	17 575
Average household size	3.30
Female headed households	42.70%
Formal dwellings	82.90%
Housing owned	
Household Services	

Flush toilet connected to sewerage	70.50%
Weekly refuse removal	53.90%
Piped water inside dwelling	28.90%
Electricity for lighting	

Source: Census 2011 Municipal Fact Sheet, published by Statistics South Africa

MUNICIPAL FUNCTIONS

A municipality has executive authority in respect of, and has the right to administer

- a. the local government matters listed in Part B of Schedule 4 and Part B of Schedule 5; and
- b. any other matter assigned to it by national or provincial legislation.

A municipality may make and administer by-laws for the effective administration of the matters which it has the right to administer.

Subject to section 151(4), a by-law that conflicts with national or provincial legislation is invalid. If there is a conflict between a by-law and national or provincial legislation that is inoperative because of a conflict referred to in section 149, the by-law must be regarded as valid for as long as that legislation is inoperative.

The national government and provincial governments must assign to a municipality, by agreement and subject to any conditions, the administration of a matter listed in Part A of Schedule 4 or Part A of Schedule 5 which necessarily relates to local government, if

- c. that matter would most effectively be administered locally; and
- d. the municipality has the capacity to administer it.

A municipality has the right to exercise any power concerning a matter reasonably necessary for, or incidental to, the effective performance of its functions.

LOCAL MUNICIPAL PROFILE

SERVICE DELIVERY OVERVIEW

Ward	Households	Formal Dwellings (%)	Telephone at Home (%)	Electricity (%)	Sanitation (%)	Piped Water to Dwelling (%)
1	1394	40.3	9.0	73.2	2.5	58.4
2	1897	77.4	35.5	78.4	38.7	43.0
3	1693	56.9	13.9	67.6	6.7	23.2

4	1251	65.1	38.5	91.3	34.2	44.9
5	682	35.9	7.6	51.9	28.9	22.4
6	1344	63.0	26.6	68.9	26.0	65.7
7	1565	72.9	18.0	81.9	26.7	22.0
8	1299	7.9	0.0	74.7	0.3	26.1
9	1764	47.8	15.6	60.0	28.1	31.7

Statistics South Africa Household Services, Geography by Source of water for Household weighted 2011

Statistics South Africa Household Services ,Geography by Source of water for Household weighted 2011									
W/D	Regional/local water scheme (operated by municipality or other water services provider)	Borehole	Spring	Rain water tank	Dam/pool /stagnant water	River/ stream	Water vendor	Water tanker	Other
1	1274	14	1	10	27	1	15	8	7
2	1806	333	1	11	12	4	17	72	30
3	1430	457	5	9	17	-	2	50	8
4	1238	94	-	-	-	-	1	1	70
5	2569	112	-	11	1	1	1	7	59
6	513	185	-	3	2	1	-	3	12
7	2050	4	-	-	37	-	-	9	19
8	1177	-	-	-	1	-	1	4	19
9	2239	38	-	7	2	1	5	8	67
10	1333	5	6	-	1	-	2	5	26

STATUTORY ANNUAL REPORT PROCESS

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

CHAPTER 2 – GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

POLITICAL GOVERNANCE

INTRODUCTION TO GOVERNANCE

Governance structures and processes in the municipality are aligned to the relevant legislative provisions in the Municipal Structures Act, Municipal Systems Act and Municipal Finance Management Act. The interface between political and administrative structures are managed by the Mayor and Municipal Manager, the municipality participated effectively in the various inter-governmental structures, public accountability and participation are managed by the Speaker's Office and the Mayor in terms of their respective responsibilities and a number of corporate governance arrangements have been institutionalised to ensure legislative compliance and best practices.

POLITICAL AND ADMINISTRATIVE GOVERNANCE

Note: The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

The Council is vested with the responsibility to oversee the performance of the administration through council and committee meetings. The Mayor and Executive Committee provide the link between the Council and Administration and are responsible for regular monitoring and for tabling of reports before council. The administration, headed by the Municipal Manager, is responsible for the day-to-day operations of the municipality.

INTRODUCTION TO POLITICAL GOVERNANCE

Note: MFMA section 52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality

The political structure of the municipality consist of 20 Councillors. Ten of the elected Councillors represents the ten wards within the municipality whilst the other ten Councillors are PR Councillors and represents their respective political parties in the municipal council. There are two political office bearers that were elected in their respective positions by the full council. The two political office bearers is the Mayor and the Speaker.

The Mayor of Masilonyana Local Municipality is honourable Councillor KS Koalane. The Mayor is the senior political office bearer that carries the following responsibilities:

- Identify the needs of the municipality

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- Review and evaluate those needs in order of priority
 - Recommend to the Council strategies, programmes and services to address priority needs through the intergrade development plan
 - Recommend or determine the best way to deliver those strategies
 - Identify and develop criteria in terms of which progress in the implementation of the strategies and programmes can be evaluated
 - Evaluate progress against the key performance indicators
 - Review the performance of the municipality
 - Monitor the management of the municipality's administration in accordance,
 - Oversee the provision of services to communities in the municipality in a sustainable manner. Perform such duties and exercise powers as the council may delegate to him or her.
 - Annually report to the council on the involvement of communities and community organizations.
 - Ensure that regard is given to public views and report on the effect of consultation on the decisions of the council.
 - Must perform ceremonial role as the council may determine.
 - Must report to the municipal council on all decisions taken by the mayor.
 - Determine the venue, time and date of the Executive committee meetings. Delegate specific responsibilities to each member of the committee.

The Speaker of the Masilonyana Local Municipality is honourable Councillor SJ Mabitle who is the Chairperson of all Council meetings and is responsible for the discipline of councillors and to maintain order at meetings other functions of the Speaker are:

To perform the duties and exercise the powers delegated to the Speaker.

- *Must ensure that the council meets at least quarterly.*
- *Must ensure compliance with the code of conduct*
- *Must ensure that the council meetings are conducted in accordance with the rules and orders to the council.*
- *Determine the date, time and venue of ordinary and special council meetings*

The Executive Committee of the Council is assisted by four portfolio committees. Each of these committees is chaired by a member of the Executive committee.

The four portfolio committees are as follows:

- *Human Resources and Corporate Services Committee.*
- *Finance Management Committee.*
- *Social and Community Services Committee.*

- Infrastructure and LED Committee

The Council is assisted by section 79 committees. Each of these committees is chaired by a member of the municipal council that is not an Executive Committee member.

Section 79 committees that are currently in operation are as follows:

- Rules Committee*
- Oversight Committee*
- MPAC Committee*

The Oversight committee that consist of non-Executive Committee members has been established to play an oversight role over Auditor General Reports, the annual report as well as other oversight functions that may be delegated to it from time to time.

An Audit Committee and Audit Unit were established January 2013.

POLITICAL STRUCTURE

MAYOR

KS Koalane

FUNCTIONS

Overall political responsibility for sound governance and service delivery

SPEAKER

SJ Mabitle

Public participation, ward committees and managing Council and Committee meetings

CHIEF WHIP

ME Modise

Ensures discipline among Councillors; managing relations between political parties and representation on Committees

EXECUTIVE COMMITTEE

- Councillor K.S Koalane
- Councillor M.E Modise
- Councillor M. Tsoaela
- Councillor P.T Botha

COUNCILLORS

The municipality has 20 Councillors of which 10 are Ward Councillors and 10 PR Councillors.

COMMUNICATION, PARTICIPATION AND FORUMS

Communication for Public meetings is conducted through telephone, loud-hailing, distribution of pamphlets and issuing of formal invitations to Ward Committees, CDWs, Stakeholders and Councillors. In most cases these purpose of these meeting was the establishment of Ward Committees IDP and Budget consultations and review/updating of community needs. All community sectors and stakeholders such as Business and NGOs were engaged through meetings of the IDP Representative Forum.

CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

The Municipality has prioritised good and ethical corporate governance. In this regard, it has a functional Risk Management Unit and a Risk Management Policy; an Internal Audit and Risk Assurance Division, and an Anti-Fraud and Anti-Corruption Strategy in place.

ADMINISTRATIVE GOVERNANCE

INTRODUCTION

By law, the Municipal Manager automatically is the head of administration as well as the accounting officer. The Municipal Manager has extensive statutory and delegated powers and duties, as well as powers and duties that can be inferred from such statutory and delegated powers and duties.

The Municipal Manager is, amongst others, responsible –

- for the formation and development of an economical, effective, efficient and accountable administration;
- to ensure that the municipal “machine” operates efficiently, that the organizational structure is able to perform the various tasks and exercise the necessary controls;
- to fulfill a leadership role in the administration; this is of utmost importance to influence the actions of staff and to inspire and persuade them to work together to realize the municipality’s goals;
- for the implementation of the municipality’s integrated development plan, and the monitoring of progress with implementation of the plan;
- for the financial responsibilities as accounting officer as determined by the MFMA.

The Municipal Manager is the Chief Advisor of the municipality and must advise the political structures and political office-bearers of the municipality. The Municipal Manager must see to the carrying out of the decisions of the political structures and political office-bearers of the municipality.

TOP ADMINISTRATIVE STRUCTURE

DESIGNATION	FUNCTION
MUNICIPAL MANAGER Mr D Nthau	Accounting Officer and Head of the administration
CHIEF FINANCIAL OFFICER Ms. F Mzizi	Revenue, Expenditure, Asset and Liability Management; Budgeting and Reporting
ACTING DIRECTOR: Infrastructure Services Mr. P Tshabalala	Water, Sanitation, Electricity, Roads, Storm water and PMU
DIRECTOR: Corporate Services Vacant	Human Resources, Auxiliary and Legal Services, Council Support
DIRECTOR: Community & Social Services Mrs. M.E. Makgahlela	Waste management, Sport & Recreation, Arts & Culture, Public Safety, Urban Planning and Parks

INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Note: MSA section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisage in the Constitution section 41.

The municipality endeavours to comply with the regulatory frameworks and best practices regarding corporate governance and intergovernmental relations. This includes the establishment of a risk management function, internal audit unit and independent audit committee, the implementation of fraud and anti-corruption policies and measures and active participation in various IGR structures

In current financial year Municipality did not participate actively in the structure.

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The main structure is the Premier's Coordinating Forum (PCF) in which the Mayor and Municipal Manager participates. The municipality did participate in these structure and this has promoted good inter relations, best practices and information sharing amongst stakeholders.

RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipality does not have any active municipal entities.

DISTRICT INTERGOVERNMENTAL STRUCTURES

The main structure is the District Coordinating Forum (DCF) in which the Mayor and Municipal Manager participate. This has promoted good relations and best practices in leadership and governance between local municipalities and the district municipality.

PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

In order to realise its aim of being a responsive, caring, transparent and accountable service delivery institution, the Municipality is committed to public engagement and participation in planning and decision-making processes. In this regard, it has established a broad spectrum of engagement and consultation programmes and platforms aimed at the various communities, social partners and interest groups it serves.

RISK MANAGEMENT

Successes and failures in responding to risks are often the result of an organisation's rigor in applying risk management principles and its agility in adjusting to a changing environment. To effectively uncover such risks, resources need to be sensitised and focused on identifying the broad realm of potential and emerging risks. To this end, benefits to be obtained by employing Enterprise Risk Management within the Municipality include the following:

Aligning risk appetite and strategy

- Enhancing risk response decisions
- Reducing operational surprises and losses
- Identifying and managing multiple and cross-enterprise risks
- Seizing opportunities
- Improving deployment of capital

In order to implement and embed Enterprise Risk Management within the Municipality, a comprehensive Risk Management Plan, aligned with the Public Sector Risk Management Framework issued by National Treasury and with the Municipality's own Risk Management Strategy and Policy, has been devised.

The Municipality's Risk Management Unit is committed to the optimal management of risks in order to assist the organisation in achieving its vision, mission, objectives, and strategies and plans to protect its core values.

This commitment is supported by a process of risk management that is aligned to principles of good corporate governance and informed by documents such as the Public Sector Risk Management Framework, the Municipal Finance Management Act No. 56 of 2003 and the King Reports on Corporate Governance (King II and King III).

SUPPLY CHAIN MANAGEMENT

The Supply Chain Management (SCM) Policy was developed and approved by Council in March 2009. In terms of the SCM Regulations, the SCM Policy has to be reviewed at least annually by the Accounting Officer.

PUBLIC SATISFACTION WITH MUNICIPAL SERVICES

The Municipality has prioritised public engagement, consultation and interaction in respect of service delivery and key municipal programmes and projects. It is acknowledged, however, that there is room for improvement, as was evident from the recent spate of strikes and public unrest experienced in the Municipality.

SERVICE PROVIDERS PERFORMANCE AS APPOINTED BY DEPARTMENTS DURING 2014/15 FY

SERVICE PROVIDER	PROJECT NAME	BUDGET VALUE	CONTRACT DURATION	PROJECT STATUS AND END USER REMARKS ON OVERALL PERFORMANCE BY THE PROVIDER
Weininvest	MFMP Training	1,191,960.00	12 Months	The training is in progress
Classi Human Capital	Renovation of offices	706,060.00	Once off	The project is complete
Max profit recovery	VAT Review	183,847.23	3 Years	The project is complete
Lateral Unison	Insurance	1,093,834.18	3 years	The contract amount may increase due to Inflation
Dagne trading & Project	Yellow Fleet	1,158,187.80	Once off	Cancelled
Camelsa	Pastel evolution ERP System Support	1,162,000.00	3 Years	The service in progress
SAB&T (Extention of scope)	Financial Management Support	918,827.55	2 Years	The service in progress
LSB Group	Surveying of sites	209,108.12	Once off	Project in progress
Proper Consulting Engineers	Winburg Raw Water Line	7,740,000.00	Once off	Project in progress
Classic Human Capital	Repairs and maintenance of electricity	As when required	3 years	Service not rendered yet
AJ Mining	Repairs and maintenance of sewer and water	As when required	3 years	Service not rendered yet
Phokeng Consulting	Theunissen-Masilo sports centre	1,888 782.61	Once off	Service not rendered yet
MGP	Upgrading and refurbishment of electricity	3,501 575.00	Once off	Service not rendered yet
Free State environmental Services	Water Sampling and Testing	1,260 000.00	3 years	Not paid yet
Dikeledi tsa batswadi	Supply and delivery of stationery	As when required	3 Years	Service not rendered yet
Fort 66	Supply and delivery of stationery	As when required	3 Years	Service not rendered yet
Western Blue Projects	Supply and delivery of cleaning material	As when required	3 Years	Service not rendered yet
Reakgathalla Construction JV	Supply and delivery of cleaning material	As when required	3 Years	Service not rendered yet
Tiragatso Consultancy	Supply and delivery of road patching material	As when required	3 Years	Service not rendered yet
Repairs and Maintenance of Vehicles	Repairs and maintenance of vehicle	As when required	3 Years	Service not rendered yet
Maema-Maema Trading	Supply and delivery of building material	As when required	3 Years	Service not rendered yet

Masilonyana Transport	Provision of transport	As when required	3 Years	Service not rendered yet
AJ Mining	Refurbishment of water treatment plant	3,339,686.38	Once off	The project is complete
AJ Mining	Refurbishment of waste water treatment plant	175,235.00	Once off	The project is complete
AJ Mining	Refurbishment of bore holes	5,098,253.36	Once off	The project is complete
Katleho Technical Services	Refurbishment of Winburg Pump Station:	1,583,463.40	Once off	The project is complete
Katleho Technical Services	Verkeerdevlei outfall sewer replacement:	1,036,000.00	Once off	The project is complete

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

INTRODUCTION

Masilonyana Local Municipality is committed to quality service delivery to its residents and to the expansion of services to those who never previously had access to these. Service delivery related focus areas of the Municipality, including performance highlights over the review period, are reflected below:

- **Provision of integrated, sustainable human settlements.**
 - Provincial Department for human settlement subsidized housing units built.
 - Everyone was provided with permanent water and sanitation services.
- **Provision of quality potable water and reliable water supply.**
 - New state subsidized houses were provided with water connections.
- **Provision of sanitation services.**
 - New state subsidized houses were provided with sewer connections.
- **Provision of energy and electricity.**
 - Everyone was connected to electricity
- **Provision of solid waste management services.**
 - All households within the Municipal area were provided with a domestic waste collection service.

In addition to the above, the Municipality also focuses on economic growth and development, arts, culture and heritage, as well as sports development and promotion.

COMPONENT A: BASIC SERVICES

The Municipality acknowledges that proper infrastructure is key to quality service delivery, as a result the municipality planned to reduce aging & dilapidated infrastructure annually but due to limited resources this remain a dream.

Water is vital to life, while the provision of proper sanitation services to communities in previously disadvantaged areas is key to the restoration of residents' dignity. It is acknowledged that buckets are still used as a basic sanitation system and plans are in place to address and change this status quo.

A sustainable supply of sufficient electricity and energy is vital for the growth and development of Masilonyana.

In the realisation that ESKOM cannot satisfy all South Africa's energy needs at this stage, the Municipality is pursuing alternative sources of energy to supplement existing capacity, for example, solar energy, and energy from gas.

WATER PROVISION

The strategic approach to the provision of water services is contained in the Water Services Development Plan (WSDP), as approved during the IDP engagements. The Bulk Water Supply Plan for all towns is contained in the Water Master Plan, which was approved. These documents underpinned the input given to the Department of Water Affairs.

All planning culminates in the Three-year Capital Budget Programme, which speaks to the delivery of water services to meet domestic water needs, especially of the poor, and commercial/industrial water demands.

Water Service Policy Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2014/15					
		Target		Actual	Target		
		*Previous Year (v)	*Current Year (vi)	(vii)	Corrective action/ measures	*Current Year (ix)	*Following Year (x)
Service Objective water							
Address all infrastructure Backlogs	Soutpan/Ikgomotseng Provision of 1Ml storage reservoir	N/A	Soutpan/Ikgomotseng Provision of 1Ml storage reservoir	Land dispute was not successfully resolved. New designs was completed for the construction of the elevated tank on the new municipal land	No information supplied	N/A	N/A
Address all infrastructure Backlogs	Theunissen/Masilo: Installation of 2 Zone Meters and 4 Bulk Water Meters	N/A	Theunissen/Masilo: Installation of 2 Zone Meters and 4 Bulk Water Meters	Installation of household meters completed. No contractor was appointed for the Zone and Bulk meters. No site establishment was done	No contractor was appointed for the Zone and Bulk meters	N/A	N/A
Address all infrastructure Backlogs	Winburg/Makelekela Installation of 3122 water meters, 3 Zone Meters	N/A	Winburg/Makelekela Installation of 3122 water meters, 3 Zone Meters	Installation of household meters completed. No contractor was appointed for the Zone and Bulk meters. No site establishment was done	No contractor was appointed for the Zone and Bulk meters	N/A	N/A
Address all infrastructure Backlogs	Verkeerdevlei/Tshepong: Installation of 505 domestic water meters, 2 Zone Meters and 5 Bulk Water Meters	N/A	Verkeerdevlei/Tshepong: Installation of 505 domestic water meters, 2 Zone Meters and 5 Bulk Water Meters	Installation of household meters completed. No contractor was appointed for the Zone and Bulk meters. No site establishment was done	No contractor was appointed for the Zone and Bulk meters	N/A	N/A

Address all infrastructure Backlogs	Brandfort/Majwemas eu: Installation of 2719 Water Meters, 3 Zone Water Meters and 3 Bulk Water Meters	N/A	Brandfort/Majwemas eu: Installation of 2719 Water Meters, 3 Zone Water Meters and 3 Bulk Water Meters	Installation of household meters completed. No contractor was appointed for the Zone and Bulk meters. No site establishment was done	No contractor was appointed for the Zone and Bulk meters	N/A	N/A
Address all infrastructure Backlogs	Soutpan/Ikgomotseng :Installation of 1027 Water Meters, 2 Zone Meters and 5 Bulk Water Meters	N/A	Soutpan/Ikgomotseng :Installation of 1027 Water Meters, 2 Zone Meters and 5 Bulk Water Meters	Installation of household meters completed. No contractor was appointed for the Zone and Bulk meters. No site establishment was done	No contractor was appointed for the Zone and Bulk meters	N/A	N/A
Address all infrastructure Backlogs	Ensure Provision/Supply of Quality Drinking Water To RDP STD	N/A	Ensure Provision/Supply of Quality Drinking Water To RDP STD	Samples tanked and tested accordingly. Analysis reports done. Blue drop data uploaded monthly	N/A	N/A	N/A
Address all infrastructure Backlogs	Water Provision & Monitor Water Quality	N/A	Water Provision & Monitor Water Quality	Samples tanked and tested accordingly. Analysis reports done. Blue drop data uploaded monthly	N/A	N/A	N/A

WASTE WATER (SANITATION) PROVISION

The strategic approach to the provision of sanitation services is contained in the Water Services Development Plan (WSDP), as approved for the IDP cycle. The Bulk Sanitation Plan for the metropolitan area is contained in the Sanitation Master Plan, which was approved. The WSDP is currently under review. These documents speak directly to the planning horizons set in the Spatial Development Framework and the Housing Programme.

Sanitation Service Policy Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2014/15			Target		
		Target		Actual	Corrective action/measure s	*Current Year (ix)	*Following Year (x)
		*Previous Year (v)	*Current Year (vi)	(vii)			
Service Objective sanitation							
Address all infrastructure Backlogs	Winburg /Makeleketla upgrading of existing waste water treatment works	N/A	Winburg /Makeleketla upgrading of existing waste water treatment works	The practical completion for Civil Contractor was done, Mechanical Contractor was terminated due to non-performance. busy preparing turnkey for the consultant	Mechanical Contractor was terminated due to non-performance	N/A	N/A
Address all infrastructure Backlogs	Theunissen/Masilo: bucket eradication for 1140 erven (+ 53 toilets from savings)	N/A	Theunissen/Masilo: bucket eradication for 1140 erven (+ 53 toilets from savings)	Project Completed completion certificate and close out reports submitted	N/A	N/A	N/A
Address all infrastructure Backlogs	Winburg/Makeleketla: Eradication of 1261 buckets	N/A	Winburg/Makeleketla: Eradication of 1261 buckets	Project Completed completion certificate and close out reports submitted	N/A	N/A	N/A
Address all infrastructure Backlogs	Brandfort/Majwemasheu: Upgrading of the Waste Disposal Site	N/A	Brandfort/Majwemasheu: Upgrading of the Waste Disposal Site	No funds were available to implement this project.	No funds were available to implement this project.	N/A	N/A

ELECTRICITY

The Infrastructure Development Department of Masilonyana strives to supply basic services to all formal households and will electrify all new developments within our financial ability. However, as the strategy is determined by Human Settlement Projects therefore there is no Service backlog at this time. Conversely, Service Backlog will be addressed during Human Settlement Projects within our financial ability.

The copper conductors will be replaced with aluminum conductors to prevent the theft of the copper.

ELECTRICITY SERVICES PERFORMANCE OVERALL:

The following targets were set out:

- Roll-out electro-wise campaigns,
- Develop and implement the demand side management (DSM),
- Enhance maintenance of the entire network,
- Implement a proactive maintenance plan as per the Master Plan on Infrastructure,
- Upgrade the main feeder from all Municipal Township,
- Refurbishment of the Transformers, Substations and associated networks.

The challenges that have to be met are the theft of cables and the vandalism of equipment for the copper content. We did not achieve some of the objectives due to financial constraints.

Electricity Service Policy Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2014/15			Target		
		Target		Actual	Corrective action/measure s	Target	
		*Previous Year (v)	*Current Year (vi)	(vii)		*Current Year (ix)	*Following Year (x)
Service Objective Electricity							
Address all infrastructure Backlogs	Masilonyana: Installation of 6 Highmast lights for all the five towns	N/A	No information supplied	No information supplied	No information supplied	N/A	N/A
Address all infrastructure Backlogs	Electricity Supply	N/A	Electricity Supply	Business plans DOE where approved and 1.5 mil allocated for next Financial year.	N/A	N/A	N/A

WASTE MANAGEMENT

This forms part of the basic services that are provided to communities and comprises of the following functions:

- Domestic, Bulk & Business refuse collection, and illegal dumping
- Streets, CBD (Central Business District) & Public Facilities cleaning waste disposal.

Households and business refuse removal services and these services are provided at least once a week. Cleaning of CBD & public facilities was done through utilization of Expanded Public Works programme workers. Streets & open spaces were cleaned in collaboration with Community Work Programme workers and Community Based Contractors.

The Landfill site plays a pivotal role in that without its existence, there would be no area where all the collected refuse is disposed. It is thus very important that all be carried out as per the relevant regulations, as this will not only assist the Municipality to comply and retain its license but to also be in a better position to prolong the landfill's lifespan.

Through our enhance service delivery effort refuse removal is rendered to every households. Due to service delivery protest some of the municipal areas could not be serviced fully. Part of the achievements in this service was articulated in the Strategic Planning Report which indicated/expressed rendering of refuse removal service to every household.

HOUSING

HUMAN SETTLEMENT

The ability to provide Housing Masilonyana has been reliant on funding availed by the Provincial Department of Human Settlements which presently incorporates, Corporative Governance and Traditional Affairs. A major challenge identified is that of unreliable /conflicting information from various sources being STATS SA, the Department itself etc. **In the 2015/16 the Municipality is gearing to produce a housing charter to address this matter.** The hope is therefore to address service backlogs and extension of basic services.

Housing Service Policy Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2014/15			Corrective action/measure s	*Current Year	*Following Year
		Target		Actual			
		*Previous Year (v)	*Current Year (vi)	(vii)			
Service Objective housing							
No information supplied	Reduce Informal Settlements and Compile Annual Report	None	Reduce Informal Settlements and Compile Annual Report	Achieved. Households in informal settlements in Soutpan and Verkeerdevlei were allocated with sites, the people have not moved because temporary services have not been installed yet.	N/A	N/A	N/A

COMPONENT B: ROAD TRANSPORT

ROADS

The municipality has achieved major successes in maintaining the infrastructure to an acceptable level of standard in that. A major challenge has been cash flow resulting in proactive maintenance not being carried out, **rather, reactive maintenance was done.**

The priorities have been to attend to all potholes within the road network, undertake crack sealing, street cleaning and attending to road edge breaking and maintenance of gravel roads.

The variation to the total approved value of projects depends on the allocation of MIG funds to different projects of the municipality. The total budget allocated for the year under review, was fully utilized, and therefore no variation from the total budget and the actual.

WASTE WATER (STORMWATER DRAINAGE)

The progress to improve the storm water drainage system in the entire municipal jurisdiction is improved by conducting efficient maintenance that is cleaning of storm water channels and water inlets on regular basis, especially during dry season. **The municipality used EPWP participants and machineries to conduct the cleaning,** the maintenance plan was implemented successfully and as a result, no floods were experienced or reported.

But there is still a challenge that the residents throw foreign objects into the storm water channels and inlets on regular basis. There are no municipal entities responsible for rendering storm water drainage services for the municipality, all the work is done internally.

Storm-water drainage consists of open storm-water channels, catch-pit inlets and covered storm-water channels. The maintenance of these various infrastructures determines the effectiveness of storm-water management. The effectiveness of the storm-water drainage system is evident during the rainy season when informal areas are easily flooded and damaged to property occurs.

There is no specific storm water projects prioritize alone, all storm water projects are incorporated and build together with roads projects, hence there is no capital budget for storm water.

Roads and Storm-water Service Policy Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2014/15			Target		
		Target		Actual	Target		
		*Previous Year (v)	*Current Year (vi)	(vii)	Corrective action/ measures	*Current Year	*Followi ng Year
Service Objective road and storm-water							
No information supplied	Road Maintenance Plan	N/A	Road Maintenance Plan	Road Maintenance plan completed and approved by council	N/A	N/A	N/A

COMPONENT C: PLANNING AND DEVELOPMENT

PLANNING

The Town Planning Unit's core function and strategic objective is to manage all Town Planning matters of Council and provide Spatial and Area Planning Services to Council and to the public. On the positive various applications for the rezoning of existing properties to allow the development on non-residential uses have been dealt with during the report period.

Various rezoning and consent use applications have been received but **due to circumstances outside the control of the town planning unit a number of applications could not be finalized within the earmarked time of 90 days from compliance by applicants.**

Another challenge is that the planning unit does not have a Geographic Information System (GIS) that leads to an effective planning service.

Planning Service Policy Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i> (i)	Outline Service Targets (ii)	2014/15		Actual (vii)	Corrective action/measure s	*Current Year	*Following Year
		Target					
		*Previous Year (v)	*Current Year (vi)				
Service Objective Planning							
Finalize Township Establishment	Compile Town Planning Annual Report	N/A	Compile Town Planning Annual Report	Achieved	N/A	N/A	N/A
Approve Building Plans	Compile Town Planning Annual Report	N/A	Compile Town Planning Annual Report	Achieved	N/A	N/A	N/A
Improve approval for land use & planning applications	% of land use applications finalized within the legislative framework	N/A	% of land use applications finalized within the legislative framework	70% Achieved. 85% land use applications received. Veerleidevlei and Soutpan Township Establishment approved. Winburg Township Establishment is in the process to be approved. Cemetery in Masilu and Makeleketa is in process to be approved.	N/A	N/A	N/A

LOCAL ECONOMIC DEVELOPMENT

The main function of the unit includes the following:

- Development and support of Cooperatives and SMMEs.
- Investment management
- Coordination of the EPWP
- Coordination of support to local businesses & associations.
- Facilitation and implementation of LED projects in partnership with external enterprise development organizations.

The unit has been instrumental in ensuring that projects are supported by the mining houses are implemented in the communities.

Masilonyana Local Municipality is implementing Extended Public Works Programme (EPWP) which aims to alleviate poverty by creating work opportunities for unemployed community members for a period of six months. There has been a significant growth in the number of EPWP beneficiaries.

The LED that was developed was not implemented fully due to financial constraints and lack of established partnerships to realize the LED plan objectives. **However the municipality is striving to recruit & train current staff to ensure a vibrant LED.**

Local Economic Development Service Policy Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i>	Outline Service Targets	2014/15		Actual	Corrective Measures	*Current Year	*Following Year
		Target					
(i)	(ii)	*Previous Year (v)	*Current Year (vi)	(vii)	(viii)	(ix)	(x)
Service Objective local economic development							
Increase no of job opportunity	No. of jobs created Employment opportunities created through EPWP initiatives	N/A	3000	There were jobs created through the EPWP initiatives, Roads and Storm Water Maintenance, Cleaning of Parks and Cemeteries, Community Safety Guards in Soutpan and Sports & Recreations.	N/A	N/A	N/A
Improve local tourism within Masilonyana	% increase of visitors	N/A	20%	LED Forum has been established and meets regularly.	N/A	N/A	N/A
Identify land for landing strip	Demarcate an area	N/A	Demarcate an area	No landing strips were identified	No information supplied	N/A	N/A
Street trading Regulate street trading	Develop and introduce by-laws	N/A	Enforce by-laws	By-laws was approved by Council and promulgated in the Provincial Gazette.	N/A	N/A	N/A

COMPONENT D: COMMUNITY & SOCIAL SERVICES

COMMUNITY FACILITIES

PARKS (INCL. OPEN SPACES); AND OTHER

The Municipality is maintaining all recreational parks and open spaces in contribution to bio-diversity. The following activities were undertaken grass cutting, litter picking, soil turning, hedge trimming, fertilization, watering, weeds removal, edge trimming and waste disposal.

Sports Facilities Objectives Taken From IDP

Service Objectives <i>Service Indicators</i>	Outline Service Targets	2014/15			Target		
		Target		Actual	Corrective measures	*Current Year	*Following Year
		*Previous Year	*Current Year				
Service Objective Sports Facilities							
Address all infrastructure Backlogs	Winburg Construction of sports centre	N/A	Winburg Construction of sports centre	Contract terminated due to poor performance. In a tendering process to appoint the new contractor.	In a tendering process to appoint the new contractor.	N/A	N/A
Ensure safe clean & user friendly recreational facilities	Compile annual report	N/A	Compile annual report	Achieved	N/A	N/A	N/A
Improve Management of Municipal Facilities	Compile Facility Management Annual Report	N/A	Compile Facility Management Annual Report	Achieved	N/A	N/A	N/A
Ensure Safe & Clean Municipal Environment	Compile annual report	N/A	Compile annual report	Achieved	N/A	N/A	N/A
Manage Community & Social Services Department	Compile HR Management Annual Report	N/A	Compile HR Management Annual Report	Achieved	N/A	N/A	N/A

CEMETERIES AND CREMATORIUMS

Masilonyana Local Municipality is rendering cemetery services with operational cemetery in every town within the municipal area. All municipal cemeteries were fenced during the period in review.

Cemeteries and Crematoriums Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i>	Outline Service Targets	2014/15			Target		
		Target		Actual	Target		
		*Previous Year	*Current Year		Corrective measures	*Current Year	*Following Year
Service Objective Cemeteries and Crematoriums							
Management of Cemeteries and Fencing	Compile Property Annual Report	N/A	Compile Property Annual Report	Achieved	N/A	N/A	N/A

COMPONENT E: SECURITY AND SAFETY

PUBLIC SAFETY

The Public Safety Section forms part of the Department: Community Services and its mandate is to contribute to the municipality's achievement of strategic goal which is the provision of a safe and healthy environment. **The municipality has appointed officials to assist with this mandate, while acknowledging that little has been achieved on this regards.**

Law Enforcement Service Policy Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i>	Outline Service Targets	2014/15		Actual	Target		
		Target			Corrective/Improvement measures	*Current Year	*Following Year
		*Previous Year	*Current Year				
Service Objective Law Enforcement							
Implement and enforce appropriate legislation & municipality by-laws	Compile annual report	N/A	Compile annual report	Not achieved. The law enforcement personnel is still not appointed and the functions of this section could not be performed	N/A	N/A	N/A

3.15 DISASTER MANAGEMENT

Disaster Management Safety Awareness Campaigns:-

Due to the non-existence of a dedicated unit (Shared responsibility between Local & District), the annual target could not be reached.

No appointments have thus been made in the Disaster Management unit. For this reason it is difficult for this KPI to be achieved as planned almost annually.

Disaster Management Service Policy Objectives Taken From IDP							
Service Objectives	Outline Service Targets	2014/15			Target		
		Target		Actual	Target	*Current Year	*Following Year
<i>Service Indicators</i>		*Previous Year	*Current Year		Corrective/ improvement measures		
Service Objective Disaster Management							
Ensure implement of District Disaster Management	Compile annual report	None	Compile annual report	Achieved	N/A	N/A	N/A

COMPONENT F: CORPORATE POLICY AND OTHER SERVICES

CORPORATE POLICY

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

The Annual Performance Report (APR) provides a snapshot of the implementation of the Service Delivery and Budget Implementation Plans, the budget of the 2014/2015 financial year and the Integrated Development Plan (IDP). It reflects on when projects and programmes were started, when they were completed, and reflects upon the types of evidence to be provided proving that the projects have been completed.

- Council Meetings Planned v/s more than 12 implemented
- IDP meetings planned and more than 4 implementation
- Ward Public Meetings Planned and Implemented.

Priorities

- Providing Free Basic Services
- Waste Management
- Public Participation and Accountability
- Economic Development
- Financial Viability & Management

Successes

- Successful launching of Operation Patala,
- Full time office based staff in the Office of the Speaker has been appointed to provide additional support to the Ward Councilors and committees,
- Filling of critical post, with limited resources,
- The Executive performed its oversight role in accordance with the legislative requirements.
- All Council and committees meetings were property constituted and met as per annual schedule. As the decision making structure, resolutions were taken to ensure the achievement of service delivery objectives and legislative compliance.

Executive and Council Service Policy Objectives Taken From IDP							
Service Objectives	Outline Service Targets	2014/15			Target		
		Target	Actual	Target	Corrective/ improvement measure	*Current Year	*Following Year
Service Indicators		*Previous Year	*Current Year				
Service Objective Executive and council							
Build human resource capacity	Review workplace skills development plan	None	Compile Annual report	WSP was reviewed on 30 April 2015 and submitted to LGSETA. A letter of acknowledgement was received from LGSETA	N/A	N/A	N/A
Build human resource capacity	Bursary scheme	None	Compile report	Bursary policy is approved. Training committee established. Held regular meeting to recommend bursary applications received from employees. 12 Bursaries was allocated during the 2014/15 financial year	N/A	N/A	N/A
Employment equity planning	Set realistic targets	None	Review employment equity plan and implement	Employment equity plan was submitted to Department of Labour in terms of legislation. The EE plan was last reviewed during August 2015	N/A	N/A	N/A
Employees data purification	Identify all municipal employees	None	Maintain & update employee data Compile a report	Employee verification was done during June 2015	N/A	N/A	N/A
Review municipal structure	Align structure to IDP	None	Fill al critical posts and report	The majority of critical position was filled in the 2014/15 financial year.	N/A	N/A	N/A

Staff morale	Enhance staff morale	1 Calendar	Report on last session of team building	An employee wellness day was held on 24 October 2014	N/A	N/A	N/A
HR Policies	Review HR policies	None	Implement	The review of HR policies is in process. Consultation meeting was held with LLF. LLF recommendations still to be submitted to Council.	N/A	N/A	N/A

FINANCIAL SERVICES

The financial service function is performed by the finance department which is the directorate led by the Chief Financial Officer. The department had three Chief Financial Officers in the current financial year and the full time Chief Financial Officer was appointed.

The changes in the leadership of the department had an impact in terms of stability in the department and compromised some of the controls.

The department capacity is not up to acceptable standard as some staff occupying professional positions in the department have no experience. This has an impact in terms of quality of the reports and information provided by the department and it impacts on the control environment in the department.

Significant strides were done in the current financial year to turnaround the situation in terms of appointing the Managers in the department. This has improved the capacity constraints and appointment of additional interns in the department has also improved the departments' performance.

The financial performance of the municipality remains a challenge as the liquidity ratio remain negative and below the industry standard. The debt collection levels remain low in which this has a huge impact on the viability of the municipality.

Financial Service Policy Objectives Taken From IDP							
Service Objectives <i>Service Indicators</i>	Outline Service Targets	2013/14		Actual	Target		
		Target			Corrective /Improvement measures	*Current Year	*Following Year
		*Previous Year	*Current Year				
Service Objective financial							
Improve capital spending	% spend of capital budget	N/A	Compile draft AFS	Only 82% on capital projects was spent	N/A	N/A	N/A
Improve spending on operational budget	% spend of operational budget	N/A	Compile draft AFS	The AFS will disclose the operating expenditure spent at year end before submitting the AFS	N/A	N/A	N/A
Maintain municipal credit rating	View of independent credit rating	N/A	Compile a report	The municipality did not have any challenges with regards to trading with businesses and contractors.	N/A	N/A	N/A
Enhance revenue	Develop financial enhancement strategy	N/A	Develop financial enhancement strategy	The revenue enhancement strategy was developed and sent to council and was approved.	N/A	N/A	N/A

Budgeting	Compile draft budget	N/A	Submit draft budget for approval	The draft budget 2014/2015 was compiled and submitted to Council in March 2014. Council resolution as evidence	N/A	N/A	N/A
Municipal assets management	Develop asset register	N/A	Compile a report	Assets register is only developed at year. The municipality compiles the Assets lists on new additions	N/A	N/A	N/A
Ensure Improvement on Debt Collections from current (40%)	Recover 70% of Outstanding Debt	N/A	Report at year end	At year end the municipality's collection rate was at 73%	N/A	N/A	N/A
Customer care and service excellence	Helpdesk:	N/A	Registers maintained monthly	The municipality has developed the customer care register which is monitor daily	N/A	N/A	N/A
Supply chain management	Maintain Centralized Acquisition	N/A	Maintain Centralized Acquisition	The structure was reviewed to ensure that SCM unit there's segregation of duties	N/A	N/A	N/A
Supply chain management	Ensure Turnaround Time as per SCM	100% Consumers billed	Ensure Turnaround Time as per SCM	Tenders adjudicated on time per SCM procedure	N/A	N/A	N/A

	Procedure Manual (Adjudicate bids within 60 days) Update & purify SCM database		Procedure Manual (Adjudicate bids within 60 days) Update & purify SCM database				
Supply chain management	Review operational Procedures (develop a checklist to verify the credibility of the bid documents submitted for compliance/control)	N/A	Review operational Procedures (develop a checklist to verify the credibility of the bid documents submitted for compliance/control)	SCM procedures manuals developed checklist compiled	N/A	N/A	N/A
Supply chain management	Procure Operating System For SCM	1 N/A	Procure Operating System For SCM	The municipality was advised by Treasury not to change or procure systems due to the mSCOA	N/A	N/A	N/A
Supply chain management	Compile Quarterly SCM Reports	None	Compile Quarterly SCM Reports	SCM reports are compiled monthly and sent to management, section 80 EXCO and council	N/A	N/A	N/A
Assets management	Update Municipal Asset Register	12 Updates	Update Municipal Asset Register Ensure that	Municipal register updated at year end (Assets list compiled monthly to include the Additions i.e moveable assets)	N/A	N/A	N/A

Purify data	Ensure that All Municipal Assets are Insured Verification of movable assets bi-annually		All Municipal Assets are Insured. Verification of movable assets bi-annually	Municipal assets are insured (SLA attached in the evidence) There's supporting document which clearly states the dates and towns			
Budget and reporting and compliance	Stick to Budgeted Allocations	N/A	Monitor Municipal Departmental Expenditure per Vote	Prior to procuring budget is printed which will indicate whether the are funds available or not	N/A	N/A	N/A
Budget Not Over/under spending as SDBIP	Budget report with no overspent line items	N/A	Budget report with no overspent line items	Request Memo which requires the requesting department to align the requested SDBIP	N/A	N/A	N/A
Ensure Improvement on Efficient & Effectiveness on Budgeting Preparation Process	100% Monthly Budget Statements (MFMA sec.71) Improve Budget Process by developing a realistic Budget Time line in line with MFMA Preparation and approval of	N/A	100% Monthly Budget Statements (MFMA sec.71) Improve Budget Process by developing a realistic Budget Time line in line with MFMA Preparation	Budget process plan 2015/2016 was approved in October (Council resolution and a copy of the BPP on file) Council approval for Adjustment budget Budget 2015/2016 was approved within the prescripts of the MFMA NERSA approval of electricity tariffs were approved. Letter attached	N/A	N/A	N/A

	<p>Adjusted Budget</p> <p>Timeously approval of draft and final annual budget as per required timeframe of MFMA</p> <p>Ensure timeous approval of electricity by NERSA</p>		<p>and approval of Adjusted Budget</p> <p>Timeously approval of draft and final annual budget as per required timeframe of MFMA</p> <p>Ensure timeous approval of electricity by NERSA</p>				
<p>Improve Finance Departmental HR Management</p>	<p>Manage Finance Department by</p> <p>a) Ensuring that internal controls are implemented</p> <p>b) Improved communication within the department</p> <p>c) Develop job description for all employees</p>	N/A	<p>Manage Finance Department by</p> <p>a) Ensuring that internal controls are implemented</p> <p>b) Improved communication within the department</p> <p>c) Develop job</p>	<p>Internal controls are implemented as through sectional procedure manuals</p> <p>Proof of staff meeting attached on file</p> <p>Job description were developed for positions in finance</p> <p>Verification of municipal officials together with corporate services (evidence on file)</p>	N/A	N/A	N/A

			description for all employees d) Verification of municipal officials (annually)				
Clean audit	Ensure 100% compliant Pre-Audit File	N/A	Preparation of Pre-Audit File: a) Payment Vouchers b) Journals c) Key Control Monitoring d) SCM Processes	Internal auditor requested to compile the Audit file	N/A	N/A	N/A
Address all audit issues and MFMA compliance and reporting	Compile Previous Financial Year AFS	N/A	Compile Previous Financial Year AFS	2013/2014 AFS were compiled and submitted on time. AG acknowledgement letter	N/A	N/A	N/A

HUMAN RESOURCE SERVICES

HR Section is located in Corporate Services Department and comprises of the following functions:

- Organizational Development
- Labour Relations
- HR Administration
- Skills Development
- Legal Services
- Secretarial Support
- Records Management & Archiving

The section has capability challenges and views its function as administrative rather than strategic, which impacts on the level of its performance at a strategic level. Strides have been made with regard to moving HR in the strategic direction. A number of HR functions have been improved, in particular the leave managements system. Despite the transitional challenges, HR remains committed to improving the function.

The following priorities were identified during the financial year in question:

- Filling of critical positions
- Compliance to OHS and Regulations
- Compliance to WPSP
- Dealing with Labour Relations dispute within regulated time
- Development/Review of HR Policies
- Development/ Review of Organizational Structure
- EE Targets
- Leave Management and Overtime reduction

HUMAN RESOURCE SERVICES OVERALL:

The HR Section has performed its function to ensure effective functioning of the organization and fulfill internal business excellence. The implementation of the organizational structure resulted in the filling of key positions. HR achieving some of the set targets on skills development due to training that was funded. EE targets were not met due to limited response from the designated groups.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The purpose of ICT is to serve as an enabler of public service delivery through *inter alia*, achieving stakeholder value and ICT key focus areas that enable the public service to achieve its strategic outcomes. Information on ICT services forms part of the corporate services and mainly responsible for:

- Application Management (Software & Pay Day)
- Network administration (LAN & WAN)
- Infrastructure Management and;
- Systems Administration.

PROPERTY; LEGAL; RISK MANAGEMENT AND PROCUREMENT SERVICES

Legal Section:

To provide sound legal advice and enabling support to the Municipality Council, the Mayoral and Portfolio Committees of Council, as well as to the Political Office Bearers, the Municipal Manager, Directorates and Sections of the Council.

The Legal Services Section has been capacitated during the year under review with **the appointment of a Legal Advisor. During the period under review Service Level Agreements were either drafted or vetted, while other agreements, e.g. lease agreements, were drafted**

Property Section:

To provide a property service to the Municipality, including the marketing, sale, and lease of Council properties, as well as all other actions required in this regard, eg. Negotiations with property developers, conclusion of the necessary contracts, effecting transfer of properties to the purchasers thereof, etc.

The process of selling off the residential, commercial and industrial stands which were owned by the Municipality has been successfully completed and this section has been focusing for the period under review, on identifying all the properties of the Municipality with a commercial value, which are occupied by parties who do not have a lease agreement with the Municipality. In this regard 'Institutional' stands have been identified and contracts are being signed with occupiers thereof.

ICT Service Policy Objectives Taken From IDP

Service Objectives	Outline Service Targets	2014/15		Actual	Corrective / improvement measures	*Current Year	*Following Year
		Target					
<i>Service Indicators</i>		*Previous Year	*Current Year				
Service Objective ICT							
Improve communication	Promote access to information	N/A	Review communication strategy	Communication strategy is in place and is for 2012 – 2017.	N/A	N/A	N/A
Improve communication	Promote access to communication	N/A	Enhance inter/external communication	Media profiling was done of our projects and service delivery utilizing local newspaper which is Masilonyana news.	N/A	N/A	N/A
Improve communication	Enhance relations with the media	N/A	Enhance relations with the media	The Municipality has relations with the media. There are media statements that have been done including Media briefing held during October 2014.			

RISK MANAGEMENT SERVICES

RISK MANAGEMENT

The Risk Management Unit managed to achieve the following as per the Risk Management Plan: The approval of the Risk Management Policy which assists with clearly outlining the roles and responsibilities of risk management.

The approval of the Risk Management Framework Operational and Strategic Risk assessment were conducted during the 2014/15 financial year. To commit risk management as a standing item in Management and Audit Committee agenda.

Conducted risk management training and awareness workshops. Senior Management actively identified, assessed, managed and monitored key risks on an on-going basis.

Continuous implementation of action plans to mitigate risks to acceptable levels in order to assist the municipality to achieve its objectives. Follow ups were made on the implementation of action plans.

The Risk Management E-Learning training provided by National Treasury was introduced to the Risk Management Unit and it is to be extended to all departments of Council during 2015/16 Financial Year.

Risk Management Service Policy Objectives Taken From IDP

Service Objectives <i>Service Indicators</i>	Outline Service Targets	2014/15					
		Target		Actual	Corrective/Improvement measures	*Current Year	*Following Year
		*Previous Year	*Current Year				
Service Objective risk management							
Risk management	Update risk & develop risk management plan	None	Conduct risks based audits	There were 9 Risks Based Audit that was conducted for 2014/2015 financial year with ad-hoc reviews performed. A risk based plan is in place.	N/A	N/A	N/A

MASILONYANA LOCAL MUNICIPALITY

ANNUAL PERFORMANCE REPORT

1. INTRODUCTION

Masilonyana Local Municipality is committed to quality service delivery to its residents and to the expansion of services to those who never previously had access to these. Service delivery related focus areas of the Municipality, including performance highlights over the review period, are reflected below:

Provision of integrated, sustainable human settlements

- Provincial Department for human settlement subsidised housing units built
- Everyone was provided with permanent water and sanitation services

Provision of quality potable water and reliable water supply

- New state subsidised were houses provided with water connections

Provision of sanitation services

- New state subsidised were houses provided with sewer connections

Provision of energy and electricity

- Everyone was connected to electricity

Provision of solid waste management services

- All households within the Municipal area provided with a domestic waste collection service

In addition to the above, the Municipality also focuses on economic growth and development, arts, culture and heritage, as well as sports development and promotion

2. LEGISLATIVE REQUIREMENTS

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

ANNUAL PERFORMANCE REPORT 2014/2015 FINANCIAL YEAR

KPA 1: BASIC SERVICE DELIVERY

PRIORITY AREA	IDP OBJECTIVE	BASELINE	PERFORMANCE INDICATOR	PROGRESS	POE
(1) Infrastructure Development	Address all infrastructure Backlogs	Ageing Infrastructure	Winburg /Makeleketla upgrading of existing waste water treatment works	<ul style="list-style-type: none"> - The practical completion for Civil Contractor was done, - Mechanical Contractor was terminated due to non-performance. busy preparing turnkey for the consultant 	<ul style="list-style-type: none"> - Practical completion certificate. - Termination letter.
			Soutpan/Ikgomotseng Provision of 1MI storage reservoir	<ul style="list-style-type: none"> - Land dispute was not successfully resolved. - New designs was completed for the construction of the elevated tank on the new municipal land 	<ul style="list-style-type: none"> - Land dispute was not successfully resolved.
			Theunissen/Masilo: Installation of 2 Zone Meters and 4 Bulk Water Meters	<ul style="list-style-type: none"> - Installation of household meters completed. - No contractor 	N/A

				<p>was appointed for the Zone and Bulk meters.</p> <p>- No site establishment was done</p>	
			<p>Winburg/Makelek etla Installation of 3122 water meters, 3 Zone Meters</p>	<p>- Installation of household meters completed.</p> <p>- No contractor was appointed for the Zone and Bulk meters.</p> <p>- No site establishment was done</p>	N/A
			<p>Verkeerdevlei/Tshepong: Installation of 505 domestic water meters, 2 Zone Meters and 5 Bulk Water Meters</p>	<p>- Installation of household meters completed.</p> <p>- No contractor was appointed for the Zone and Bulk meters.</p> <p>- No site establishment was done.</p>	N/A

			<p>Brandfort/Majwe maseu: Installation of 2719 Water Meters, 3 Zone Water Meters and 3 Bulk Water Meters</p>	<ul style="list-style-type: none"> - Installation of household meters completed. - No contractor was appointed for the Zone and Bulk meters. - No site establishment was done 	N/A
			<p>Soutpan/Ikgomot seng :Installation of 1027 Water Meters, 2 Zone Meters and 5 Bulk Water Meters</p>	<ul style="list-style-type: none"> - Installation of household meters completed. - No contractor was appointed for the Zone and Bulk meters. - No site establishment was done 	N/A
			<p>Theunissen/Masilo: bucket eradication for 1140 erven (+ 53 toilets from savings)</p>	<ul style="list-style-type: none"> - Project Completed - completion certificate and close out reports submitted 	<ul style="list-style-type: none"> - completion certificate - Close out report.

			Winburg/Makeleketla: Eradication of 1261 buckets	<ul style="list-style-type: none"> - Project Completed - completion certificate and close out reports submitted 	<ul style="list-style-type: none"> - completion certificate - Close out report.
			Masilonyana: Installation of 6 Highmast lights for all the five towns		
			Winburg Construction of sports centre	<ul style="list-style-type: none"> - Contract terminated due to poor performance. - In a tendering process to appoint the new contractor. 	<ul style="list-style-type: none"> - Termination letter - Technical Report
			Develop & Review Infrastructure Master Plan	Master plan Completed and approved by council.	Master plan
(2) Technical Departmental Fleet & Asset Management			Assets Management & Maintenance	Assets identified and asset register completed	Infrastructure assists register.
			Fleet Management & Maintenance	Fleet Management plan not completed but in progress.	

			Procure Yellow Fleet	No Yellow fleet procured	
(3) Roads Maintenance & Construction			Municipal Roads	Road Maintenance plan completed and approved by council	Road Maintenance Plan
(4) Basic Service Delivery			Ensure Provision/Supply of Quality Drinking Water To RDP STD	<ul style="list-style-type: none"> - Samples tanked and tested accordingly. - Analysis reports done. - Blue drop data uploaded monthly 	- Analysis reports
			Brandfort/Majwe maseu: Upgrading of the Waste Disposal Site	No funds where available to implement this project.	
			Develop Operational Plan	Operational plan included on the master plan	Master Plan
			Water Provision & Monitor Water Quality	<ul style="list-style-type: none"> - Samples tanked and tested accordingly. - Analysis reports done. - Blue drop data uploaded monthly 	- Analysis reports

			Electricity Supply	- Business plans DOE where approved and 1.5 mil allocated for next Financial year.	DOE Business plans.
(5) Project Management	Municipal Projects Management		Enhance Current PMU Capacity	Training of the PMU continuing	
(6) Budget Control	Expenditure Management	Monitor Expenditure per Vote	Reduce Current Maintenance & Repair Cost by 10%	Cost reduction in progress.	
(7) Improve Departmental HR Management & Excellent	Improve HR Management		Improve Management of Technical Services Department	Performance management in progress.	

BASIC SERVICE DELIVERY

PRIORITY AREA	IDP OBJECTIVE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	PROGRESS
Basic Services Delivery	Enhance Provision of Basic Services		Compile Service Delivery Annual	Achieved

			Report	
Waste Management	Improve Waste Management		Compile Waste Management Annual Report	Achieved
Management of Recreational Facilities	Ensure safe clean & user friendly recreational facilities		Compile annual report	Achieved
Law Enforcement	Implement and enforce appropriate legislation & municipality by-laws		Compile annual report	Not achieved. The law enforcement personnel is still not appointed and the functions of this section could not be performed
Land & Housing			Reduce Informal Settlements and Compile Annual Report	Achieved. Households in informal settlements in Soutpan and Verkeerdevlei were allocated with sites, the people have not moved because temporary services have not been installed yet.
Disaster Management	Ensure implement of District Disaster		Compile annual report	Achieved

	Management			
Environmental Management	Ensure Safe & Clean Municipal Environment		Compile annual report	Achieved
Community & Social Departmental Fleet & Asset Management	Assets Management & Maintenance		Compile annual report	Achieved
	Fleet Management & Maintenance		Compile Fleet Management Annual Report	Achieved
Municipal Cemeteries Properties Maintenance & Construction	Management of Cemeteries and Fencing		Compile Property Annual Report	Achieved
	Improve Management of Municipal Facilities		Compile Facility Management Annual Report	Achieved
	Improve Management of Municipal Facilities		Compile Facility Management Annual Report	Achieved

Town Planning	Finalize Township Establishment		Compile Town Planning Annual Report	Achieved
	Approve Building Plans		Compile Town Planning Annual Report	Achieved
Project Management	Enhance Project Management Capacity		Compile Annual Project Management Annual Report	The Department does not have projects
Budget Control	Votes		Compile annual expenditure report	Achieved
Improve Departmental HR Management & Excellent	Manage Community & Social Services Department		Compile HR Management Annual Report	Achieved

KPA 2: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

PRIORITY AREA	IDP OBJECTIVE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	PROGRESS
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	Build human resource capacity	Review workplace skills development plan	Compile Annual report	WSP was reviewed on 30 April 2015 and submitted to LGSETA. A letter of acknowledgement was received from LGSETA
	Build human resource capacity	Bursary scheme	Compile report	Bursary policy is approved. Training committee established. Held regular meeting to recommend bursary applications received from employees. 12 Bursaries was allocated during the 2014/15 financial year
	Employment equity planning	Set realistic targets	Review employment equity plan and implement	Employment equity plan was submitted to Department of Labour in terms of legislation. The EE plan was last reviewed during August 2015
	Employees data purification	Identify all municipal employees	Maintain & update employee data Compile a	Employee verification was done during June 2015

			report	
	Review municipal structure	Align structure to IDP	Fill al critical posts and report	The majority of critical position was filled in the 2014/15 financial year
	Staff morale	Enhance staff morale	Report on last session of team building	An employee wellness day was held on 24 October 2014
	HR Policies	Review HR policies	Implement	The review of HR policies is in process. Consultation meeting was held with LLF. LLF recommendations still to be submitted to Council.

KPA 3: LOCAL ECONOMIC DEVELOPMENT

PRIORITY AREA	IDP OBJECTIVE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	PROGRESS
	Increase no of job opportunity	No. of jobs created Employment opportunities created through EPWP initiatives	3000	There were jobs created through the EPWP initiatives, Roads and Storm Water Maintenance, Cleaning of Parks and

				Cemeteries, Community Safety Guards in Soutpan and Sports & Recreations.
	Improve approval for land use & planning applications	% of land use applications finalized within the legislative framework	70%	85%land use applications received. Veerkleidevlei and Soutpan Township Establishment approved. Winburg Township Establishment is in the process to be approved. Cemetery in Masilu and Makeleketla is in process to be approved.
	Improve local tourism within Masilonyana	% increase of visitors	20%	LED Forum has been established and meets regularly.
	Identify land for landing strip	Demarcate an area	-	No landing strips were identified
	Street trading Regulate street trading	Develop and introduce by-laws	Enforce by-laws	By-laws was approved by Council and promulgated in the Provincial

				Gazette.
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KPA 4: FINANCIAL VIABILITY AND MANAGEMENT

PRIORITY AREA	IDP OBJECTIVE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	PROGRESS
	Improve capital spending	% spend of capital budget	Compile draft AFS	Only 82% on capital projects was spent
	Improve spending on operational budget	% spend of operational budget	Compile draft AFS	The AFS will disclose the operating expenditure spent at year end before submitting the AFS
	Maintain municipal credit rating	View of independent credit rating	Compile a report	The municipality did not have any challenges with regards to trading with businesses and contractors.
	Enhance revenue	Develop financial enhancement strategy	-	The revenue enhancement strategy was developed and sent to council and was approved.
	Budgeting	Compile draft budget	Submit draft budget for	The draft budget 2014/2015 was compiled and

			approval	submitted to Council in March 2014. Council resolution as evidence
	Municipal assets management	Develop asset register	Compile a report	Assets register is only developed at year. The municipality compiles the Assets lists on new additions
	Ensure Improvement on Debt Collections from current (40%)	Recover 70% of Outstanding Debt	Report at year end	At year end the municipality's collection rate was at 73%
	Customer care and service excellence	Helpdesk: Clearing of complains & Ensure 100% clearing of all complains	Registers maintained monthly	The municipality has developed the customer care register which is monitor daily
	Supply chain management	Maintain Centralized Acquisition Ensure segregation of duties		The structure was reviewed to ensure that SCM unit there's segregation of duties
		Ensure Turnaround Time as per SCM Procedure Manual		Tenders adjudicated on time per SCM procedure

		(Adjudicate bids within 60 days) Update & purify SCM Database		
		Review operational Procedures (develop a checklist to verify the credibility of the bid documents submitted for compliance/control)		SCM procedures manuals developed checklist compiled
		Procure Operating System For SCM		The municipality was advised by Treasury not to change or procure systems due to the mSCOA
		Compile Quarterly SCM Reports		SCM reports are compiled monthly and sent to management, section 80 EXCO and council
	Assets management Purify data	Update Municipal Asset Register Ensure that All Municipal Assets are Insured		Municipal register updated at year end (Assets list compiled monthly to include the Additions i.e moveable assets) Municipal assets are insured (SLA attached in the

		Verification of movable assets bi-annually		evidence) There's supporting document which clearly states the dates and towns
Budget and reporting and compliance	Stick to Budgeted Allocations	Monitor Municipal Departmental Expenditure per Vote		Prior to procuring budget is printed which will indicate whether the are funds available or not
	Budget Not Over/under spending as SDBIP	Budget report with no overspent line items		Request Memo which requires the requesting department to align the requested SDBIP
	Ensure Improvement on Efficient & Effectiveness on Budgeting Preparation Process	100% Monthly Budget Statements (MFMA sec.71) Improve Budget Process by developing a realistic Budget Time line in line with MFMA Preparation and approval of Adjusted Budget Timeously approval of draft and final annual budget as per required timeframe of MFMA Ensure timeous		Budget process plan 2015/2016 was approved in October (Council resolution and a copy of the BPP on file) Council approval for Adjustment budget Budget 2015/2016 was approved within the prescripts of the MFMA NERSA approval of electricity tariffs

		approval of electricity by NERSA		were approved. Letter attached
	Improve Finance Departmental HR Management	<p>Manage Finance Department by</p> <ul style="list-style-type: none"> a) Ensuring that internal controls are implemented b) Improved communication within the department c) Develop job description for all employees in Finance d) Verification of municipal officials (annually) 		<p>Internal controls are implemented as through sectional procedure manuals</p> <p>Proof of staff meeting attached on file</p> <p>Job description were developed for positions in finance</p> <p>Verification of municipal officials together with corporate services (evidence on file)</p>
Clean audit	Ensure 100% compliant Pre-Audit File	<p>Preparation of Pre-Audit File:</p> <ul style="list-style-type: none"> a) Payment Vouchers b) Journals c) Key Control Monitoring d) SCM Processes 		Internal auditor requested to compile the Audit file
	Address all audit issues and MFMA compliance and reporting	Compile Previous Financial Year AFS		2013/2014 AFS were compiled and submitted on time. AG acknowledgement

				letter
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KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

PRIORITY AREA	IDP OBJECTIVE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	PROGRESS
	Improve planning participation	Review public participation strategy	Review public participation strategy	Public Participation Strategy not yet reviewed.
	Improve planning participation	Conduct community survey	Conduct community survey	
	Improve communication	Promote access to information	Review communication strategy	Communication strategy is in place and is for 2012 – 2017.
	Improve communication	Promote access to communication	Enhance inter/external communication	Media profiling was done of our projects and service delivery utilizing local newspaper which is Masilonyana news.
	Improve communication	Enhance relations with the media	-	The Municipality has relations

				with the media. There are media statements that have been done including Media briefing held during October 2014.
	Performance Management	Develop a framework	Monitor performance & compile a report	PMS Framework is developed and approved by Council.
	Performance management	Develop a framework	-	Framework for Performance Management is developed and approved by Council
	Clean audit	Improve audit opinion	Implement	Audit Action plan has been developed
	Risk management	Update risk & develop risk management plan	Conduct risks based audits	There were 9 Risks Based Audit that was conducted for 2014/2015 financial year with ad-hoc reviews performed. A risk based plan is in place.

	Strategic planning and report	Facilitate strategic planning	Facilitate strategic planning	Strategic Planning was conducted and a report was issued out by the Facilitator
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**CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE
(PERFORMANCE REPORT PART II)**

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

EMPLOYEE TOTALS, TURNOVER AND VACANCIES

	Approved posts	Employees No	Vacancies No	Vacancies %
30 JUNE 2013				
TECHNICAL SERVICES		83		
COMMUNITY SERVICES		193		
FINANCIAL SERVICES		31		
CORPORATE SERVICES		17		
MUNICIPAL MANAGER		6		
30 JUNE 2014				
TECHNICAL SERVICES		86		
COMMUNITY SERVICES		167		
FINANCIAL SERVICES		29		
CORPORATE SERVICES		19		
MUNICIPAL MANAGER		4		
30 JUNE 2015				
TECHNICAL SERVICES	356	160	196	
COMMUNITY SERVICES	347	100	247	
FINANCIAL SERVICES	59	35	24	
CORPORATE SERVICES	58	33	25	
MUNICIPAL MANAGER	12	18	6	

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

This chapter gives an account of organizational development performance with reference to the municipal workforce. Attention will be paid to the management of municipal workforce, workforce capacity building and workforce expenditure.

Municipal Workforce

The majority of Masilonyana workforce is mostly dominated by male employees, 90% of employees are African (blacks). No persons with disability were recruited during the financial year under review. The municipality did not also have foreign nationals appointed for 2014/15.

POLICIES

Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Placement policy	100%	100%	
2	Travel allowance policy	100%	100%	
3	Bereavement policy	100%	100%	
4	Bursary policy	100%	100%	
5	Wellness policy Dress code policy	100%	100%	
6	Moonlight policy	100%	100%	
7	Relocation policy	100%	100%	
8	Fleet management policy	100%	100	
9	Employment equity plan	100%	100%	
10	Health and safety policy	100%	100%	
11	Sports policy	100%	100%	
	BUDGET RELATED POLICIES	100%	100%	28 May 2015

INJURIES, SICKNESS AND SUSPENSIONS

The report covers the progress of Health and Safety Division and includes the following reports:

Employees injured on duty:

TYPES	CAUSE OF INJURY	NUMBER OF AFFECTED EMPLOYEES
Knee injury	Employee fell on the stairs	1
Head injury	Hit by the window	1
Head injury	Hit by pole	1
Right hand injury	Fell on the tractor	1
Right arm injury	Fell on the stairs	1
Right arm injury	Car accident	1
Right leg injury	Hit by the trailer	1
Right fingers injury	Cut by machine	1
Cough	Inhaled smoke	1
Total number of injured employees		9

TYPE OF INJURY		INJURY LEAVE DAYS TAKEN	EMPLOYEE USING INJURY LEAVE DAYS	AVERAGE INJURY LEAVE PER EMPLOYEE DAYS
Requested basic medical attention	50	47	3	0
Temporary total disablement	0	0	0	0
Permanent disablement	0	0	0	0
Fatal	0	0	0	0

Total	50	47	3	0
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The total number of IOD leave days taken by injured employees was 50 days.

NB: From the total number of injured employees recorded only one was placed on light duty and the others are doing their normal duties.

All employees working with hazardous substances were vaccinated for hepatitis and underwent x-rays. 143 employees attended the program

Awareness Campaign

An awareness week campaign was done at all units where by employees were educate on matters relating to Occupational Health & Safety issues held on Health and Safety in the work place.

Performance Rewards

Performance Management in the Municipality is only for the Municipal Manager and Section 56 Managers. The Municipality does not have Performance Rewards Policy as Performance has not been cascaded to lower levels. There are plans to cascade Performance Management to lower levels in the Municipality and to that effect, the current Performance Management Policy and Framework are under review to incorporate issues of recognition and rewards.

COMPLIANCE WITH THE PRESCRIBED MINIMUM COMPETENCIES

The Municipality has been able to retain staff across all levels and occupational categories. The impact that the current Minimum Competency Levels as prescribed by National Treasury will have on the staff turnover is unknown at this stage. The municipality ensured that it sets aside considerable amount of funds dedicated for the training and development of staff capacity. Over and above the numerous capacity building interventions, MFMP training was prioritized as a matter of urgency due to compliance with the Treasury Regulations. To some extent the municipality complied with the requirements as per the information below:

REPORT ON MUNICIPAL FINANCE MANAGEMENT PROGRAMME

Service Provider: Deloitte
Date: 2013/2014

Chamuka Consultants
Date: 2014/2015 Financial year
Venue: Brandford

SENIOR MANAGERS

Names	Designation	Department	Division	Status of completion
Mr. S.S. Mtakati	Municipal Manager	Municipal Managers Office	-	Not completed. The official has since resigned from the municipality.
Mr M.D. Nthau	Senior Manager: Corporate Services	Corporate Services	-	Waiting for the results to be uploaded on the system
Ms. Fikile Mzizi	Chief Financial Officer	Finance	-	Waiting for the results to be uploaded on the system
Mrs E. Makgahlela	Senior Manager: Social and Community Services	Social & Community Services	-	Waiting for the results to be uploaded in the system
Mr. P. Tshabalala	Senior Manager Technical & Infrastructure	Technical & Infrastructure	-	Not completed

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

The EE Plan has been developed and it will be in place until 2016. Every year submissions are done and submitted to the Department of Labour. The EE Forum is in place and sitting according to schedule. The Staff requisition form was developed and has the facility to address the issue of EE Plan in different Departments.

CAPACITATION OF THE MUNICIPAL WORKFORCE

Skills audit was conducted wherein we have identified which employees need training. WSP was submitted to LGSETA with all focus area of training.

Training has improved drastically as the number of employees trained has increased. The training budget should be increased so that we can be able to train more employees. With regard to MFMP senior managers and Officials have attended the course to meet the minimum competency level.

4.5 SKILLS DEVELOPMENT AND TRAINING

LGSETA STRATEGIC FOCUS AREA	MUNICIPAL KEY PERFORMANCE AREA	MAIN IDP PRIORITY LINKED TO KEY PERFORMANCE AREA	TOTAL NUMBER TRAINED					
			EMPLOYED		TOTAL	UNEMPLOYED		TOTAL
			FEMALE	MALE	125	FEMALE	MALE	
Infrastructure and Service Delivery	Basic Service Delivery and Infrastructure Development	To ensure that households in Masilonyana Municipality have to basic services	43	42	85	-	-	
Community Based Participation and Planning	Good Governance and the Deepening of Democracy	To ensure good governance	4	10	14	-	-	
Management and Leadership	Municipal Transformation and Institutional Development	To facilitate institutional transformation and development in the municipality	5	2	7	-	-	
Financial Viability	Municipal Financial Viability and Management	To facilitate the financial viability of the Municipality	11	7	18	-	-	
Community Based Participation and Planning	Sustainable Local Economic Development	To create employment opportunities	-	1	1	-	-	
SUB-TOTAL			63	62	125			

NUMBER OF BENEFICIARIES WHO COMPLETED TRAINING BY TYPE OF LEARNING INTERVENTION										
TYPE OF LEARNING INTERVENTION	NUMBER OF BENEFICIARIES BY OCCUPATION CATEGORY									TOTAL
	Legislators	Managers/ Coordinators	Professionals	Technicians and Trade Workers	Community and Personal Services Workers	Clerical and Administrative Workers	Sales and Service Workers	Machinery Operators and Drivers	Elementary Workers	
Apprenticeship										-
Bursary		1			2	3		1		7
Learnership	1	11	1	28		6	5			52
RPL								2	8	10
Skills Programme						19	1			25
Short Course: Non-credit				2	5		3	3	18	31
TOTAL	1	17	1	30	7	28	9	6	26	125

TYPE OF LEARNING INTERVENTION BY NQF LEVEL												
TYPE OF LEARNING INTERVENTION	NQF LEVEL OF LEARNING INTERVENTIONS										TOTAL	
	1	2	3	4	5	6	7	8	9	10		
Apprenticeship												-
Bursary					4	3						7
Learnership		14	9	3	26							52
RPL		10										10
Skills Programme				2	23							25
Short Course: Non-credit	7	10	14									31
TOTAL	7	34	23	5	53	3						125

CHAPTER 5 – FINANCIAL PERFORMANCE

This chapter comprises of three components:

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

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

STATEMENTS OF FINANCIAL PERFORMANCE

Masilonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue from exchange transactions			
Service charges	19	66 260 599	64 128 439
Rental of facilities and equipment	20	240 582	244 250
Other income	21	62 074	179 101
Interest received	22	5 105 135	8 531 413
Dividends received	22	4 692	5 026
Total revenue from exchange transactions		71 673 082	73 088 229
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	16 585 702	15 477 526
Transfer revenue			
Government grants & subsidies	24	163 889 519	147 278 708

Fines, Penalties and Forfeits		43 053	16 005
Total revenue from non-exchange transactions		180 518 274	162 772 239
Total revenue		252 191 356	235 860 468
Expenditure			
Employee related costs	25	72 548 986	62 653 191
Remuneration of councilors	26	4 938 593	5 438 500
Depreciation and amortization	27	25 140 820	28 812 144
Finance costs	28	4 793 810	1 657 112
Lease rentals on operating lease		589 968	1 776 068
Debt Impairment	29	29 492 636	93 110 791
Repairs and maintenance		6 129 908	6 226 644
Bulk purchases	30	34 439 072	31 808 304
General Expenses	31	39 989 265	39 713 656
Total expenditure		218 063 058	271 196 410
Operating surplus (deficit)	32	34 128 298	(35 335 942)
Fair value adjustments	33	4 824	2 509
Actuarial gains/losses	16	(186 235)	(2 377)
		(181 411)	132
Surplus (deficit) for the year		33 946 887	(35 335 810)

5.2 GRANTS AND SUBSIDIES

Government grants and subsidies	2015	2014
Operating grants		
Equitable share	84 850 000	82 581 000
Municipal Systems Improvement Grant	934 001	890 001
Local Government Financial Management Grant	3 191 342	2 869 412
Local Government Sector Education Training Authority	148 382	80 234
Expanded Public Works Programme	1 023 000	1 001 831
	90 146 725	87 422 478
Capital grants		
Regional Bulk Infrastructure Grant	48 697 549	18 016 548
Municipal Infrastructure Grant	24 163 467	41 839 682
Accelerated Community Infrastructure Program	881 779	-
	73 742 795	59 856 230
	163 889 520	147 278 708
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	79 039 520	64 697 708
Unconditional grants received	84 850 000	82 581 000
	163 889 520	147 278 708

ASSET MANAGEMENT

Upon the acquisition of the asset, the division is notified by the Supply Chain Management Unit of the newly acquired asset, then classification and coding of the item then gets underway.

Monthly monitoring and preparation of reconciliations of votes for assets acquired is conducted and newly acquired assets can also be detected if they were not reported in advance by the SCM Unit. Assets are then registered and dispatched to the relevant user after all asset management processes have been exhausted i.e. classification, coding etc.

The municipality has a draft asset management policy that still needs to be submitted to council for approval and the key elements of the draft asset management policy are as follow but not limited thereto:

- Asset disposal
- Asset maintenance
- Asset acquisition
- Asset transfer
- Inventory matters

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

CASH FLOW

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		39 797 487	34 403 401
Grants		180 506 766	136 936 913
Interest income		5 105 135	8 531 413
Dividends received		4 692	5 026
Fines, penalties and forfeits		43 053	16 005

	225 457 133	179 892 758
Payments		
Employee costs	(76 459 476)	(67 274 267)
Suppliers	(57 341 326)	(43 567 904)
Finance costs	(3 545 431)	(1 070 729)
Taxation	(2 666 571)	(5 706 643)
	(140 012 804)	(117 619 543)
Net cash flows from operating activities	35 85 444 329	62 273 215
Cash flows from investing activities		
Purchase of property, plant and equipment	9 (70 465 318)	(63 140 852)
Cash flows from financing activities		
Repayment of other financial liabilities	(414 916)	(436 066)
Finance lease payments	(462 708)	(1 416 812)
Net cash flows from financing activities	(877 624)	(1 852 878)
Net increase/ (decrease) in cash and cash equivalents	14 101 387	(2 720 515)
Cash and cash equivalents at the beginning of the year	3 578 197	6 298 710
Cash and cash equivalents at the end of the year	17 679 584	3 578 195

BORROWING AND INVESTMENTS

Other financial liabilities

At amortized cost

Infrastructure Corporate Finance Limited - BDT114UUS908	-	18 258
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The Infrastructure Finance Corporate Limited loans expire on 30th September 2014, the terms stipulates that payments should be made half yearly September and March,

interest accrues on the outstanding balance and the rate is 16% per annum.

Infrastructure Corporate Finance Limited - THN114US879	-	17 175
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The Infrastructure Finance Corporate Limited loans expire on 30th September 2014, the terms stipulates that payments should be made half yearly September and March, interest accrues on the outstanding balance and the rate is 16% per annum.

Development Bank of South Africa	2 788 679	3 168 163
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The Development Bank of South Africa loan expires on 1st April 2020, and the terms

Stipulates that payments should be made quarterly, interest accrues on the outstanding

balance and the rate is 12,5% per annum and at 14,5% per annum on payments in arrears.

	<u>2 788 679</u>	<u>3 203 596</u>
Total other financial liabilities	2 788 679	3 203 596

COMPONENT D: OTHER FINANCIAL MATTERS

5.7 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT UNIT

The functions of the SCM unit involve;

1. Managing demand procedures and acquisitions including policies, procedures, database, compliance and adherence to prescribed procurement practices
2. Ensuring tender evaluation and contract prescript are adhered to
3. Managing compliance, risks, performance and reporting in the supply chain management system
4. Coordinating, controlling and applying logistics management practices and procedures in order to administer and manage the receipt, safeguarding and issuing of store items.

The municipality's Supply Chain Management is a unit within the Finance Section. It is comprised of:

- The Chief Financial Officer (Head of SCM Unit)
- SCM Practitioner;
- SCM Officer
- 1 Finance Intern

The SCM regulations stipulate the following:

- a) SCM regulation 6(2) (a) (i) - that the council of a municipality must maintain oversight over the implementation of its SCM policy. For the purpose of such oversight the accounting officer must within 30 days of each financial year submit a report on the implementation of the SCM policy of the municipality to the Council.
- b) SCM regulation 6(2) (3) – the Accounting Officer shall within 10 days after the end of each quarter submit implementation reports on SCM to the Mayor.

INTERNAL SCM PROCEDURES AND PROCESSES

Threshold values

The threshold values have been determined as follows:

- 1) Petty cash – R100
- 2) Up to R1,000 (vat included) – One written price quotation
- 3) R1,001 - R2,000 (vat included) – Two written price quotations
- 4) R2,001 – R30,000 (vat included) – Three written price quotations
- 5) R30,001 – R200,000 (vat included) – Three written formal price quotations
- 6) Above R200,000 (vat included) – Competitive bidding process

SCM Process for acquisitions up to R200 000.00

The SCM process of Masilonyana Local Municipality operates as follows;

- Demand Form – The requesting department completes a demand form which is approved by the Head of Department or any delegated official. The demand form is submitted to SCM practitioner who sources quotations.
- A requisition is raised by the SCM Practitioner and approved by the CFO and the Municipal Manager.
- Purchase Order – Based on the above thresholds, quotations are sourced from potential suppliers. A purchase order is raised for the awarded quotation. The orders are done in triplicate of which one copy is sent to the supplier, one copy for filing and one copy is sent to creditors for processing. The order numbers are sequentially numbered from the system. The purchase orders are approved by the CFO and in his absence by a Senior Official delegated by the CFO.

The SCM processes are monitored monthly by use of irregular expenditure registers and deviations registers.

SCM Process for acquisition above R200 000.00

Bid Documents

The bids documents are as prescribed by the National Treasury include the General Conditions of Contract.

Bid Committee Structures

The following committees have been established:

- i) The bid specification committee
- ii) The bid evaluation committee
- iii) The adjudication committee

The Accounting Officer appoints members for each committee.

According to the SCM policy the composition of the above committees should be as follows:

- i) Bid Specification committee – must be composed of
 - a) One or more officials of the municipality, preferably from user departments requiring the goods or services.
 - b) SCM practitioners
 - c) And when appropriate, include external technical specialists.

- ii) Bid evaluation committee – must as far as possible be composed of
 - a) Officials from departments requiring the goods and services
 - b) At least one SCM practitioner of the municipality

- iii) Bid adjudication committee – must consist of
 - a) at least four senior managers of the municipality (including the CFO)
 - b) At least one SCM practitioner who is an official of the municipality
 - c) A technical expert in the relevant field who is an official of the municipality

Compliance – The bid committees meet the requirements of the SCM policy and SCM regulations.

MUNICIPAL SERVICE CHARGES ASSESSMENT AND OUTSTANDING DEBTORS

Outstanding Debtors as at 30 June 2015

As at 30 June 2015, Masilonyana Local Municipality had outstanding debtors of R 360 953 774. The table below shows debtors per source for the two financial years, i.e. 2014/2015 and 2013/2014 financial years:

Debtors by source	2014/2015 Gross Amount	2013/2014 Gross Amount
Property Rates	R 49 379 579	R 76 372 984
Electricity	R129 681 946	R 64 876 240
Water	R 70 053 595	R 57 984 137
Sewerage	R 37 768 293	R 30 461 599
Refuse	R 72 657 808	R 64 390 443
Other	R 1 412 553	R 15 442 571
Total	R 360 953 774	R309 527 974

N.B. The information disclosed above is populated from note 6 of the Annual Financial Statement 2014/2015

CHAPTER 6 – AUDITOR REPORT OF THE AUDITOR GENERAL SOUTH AFRICA

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the financial statements of the Masilonyana Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING OFFICER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

BASIS FOR QUALIFIED OPINION

Property, plant and equipment

6. I could not trace all the items of property, plant and equipment to the asset register resulting in an understatement of property, plant and equipment as disclosed in note 9 to the financial statements. Due to the nature of the error, I was not able to determine the full extent of the misstatement in property, plant and equipment as it was impracticable to do so. Additionally, there was a resultant impact on the deficit for the period and on the accumulated surplus.

Payables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence regarding trade payables and unidentified deposits, as creditor reconciliations were not performed and an appropriate register for unidentified deposits were not in place. I was unable to confirm these trade payables and unidentified deposits by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade payables and unidentified deposits stated at R73 578 420 and R2 809 225, respectively, in note 13 to the financial statements.

QUALIFIED OPINION

8. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Masilonyana Local Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

EMPHASIS OF MATTERS

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

RESTATEMENT OF CORRESPONDING FIGURES

10. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered during 2014-15 in the financial statements of the municipality at, and for the year ended, 30 June 2014.

Material losses

11. As disclosed in note 47 to the financial statements, material electricity and water losses of R2 815 278 (2014: R16 411 857) and R4 206 940 (2014: R2 232 636), respectively, were incurred as a result of line losses, tampering and theft.

Material impairment

12. As disclosed in note 6 to the financial statements, a provision for the impairment of debtors of R339 502 858 (2014: R302 030 875) has been made with regard to consumer debts of R360 953 774 (2014: R309 527 974).

Irregular expenditure

13. Irregular expenditure of R7 685 953 (2014:R28 052 420) was incurred by the municipality, as disclosed in note 46 to the financial statements, mainly due to deviations from supply chain procedures.

Going concern

14. Note 42 to the financial statements indicates that the municipality is experiencing financial difficulties. The current liabilities exceed the current assets by R74 935 096 (2014: R69 094 736). Key indicators of the decrease in liquidity are the under-collection of outstanding debts from consumer debtors and a significant portion of the consumer debtors that had to be impaired as disclosed in note 6. The under-collection of consumer debts caused deferred payments to suppliers during the year, resulting in a significant increase in major supplier balances. These conditions, along with other matters as set forth in note 42, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

ADDITIONAL MATTER

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.

UNAUDITED DISCLOSURE NOTES

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

18. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance areas presented in the annual performance report of the municipality for the year ended 30 June 2015:

- Key performance area: Infrastructure development and basic service delivery, on pages x to x
19. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
 20. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned key performance areas. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
 21. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
 22. The material findings in respect of the selected key performance areas are as follows:

KEY PERFORMANCE AREA: INFRASTRUCTURE DEVELOPMENT AND BASIC SERVICE DELIVERY

Usefulness of reported performance information

23. Section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. All the reported objectives were not consistent with those in the approved integrated development plan. This was because the municipality did not have a performance management system and had not established standard operating procedures.
24. Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 39% of the indicators were not well defined.
25. The processes and systems that produced the indicator should be verifiable, as required by the FMPPI. A total of 22% of the indicators were not verifiable.
26. Performance targets should be specific in clearly identifying the nature and required level of performance, as required by the FMPPI. A total of 50% of the targets were not specific.
27. Performance targets should be measurable, as required by the FMPPI. I could not measure the required performance for 39% of the targets.
28. The period or deadline for delivery of targets should be specified, as required by the FMPPI. A total of 33% of the targets were not time bound.
29. The FMPPI requires indicators to relate logically and directly to an aspect of the municipality's mandate and the realisation of strategic goals and objectives. A total of 33% of the indicators did not relate logically and directly to an aspect of the municipality's

mandate and the realisation of strategic goals and objectives as per the three-year service delivery and budget implementation plan. This was because all targets were not included in the annual performance report.

The above was due to a lack of proper systems and processes for predetermined objectives.

Reliability of reported performance information

30. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to a lack of standard operating procedures for the accurate recording of actual achievements and the monitoring of the completeness of source documentation in support of actual achievements.

ADDITIONAL MATTER

31. I draw attention to the following matter:

ACHIEVEMENT OF PLANNED TARGETS

32. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected key performance areas reported in paragraphs 23 to 30 of this report.

COMPLIANCE WITH LEGISLATION

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

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

34. The service delivery and budget implementation plan, used for implementing the municipality's delivery of municipal services and annual budget, did not indicate projections for each month of the revenue to be collected (by source) and the operational and capital expenditure (by vote).
35. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
36. The performance management system was not in line with the priorities, objectives, indicators and targets contained in the integrated development plan; and did not clarify the roles and responsibilities of each roleplayer, determine the frequency of reporting and the lines of accountability, relate to employees' performance management processes,

and link to the integrated development planning processes, as required by section 38(a) of the MSA and municipal planning and performance management regulation 7(2)(c), (e), (f) and (g).

37. The performance management system did not provide for the monitoring, measuring and review of performance at least once per year, as required by section 41 of the MSA.
38. The performance management system did not provide for policies and procedures to take steps for improvement where performance targets were not met, as required by section 41(1)(d) of the MSA.
39. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
40. Measurable performance targets for the financial year were not set in the integrated development plan, for each of the key performance indicators and with regard to each of the development priorities or objectives, as required by section 41(1)(b) of the MSA and municipal planning and performance management regulation 12(1) and 12(2)(e).
41. A performance management system and related controls were not in place, as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting and improvement as well as how it is to be conducted, organised and managed, including determining the roles of the different roleplayers, as required by section 38 of the MSA and municipal planning and performance management regulation 7.

Audit committee

42. The audit committee did not advise the council on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation, as required by section 166(2)(a) of the MFMA.
43. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the MFMA.

Financial statements, performance report and annual report

44. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, current liabilities, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
45. The 2013-14 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the MFMA.

46. The oversight report, containing comments on the annual report, was not adopted by the council within two months from the date on which the 2013-14 annual report had been tabled, as required by section 129(1) of the MFMA.
47. The annual performance report for the year under review did not include the performance of the municipality, a comparison of the performance with set targets and with the previous financial year, and measures taken to improve performance, as required by section 46(1) of the MSA.

Expenditure management

48. Sufficient appropriate audit evidence could not be obtained that money owed by the municipality had always been paid within 30 days or an agreed period, as required by section 65(2)(e) of the MFMA.
49. Reasonable steps were not taken to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Procurement and contract management

50. The performance of contractors and providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

Human resource management and compensation

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

Liability management

52. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.

Asset management

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

INTERNAL CONTROL

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

LEADERSHIP

55. The leadership of the municipality did not exercise effective oversight to address the risks in the internal controls of the municipality. Timely and adequate action was not taken to address weaknesses, which resulted in non-compliance with applicable legislation and gave rise to unauthorised, irregular as well as fruitless and wasteful expenditure.
56. Critical vacancies were not addressed, which had a further negative impact on the internal controls. The slow appointment process hindered the filling of vacancies.

FINANCIAL AND PERFORMANCE MANAGEMENT

57. The municipality did not have a proper filing system that supported the reported financial and performance information. This included information that related to the collection, collation, verification, storing and reporting of actual data and reconciliations supporting the financial statements and performance reporting. This was mainly due to a lack of capacity and sufficient office and storage space for the proper filing of documentation. Due to a lack of capacity, there was also a high reliance on the work of consultants.

GOVERNANCE

58. As the audit committee did not function for the entire financial year, the committee did not promote accountability and service delivery by evaluating and monitoring responses to risks and by providing oversight of the effectiveness of the internal control environment, financial and performance reporting and compliance with laws and regulations.

Bloemfontein

30 November 2015

Auditor-General



2014/15 AUDIT ACTION PLAN

Functional Area	FINDING	ROOT CAUSE	REMIDIAL ACTION	COMPLETION DATE	RESPONSIBLE PERSON	PROGRESS AS AT REPORTING DATE
	PAYABLES	Payables: Unidentified deposits register and other supporting documents not received (EX.154)	Lack of internal controls for proper record keeping ensuring that all supporting documentation requested are submitted.	Maintain proper record keeping of supportig documentation.	Ongoing	Directorate: Finance:- (Expenditure Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure M Witbooi: Expenditure Accountant A Dingiswayo: Creditors Clerk N Rabanye: Finance Intern
	Payables: Invoices before year end not accrued (EX.162)	Lack of management oversight with regard to recording of transactions in the accounting records.	Daily capturing of supplier invoices upon receipt. Request year-end customer statements, and perform year-end reconciliation. Complete and accurate list of invoices paid after	Monthly 30/06/2016 31/07/2016	Directorate: Finance:- (Expenditure Division) Responsible Person: FV Mzizi: Chief Financial	None

					Officer D Ntsepe: Manager Expenditure M Witbooi: Expenditure Accountant A Dingiswayo: Creditors Clerk N Rabanye: Finance Intern										
Payables: Trade creditors reconciliations not perform (EX.34)	Lack of proper preparation of regular, accurate and complete financial statements that are supported and evidenced by reliable information (e.g. the preparation of monthly creditors' reconciliations).	<table border="1"> <tr> <td>Daily capturing of supplier invoices upon receipt.</td> <td>Monthly</td> <td></td> </tr> <tr> <td>Monthly reconciliation of data Pastel vs ABSA BI Online.</td> <td>Monthly</td> <td></td> </tr> <tr> <td>Supplier database to be updated to ensure correct contact information is used for requesting monthly statements.</td> <td>Quarterly</td> <td></td> </tr> </table>	Daily capturing of supplier invoices upon receipt.	Monthly		Monthly reconciliation of data Pastel vs ABSA BI Online.	Monthly		Supplier database to be updated to ensure correct contact information is used for requesting monthly statements.	Quarterly				Directorate: Finance:- (Expenditure Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure M Witbooi: Expenditure Accountant A Dingiswayo: Creditors Clerk N Rabanye: Finance Intern	Partially complete.
Daily capturing of supplier invoices upon receipt.	Monthly														
Monthly reconciliation of data Pastel vs ABSA BI Online.	Monthly														
Supplier database to be updated to ensure correct contact information is used for requesting monthly statements.	Quarterly														
Payables (Leave accrual): Prior year misstatements (EX.19)	The cause of the above is due to proper monitoring controls not being in place to ensure that this was correctly rectified.	Support will be received from payday to address system related issues. Maintain proper record	31/03/2016		Directorate: Finance :- (Payroll Division) Responsible Person: Finance:- Tebogo Poonyane: Payroll Accountant Jenny Motho:	Partially complete									

			keeping of supportig documentation.		Payroll Officer	
	Payables: Third party payments on salary deductions not made timeously (EX.36)	The municipality experienced serious cash flow problems.	Ensure that payments are paid before the 7th of each month. In cases where this is not possible, signed arrangement must be made and documented.	Monthly	<p>Directorate:Finance :- (Expenditure Division) Responsible Person:FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure M Witbooi: Expenditure Accountant A Dingswayo: Creditors Clerk N Rabanye: Finance Intern</p> <p>Finance:- (Payroll Division) Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer</p>	Partially complete
COMPLIANCE	Compliance (Budget) - Information could not be submitted to confirm that laws and regulations were complied with	The above has resulted due to management failure to provide the above information.	This finding was resolved and all the necessary documentation was submitted before the final audit report was issued.	Achieved	<p>Directorate: Finance Responsible Person: Ms N. Mekane</p>	Achieved

	(EX.177)					
	Compliance: Tabling and adoption of oversight report of the annual report for 2012-13 and 2013-14 by council (EX.24)	The management of the Municipality did not timeously address the changes in the draft annual report to ensure it is submitted to Council.	The two reports were tabled before the council on 25 January 2016.	1/25/2016	Directorate: Finance Responsible Person: CFO	Report to be tabled to council
	Subsequent events: No formal documented processes to identify subsequent events (EX.22)	Lack of management oversight over disclosures in the financial statements to ensure it is accurate and correct.	The formal procedure has been developed. Will be tabled before the council in March 2016.	3/31/2016	Directorate: Finance Responsible Person: CFO	draft report developed
IMMOV ABLES	PPE: Assets that could not be physically verified (EX.103)	Management did not ensure that the asset register contains sufficient descriptions to pinpoint the location of assets.	We are currently updating the asset register so that it includes all the necessary information for physical verification purposes.	30-Apr-16	Directorate: Finance Responsible Person: Ms L.Prins	A list of damaged and lost assets is currently being compiled and will be tabled before the council for the approval of the derecognition of those assets in the fixed asset register.
	PPE: Prior year - Assets not assessed for impairment (EX.81)	The cause of the above is that management did not prioritise matters raised in the previous year audit to ensure that they are corrected.	We have requested support from provincial treasury to give guidance on the methodology to be used when assessing the residual value, useful life as well as impairment of	31-Mar-16	Directorate: Finance Responsible Person: Ms L.Prins	A formal communique has been sent and we are still awaiting response.

			the assets.			
	PPE: Prior year error - Costs of components of boreholes not structured (EX.82)	Management did not ensure that boreholes were fully componentised as required .	We have requested support from provincial treasury to give guidance on the methodology to be used when assessing the residual value, useful life as well as impairment of the assets.	31-Mar-16	Directorate: Finance Responsible Person: Ms L.Prins	A formal communique has been sent and we are still awaiting response.
	PPE: Internal control deficiency identified on asset maintenance plans (EX.10)	Lack of oversight by management over property, plant and equipment.	We are currently drafting maintenance plans for all categories of assets.	29-Feb-16	Directorate: Finance Responsible Person: Ms L.Prins	A draft fleet policy has been developed and a draft maintenance plan is still in progress.
	PPE: Prior year misstatement - Assets not componentised (EX.51)	Management did not ensure that boreholes were fully componentised as required .	We have requested support from provincial treasury to give guidance on the methodology to be used when assessing the residual value, useful life as well as impairment of the assets.	31-Mar-16	Directorate: Finance Responsible Person: Ms L.Prins	A formal communique has been sent and we are still awaiting response.

INVENTORY	Inventory: Internal control deficiencies identified relating to the stock count (EX.160)	The cause of the above is due to controls not being in place relating to the processes that needs to be followed for an inventory count.	<p>The inventory procedure manual has been developed.</p> <p>Two officials who will now perform the duties of the store clerk have been identified and are now working at stores. Daily inventory recording sheets have been developed and implemented for recording of inventory, received issued and obsolete.</p>	31-Mar-16	<p>Directorate: Finance Responsible Person: Ms L.Prins</p>	Inventory procured, issued and obsolete is manually updated daily. The system is currently being updated so that the inventory at hand is in line with the physical inventory in stores.
	Inventory: Disclosed inventory is not complete (EX.166)	The cause of the above is that management did not apply GRAP 12 for inventory to ensure that the disclosure of inventory is accurate and complete	<p>The inventory procedure manual has been developed.</p> <p>Two officials who will now perform the duties of the store clerk have been identified and are now working at stores. Daily inventory recording sheets have been developed and implemented for recording of inventory, received issued and obsolete.</p>	31-Mar-16	<p>Directorate: Finance Responsible Person: Ms L.Prins</p>	<p>Inventory procured, issued and obsolete is manually updated daily. The system is currently being updated so that the inventory at hand is in line with the physical inventory in stores.</p> <p>Because of the controls that are now in place consumables on hand at the end of financial period will be classified as inventory as</p>

						required by GRAP 12.
MOVABLE ASSETS	PPE: Assets not traced to the asset register (EX.111)	Management did not take steps to ensure that controls over the accuracy and correctness of the assets register.	We are currently updating the asset register so that it includes all the necessary information for physical verification purposes.	31-Mar-16	Directorate: Finance Responsible Person: Ms L.Prins	A list of damaged and lost assets is currently being compiled and will be tabled before the council for the approval of the derecognition of those assets in the fixed asset register.
	PPE: Emergency equipment assets not barcoded in the asset register (EX.126)	Management did not take necessary steps to review the assets register to ensure that there are no deficiencies.	Management is not in agreement with this finding due to the nature of the assets which the AG is proposing that they should be barcoded. We have alternatively updated the asset register with more information relating to the color, size and quantity of JOJO tanks	15-Feb-16	Directorate: Finance Responsible Person: Ms L.Prins	Fixed asset register has been updated with the additional information.
	PPE: Obsolete assets with no unique asset number or barcode	Relating to keyboards, initially they were not barcoded - Other barcodes fell off and	A list of damaged and lost assets is currently being compiled and will be tabled before the council	22-Jan-16	Directorate: Finance Responsible	Damaged assets for all units are currently being

	(EX.56)	<p>no due care was taken in order to ensure that they were replaced or placed back on to the assets.</p> <p>- Vehicles, no due care was taken in order to ensure that the list of obsolete goods was filled in completely.</p>	for the approval of the derecognition of those assets in the fixed asset register.		Person: Ms L.Prins	identified.
	PPE: Assets in the asset register do not have barcoded (EX.66)	Management did not take necessary steps to review the assets register to ensure that there are no deficiencies	A 100% physical verification for both movable and immovable assets has been scheduled to start from 01 February 2016 until 29 February 2016. This exercise will ensure that all assets that are not barcoded are identified and barcoded.	29-Feb-16	Directorate: Finance Responsible Person: Ms L.Prins	Custodians of the assets are educated on the importance of safeguarding of municipal assets allocated to them.
OPERATING EXPENDITURE	Procurement: Declaration of interest not submitted by suppliers (EX.44)	The matter is caused by the municipality continuing to procure the services of these suppliers without obtaining the declaration of interest forms	A thorough check will be done to verify suppliers prior appointed if their declarations are true reflection to what is filled on the tender document.	Ongoing	Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu	In progress

	Procurement: Declaration of interest forms not obtained for procurement of awards between R10 000 to R30 000 (EX.61)	Management indicated that they was not aware that the MBD4 form is required for quotations between R10 000 and R30 000, therefore control activities were not established to ensure that all laws and regulations are complied with.	We will ensure that compliance is enforce in accordance with section 13(b) of the SCM regulation	Ongoing	Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu	In progress
	Irregular, fruitless and wasteful and unauthorised expenditure: No investigation (EX.86)	Lack of proper and effective monitoring by management to ensure that unauthorised, irregular, and fruitless and wasteful expenditure are investigated	The ifwu expenditure registers are developed to ensure compliance therefore investigation will be easily conducted.	15-Apr-16	Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu	In progress
	Procurement: Construction contracts not advertised and registered on the CIDB Database (EX.101)	Management experienced difficulties with the registration of suppliers on the CIDB website.	We will ensure that compliance is enforced with requirements of the CIDB regulation and ensure that all construction contracts are registered on the CIDB website.	Ongoing	Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu	In progress
	Procurement: Non-compliance with SCM regulations and MSA act (EX.108)	Lack of management oversight regarding the implementation of the	We will ensure that compliance is enforce in accordance with section 6(2)(a)(i)&(ii); 6(3) & 50(1)	Monthly	Directorate: Finance Responsible Person: Lerato	In progress

		relevant laws and regulation	of the SCM regulation		Mofokeng Queen Tsoeu	
	Procurement: BBBEE Scores awarded to suppliers without valid BBBEE Certificates (EX.112)	The bid evaluations committee and the bid adjudication committee did not correctly apply the Supply Chain Management policy and the Preferential Procurement Policy Framework Act which requires that no points may be awarded to the bidder with invalid B-BBEE Status Level Verification Certificates or certified copies thereof.	A thorough check will be done to avoid scoring bidders if invalid BBBEE Certificate.	Ongoing	Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu	In progress
	Procurement: Contract performance monitoring measures not implemented by the municipality (EX.117)	Management did not establish monitoring controls over contracts.	Improved contract management: Capacity building within the technical services and SCM Department need to be initiated and enhanced. The performance of the appointed contractor will be monitored on a monthly basis as required by section 116 (2)(b) of the MFMA	Ongoing	Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu	In progress
	Procurement (consultants): Lack of internal controls to ensure value for money of use of	Management did not take responsibility to ensure that there are sufficient monitoring	The primary aim of the appointment of consultants is to	Ongoing	Directorate: Finance Responsible	In progress

	work of consultants (EX.129)	controls in place over the work of the consultants.	<p>supplement inadequacies of skills at municipality as the municipality was not performing well. The champion department will be actively involved in all the processes and ensure that there is skills transfer so that reliance on consultants can be reduced.</p> <ul style="list-style-type: none"> • The consultant have to visit the municipality regularly; • The consultant must submit progress reports; • The consultant will be monitored based on a monthly basis • We will ensure that the consultant conduct trainings and seminars; 		<p>Person: Lerato Mofokeng Queen Tsoeu</p>	
	Procurement (consultants): It could not be confirmed that skills were transferred by the consultants appointed (EX.135)	Lack of management oversight on proper monitoring of the contractual terms with the consultants	<p>The primary aim of the appointment of consultants is to supplement inadequacies of skills at municipality as the municipality was not performing well. The champion department will be actively involved in all the processes and ensure that there is skills transfer so that reliance on consultants can be reduced.</p> <ul style="list-style-type: none"> • The consultant have to visit the 	Ongoing	<p>Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu</p>	In progress

			<p>municipality regularly;</p> <ul style="list-style-type: none"> • The consultant must submit progress reports; • The consultant will be monitored based on a monthly basis • We will ensure that the consultant conduct trainings and seminars; 			
	<p>Procurement (consultants): No evidence of transfer of skills (EX.139)</p>	<p>Lack of management oversight on the review of the contract terms to ensure that it is in line with the SCM guide.</p>	<p>The primary aim of the appointment of consultants is to supplement inadequacies of skills at municipality as the municipality was not performing well. The champion department will be actively involved in all the processes and ensure that there is skills transfer so that reliance on consultants can be reduced.</p> <ul style="list-style-type: none"> • The consultant have to visit the municipality regularly; • The consultant must submit progress reports; • The consultant will be monitored based on a monthly basis • We will ensure that the consultant conduct trainings and seminars; 	<p>Ongoing</p>	<p>Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu</p>	<p>In progress</p>

	Procurement (consultants): No monitoring of consultants work and/or performance (EX.140)	Lack of management oversight on the contract monitoring measures of the work of consultants.	Improved contract management: Capacity building within the champion department and SCM Department need to be initiated and enhanced. The performance of the appointed contractor will be monitored on a monthly basis as required by section 116 (2)(b) of the MFMA	Ongoing	Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu	In progress
	Procurement: Deviations not reported to the council meetings (EX.161)	Lack of management oversight in compliance with the SCM policy.	We will ensure that compliance is enforce in accordance with section 36(b) of the SCM regulation	Monthly	Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu	In progress
	Procurement: Deviations from the procurement process not included in the financial statements (EX.68)	Management did not identify and record all deviations that occurred during the year in the deviation register.	Deviation register is developed and monitored every month to ensure compliance	Monthly	Directorate: Finance Responsible Person: Lerato Mofokeng Queen Tsoeu	In progress
	Procurement: Listing criteria not specified for prospective providers (EX.75)	Lack of management oversight with regard to the requirements of the SCM policy.	The SCM policy will be ammended to ensure that listing criteria is specified for prospective servvice	31-Mar-16	Directorate: Finance Responsible Person: Lerato Mofokeng	In progress

			providers		Queen Tsoeu	
	General expenses: Payments vouchers not approved by a delegated official (EX.87)	Lack of oversight from management to ensure that payment vouchers and journals are duly authorised by delegated officials.	Management to develop and implement controls to ensure that payments are only made once there are authorisations by delegated officials.	Ongoing	Directorate: Finance:- (Expenditure Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure M Witbooi: Expenditure Accountant A Dingiswayo: Creditors Clerk N Rabanye: Finance Intern	In progress
RECEIVABLES	Receivables: Weak internal controls over debtors (EX.14)	There is no monitoring controls in place to ensure that this is done accurately	<u>New and Current Debtors</u> Customers notification of change of address forms are available for debtors. These forms were provided to the post office to insert in the boxes of all residents and also the Afriforum was requested to notify members of the community to provide the municipality with their current contact details. The contact details of the	Ongoing	Directorate: Finance Responsible Person: Billing officer	In progress

			<p>consumers will be updated on a monthly basis before the 15th of each month.</p> <p>Disconnections Customers provide the municipality with their current addresses on the disconnection form. On receipt of disconnection form the final reading are done immediately on the same date a manual final account is provided to the consumer. The new address will be updated immediately on the system.</p> <p>Notices have been sent out to customers to come and update the information.</p> <p>Challenge: Farms addresses not updated. To address</p> <p>End of the month to sit in a meeting with CFO,MM, Legal</p>			
	<p>Receivables: Limitation of scope relating to indigent debtors (EX.141)</p>	<p>Insufficient controls from management regarding filing of documentation and</p>	<p>Proper record keeping will be in place through the following.</p>	<p>Ongoing</p>	<p>Directorate: Finance Responsible Person: Customer</p>	<p>In progress</p>

		retrieval for audit purposes.	<p>-A manual register of indigent applications received will be kept applicants will complete their details in this register. The forms will be sent to relevant ward councillors for approval. Upon return of applications we will reconcile applications sent as per the manual register and what we received back from the ward councillors. A separate file containing approved and not approved indigent applications will be kept.</p> <p>- The approved indigents applications will be updated on the the register of approved indigent.</p> <p>- A reconciliation between the indigent register, approved indigent applications and indigents as per accounting system will be performed on a monthly basis</p> <p>To have the meeting to be arranged by Mr Tshiliso with councillors for next week Friday</p>		Clerk	
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	Receivables: Differences in age analysis report and pastel (accounting system) (EX.142)	The above mentioned resulted due to now reconciliation between the account balance's per age analysis report and the accounting system.	<p>Consultants from Camelsa will be consulted for this matter as it was a result of an system error.</p> <p>Follow up will be done with CAMELSA Monday 07 March 2016.</p>	30-Apr-16	<p>Directorate: Finance Responsible Person: Pastel consultant & Revenue Manager</p>	In progress
	Receivables: Debtors raised in the name of the municipality (EX.148)	Did not implement controls over daily and monthly processing and reconciling of transactions.	<p>The social and community services department will be requested to indicate which properties are owned and utilised by municipality, owned and rented out externally and owned by consumers but not yet registered in their names.</p> <p>The municipal properties will also be exempt from being billed</p> <p>For properties owned by the municipality the monthly services charged will be send to the expenditure department for collection. Where a cheque will be written out and expenditure department will be allocated against the</p>	31-Mar-16	<p>Directorate: Finance Responsible Person: Valuation roll officer</p>	In progress

			relevant departmental vote .			
	Receivables: Supporting documentation for suspense account could not be obtained (EX.176)	Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	A file are kept with supporting documents for movement in suspense account. Suspense account to be cleared on a monthly basis.	Monthly	Directorate: Finance Responsible Person: Manager Revenue	In progress
	Receivables: Internal control deficiencies relating to Indigent Customers (EX.93)	Applications are approved without proper reviewing procedures from management.	Proper record keeping will be in place through the following. -A manual register of indigent applications received will be kept applicants will complete their details in this register. The forms will be sent to relevant ward councillors for approval. Upon return of applications we will reconcile applications sent as per the manual register and what we received back from the ward councillors. A separate file containing approved and not approved indigent applications will be kept.	Ongoing	Directorate: Finance Responsible Person: Manager Revenue	In progress

			<p>- The approved indigents applications will be updated on the the register of approved indigent.</p> <p>- A reconciliation between the indigent register, approved indigent applications and indigents as per accounting system will be performed on a monthly basis</p>			
RELAT ED PARTIE S	Related parties: There are no formal documented processes in place to identify related parties (EX.21)	Lack of management oversight over disclosures in the financial statements to ensure it is accurate and correct	<p>Prior to AFS being submitted to AG, a high level review will be performed to ensure that all disclosures are correctly disclosed</p> <p>Processes will be developed and documented after coomunicate with Tswelopele Mun. Mugelane to do follow up</p>		<p>Directorate: Finance Responsible Person: CFO</p>	
	Accumulated surplus: Journal discrepancies on the accumulated surplus account (EX.116)	Management did not perform and adequate review of the financial statements to ensure that they are free from misstatements.	Prior to processing the journals on the GL,a working paper accompanied by the relevant support and a journal form will be reviewd to ensure that		<p>Directorate: Finance Responsible Person: CFO</p>	

			correct journals are passed			
	Accumulated surplus: Differences identified (EX.97)	The above mentioned resulted due to management not performing and adequate review of the financial statements to ensure that they are free from misstatements before submission for audit purposes.	Prior to AFS being submitted to AG, a high level review will be performed to ensure that all disclosures are correctly disclosed			Directorate: Finance Responsible Person: CFO
REVENUE	Revenue (Service charges): Prior year uncorrected misstatements (EX.16)	Slow response by management to correct the issues identified in the previous financial year	Correction journals to be prepared and captured by 28 February 2016.	31-May-16		Directorate: Finance Responsible Person: Billing officer In Progress
	Revenue: Distribution losses not calculated and disclosed (EX.171)	(a) A proper review was not done of the financial statements to ensure that all the required disclosures are made in the financial statements (b) Management did not prioritise controls and actions that would reduce electricity and water losses and there is lack of oversight responsibility on compliance with MFMA.	Investigations on relevant accounts to be performed and where applicable correction journals to be prepared and captured by 28 February 2016.	28-Feb-16		Directorate: Finance Responsible Person: Billing officer In Progress

	Revenue - Service charges no meter readings for water and electricity (EX.73)	The cause of the above is that the municipality have not fixed the water or electricity meter of customer accounts that were not in a working condition.	<p>Investigations on relevant accounts to be performed and where applicable correction journals to be prepared and captured by 28 February 2016.</p> <p>Technical to identify all the meters that can be repaired and the cost implications so that they can be prioritised. Mr Malatji and team.</p> <p>Completion:</p>	31-Mar-16	<p>Directorate: Finance Responsible Person: Billing officer</p>	In Progress
	Revenue (Grants) - Non-compliance with DORA (EX.170)	The cause of the above is that management did not implement controls to ensure compliance with laws and regulation	<p>Management disagrees with the finding as COGTA has never raised non-compliance matter with the municipality with regard to MSIG, however all monthly reports for MSIG were submitted.</p> <p>AG didn't provide us with evidence indicating non compliance.</p>	Achieved	<p>Directorate: Finance Responsible Person: Manager Budget</p>	Achieved

	Revenue - Assessment rates not charged on all property (EX.39)	The cause of the above is that the accounting system have not been compared and updated with the property deeds and the valuation roll.	This audit finding was resolved.	Achieved	N/A	Achived
	Revenue - Accounts not cleared before the transfer of property (EX.40)	<p>The cause of the above is that the municipality do not create new accounts for new property owners Proper controls are not in place to ensure that old debt is settled before transfer of a property.The impact of the above are:</p> <p>Old debt is not settled before transfer of property which will result in financial losses for the municipality</p> <p>New property owners are charged with interest and accounts of previous owners.</p>	This audit finding was resolved.	Achieved	N/A	Achived

	Revenue - Completeness of the valuation roll (EX.41)	Management did not compare the valuation roll and the transfer of property deeds to ensure that the valuation roll is complete.	The identified properties will be sent to the municipal valuer to be included on the supplementary valuation roll.	28-Feb-16	Directorate: Finance Responsible Person: Municipal Valuer/ Manager Revenue/ Valuation roll officer	In Progress
	Revenue - Interest incorrectly charged on outstanding debtors (EX.57)	The above mentioned resulted due to the amount of interest charged on the accounting system not being charged accurately.	Management disagrees with AG's findings on the recalculation of interest charged on outstanding accounts. AG based the recalculation on the compound interest, whereas the municipality charges the simple interest at prime rate in line with the banking institutions. The prime interest rate differed throughout the financial year. Investigations were conducted and an agreement with the AG. This matter is resolved.	Achieved	Directorate: Finance Responsible Person: Manager Revenue	Achieved
	Revenue: Prior year - Service not charged to Erf (EX.74)	The above mentioned resulted due to management not reconciling the valuation roll of the municipality to the debtor accounts opened on the system (Pastel evolution).	The correction on the debtor account was billed from last month and necessary adjustments will be made	28-Feb-16	Directorate: Finance Responsible Person: Billing officer	In Progress

	Revenue - Property register not updated annually (supplementary valuation roll) (EX.89)	The above mentioned resulted due to management not implementing recommendations made by the auditors in the previous financial year.	The approved valuation roll was implemented as from 01 July 2015. The next Supplementary valuation roll will be finalised by 28 February 2016	31-Mar-16	Directorate: Finance Responsible Person: Municipal Valuer/ Manager Revenue/ Valuation roll officer	In Progress
TAXES	AT: reconciliation not approved and Vat returns not submitted in time (EX.150)	The cause of the above is due to a lack of management oversight, as management did not put controls in place: a) To ensure reconciliation are appropriately reviewed and approved b) To ensure that VAT returns are submitted in time.	Ensure all reconciliations are reviewed and signed before submission	Monthly	Directorate: Finance Responsible Person: Ms N. Mekane	All months of 2015/16 to December 2015 are signed
GENERAL AND IT CONTROL	ICT: Information Technology (IT) - Controls not in place (EX.59)	The lack of a dedicated IT security officer/system administrator to ensure the implementation of controls measures over financial IT systems.	IT Security Officer's duties will be delegated to the ICT Coordinator until the municipality is able to have a dedicated IT Security Officer		Directorate: Corporate: Responsible Person: ICT Coordinator	Functions and responsibilities of an IT Security Officer are currently being developed

	Control environment: IT related information requested that has not been submitted as per request 6 of 2015 (EX.6)	Failure by management to maintain an effective record keeping system to ensure that complete, relevant and accurate information is accessible and available for audit.	<p>Manager ICT to advice on an effective records keeping system</p> <p>Meeting to be conducted with department next week.</p>		<p>Directorate: Corporate: Responsible Person: ICT Manager</p>	The Change management policy is being implemented, Backup register is being updated, a suitable location for the storage of the backup will be finalised
CONTR OL ENVIRO NMENT	Audit Committee: Audit committee deficiencies (EX.18)	The audit committee/performance audit committee did not prioritize the implementation of the compliance with laws and regulation.	<p>(1) The independency of Internal Audit will be maintained as all Adhoc reviews will be approved by Audit Committee. Management will only issue out a request not an instruction to Internal Audit to perform adhoc reviews.</p> <p>(2) Audit and Performance Committee will ensure that reports are tabled before council on a regular basis as to comply with section 166 of MFMA No. 56 of 2003.</p> <p>(3) Council will be provided with the</p>	<p>30 June 2016</p> <p>30 June 2016</p> <p>30 March 2016</p> <p>30 June 2016</p>	<p>Directorate: Internal audit</p> <p>Responsible Person: Chairperson: Audit Committee</p> <p>Chairperson: Audit Committee</p> <p>Head of Internal Audit</p> <p>Chairperson: Audit Committee</p>	<p>(1) No Adhoc requests were made by management.</p> <p>(2) Audit Committee Report will be tabled before Council as at 22 January 2016.</p> <p>(3) Evaluation Matrix tool is readily available @ Internal Audit section. Appointment to workshop councilors thereon is still underway.</p>

			<p>evaluation matrix tool to evaluate performance of Audit Committee.</p> <p>(4) Audit and Performance Committee to meet at least Four (04) times a year to comply with section 166 of MFMA No.56 of 2003.</p>			<p>(4) Audit Committee had three meetings for 2015/16 financial year: 26 August 2016; 29 September 2016; 30 November 2016.</p>
	<p>Internal audit - Deficiencies found in the internal audit working papers (EX.12)</p>	<p>Lack of oversight responsibility on the work performed by the internal auditors.</p>	<p>(1) Internal Audit disagreed with the finding:</p> <p>Report on the implementation of annual risk based internal audit plan was tabled before audit committee on: 26 August 2016. More reports will be tabled to management and audit committee on the implementation of annual risk based internal audit plan.</p> <p>2.1 Disagreed with the finding:</p> <p>Internal Audit is guided by the Institute of Internal Auditing South Africa, IPPF standards and practice notes issued from time to time. It does not</p>	<p>There is no specific completion date. Work of Internal Audit will be submitted to Auditor General in the next audit process to decide whether to make use of work of internal audit or not.</p>	<p>Directorate: Internal audit Responsible person: Head of Internal Audit</p>	<p>(a) Annual Risk Based Internal Audit Plan 2015/16 financial year was developed and approved.</p> <p>(b) Report on the implementation of annual risk based internal audit plan for 1st quarter was presented before Audit Committee as at: 30 November 2015</p> <p>(c) Internal Audit Budget was compiled and communicated to audit team with assigned audit components</p> <p>(d) Internal Audit</p>

			<p>conduct its functions/audits in terms of the International Standards on Auditing (ISA's) like Auditor General does. Internal Audit is not guided by IRBA (Independent Regulatory Board for Auditors) like Auditor General does. Internal Audit is guided by the Institute of Internal Auditing South Africa, including its practice guides issued from time to time.</p> <p>The population, sample and direction of testing were clearly documented in the execution working paper that was submitted to Auditor General for audit.</p> <p>(2.2) Disagreed with the finding:</p> <p>The review was performed with an extended scope. All working papers were provided. Internal Audit does not make use of Audit Software to conduct the audits where every link would be easily hyperlinked. Procedures on revenue were attached</p>			<p>Charter and Methodology were developed and approved on: 30 November 2015.</p> <p>(e) Audit of Predetermined Objectives for first quarter of 2015/16 was performed and is currently at reporting stage.</p> <p>The following audits are still in progress for the 2nd quarter:</p> <ul style="list-style-type: none"> (i) Predetermined Objectives (Sampling) (ii) Supply Chain Management (100% testing) (iii) Revenue (Sampling) <p>Communication will be held with Auditor General as to the extent of testing by Internal Audit so that it can make use of work of Internal Audit. Necessary arrangements are</p>
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			<p>and sent to Auditor General.</p> <p>The number of transactions selected for audit is included in the compliance testing. Revenue is also tested in there, NERSA tariff issue is also mentioned in compliance testing. Refer to the working paper on compliance testing. Auditor General should re-asses the w/p on compliance. Assertion is clearly indicated in the w/p.</p> <p>Internal Audit has selected 30 transactions for revenue and tested the compliance and accuracy thereof. The execution w/p on compliance testing on NERSA tariffs was given to Auditor General.</p> <p>(2.3) Disagreed with the finding:</p> <p>Auditor General should differentiate between Internal Audit and External Audit. Internal Audit is testing the adequacy and effectiveness of internal controls. The risk on</p>			still under way.
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			<p>expenditure was more on non performance of the reconciliations. At the time of performance by internal audit against audit criteria, reconciliations were not done. Therefore, if the control is not working auditors should stop testing. However, internal audit has gone beyond the principle that if control is not working auditors should stop testing. We have continued with the testing even though the controls over expenditure management were not effective and working. Internal Audit would have indicated the population of reconciliation and test if the control is adequate, working and effective to detect risks. Auditor General should take note that Internal Audit focus on expenditure not on the figures, it is mainly on controls such as reconciliations as to ensure that the figures that external auditors will audit are accurate and processes are complied with. Auditor General did not copy the correct</p>			
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			<p>working papers, Therefore it is requested that the correct w/p with procedures be copied and be thoroughly assessed.</p> <p>(2.4) Disagreed with the finding:</p> <p>All the working papers were submitted to Auditor General for audit. The procedures, report and management comments were all submitted to Auditor General. Internal Audit is surprised why Auditor General is saying there are no procedures and management comments.</p> <p>(2.5) Disagreed with the finding:</p> <p>This matter has already been clarified. A report on inventory was generated based on the observation that was undertaken by Internal Audit. Inventory does not form part of the internal audit plan per se. Inventory checklist was also submitted to Auditor General together with the report. Auditor General should clarify if the</p>			
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			<p>inventory checklist is not sufficient to test whether there are controls in place or not. To the knowledge and professional judgment made by Internal Audit, observation and inventory checklist was sufficient to come to the conclusion. Internal Audit would to a certain extent not test inventory the same way that the Auditor General is testing. Auditor General is doing a substantive test of detail. Internal Audit is assessing the controls over inventory and that was done through observation and using a checklist. Auditor General should take into account that one of the risk assessment procedures is "OBSERVATION" therefore there is nothing wrong if internal audit believes that observation and a checklist is sufficient to come to the conclusion.</p> <p>(2.6) Disagreed with the finding:</p> <p>Procedures are submitted to Auditor General with supporting documents for</p>			
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			audit. However, internal audit would partly agree with the fact that there was no follow up made and the comments on the report.			
	Internal Control: Policies not in place (EX.134)	Management does not see the urgency to prioritise policies and procedures to ensure proper governance	Not for Internal Audit. Please look @ Final Management Report as I only have Audit Report.			
	Internal audit - No documented approval of adhoc audits (EX.17)	<p>A lack of oversight by the audit committee</p> <p>Non-adherence to the internal audit charter</p>	<p>(1) Disagreed with the finding:</p> <p>The matter was communicated to the Chairperson of the Audit Committee on: 08 April 2015 @ 09:20 AM via the e-mail. The chairperson received and read the request for approval on 08 April 2015 @ 10:03 AM. Internal Audit has submitted the proof of those e-mails to auditor general on: 03 September 2015 for audit. The previous Accounting Officer has indicated that AJ Mining informed him that they want to purchase equipment with that</p>	There is no specific completion date. Scope of internal Audit differs from one of external audit.	Directorate: Internal audit Responsible person: Head of Internal Audit	No adhoc requests were made to date

			<p>money therefore; the matter is urgently needed to be resolved. Auditor General should take into account that any delay on the construction of the water pipe line that is constructed by AJ Mining could have caused the life of the citizens through holding back the service delivery. Through enquiries it was confirmed that the funds were reimbursed to AJ Mining in terms of section 11(1)(f) of Municipal Finance Management Act No.56 of 2003 which states:</p> <p>“Only the accounting officer or the chief financial officer of a municipality, or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality’s bank accounts, and may do so only to refund money incorrectly paid into a bank account”</p> <p>Based on above, internal audit had no option but to</p>			
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assess the transaction so that risk does not go undetected. The matter was beyond approval of the review as the substance of the transaction was significant and the supplier needed cash flow to complete the water pipe line so that the community can get clean water as required by the constitution of the Republic of South Africa Act No.106 of 1996.

(2) Disagreed with the finding:

The review was an extension of exception 02 that was raised by Auditor General. Internal Audit had to provide assurance to the Accounting Officer. The review is classified as adhoc because the matter was already raised by AGSA and internal had to provide further assurance on the subject matter. SAB&T has also conducted its own review as well. Section 165 (2)(iii) states that internal audit must advise the accounting officer on accounting procedures

and practices. Therefore, due to the substance of the transaction, the MFMA Act takes precedence over the internal audit plan.

(3) Disagree with the finding:

The review was classified as part of the adhoc reviews due to the following:

Internal Audit did not sample and physically tested the inventory transactions that could be out of the scope of the approved audit plan. Internal Audit has only observed the yearend inventory count. It was an initiative to observe how the municipality performs its own yearend inventory count. A report was drawn based on the observation and procedure checklist made by internal audit so that deficiencies can be communicated to appropriate level of management.

	Internal audit: Adhoc projects of internal audit not pre-approved by the audit committee (EX.25)	Failure by management to maintain an effective record keeping system to ensure that complete, relevant and accurate information is accessible and available for audit	Resolved.	Resolved.	Resolved.	Resolved.
	Internal Control : Lack of a centralised filing system for administrative matters (EX.45)	The management of the Municipality did not timeously address the challenge on the lack of a filing system.	Not for Internal Audit. Please look @ Final Management Report as I only have Audit Report.			
PREDETERMINED OBJECTIVES	AOPO: Planned performance target not reported (EX.127)	The municipality did not have performance management system and standard operating procedures that could have assisted municipality in preparing APR during the year.	Draft Procedure Manual for managing Performance Management System is in place and will be adopted by Council before the end of the financial year	Jun-16	Directorate: PMS Responsible Person: Ms. P Luhabe	This is currently in progress as Directors are reporting on the planned targets as per the SDBIP 2015/2016 f/y each quarter
	AOPO: Deficiencies identified in the annual report (EX.23)	The cause of the above is due to lack of management oversight to ensure that draft annual report submitted for audit purposes is accurate and correct	Draft audited annual report has been submitted to AG for audit purposes during 2014/2015 audit, comments of the AG were received and addressed . The Annual Report has been audited by the AG and was tabled before Council on the 22 January	Apr-16	Directorate: PMS Responsible Person: Ms. P Luhabe	Draft Audited Annual Report 2014/2015 financial year will be tabled before Council on the 22nd January 2016. On the 18th January the Draft Audited Annual report was

			2016.			submitted to AG for perusal before Council adopt it. Comments were received and addressed and the Final document will be submitted to Council for approval during March 2016
	AOPO: Annual Report and quarterly performance reports not received for request 2 of 2015 (EX.3)	Failure by management to maintain an effective record keeping system to ensure that complete, relevant and accurate information is accessible and available for audit.	Annual Report 2014/2015 has been developed and submitted to the AG for audit purposes during August and Novemebr 2015. It was also submitted again to the AG during January 2016 for perusal and quality check. Quarterely performance reports are compiled for 2015/2016 financial year	Jun-16	Directorate: PMS Responsible Person: Ms. P Luhabe	Annual Report has been submitted to AG during November 2015 for audit. It was submitted again to the AG during January 2016 for perusal ensuring compliance with reported information. This shall be submitted again to the AG after tabling to Council by January 2016 and submitted for final by March 2016. Quarterely reports are developed and submitted to Council for approval

	AOPO: PMS not in place (Ex.30)(CoA no.30) (EX.30)	A lack of oversight and monitoring on development, implementation and the monitoring of the performance information system.	The municipality have an approved PMS Framework and Policy adopted by Council during July 2015. PMS Policy is currently reviewed.	Jun-16	Directorate: PMS Responsible Person: Ms. P Luhabe	There is a Council approved PMS Framework and policy that is being implemented and the review of the PMS Policy is under progress
	AOPO: Performance targets not measurable (EX.33)	The municipality did not have a proper performance management system in place.	Targets in the SDBIP were set using the SMART Principle as per the National Treasury Framework for Managing Performance Information and has been reviewed during January 2016 as part of Mid term assessment	Feb-16	Directorate: PMS Responsible Person: Ms. P Luhabe	This is in progress as the municipality is improving in terms of applying its SMART principle. Targets were also reviewed during January 2016 in order to comply with the SMART principle
	AOPO: Deficiencies identified on SDBIP, IDP and Budget (EX.38)	The cause of the above is due to lack of oversight by management to ensure that SDBIP, IDP and budget are properly reviewed in order to ensure that they are aligned.	Alignment of the IDP, SDBIP and Budget has been done during 2015/2016 financial year.	Mar-16	Directorate: PMS Responsible Person: Ms. P Luhabe	During the development of the SDBIP, alignment was made with the IDP and Budget, this is also in progress as alignment must also be done

						continuously with the budget
	OPO: Predetermined objective documentation requested was not submitted (EX.53)	Failure by management to maintain an effective record keeping system to ensure that complete, relevant and accurate information is accessible and available for audit.	Predetermined objectives are part of the IDP and are aligned with the SDBIP	Feb-16	Directorate: PMS Responsible Person: Ms. P Luhabe	Predetermined objectives in the SDBIP are aligned with the IDP 2015/2016 financial year
	AOPO: Differences between IDP priorities/objectives with SDBIP and APR (EX.83)	Lack of review by management to ensure that the APR are aligned to the IDP and SDBIP	IDP priorities/objectives are aligned with the SDBIP 2015/2016 f/y and will be aligned with the Annual Performance Report for 2015/2016 f/y	Jun-16	Directorate: PMS Responsible Person: Ms. P Luhabe	IDP priorities/objectives are aligned with the SDBIP 2015/2016 and at the end of the financial year they will be aligned with the Annual Performance Report
	AOPO: No consistency between planned indicators and reported performance indicators (EX.92)	Management did not have proper performance management system in place that could have assisted them in reporting on agreed strategic objectives and planned performance indicators.	Planned indicators have been set in the SDBIP 2015/2016 and reported indicators are as per the set indicators in the SDBIP	Jun-16	Directorate: PMS Responsible Person: Ms. P Luhabe	There is consistency on the reported indicators and the planned indicators

	AOPO: Planned and reported performance target not done as per SMART criteria (EX.96)	The performance management system was not structured and formal during the financial year.	Planned targets have been set using the SMART criteria as per National Framework for managing Performance information and reported performance target is aligned to the planned target.	Jun-16	Directorate: PMS Responsible Person: Ms. P Luhabe	This is currently in progress as planned and reported targets are done using SMART criteria
	AOPO: Performance indicators are not measurable or well defined (EX.98)	Management did not have a proper performance management system in place that could assist them in preparing measurable performance indicators	Performance indicators are developed using the SMART criteria as per the National Treasury Framework for Managing Performance Information. Performance indicators are measurable and well defined	Feb-16	Directorate: PMS Responsible Person: Ms. P Luhabe	This is currently in progress as the municipality is improving in terms of applying SMART criteria to its indicators. Performance indicators are measurable
	AOPO: Indicator not mandate of the municipality (EX.118)	The review of the SDBIP did not detect these matters.	All indicators are mandate of the municipality	Oct-15	Directorate: PMS Responsible Person: Ms. P Luhabe	Indicators that are not mandate of the municipality are not part of the SDBIP 2015/2016 f/y

	AOPO: Risk assessment report and the approval and submission of the SDBIP not submitted (EX.26)	Failure by management to maintain an effective record keeping system to ensure that complete, relevant and accurate information is accessible and available for audit.	Reviewed SDBIP 2015/2016 has been submitted to Mayor for approval and then submitted to Provincial Treasury and Cogta	Nov-15	Directorate: PMS Responsible Person: Ms. P Luhabe	Reviewed SDBIP was submitted to Provincial Treasury and Cogta during October 2015
	AOPO: No approved operating procedures for measuring performance (EX.27)	A result of a lack of oversight from management to implement and develop procedures and policies on the reporting and monitoring of predetermined objectives	Draft Procedure Manual for PMS is in place and will be adopted by Council before the end of the financial year	Jun-16	Directorate: PMS Responsible Person: Ms. P Luhabe	Standard operating procedures for managing performance is currently not developed
	AOPO: Deficiencies identified in the mid-year performance assessment (EX.28)	Management did not review the mid-year performance assessment after it was compiled by the consultant to ensure it is accurate and correct before submission.	Mid-Year Performance assessment is developed in-house and is complying with the section 72 of the MFMA act	Jan-16	Directorate: PMS Responsible Person: Ms. P Luhabe	Deficiencies identified in the mid-year assessment report have been corrected in the 2015/2016 mid year report
	AOPO: No monthly projections on SDBIP (EX.29)	Management did not monitor the work of the consultants to ensure that the requirements in terms of the laws and regulations are adhered to	Monthly projections of revenue and expenditure by source are part of the SDBIP 2015/2016	Nov-15	Directorate: PMS Responsible Person: Ms. P Luhabe	Monthly projections are part of the SDBIP 2015/2016 f/y

	AOPO: Adjustment Budget not submitted within prescribed period (EX.46)	There were no monitoring controls to ensure that the relevant laws and regulations are complied with	Adjustment budget will be submitted within 10 working after adoption.	5-Feb-16	Directorate: Finance Responsible Person: Ms. N. Mekana	The adjustment budget is awaiting adoption by the council which will take place on 22 January 2016.
	AOPO: SDBIP submitted to Treasury not within prescribed times (EX.47)	Due to lack of oversight by management to ensure that appropriate documents are submitted in time to the relevant Treasury.	Reviewed SDBIP was submitted as per the prescribed time period	Feb-16	Directorate: PMS Responsible Person: Ms. P Luhabe	Reviewed SDBIP will be submitted at the prescribed time period
	AOPO: Road, water and sanitation infrastructure: Priority list is not approved (EX.70)	Management did not prioritised the matters relating to road, water and sanitation infrastructure. The position for director technical was also not filled and the person was only acting in that position during the financial year.	Maintenance plans for different categories of assets are currently being developed.	31-Mar-16	Directorate: Technical & Finance Responsible Person: Mr. Malatjie & L Prins	In Progress
EMPLOYEE RELATED COSTS	Employee costs - Annual leave accumulation not in line with main collective agreement (EX.100)	Lack of proper and effective monitoring by management to ensure that laws and regulations are complied with	Check on a monthly basis from July 2015 whether payday system have allocated annual leave days correctly to each employee	30-Apr-16	Directorate: Corporate Responsible Person: G Tjolo	In Progress

	Employee costs: Journals in employee costs not complete and correct (EX.110)	Lack of proper and effective review by management to ensure that the recording of employee cost expenditure are recorded correctly and can be substantiated with supporting evidence is not in place	All journals to be authorised and reviewed to ensure the correct amounts are being entered into the system.	Monthly	Directorate: Finance:- (Payroll Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer	Partially complete
	Employee cost: Lack of internal control on attendance registers (EX.119)	Failure by management to maintain an effective record keeping system to ensure that complete, relevant and accurate information is accessible and available for audit	All completed attendance registers of the entire institution must be submitted on a monthly basis before the 7 th of each month to the Manager Corporate Services: HR Manager Corporate Services: HR to ensure that attendance registers has been checked with leave records by submitting it to HR Officer (Leave Administration) to check all attendance registers against leave records. Any differences depicted must	Apr-16	Directorate: Corporate Responsible person: HR Manager/ HR Officer	In Progress

			be reported to the HR Manager for investigation by the HR Officer (Leave Administration) HR Admin Officer to deal with all attendance registers from July 2015 till March 2016 by end April 2016.			
	Employee costs - Payday system information do not agree with employee files and (EX.120)	Management did not develop and monitor sufficient controls to ensure system data is complete, accurate and kept up to date	Data transfer process to start from February 2016 where salary related information of the workforce will be copied to employee personnel files.	31-May-16	<p>Directorate: Human Resource: Responsible Person:G Tjolo: HR Manager</p> <p>Directorate: Finance:- (Payroll Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer</p>	None
	Employee costs - Supporting documentation for entertainment allowances not submitted (EX.121)	The officials of the municipality could not supply the auditors with the supporting documentation of the sundry allowances due to	Management to supply and maintain support documentation for Entertain Allowance and correct the line item on	29-Feb-16	<p>Directorate: Finance:- (Payroll Division) Responsible Person: FV Mzizi:</p>	Complete

		a lack of knowledge.	Pastel.		Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer	
	Employee costs – Non-compliance of travelling allowance policy (EX.122)	Management did not implement controls to ensure compliance with the applicable travel allowance policies	Management to review and amend the policies to ensure that all different elements are covered in the policy.	31-May-16	Directorate: Human Resource: Responsible Person: G Tjolo: HR Manager Directorate: Finance :- (Payroll Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer	Partially completed.
	Employee costs - Discrepancies identified regarding acting allowances (EX.123)	There are no monitoring controls in place to ensure that the necessary requirements are adhered to.	Management to ensure that all employees acting are authorised to do so and in accordance with the SALGBC Conditions	Ongoing	Directorate: Human Resource: G Tjolo: HR Manager Responsible	Completed.

			of service's regulations.		Person: Finance:- (Payroll Division) FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer	
	Employee cost: Leave not processed on system (EX.124)	There are no monitoring controls in place to ensure that the necessary requirements are adhered to.	Matters referred to in the finding must be investigated and corrected. HR Manager to manage, coordinate and supervise this process	Jan-16	Directorate: Human Resource: Responsible person: G Tjolo: HR Manager	In Progress
	Employee cost: No leave forms obtained not on the employee files (EX.125)	Result in employees taking unauthorised leave and having leave days overstated in the provision for leave.	The matters referred to in the finding must be investigated and corrected: HR Manager to manage, coordinate and supervise the process.	Jan-16	Directorate: Human Resource: Responsible person: G Tjolo: HR Manager	In Progress
	Employee cost: Non-compliance on paid time off (EX.130)	Lack of proper and effective monitoring by management to ensure that laws and regulations are	Overtime policy must be drafted and approved. Once approved it must be workshopped with employees, supervisors	Jan-16	Directorate: Human Resource:	In Progress

		complied with.	and managers		Responsible person: G Tjolo: HR Manager	
	Employee costs: Salary scales (EX.131)	Lack of proper and effective monitoring by management to ensure that the salary scales adopted are implemented. The above may result in all related employee costs being over/under stated due to incorrect salary scales being used.	Management to investigate the salary scales of all the employees (especially the identified on the exception), to ensure that all salaries agree to the salary scales which were approved by council.	31-May-16	Directorate: Human Resource: Responsible Person: G Tjolo: HR Manager Directorate: Finance :- (Payroll Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer	None
	Employee costs: Authorisation of deducting from employee salaries (EX.132)	Lack of internal controls for proper record keeping ensuring that applicable employee's supporting documentation is filed.	Data transfer process to start from February 2016 where salary related information of the workforce will be copied to employee personnel files.	31-May-16	Directorate: Finance :- (Payroll Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho:	None

					Payroll Officer	
	Employee costs - Annual leave taken not recorded (EX.133)	<p>Late approval of leave and unauthorised leave taken by employees cause leave days to go into a credit.</p> <p>Failure by management to maintain an effective record keeping system to ensure that complete, relevant and accurate information is accessible and available for audit.</p> <p>Management failed to ensure that an leave policy is developed and implemented.</p> <p>Leave forms are not handed over to the responsible persons timeously.</p>	The matters reported in the finding must be investigated and corrective measures taken: HR Manager to manage, coordinate and supervise this process.	Jan-16	<p>Directorate: Human Resource:</p> <p>Responsible person: G Tjolo: HR Manager</p>	In Progress
	Employee costs - Internal control of changes to master file (EX.143)	Lack of delegation to review of supporting schedules and reports by senior officials and the lack of mid-management in the finance section	Management and PayDay to develop and implement controls regarding internal control deficiencies identified and ensure that the changes to the master file be reviewed by a senior official on a monthly basis and that those reports be properly	31-Mar-16	<p>Directorate: Finance :- (Payroll Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho:</p>	Partially complete

			kept.		Payroll Officer	
	Employee costs - Acting positions of senior managers (EX.144)	There are no monitoring controls in place to ensure that the necessary requirements are adhered to.	Management to ensure that all employees acting are authorised to do so and in accordance with the SALGBC Conditions of service's regulations.	Ongoing	<p>Directorate:Human Resource: Responsible Person:G Tjolo: HR Manager</p> <p>Directorate: Finance:- (Payroll Division) Responsible Person:FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer</p>	
	Employee cost: Remuneration for councillors that exceed the upper limit (EX.149)	Management failing to implement and carry out controls to ensure the compliance of the relevant laws and legislation.	Management to implement controls to ensure that upper limits are reviewed and approved accordingly, to ensure that upper limits do not exceeded and that councillors receive annual remuneration in accordance with the applicable Government Gazette. Conduct	3/31/2016	<p>Directorate: Finance:- (Payroll Division) Responsible Person:FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant</p>	Partially completed None

			investigations on overpayments and recover any, where applicable.		Jenny Motho: Payroll Officer	
	Employee cost - High vacancy rate and vacant critical posts (EX.15)	Budgetary constraints Positions included in the organisational structure which are not needed	The current organogram must be revised and approved by Council. After approval all critical positions need to be identified and reported to management	31-Mar-16	Directorate: Human Resource: Responsible person: G Tjolo: HR Manager	
	Employee costs - Upper limits of Municipal manager and managers directly accountable to the Municipal manager (EX.153)	Lack of proper and effective monitoring by management and council to ensure that laws and regulations are complied with.	Review the salaries of the Municipal Manager and the managers directly accountable to the Municipal Manager, to ensure that they are limited to the total annual packages as set in the relevant government gazettes or legislation.	31-Mar-16	Directorate: Human Resource: Responsible Person: G Tjolo: HR Manager Directorate: Finance :- (Payroll Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer	None
	Employee costs – Non-compliance relating to job description and screening	Lack of proper and effective monitoring by	The process of developing and signing of job	15-Feb-16	Directorate: Human Resource:	In Progress

	(EX.174)	management to ensure that laws and regulations are complied with.	<p>descriptions need to be finalised as speedily as possible.</p> <p>The process and procedure of screening candidates before employment is confirmed need to be developed, documented and approved. Evidence of compliance with such approved procedure needs to be available for audit purposes</p>		Responsible Person: G Tjolo: HR Manager	
	Employee costs - Accumulated leave in excess of 48 days (EX.60)	<p>Insufficient funds of the municipality to be able to pay excess leave.</p> <p>It is also caused by operational requirements by the above mentioned staff members that prevents leave to be taken</p>	<p>This finding needs to be investigated and corrective measures to deal with the situation needs to be developed.</p> <p>A system where employees receive written notices at least 3 months in advance of when the period to take their respective leaves expire needs to be developed. We might engage with Payday to see if such function cannot be added to the Payday leave system.</p> <p>HR Manager to manage,</p>	31-Mar-16	Directorate: Human Resource: Responsible Person: G Tjolo: HR Manager	In Progress

			coordinate and supervise this process Tuesday 08			
	Employee Costs - Data reflected on the system does not agree to the personnel files (EX.62)	Management did not develop and monitor sufficient controls to ensure system data is complete, accurate and kept up to date.	Data transfer process to start from February 2016 where salary related information of the workforce will be copied to employee personnel files.	31-May-16	<p>Directorate:Human Resource: Responsible Person:G Tjolo: HR Manager</p> <p>Directorate: Finance:- (Payroll Division) Responsible Person:FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane: Payroll Accountant Jenny Motho: Payroll Officer</p>	None
	Employee costs - Late submission of EMP201's (EX.78)	Management has failed to implement internal control policies as recommended	Ensure that EMP201 are submitted and paid before the 7th of each month. In cases where this is not possible, signed arrangement must be made and documented.	Monthly	<p>Directorate:Finance :- (Payroll Division) Responsible Person: FV Mzizi: Chief Financial Officer D Ntsepe: Manager Expenditure Tebogo Poonyane:</p>	Partially

					Payroll Accountant Jenny Motho: Payroll Officer	
	Employee costs: Non-compliance of overtime limits (EX.85)	Lack of proper and effective monitoring by management to ensure that laws and regulations are complied with.	An overtime policy to control overtime need to be developed. After developing a draft it need to be workshopped with all stakeholders before it is submitted to Management for approval.	31-Jan-16	Directorate: Human Resource: Responsible Person: G Tjolo: HR Manager	In Progress
	Employee costs - Minimum requirement of annual leave not taken (EX.99)	Operational requirements by the Municipality.	A detailed list must be developed of all employees who did not take their leave in accordance with the stipulations contained in chapter 3 of the main collective agreement during the previous leave cycle. HR must then develop a plan and put measures in place to ensure compliance of the stipulations contained in chapter 3. Furthermore a proper administrative system must be developed to inform employees three month in advance of when the last date is on which they are	29-Feb-16	Directorate: Human Resource: Responsible Person: G Tjolo: HR Manager	In Progress

			compelled to take leave.			
IMMOVABLE ASSETS	PPE: Work in progress (WIP) projects not show any or small movement for the year under review (EX.151)	Management did not consider whether work in progress item must be impaired..	These projects can only be completed once funding is available.	Ongoing	Directorate: Technical services Responsible Person: Mr Malatjie	These projects can only be completed once funding is available.
	PPE: Prior year misstatements - Sizes of water pipes as per asset register differs with sizes as per technicians (EX.50)		This audit finding has been resolved.	Completed	Directorate: Technical services Responsible Person: Mr Malatjie	This audit finding has been resolved.
	PPE: Pipe sizes as per the asset register not the same as per technician knowledge of the network (EX.164)	The technicians (municipal officials) were not involved in the assets verification conducted by consultants responsible for compiling and updating the assets register.	This audit finding has been resolved.	Completed	Directorate: Technical services Responsible Person: Mr Malatjie	This audit finding has been resolved.
	PPE: Infrastructure list for road signs and solid waste with no identification (EX.65)	These types of assets consist of numerous items that are scattered over the municipality. The assets are in areas where there is a lot of human activity around, therefore the barcodes or unique asset numbers can be easily removed by the public	Fixed assets register is currently being updated to include as much details as possible .	31-Mar-16	Directorate: Finance Responsible Person: Ms. L. Prins	Fixed assets register is currently being updated to include as much details as possible .

CHAPTER 7 – AUDIT AND PERFORMANCE AUDIT COMMITTEE REPORT

REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE OF MASILONYANA LOCAL MUNICIPALITY FOR THE YEAR 2014/2015

Audit and Performance Committee Report 2014/15

We are pleased to present our report for the financial year ended 30 June 2015.

Background Information

The Audit Committee of Masilonyana Local Municipality is established in terms of section 166 of MFMA 56 of 2003. Audit Committee consisted of four members. One member resigned during the financial year of 2013/14, which has resulted to three members remain in the office. The new audit and performance committee was appointed on 04 May 2015 for a period of three years. The previous chairperson is currently serving for the second term as an ordinary member for both performance and audit committee. The committee was supplemented with two new members. To ensure that there is an institutional memory, the previous chairperson was re-appointed as an ordinary member to serve for a period of three years.

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

Number of Meetings attended 2014/15	Date of Meeting
1 st Meeting	10 October 2014
2 nd Meeting	05 November 2014
3 th Meeting	19 May 2015
4 th Meeting	26 June 2015
5 th Meeting	26 August 2015 (Annual Financial Statements Review)

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

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 and the AGSA 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.

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. The PMS Coordinator was appointed lately on 03 August 2015 to ensure that matters affecting performance management system are addressed as required. However, the committee noted a gap in reporting the quarterly performance reports. This is as a result that management did not present reports on time to internal audit for review as required in terms of the municipal systems Act 2000 such that it allows the Performance Audit Committee to exercise its oversight role and advice to the council on matters affecting PMS. Accordingly the committee expresses no opinion on the municipality's performance and notes insufficient performance reporting which management has conceded to and undertaken to address.

Risk Management and Internal Audit

The Audit Committee is also satisfied with the risk management processes within the institution.

On the 27 August 2015 the Committee reviewed the Annual Financial Statements of the municipality before submission to AGSA and recommended that management take corrective actions on findings made by internal audit on the review of AFS before submission to AGSA. Quality review exercise was conducted by internal audit during the year under review and the overall outcome was one of compliance. This further gave the audit committee comfort about the quality of work of the internal audit.

Mr. D. Nadison (Chairperson-Audit Committee)

GLOSSARY

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

	of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE					
COUNCIL MEMBERS	FULL TIME / PART TIME	COMMITTEES ALLOCATED	WARD AND PARTY REPRESENTED	PERCENTAGE COUNCIL MEETINGS ATTENDANCE	PERCENTAGE APOLOGIES FOR NON-ATTENDANCE
	FT/PT			%	%
K.S Koalane	FT	1	7 ANC	100%	
S.J Mabitla	FT	1	6 ANC	100%	
Z.P Thuthani	PT	1	1 ANC	100%	
S.L Kgoe	PT	2	1 ANC	100%	
N.S Mafa	PT	1	10 ANC	100%	
M. Venter	PT	2	2 DA	98%	2%
M.M Kholumo	PT	3	7 ANC	100%	
V.M Lekale	PT	1	3 ANC	100%	
K.P Dichakane	PT	2	2 ANC	100%	
L.M Molele	PT	3	2 ANC	100%	
X.Nqwiliso	PT	2	6 ANC	100%	

T.P Ramongalo	PT	2	8 ANC	100%	
K.A Sekharume	PT	3	4 ANC	100%	
T.J Chele	PT	2	9 ANC	99%	1%
S.C Mamgoejane	PT	2	7 ANC	100%	
D.E Modise	PT	4	10 ANC	100%	
J.A Pienaar	PT	2	VF	100%	
P.T Botha	PT	2	6 DA	100%	
M.B Tsoaela	PT	3	5 ANC	100%	
J.I Mokhele	PT	1	8 COPE	100%	

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

COMMITTEES AND THEIR PURPOSE	
MUNICIPAL COMMITTEES	PURPOSE OF COMMITTEE
Finance Committee	Deals with municipal financial management.
Audit Committee	It is independent advisory body to council, municipal manager and management staff on financial controls, risk management, accounting policies, performance management.
Housing & erven	Deals with housing & erven matters within the municipality.
Local Labour Forum [LLF]	Platform were organized labour and the employer negotiates and bargains on issues affecting labour at local level.
Education	Deals with local educational matters.
Sports	Deals with issues affecting all sporting codes.
Agriculture & Rural Development	Deals with all matters pertaining to agriculture and rural

Economic Development	Deals with local economic development issues.
Social Development	Deals with social & welfare issues affecting the community.
HR and Corporate Services	Human resources, Auxiliary and legal service, Council support.
Finance Management	Revenue, Expenditure, SCM, Asset, Liability Management, Budget.
Social and Community Services	Waste Management, Sport Recreation Arts and Culture, Public Safety and Reporting
Infrastructure and LED	Water, Sanitation, Electricity, Roads, Storm Water and Pmu Urban Planning
Debt and Revenue	Revenue collections
Rules	By laws
MPAC	To play an oversight role over AG reports as well as Annual Report.

APPENDIX C – THIRD TIER ADMINISTRATIVE STRUCTURE

APPENDIX C - THIRD TIER ADMINISTRATIVE STRUCTURE	
Directorate	Director/Manager (State title and name)
Municipal Managers Office	MUNICIPAL MANAGER Mr. D Nthau
Finance	CHIEF FINANCIAL OFFICER Ms. F Mzizi
Infrastructure & Technical Services	ACTING DIRECTOR: Infrastructure Services Mr. P Tshabalala
Corporate Services	DIRECTOR: Corporate Services Vacant
Community & Social Services	DIRECTOR: Community & Social Services Mrs. M.E. Makgahlela