



NGQUSHWA  
MUNICIPALITY  
**ANNUAL**  
**REPORT**  
**2016|2017**

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## ABBREVIATIONS/CONCEPTS AND MEANING

ABBREVIATIONS/CONCEPTS	MEANING
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
ADM	Amatole District Municipalities.
AG	Office of the Auditor General.
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.
BTO	Budget and Treasury Office.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
CBOs	Community Based Organizations.
CDWs	Community Development Workers.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
DBSA	Development Bank of Southern Africa.
DEDEA	Department of Economic Development and Environmental Affairs.
DM	District Municipality.
Distribution indicators	The distribution of capacity to deliver services.
ECDC	Eastern Cape Development Corporation.
EPWP	Expanded Public Works Programmes.
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.
FY	Financial Year
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.
GDP	Gross Domestic Product.
HDI	Human Development Index.
HH	Households.
HOD	Head of Department.
HR	Human Resource.
IDP	Integrated Development Plan.
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 “what we use to do the work”. They include finances, personnel, equipment and buildings.
IT	Information Technology.
LED	Local Economic Development.
LM	Local Municipality.
MFMA	Municipal Finance Management Act.
MIG	Municipal Infrastructure Grant.
MOU	Memorandum of Understanding.
MPAC	Municipal Public Accounts Committee.
MSA	Municipal Systems Act (Act No. 32 of 2000).
National Key performance areas	Service delivery & infrastructure Economic development Municipal transformation and institutional development Financial viability and management Good governance and community participation
NGOs	Non-Governmental Organisations.
NLM	Ngqushwa Local Municipality.

ABBREVIATIONS/CONCEPTS	MEANING
NYDA	National Youth Development Agency.
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.
PDOHS	Provincial Department of Human Settlements
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 EPMDS 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.
PGDP	Provincial Growth and Development Plan.
PMS	Performance Management System.
PMU	Project Management Unit.
Service Delivery Budget Implementation Plan (SDBIP)	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.
SDF	Spatial Development Framework.
SME	Small Micro Enterprise.
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.
WSA	Water Service Authority.
WSDP	Water Service Development Plan.
WSP	Water Service Provider.
WTW	Water Treatment Works.



# CHAPTER 1

## INTRODUCTION

# CHAPTER 1

## INTRODUCTION

### 1.1 MAYOR'S FOREWORD

This Annual Report is a culmination of the implementation of 2016/17 revised Integrated Development Plan (IDP) and 2016/17 Service Delivery and Budget Implementation Plan (SDBIP) for the financial year.

The report confirms the endeavours to have a sound financial management, good cooperative governance, provide strategic direction, capacitate and encourage skills competencies, so to earn a rightful place amongst the most progressive municipalities. The IDP that was conducted in 2016/17 financial year is a proof of a mandate that our communities gave to the municipality to improve the quality of their lives.

The highlights and the successes detailed in the chapters of the Annual Report are in line with the Strategic Objectives of the municipality as enacted in the municipality's 2012/2017 Integrated Development Plan.

In line with the call of the PDGP, South Africa's Constitution and the general Key Performance Indicators outlined in the Municipal Systems Act, the municipality has succeeded in implementing the following programmes as outlined in the 2016/17 SDBIP.

#### Basic Service Delivery

We have managed to do construction of internal roads and erection of community halls in various wards.

#### Local Economic Development

- Hosted a summit to ensure that knowledge and Space Economy Translate to Tangible Economic opportunities and provided training to 45 SMEs.
- Tourism- Hosted a Heritage and Tourism Indaba. Maintenance of Uhambo Loxolo hiking trail and Umqwashu heritage sites and provided training and support to existing hospitality industry in Ngqushwa.
- Municipality provided support on Agriculture programmes such as Land Mechanization, Irrigation Schemes Revitalization and Agro processing in various wards.

#### Municipal Transformation and Organisational Development

- Work Skills Plan and Annual Training Plans have been implemented to capacitate workforce
- Organizational structure have been provided to respond to the IDP Objectives and SDBIP Targets

#### Financial Viability and Management

- The 2016/2017 Medium Term Revenue Expenditure is aligned to the IDP Objectives was adopted by the Council
- For sustainability if the Municipality, Revenue Collection remains the core function for this Key Performance Area

#### Good Governance and Public Participation

- Established ward committees and tabling of draft annual report for the 2016/17 financial year in all wards.
- The municipality received unqualified audit opinion for the 2016/17 financial year. Despite the positive audit outcomes, we ensured the active participation of Internal Audit, MPAC and other council committees to take active role in assisting Council in its oversight role over the administration and continue to play a critical role in ensuring that Council achieves its objective.

We have also developed an audit Action Plan which its objective is to address all shortfalls identified in the Auditor General's report. We will continue to work closely with our communities so that they know exactly the plans of their elected Council. This will also provide us with an opportunity to understand their daily challenges and be in a position to take remedial action to overcome these challenges on time.

I would like to express my gratitude to all Councillors, Municipal Manager and all officials, the communities of Ngqushwa Local Municipality and stakeholders for their dedication, support and co-operation.

**His worship: Mayor**  
CLLR M. T. Siwisa

## 1.2 EXECUTIVE SUMMARY BY THE MUNICIPAL MANAGER

The 2016/17 Annual Report serves a communication tool that reflects an overview of the municipal activities, performance in service delivery and financial position aimed at improving the lives of Ngqushwa communities.

The municipality realises that community participation is a major implication on democratising service delivery. Therefore, we continue to utilize space for public participation programmes where we communicate regularly with communities and disseminate relevant information through structures that are in place.

We are considerate of indigent people to receive goods and services such as housing, water and sanitation, refuse removal and electricity. We committed ourselves to support the indigent and poor households where 6 042 people have access to free basic electricity and people benefitted to free basic refuse removal per unit were 1993 per month. Again, with the municipality's allocation of **R167** million on Municipal Infrastructure Grant (MIG), the management committed to 100% expenditure to ensure quality service delivery. By so doing, we follow IDP implementation and pride ourselves by ensuring that our people get the best service according to their priority needs.

The Municipal Council adopted **eighteen** policies during the year under review. For the 2016/17 financial year institutional annual performance is **80%** and has improved by **12%** compared to previous financial year. All senior managers are appointed to execute the administrative functions of the municipality.

The municipality has developed the following strategic documents that will respond to the needs of the community of Ngqushwa:

- Vision 2057 Futuristic Plan
- Municipal Turn-Around Strategy
- Financial Recovery Plan

Good governance remains crucial to the success of the organisation and the value of a well-functioning Council with its Committee structures, as well as Ward Committees cannot be overstated. The developments and improvements in our financial management led the municipality to receive a better audit outcome in the year under review to an **Unqualified Audit Opinion** from a **Qualified Audit** opinion in 2015/16.

In conclusion, I would like to thank the Mayor Cllr T.M Siwisa, Executive Committee, Councillors, Senior Managers and staff who dedicated themselves and worked hard in ensuring that the people of Ngqushwa benefit from improved quality of life in a sustainably functional municipal area.

---

Mr. T. T. Mnyimba  
**Municipal Manager**

### 1.3 MUNICIPAL PROGRAM 2016/17

Key Communication Activity per KPA	Programme	Messenger/Dept. responsible	Time Frame	STATUS
Mandela Month	Service Delivery Days to all wards	Office of the Municipal Manager: SPU and Communications	July 2016	Done
Women's Month Celebrations	Women's Mach	Women's Caucus, SPU, Manager Mayor and Speakers Office and Communications	August 2016	Done
Heritage and Tourism Month	Hiking Trail	Manager : Tourism and Communications	September 2016	Done
MPAC Roadshows	Annual Report Roadshows	Manager : Office of the Speaker and Communications	October 2016	Done
16 Days of Activism	Candle Lighting	Manager: SPU and Communications	November 2016	Done
World Aids Day	World Aids Programme	Manager : SPU and Communications	December 2017	Done
Christmas Party	Christmas Party for Vulnerable	Manager : SPU and Communications	December 2016	Done
Christmas Lights	Switch on of Christmas Lights at Peddie Town and Hamburg	Manager : Tourism and Communications	December 2016	Done
Hamburg Splash Festival	Hamburg Splash Festival	Manager : Tourism and Communications	December 2016	Done
IDP Roadshows	IDP Roadshows	Manager :IDP/PMS	May 2017	Done

### 1.4 MUNICIPAL GRAND STRATEGY

#### VISION

To be the preferred, vibrant, socio-economically developed municipal area that embraces a culture of human dignity, good governance and characterized by good quality of service for all.

#### MISSION STATEMENT

Ngqushwa Local Municipality will strive to become a benchmark institution in the country in respect of good quality and affordable services, through effective resource mobilization and management, stimulation of economic growth, and good governance practices.

#### MUNICIPAL CORE VALUES/STANDARDS

Linked to the mission, the municipality identified the following **CORE VALUES** to be adhered to by the Councillors, management and the officials of the Municipality for all the interactions with customers:

- **Competency**- We commit to attract and retain a competent workforce to service our customers.
- **Honesty and Integrity**-We will demonstrate complete honesty and integrity in everything we do.
- **Diligence**-We will demonstrate caution, commitment and due diligence in discharging our duties.
- **Transparency**-We will be transparent and fair in all our dealings for utmost accountability.
- **Accountability**-We will create an environment to be held to account by our stakeholders and customers.
- **Professionalism**-We will always uphold and maintain a professional behaviour in executing our mandate and individual responsibilities for the furtherance of service delivery.
- **Value for Money**-We commit derive value for money as return on investment in all business engagements with service providers.



## 1.5 INTRODUCTION TO MUNICIPAL BACKGROUND

### GEOGRAPHIC PROFILE

#### MUNICIPAL GEOGRAPHIC INFORMATION

Ngqushwa Local Municipality falls within the jurisdiction of the Amathole District Municipality which is situated in the Eastern Cape Province, Amathole District Municipality and covers an area of 23 573km<sup>2</sup> and the Ngqushwa municipal area covers 2245 square kilometres which accounts for 10% of the district. The administrative seat of the Municipality finds itself in Peddie and the municipal area is divided into 12 wards.

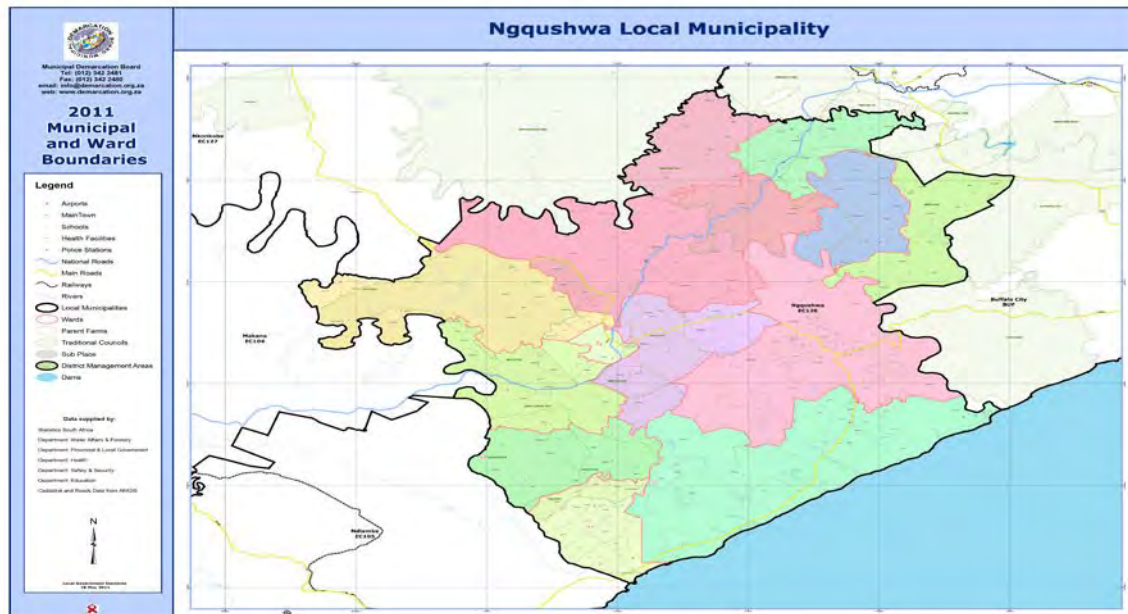
Ngqushwa is located in the west of the Amathole district and consists of two towns Peddie and Hamburg, a portion of King Williams Town villages. It is one of the six municipalities that fall within the Amathole District Municipality. Ngqushwa Municipality consists of 118 villages. Ngqushwa is bordered by the Great Fish River to the west and the Keiskamma River to the East. The southern boundary comprises a part of the coastline of the Indian Ocean.

#### WARDS AND VILLAGES

Ward	Villages
1	Zalara, Mtati, Tyeni, Ngqwele, Bhele, Nonibe, Goboza, Nxopho
2	Upper & Lower Mthombe, Thyatha, Mtyholo, Qugqwala, Dlova, Nquthu, Tildin, Tapushe, Rode, Zimbaba & Mavathulana.
3	Qawukeni, Mabongo, Khalana, Shushu, Ntsinekana, Mqwashu, Bongweni A, Gcinisa North, Hlosini, Bongweni B, Maqosha, Nqwenerhana, Crossman/ Mgwangqa, Nomonti & Torr
4	Machibi, Upper & Lower Dube, Madliki, Phole, Moni, Ngxakaxha & Mdolomba
5	Tyityaba/Ferndale, Bodium, Bell, Lover's Twist, Crossroads, Tuku A, B & C, Wooldridge, Hoyi, Leqeni, Begha,
6	Cisira, Feni, Dam-dam, Makhahlane, eletyuma, Mahlubini/Nyaniso
7	Ndlambe, Ndwayana, Glenmore, Qamnyana, Gwabeni, Mankone, Horton, Luxolo & Rura
8	Peddie Town, Peddie Extension, Power, Luxolweni, German village, Durban Location
9	Runletts, Woodlands, Pikoli, Nobumba, Ntloko, Mgwawana, Lewis & Paradise
10	Mtati, Ngqowa, Upper Gwalana, Mabaleni, Ntshamanzi, Newtondale, Maxhegweni, Upper Qeto, Lower Qeto, Lower Mgwawana, eSingingqini
11	Mpheko, Mgababa, Prudhoe, Mkhanyeni
12	Hamburg, Benton, Gcinisa-South, Wesley, Bhingqala/Soweto, Mqheleni, Tarfield/Nier, Qobo-qobo/Nuloets, Daninge

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Below is the map of Ngqushwa Local Municipality

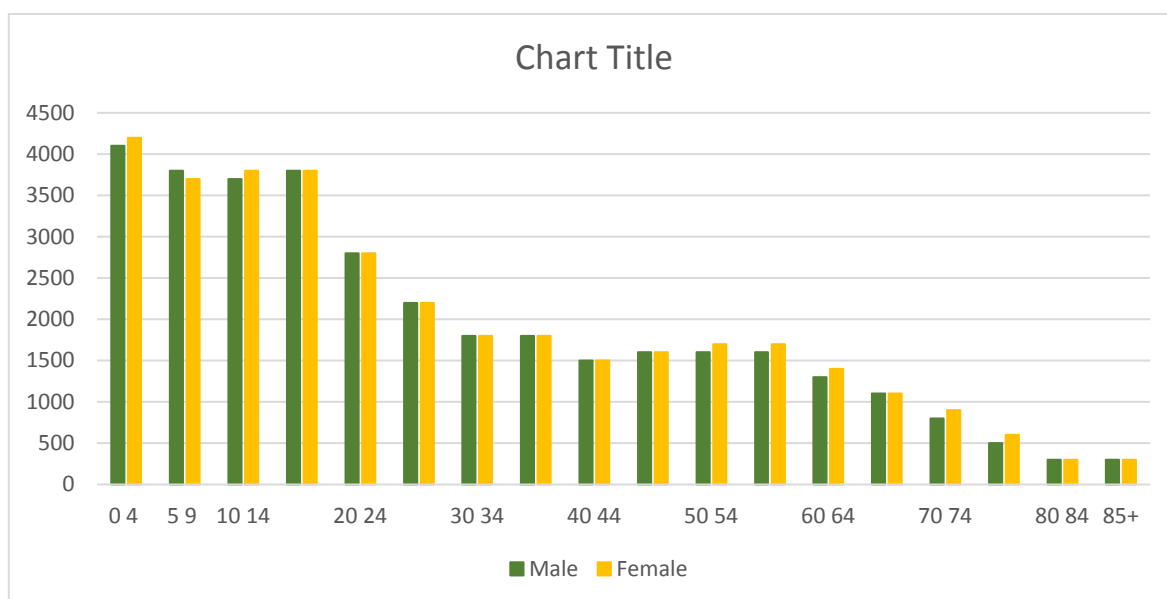


## DEMOGRAPHIC PROFILE:

Ngqushwa Local Municipality has an estimated population of 66 227 (Stats SA: 2016 figures). Compared to the previous census figures before 2011 the number of Ngqushwa population has decreased by 8.1%. Table below shows a summary of key statistics by gender from Stats SA (2016):

WARD	POPULATION BY WARD		
	MALE	FEMALE	TOTAL
1	2 593	2 962	5 555
2	2 899	3 166	6 065
3	2 658	2 902	5 560
4	2 789	3 041	5 830
5	2 798	3 167	5 965
6	2 531	2 812	5 343
7	2 543	2 847	5 390
8	2 323	2 688	5 011
9	2 322	2 574	4 896
10	2 658	3 120	5 778
11	2 180	2 603	4 783
12	2 827	3 224	6 051
<b>GRAND TOTAL</b>	<b>31 121</b> 47% MALES	<b>35 106</b> 53% FEMALES	<b>66 227</b> OVERALL

Figure : Below shows sex and age in completed years



However, prior to the Wards been narrowed down to 12 wards, the above figures reflected a high dependency rate with numbers of children aged between 0 and 19 years, school going age estimated at 28 800 with approximately 14 899 being males and 13 901 females. On the other hand, the numbers of those who fall above the economically active population (above 60 years) are estimated at 11 675. Of those, approximately 7 260 are women and about 4 415 were men. This indicates that the total number of children, youth and elderly is 40 475 which accounts for about 56% of the total population which is very promising. This was very high and indicated that the municipality had to focus more efforts and funding towards children and youth development as well as caring for the aged. There was a high rate of school drop outs as well as high unemployment rate (Stats SA, 2016). This further promoted the need to develop social and youth development programs, provision of basic services and vigorous job creation programs going forward towards 2022



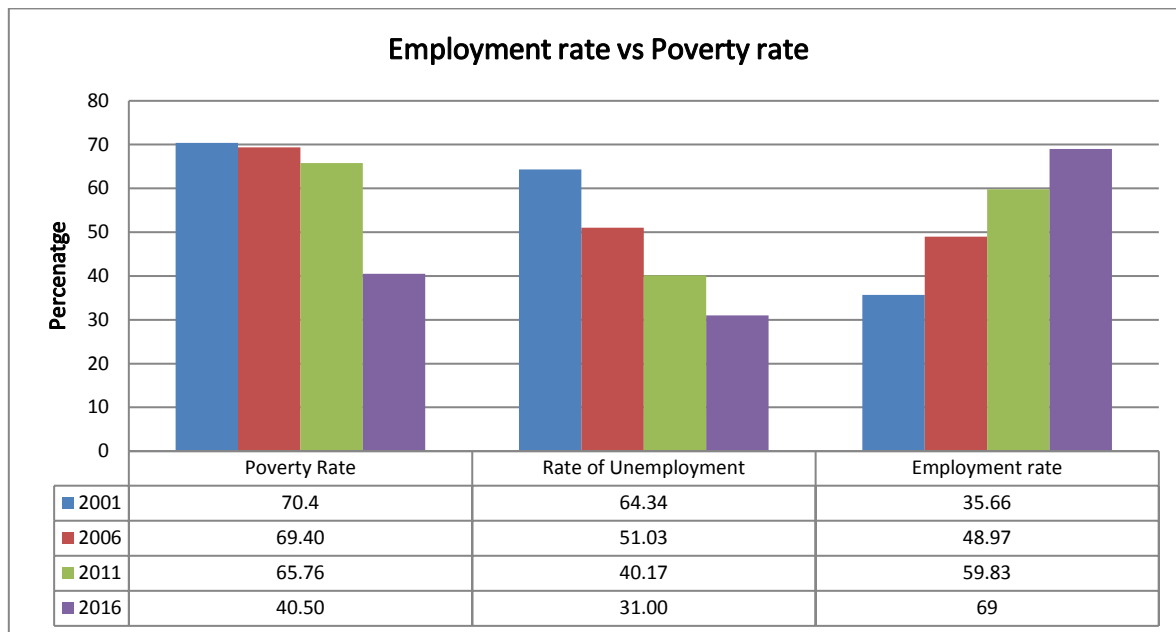
## HOUSEHOLDS

The table below gives an overview of common statistics of Ngqushwa Local Municipality according to the official census done by Stats SA.

Demographic profile of Ngqushwa Local Municipality		
	2016	2011
<b>Population</b>	66 227	72 190
<b>Age Structure</b>		
Population under 15	31.1%	29.9%
Population 15 to 64	60.8%	58.3%
Population over 65	8.1%	11.8%
<b>Dependency Ratio</b>		
Per 100 (15-64)	64.6	71.5
<b>Sex Ratio</b>		
Males per 100 females	88.9	88.7
<b>Population Growth</b>		
Per annum	-0.55%	n/a
<b>Education (aged 20 +)</b>		
No schooling	7.8%	14.1%
Matric	21.4%	14.5%
Higher education	5.3%	3.7%
<b>Household Dynamics</b>		
Households	17 149	19 471
Average household size	3.7	3.1
Female headed households	51.7%	51.0%
Formal dwellings	72.9%	71.6%
Housing owned	70.7%	80.9%
<b>Household Services</b>		
Flush toilet connected to sewerage	8.0%	5.0%
Weekly refuse removal	8.8%	7.2%
Piped water inside dwelling	7.2%	6.5%
Electricity for lighting	96.0%	91.4%

## ECONOMIC INDICATORS:

Figure 4: Employment rate vs. poverty

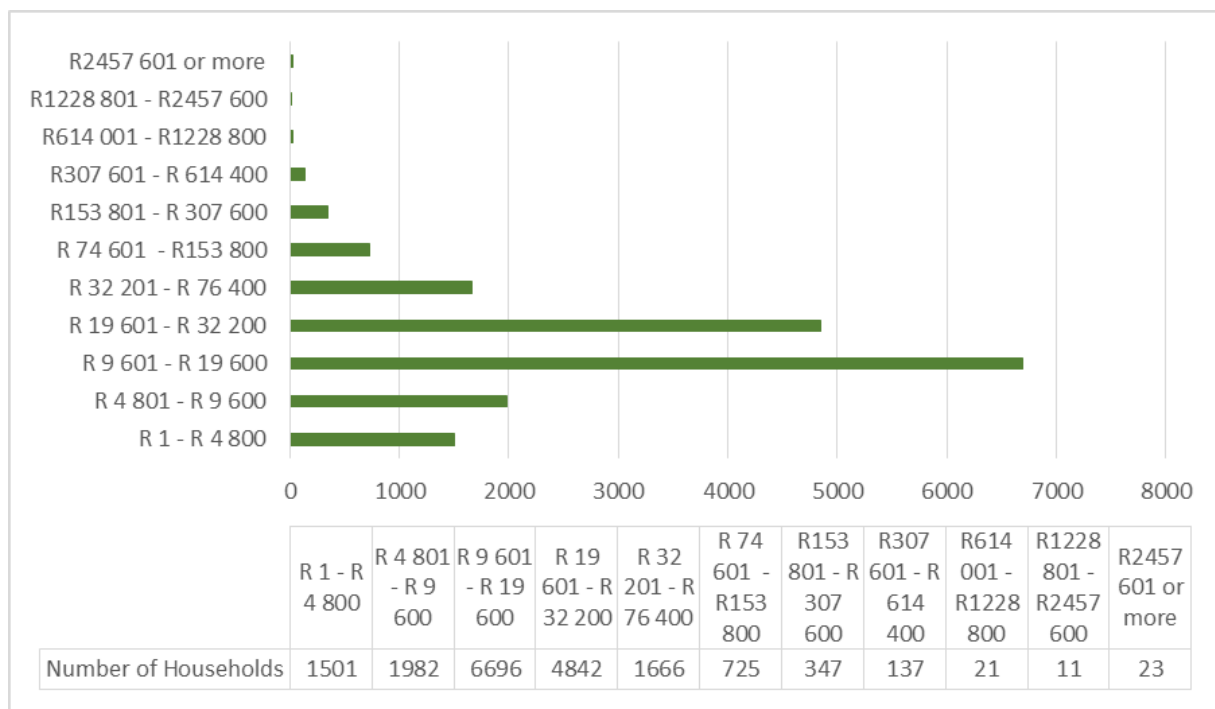


Source: Stats SA : 2016

Figure 4: Above reflects decreasing poverty levels between 2001, being about 70.4 % to 40.50% in 2016. The rate of unemployment on the other hand also shows a decrease from 64.34% in 2001 to 31% in 2016. The employment rate has increased from 35.66% in 2001 to 69% in 2016.

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Ward meetings cited poverty and unemployment as one of the major challenges. These meetings also suggested that government should provide more support to orphans and child-headed households.



Source: Stats SA (Census 2011)

Figure 5 reflects the majority of households earning very low incomes. Statistics SA (2011) information shows the number of the employed households being 11 538 earning between R9 601 and R38 200 per annum. Ward meetings revealed that the majority of the population relies heavily on social grants. They raised that there is a need for projects to provide the community with food security. Proposals for skills development and provision of institutions of higher learning that will ensure improvement of the labour force also came up strongly from the wards

## 1.6 SERVICE DELIVERY OVERVIEW

Service Delivery Standards	
Service	Percentage
Access to Water	93%
Access to Sanitation	64.30%
Access to Electricity	90%
Access to Roads	12km surface roads in very bad condition; 145km gravel roads in very good condition; 548km earth roads in very bad condition Total roads network = 705km



## CHAPTER 2

### GOVERNANCE

## CHAPTER 2 GOVERNANCE

### 2.1 POLITICAL AND ADMINISTRATIVE GOVERNANCE



Cllr T.M. Siwisa  
Mayor



Cllr N. Magingxa  
Speaker



Cllr F. Phumaphi  
Chief Whip

## INTRODUCTION TO GOVERNANCE:

Ngqushwa Local Municipality is a Category B which forms part of the seven (6) local municipalities under the Amathole District Municipality (ADM). A local municipality is a type of municipality that serves as the third, and most local, tier of local government.

## POLITICAL GOVERNANCE STRUCTURE

Ngqushwa Local Municipality has a total number of 12 Ward Councillor s and 10 Proportional Representatives including the Mayor and the Representative of the opposition party. Refer to Appendix A for a full list of Councillor s, committee allocations and attendance at council meetings. Also included are committees and committee purposes.

The Council performs both legislative and executive functions. It focuses on legislative, oversight and participatory roles, and has delegated its executive function to the Executive Committee. Its primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as policy makers, Councillor s are also actively involved in community work and the various special programmes in the municipal area.

POLITICAL STRUCTURE	FUNCTION
<b>MAYOR:</b> Cllr. T.M Siwisa	<b>FUNCTION:</b> The Mayor of a municipality: <ul style="list-style-type: none"> <li>Presides at meetings of the executive committee; and</li> <li>Performs the duties, including any ceremonial functions, and exercises the powers delegated to the mayor by municipal council or the executive committee.</li> </ul>
<b>SPEAKER:</b> Cllr. N .Magingxa	<b>FUNCTION:</b> The Speaker of a municipal council: <ul style="list-style-type: none"> <li>Presides at meetings of the council;</li> <li>Performs the duties and exercises the powers delegated to the speaker in terms of section 59 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);</li> <li>Must ensure that the council meets at least quarterly;</li> <li>Must maintain order during the meetings;</li> <li>Must ensure compliance in the council and council committees with the Code of conduct set out in schedule 1 to the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000); and</li> <li>Must ensure that the council meetings are conducted in accordance with the rules and orders of the council.</li> </ul>
<b>CHIEF WHIP:</b> Cllr. F.Phumaphi	
<b>EXECUTIVE COMMITTEE:</b> Cllr. F.Phumaphi (BTO) Cllr. L. Kolisi (Infrastructure) Cllr. Z.R Nduneni(Planning and Development ) Cllr. S. Maneli (Corporate Services)	
<b>MPAC CHAIRPERSON:</b> Cllr. N. Mquqo	

## COUNCILLOR S:

Below is a table that categorise the Councillor s within their specific political parties and wards:

WARD NO	COUNCILLOR	IDENTITY NUMBER	POLITICAL PARTY	PORTFOLIO
1	N. Leve	760210 5891 085	ANC	Ward Councillor /Budget and Treasury Standing Committee
2	P. Sitole	741115 0505 081	ANC	Ward Councillor /Budget and Treasury Standing Committee
3	N. Mpoli	780617 0174 083	ANC	Ward Councillor / Planning and Development Standing Committee/Chairperson: Multi-party Women's Caucus
4	T.T. Skweyiya	600719 0848 084	ANC	Ward Councillor /Infrastructure Development Standing Committee
5	N. Lawu	660605 1352 084	ANC	Ward Councillor / Corporate Services Standing Committee
6	N. Mquqo	721219 5323 088	ANC	Ward Councillor / Chairperson: MPAC

WARD NO	COUNCILLOR	IDENTITY NUMBER	POLITICAL PARTY	PORTFOLIO
7	N. Madlingozi (deceased)	681208 0582 085	ANC	Ward Councillor / Budget and Treasury Standing Committee
8	L. Moyeni	570619 5340 085	ANC	Ward Councillor / Corporate Services Standing Committee/MPAC member
9	N. Mtati	810507 0444 087	ANC	Ward Councillor / Budget and Treasury Standing Committee/MPAC Member
10	L. Kolisi	580908 5852 084	ANC	Ward Councillor / Infrastructure Development Standing Committee Portfolio Head
11	N. Fulani	781010 2245 086	ANC	Ward Councillor / Infrastructure Development Standing Committee
12	D. Ncanywa	651127 0779 085	ANC	Ward Councillor / Planning and Development Standing Committee

Below is a table of PR Councillor s:

NO	COUNCILLOR	IDENTITY NUMBER	POLITICAL PARTY	PORTFOLIO
1	Mnikelo Tempile Siwisa	7309225529088	ANC	Mayor
2	Nombuyiselo Ethelina Magingxa	6608120377084	ANC	Speaker
3	Sanga Siyabulela Maneli	9107265687081	ANC	PR Councillor /Portfolio Head: Corporate Services
4	Fumanekile Phumaphi	7203037999086	ANC	PR Councillor /Portfolio Head: Budget and Treasury/Chief whip
5	Zuziwe Regina Nduneni	6801013617084	ANC	PR Councillor /Portfolio Head: Planning and Development
6	Nondyebo Jako	6311110973083	ANC	PR Councillor / Corporate Services Standing Committee
7	Nolusindiso Caroline Gxasheka	840514 0557 08 6	ANC	PR Councillor /
8	Siphosenkosi Gwavu	9112236152082	EFF	PR Councillor /Corporate Services Standing Committee
9	Nomaledi V. Gxasheka	6411270818084	EFF	PR Councillor
10	Robyn Taylor	5810280111086	DA	PR Councillor / Planning and Development Standing Committee

#### TRADITIONAL LEADERS

NO	TRADITIONAL LEADER	IDENTITY NUMBER	TRADITIONAL COUNCIL	PORTFOLIO
1	Nqabayethu Mhlauli	801028 5428 083	Amahlubi T/C	Prince/Corporate Services Standing Committee
2	Gladness Luvuyo Zitshu	510903 5628 08 4	Msutu T/C	Prince/ Infrastructure Development Standing Committee
3	Amanda Goni	8501315677087	Imidushane T/C	Prince/Planning and Development Standing Committee
4	Ntombizonke Ngqondi	7310080834084	Amaraule T/C	Princess/ Infrastructure Development Standing Committee
5	Zanovuyo Njokweni	6901135636085	Dabi T/C	Chief/Budget and Treasury Standing Committee

## COUNCILLOR S ATTENDANCE AT COUNCIL MEETINGS

Council Meetings – 18 August 2016 to 30 June 2017

Name of Councillor	Ordinary Council				Special Council			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor NB Fulani	4	4	0	0	6	4	2	0
Councillor SS Gwavu	4	3	1	0	6	4	1	1
Councillor NV Gxasheka	4	4	0	0	6	6	0	0
Councillor NC Gxasheka	4	4	0	0	6	6	0	0
Councillor NM Jako	4	4	0	0	6	5	0	1
Councillor L. Kolisi	4	3	1	0	6	6	0	0
Councillor N. Lawu	4	4	0	0	6	6	0	1
Councillor N. Leve	4	4	0	0	6	6	0	0
Councillor NC Madlingozi (Deceased)	4	2	2	0	6	0	4	2
Councillor NE Magingxa	4	4	0	0	6	6	0	0
Councillor SS Maneli	4	4	0	0	6	6	0	0
Councillor LH Moyeni	4	4	0	0	6	6	0	0
Councillor NP Mpoli	4	3	1	0	6	6	0	0
Councillor N. Mquqo	4	4	0	0	6	6	0	0
Councillor N. Mtati	4	4	0	0	6	5	1	0
Councillor D. Ncanywa	4	4	0	0	6	3	3	0
Councillor ZR Nduneni	4	4	0	0	6	6	0	0
Councillor F. Phumaphi	4	4	0	0	6	6	0	0
Councillor TT Sikweyiya	4	4	0	0	6	6	0	0
Councillor P. Sitole	4	4	0	0	6	5	1	0
Councillor MT Siwisa	4	4	0	0	6	6	0	0
Councillor R. Taylor	4	4	0	0	6	5	1	0

## TRADITIONAL LEADERS ATTENDANCE AT COUNCIL MEETINGS

Council Meetings – 18 August 2016 to 30 June 2017

Name of Traditional Leader	Ordinary Council				Special Council			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Prince A. Goni	4	4	0	0	6	5	1	0
Princess N. Ngqondi	4	4	0	0	6	5	1	0
Chief ZP Njokweni	4	4	0	0	6	4	2	0
Prince GL Zitshu	4	4	0	0	6	6	0	0
Prince N. Mhlauli	4	4	0	0	6	5	0	1

## COUNCILLOR S ATTENDANCE AT EXECUTIVE COMMITTEE MEETINGS

EXECUTIVE COMMITTEE MEETINGS – 18 August 2016 to 30 June 2017

Name of Councillor	Ordinary Executive Committee Meetings				Special Executive Committee Meetings			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor L. Kolisi	3	2	1	0	4	4	0	0
Councillor SS Maneli	3	3	0	0	4	4	0	0
Councillor MT Siwisa	3	3	0	0	4	4	0	0
Councillor ZR Nduneni	3	3	0	0	4	2	2	0
Councillor F. Phumaphi	3	2	1	0	4	3	1	0



## COUNCILLOR S ATTENDANCE AT CORPORATE SERVICES STANDING COMMITTEE MEETINGS

Corporate Services Standing Committee Meetings –18 August 2016 to 30 June 2017

Name of Councillor	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor S. Gwavu	3	3	0	0
Councillor N. Lawu	3	3	0	0
Councillor N. Jako	3	2	0	1
Councillor SS Maneli	3	3	0	0
Councillor LH Moyeni	3	3	0	0

Name of Traditional Leader	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Prince N. Mhlauli	3	2	0	1

## COUNCILLOR S ATTENDANCE AT PLANNING & DEVELOPMENT STANDING COMMITTEE MEETINGS

Council Meetings – 18 August 2016 to 30 June 2017

Name of Councillor	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor NC Gxasheka	3	2	1	0
Councillor NP Mpoli	3	3	0	0
Councillor D. Ncanywa	3	3	0	0
Councillor ZR Nduneni	3	3	0	0
Councillor R. Taylor	3	3	0	0

Name of Traditional Leader	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Prince A. Goni	3	3	0	0

## COUNCILLOR S ATTENDANCE AT BUDGET AND TREASURY STANDING COMMITTEE MEETINGS

Council Meetings – 18 August 2017 to 30 June 2017

Name of Councillor	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor N. Leve	3	3	0	0
Councillor N. Madlingozi (Deceased)	3	2	1	0
Councillor N. Mtati	3	3	0	0
Councillor F. Phumaphi	3	3	0	0
Councillor P. Sitole	3	3	0	0

Name of Traditional Leader	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Chief ZP Njokweni	3	2	1	0

## COUNCILLOR S ATTENDANCE AT INFRASTRUCTURE DEVELOPMENT STANDING COMMITTEE MEETINGS

Council Meetings – 18 August 2016 to 30 June 2017

Name of Councillor	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor L. Kolisi	3	3	0	0
Councillor N. Fulani	3	2	1	0
Councillor NV Gxasheka	3	2	1	0
Councillor TT Sikweyiya	3	3	0	0

Name of Traditional Leader	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Prince GL Zitshu	3	3	0	0
Princess N. Ngqondi	3	3	0	0

### POLITICAL DECISION MAKING STRUCTURES:

Decisions are taken through the council and the Executive Committee oversees that all resolutions are implemented. The audit committee ensures that the Performance is monitored regularly and all departments submit Quarterly Performance Reports which result in a score card. MPAC plays an oversight role.

## 2.2 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE:

MFMA section 60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality.

### ADMINISTRATIVE GOVERNANCE STRUCTURE

The Municipal Manager is the Accounting Officer of the Municipality. S/He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. S/He is assisted by his/her directors which constitutes the Management Team, whose structure is outlined in the table below:

Top Administrative Structure	Position	Duration	Qualifications
Mr.T.T.Mnyimba	Municipal Manager	15 June 2015- 31 May 2017	BCom Hons : Business Management
Ms. N .C Mazwayi	Director: Corporate Services	01 May 2014- 31 July 2017	BAdmin Hons:Industrial Psychology
Mr. V.C Makedama	Chief Financial Officer	01 November 2014-Current	BCompt
Mr. L. Govu	Director : Technical Services	01 March 2015-31 October 2017	BTech : Civil Engineering
Ms .M.P Mpahlwa	Director : Community Services	02 May 2017- 25 September 2017	MA in Public Administration

## 2.3 INTERGOVERNMENTAL RELATIONS

### INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

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

As outlined in Chapter 3 of the Intergovernmental Relations Framework (2005), the Implementation Protocols (IP) better known as Memorandum of Understanding (MOU) is a useful tool to operationalize the management of a Joint Programme to realize government developmental outcomes.

The Inter-governmental Relations Framework Act, (Act No 13 of 2005), requires all spheres of government to work jointly, coordinate, communicate, align and integrate service delivery effectively, to ensure access to services. In this regard the Municipality complies with the provisions of the Act.

Intergovernmental Relations (IGR) meetings were held in the 1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> quarter of the financial year. In the 3<sup>rd</sup> quarter IGR meeting was not convened due to the launch of War Rooms.

### PROVINCIAL INTERGOVERNMENTAL STRUCTURE

Ngqushwa Local Municipality attends the Provincial MUNIMEC and Provincial Municipal Infrastructure Forum, Local Government Communications Forum, EPWP Provincial Steering Committee, Chief Audit Executive Forum, HRD & Collective bargaining Working Group, Provincial Skills Development Facilitators Forum to consult on matters of mutual interest and where the state and progress of municipalities are addressed.

### DISTRICT INTERGOVERNMENTAL STRUCTURES

For district and local municipalities Ngqushwa Municipality attends the district IGR and District Mayors Forum (DIMAFO), Speakers Forum, District Engineering Forum, District Communicators Forum (SDF), Agricultural Forum, Corporate Services District Forum (CSDF), District Skills Development Facilitators Forum, Tourism Forum, District Finance Forum and District Representative Forum.

## 2.4 PUBLIC ACCOUNTABILITY AND PARTICIPATION

### OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

MSA section 17 (2): requires a municipality to establish and organise its administration to facilitate a culture of accountability amongst its staff. Section 16 (1): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. Section 18 (a) - (d): requires a municipality to supply its community with information concerning municipal governance, management and development.

#### PUBLIC MEETINGS:

#### COMMUNICATION, PARTICIPATION AND FORUMS:

As guided and inspired by the Legal framework that includes the Constitution of the Republic of South Africa, The Municipal Systems Act 32 of 2000, as well as The Municipal Structures Act No.117 Of 1998, Ngqushwa Local municipality has ensured regular and effective communication with the community. The Municipality has to manage strategically

Information flow with relevant target groups, and also to ensure that communication in all spheres of government is driven by a clear message to improve the lives of the people.

It is widely recognized and understood that an organization's success rests on how well it understands the needs of its customers, and how it responds to those needs by delivering what is required. Good Customer Care clearly implies delivering a professional service, providing access to quality information, providing services that are timely, cost effective, and useful, for Government's core objectives. The Presidential Hotline is an electronic tool we are utilizing to manage queries, complaints.

Below is a communication checklist of the compliance to the communication requirements:

Communication Activities	Yes/No
Communication Unit	Yes (only one person permanently employed)
Communication strategy	Yes
Communication policy	No
Customer satisfaction survey	No
Functional Complaint management system	Yes
Newsletter distributed quarterly	Yes

The municipality has ensured during the year that there is full participation of the public through;

- IDP/Budget and PMS Representative Forums.
- IDP Road shows.
- MPAC Road shows.
- Local Communicator's Forum.
- Service Delivery Days.
- National Information Days

Each Ward is afforded the opportunity to participate in the Rep forum and IDP road shows. In these gatherings, people who attend are mostly; unemployed youth, adults and elderly citizens Announcements are done through written communication.

Public meetings						
Nature and purpose of the meeting	Date of events	Number of Participating Municipal Councillors	Number of Participating Municipal Administrators	Number of Community members attending	Issues Addressed (Yes/No)	Date and Manner of feedback given to community
MPAC Roadshows	06 October-11 November 2016	27	10	3000	Yes	Feedback was tabled during IDP and Budget Roads shows
IDP and Budget Roadshows	02 May -09 May 2017	27	10	3000	Yes	Next IDP /Budget Roadshows
IGR Forum	Q1-30 September 2016 Q2-08 December 2016 Q3-21 June 2017	27	10	Not Applicable	Yes	Next IGR meeting and through bilateral between departments

WARD COMMITTEES MEETINGS

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Nokrismesi Mateta	Ngqwele	1	0631116440	05 June 2017
Vala Mdayi	Gobozana	1	0832438637	
Asanda Siwendu	Bhele	1	0787835378	
Nondzondelelo Blossom Ngcozela	Ngqwele	1	0731916842	
Fundiswa Mantha Mabindisa	Nxopho	1	0634164362	
Lulama Tsotso	Tyeni	1	0780170691	
Thandeka Cynthia Njajula	Gobozana	1	0834406179	
Sangqingqi Melford Ndesi	Nonibe	1	0735905055	
Thobile Jonas Komani	Mthathi	1	0787227844	
Pelisa Ngeni	Zalara	1	0731250049	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Vuyiswa Zaza	Lower Mthombe	2	0731278316	06 June 2017
Nelisa Mbilase	Zimbaba	2	0723579916	
Siphelele Kwenzekile	Mthyolo	2	0738862717	
Maureen Pumla Yekani	Qugqwala	2	0782113388	
Pumza Nodala	Nyatyhora	2	0732166341	
Vuyelwa Mgxwadi	Mavathulana	2	0834156048	
Mbulelo Laiti	Tyhata	2	0719840734	
Siphokazi Dlova	Mtyholo	2	0834152971	
Emma Noxolo Kwakwa	Mthombe	2	0834153195	
Faniswa Bangani	Tildin	2	0834153358	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Ntombizandile Gladys Stiti	Nqwenerana	3	0739680043	05 June 2017
Mangiwe Mavis Nyaniso	Ntsinekana	3	0835402320	
Phumla Kilimani	Bongweni A	3	0732256553	
Nomakula Agnes Nquma	Mqwashini	3	0736533599	
Nomawethu Ntshabo	Qaukeni	3	0633885654	
Ntombomzi Patricia Ndevu	Mabhongo	3	0732222256	
Zuziwe Krobani	Kalana	3	0836318371	
Buyelika Tyhali	Gcinisa North	3	0788408063	
Nokuzola Jack	Baltein	3	0734656520	
Nyusile Yali	Crossman	3	0631824368	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Khutazwa Tshetu	Upper Dube	4	0731046995	06 June 2017
Nomhamhase Violet Klaas	Machibi	4	0733191298	
Wezeka Khulu	Mdolomba	4	0789669530	
Funiwe Jeanette Mpendu-Sikeyi	Machibi	4	0781529142	
Vuyolwethu Honest Dinana	Madliki	4	0782188346	
Nceba Goodman Shugu	Phole	4	0836937251	
Thembisa Joyce Maseti	Dube	4	0834312068	
Tandeka Qekeza	Ngxakaxha	4	0719193048	
Zanethemba Ngcapu	Mdolomba	4	0738646188	
Lindelwa Binda	Nxwashu	4	0730669948	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Phakama Sylvia Kosani	Legeni	5	0781614982	21 April 2017
Mongezi Ernest Mavata	Tuku A	5	0762813005	
Phindiswa Patricia Mali	Crossroads	5	0783547971	
Olwethu Mrwebo	Tuku C	5	0738532785	
Siyathemba Mpupu	Loverstwest	5	0780594925	
Mthobeli Warren Mralaza	Bell	5	0786193197	
Phumzile Lennox Ngangani	Crossroads	5	0838844252	
Khayaletu Nqono	Bodium	5	0717256444	
Thozama Veronica Mpofu	Hoyi	5	0834838251	
Nozolile Zuziwe Klaas	Wooldridge	5	0833677438	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Nobuzwe Magazi	Dam-dam	6	0733959105	08 June 2017
Xolani Wilberforce Sicwebu	Nyaniso	6	0834156748	
Nombulelo Fowl	Celetyuma	6	0603288429	
Mirriam Jongwana	Feni	6	0718013749	
Ntombizonke Nxomani	Feni	6	0837116414	
Mhlanganisi Headman Marwanqa	Makhahlane	6	0786561519	
Dingalanele Ndleleni	Feni	6	0736411992	
Lungelwa Cynthia Sawula	Cisira	6	0603405987	
Lliwe Freda Marashule	Cisira	6	0738917236	
Linda Manona	Nyaniso	6	0834154592	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Yolanda Mame	Ndlambe	7		09 June 2017
Ntombizandile Primrose Kunjuzwa	Maqhosha	7	0738523436	
Siyalinga Kalakulu	Gwabeni	7		
Ayanda Gidani	Ndwayana	7	0785427625	
Neliswa Patricia Mahlakahlaka	Rura	7		
Nomakhaya Mazinyo	Eluxolweni	7	0738824064	
Lindelwa Virginia Tyatya	Glenmore	7	0788702445	
Mthakazeli G Dlengezele	Qamnyana	7	073724596	
Lungiswa Luzipho	Rura	7	0835452024	
Noludwe Ngwendu-Madikane	Horton	7	0837366902	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Ntombizandile Primrose Kunjuzwa	Maqhosha	7	0738523436	09 June 2017
Siyalinga Kalakulu	Gwabeni	7	0604410269	
Ayanda Gidani	Ndwayana	7	0785427625	
Neliswa Patricia Mahlakahlaka	Rura	7	0783927175	
Nomakhaya Mazinyo	Eluxolweni	7	0738824064	
Lindelwa Virginia Tyatya	Glenmore	7	0788702445	
Mthakazeli G Dlengezele	Qamnyana	7	073724596	
Lungiswa Luzipho	Rura	7	0835452024	
Noludwe Ngwendu-Madikane	Horton	7	0837366902	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Nokuzola Joyce Mzileni-Khechane	New Creation	8	0725771940	09 June 2017
Abel Velile Peyi	New Rest	8	0717776414	
Vuyelwa Evelyn Nyawula	Power	8	0732368412	
Nokulunga Cynthia Nyaniso	Durban	8	0738937317	
Thando Ramncwana	Peddie Town	8	0717648915	
Thenjelwa Patricia Jongwana	Peddie Extension	8	0833538113	
Siphamandla Jakavula	Durban	8	0738473897	
Thandeka Priscilla Mkatali	New creation	8	0769520948	
L. Mlamla	Ndlovini	8	0785488127	
Malusi Gcobani Samuel Sambu	German village	8	0784836319	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Nolubabalo Diana Ketile	Lewis	9	0730552050	07 June 2017
Andile Gilman Panti	Pikoli	9	0730648202	
Thabisa Eunice Sambu	Mgwalana	9	0726954372	
Ntombokuphila Teyise	Ntloko	9	0732134263	
Georginah Buyiswa Xonxa	Pikoli	9	0604932655	
Diliza Mgcuwe	Runletts	9	0731450625	
Ntombekhaya Felicity Zotani	Woodlands	9	0604193525	
Ntombizodwa Julia Snooks	Nobumba	9	0604739073	
Velisile Mqgwetha	Nobumba	9	0731658655	
NT Mkhutshulwa	Ntloko	9	0631978798	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Thembakazi Mavavana	Mabaleni	10	0733348973	07 June 2017
Eric Tembinkosi Maneli	Newtondale	10	0733740379	
Feziwe Moki	Lower Mgwalana	10	0631386863	
Nontlupheko Oscarina Mjekula	Lower Qeto	10	0717358246	
Mbukeli Palala	Upper Qeto	10	0788371562	
Ncedisa Hulushe	Maxhegweni	10	0734426949	
Zukiswa Cynthia Gxoyiya-Mtshelu	Ntshamanzi	10	0784169050	
Nomakathini Gxaweni – Nomjila	Mthathi	10	0733243610	
Nozesazi Ndongeni	Lower Gwalana	10	0785068209	
Nosithembiso Mnotoza	Upper Gwalane	10	0633736270	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Veronica Kekana	Mgababa	11	0734545598	07 June 2017
Khululekile Fumba	Mkhanyeni	11	0730846767	
Ndileka Cecilia Gxakrisa	Mpekweni	11	0837535773	
Nonkoliseko Nkobe	Mkhanyeni	11	0784906723	
Headman Snoekie Tom	Mgababa	11	0837744869	
Nomhle Beauty Seti	Prudhoe	11	0780769991	
Phindiwe Virginia Mtwalo	Mgababa	11	0786625129	
Ntsika Bali	Prudhoe	11	0730399124	
Thandeka Nzwili	Mpekweni	11	0789078630	
Xolani Magini	Mpekweni	11	0837118273	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2016/2017
Siyabulela Mshweshwe	Wesley	12	0718179532	08 June 2017
Zwelakhe Ngxumza	Gcinisa	12	0717476462	
Nomthandazo Miriam Mapuma	Hamburg	12	0731880856	
Lunga Sylvester Nyongo	Hamburg	12	0719345168	
Nomvuyo Bacela	Gcinisa	12	0834288125	
Neseka Sinuka	Benton	12	0780563143	
Mcoseleli Ntando	Wesley	12	0833513140	
Daniwe Madlavu	Wesley	12	0735493082	
Ntombinaye Victoria Vellem	Bingqala	12	0633628158	
Nosipho Eunice Maseti	Nier	12	0837716469	

#### IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 56 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	No
* Section 26 Municipal Systems Act 2000	
T 2.5.1	



## 2.5 CORPORATE GOVERNANCE

### OVERVIEW OF CORPORATE GOVERNANCE

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

### RISK MANAGEMENT

Ngqushwa Municipality's council monitors risk through the Audit Committee. The Committee plays an oversight role to ensure that there is an effective risk management process and system within the organisation. This approach provides technical assistance to the Council to exercise its role in ensuring that an adequate and effective risk management system and process is in place. The Council is expected to exercise the duty of care, skill, and diligence in identifying, assessing and monitoring risks as presented by Audit Committee. The Audit Committee recommends to the Council risk strategies and policies that need to be set, implemented and monitored.

With the technical support from both internal audit and audit committee Ngqushwa Local Municipality identifies risk areas that are managed systematically and continuously. The municipality has a risk register in place which is treated as a working risk management document of which the identified risks are constantly recorded and properly managed. The municipality's senior management monitors and evaluates the implementation and efficiency of management's controls and such actions identified to improve current controls in the risk register. The municipality submits its risk management register to Internal Audit and Audit Committee on a quarterly basis for review.

During the period under review, the municipality updated the Strategic and Operational Risk Register in line with the mitigation plans undertaken by management to improve the Risk Management System.

### ANTI CORRUPTION AND ANTI FRAUD

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

Name of Strategy	Developed: Yes/No	Date Adopted /Reviewed
Anti-fraud & Anti-Corruption Policy	Yes	Adopted in May 2012/13

The Anti-fraud and corruption committee has not been established to oversee the approach of the Municipality to fraud prevention, fraud detection strategies and responses to fraud and corruption incidents reported by employees or other external parties.

### The Municipality Audit Committee, appointed in terms of Section 166 of the MFMA has also been

The Audit Committee assessment report for 2016/2017 financial year in accordance with Section 121(3) (j) of the Municipal Finance Management Act (MFMA) No. 56 of 2003 and King III on corporate governance. The audit committee (the committee) was established in 2009/2010 financial year. The committee is on a second term of services to the municipality that expired in 28 February 2017. The appointment contracts of the Audit Committee members was extended by a council resolution for a four month period ending 30 June 2017 while the recruitment process for the new committee was underway.

The Audit Committee (the Committee) is a sub-committee of Council. The responsibilities of the Committee are detailed in the Audit Committee Charter. This charter was developed by the committee, presented to management and was approved by the council and it is reviewed on a yearly basis.

The purpose of the committee is to provide:

- Independent assurance on the adequacy of the risk management framework, performance management, governance and the control environment;
- Independent scrutiny of the municipality's financial and non-financial performance; and
- To oversee the financial reporting and compliance processes.

The key benefits of the audit committee are as follows:

- Increasing public confidence in the objectivity and fairness of both financial and non-financial reporting;
- Reinforcing the importance and independence of internal and external audit and similar review processes;
- Providing additional assurance through a process of independent review.

- Raising awareness of the need for internal control and the implementation of audit recommendations.

The audit committee is required to report that it has regulated its affairs in compliance with the audit committee charter, and has discharged its responsibilities set out therein.

#### Summary of Audit Committee responsibilities:

The responsibilities of the Committee, as laid down in the Charter, include providing oversight on financial reporting and other matters such as the monitoring of governance processes, controls and risk management in the municipality. The Committee also ensures effective communication between the internal auditors, external auditors, the Council and management.

#### Summary of committee responsibilities:

The responsibilities of the Committee, as laid down in the Charter, include providing oversight on financial reporting and other matters such as the monitoring of governance processes, controls and risk management in the municipality. The Committee also ensures effective communication between the internal auditors, external auditors, the Council and management.

During this period the Committee conducted the following business and made recommendations for improvement in the relevant areas:

- Approval of the internal audit coverage plan;
- Reviewed the Annual Financial Statement for 2016/2017 financial year;
- Reviewed the municipalities financial and performance reports;
- Reviewed the risk management framework of the municipality;
- Considered litigation matters facing the municipality
- Reviewed Internal Audit quarterly reports.
- Reviewed External and Internal Audit recommendations, monitoring and tracking thereof.
- Concluded on issues that were raised on the previous years.

#### MEMBERSHIP OF THE AUDIT COMMITTEE

The Committee comprises of three independent executive members. Representatives from the office of the Auditor General, Internal Audit and senior management of the municipality attend committee meetings on an *ex officio status*. In terms of our Charter at least four (04) meetings should be held during a financial year. We are pleased to announce that all four meetings were held in the 2016/2017 financial year. Details of the Committee members are as follows:

Member	Expertise	Number of meetings attended
Dr. W Plaatjes (Chairperson)	Finance, auditing, risk management and performance management	5
Mr. G Bana (Internal Audit specialist)	Finance, auditing, and risk management	5
Ms N Hlongwane	Finance and risk management	5

The permanent invitees to the Committee meetings include: the Municipal Manager, Chief Finance Officer, senior managers, MPAC Chair and representatives from Internal Audit.

#### INTERNAL AUDITING

Each municipality and each municipal entity must have an internal audit unit, subject to MFMA section 165 (1) (2).

- (2) The internal audit unit of a municipality or municipal entity must—
  - (a) prepare a risk-based audit plan and an internal audit program for each financial year;
  - (b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to—
    - (i) internal audit;
    - (ii) internal controls;
    - (iii) accounting procedures and practices;
    - (iv) risk and risk management;
    - (v) performance management;
    - (vi) loss control; and
    - (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and
  - (c) Perform such other duties as may be assigned to it by the accounting officer.

The table below depicts the reviews conducted by Internal Audit during the 2016/17 Financial Year

Internal Audit Project	Source	Status
Performance Management System – 2015/16 Quarter 4 Review	Internal Audit Plan	Completed
Audit readiness review	Internal Audit Plan	Completed
Review of 2015/16 Draft Annual Financial Statements	Internal Audit Plan	Completed
Review of 2015/16 Draft Annual Financial Statements	Management Request	Completed
Review of 2015/16 Draft Annual Financial Statements	Management Request	Completed
Review of 2015/16 Draft Annual Performance Report	Internal Audit Plan	Completed
Internal Audit Follow up	Internal Audit Plan	Completed
Technical assistance (Internal Projects)	Internal Audit Plan	Completed
Records Management Review	Internal Audit Plan	Completed
Risk Action Plan Update	Internal Audit Plan	Completed
Implementation Status of the Audit Action Plan	Internal Audit Plan	Completed
Internal Control Dashboard	Internal Audit Plan	Completed
Development of MPAC Terms of Reference	Management Request	Completed
Audit controller	Internal Audit Plan	In Progress
Investigation on 2015/16 Fruitless and Wasteful Expenditure	MPAC Request	In Progress
Revenue Management Review	Internal Audit Plan	Completed
Payroll Management Review	Internal Audit Plan	Completed
ICT Review	Internal Audit Plan	Completed
Quarter 1 Performance Management Review	Internal Audit Plan	Completed
Drafting of the 2016/17 Audit Action Plan	Management Request	Completed
Review of 2015/16 Adjusted Annual Financial Statements and Adjusting Journals	Management Request	Completed
Fleet Management Review	Internal Audit Plan	Completed
Mid-Year Performance Review	Internal Audit Plan	Completed
Asset Management Review	Management Request	Completed
Supply Chain Management Review	Management Request	Completed
MSCOA Review	Internal Audit Plan	Completed
Interim Financial Statements Review	Internal Audit Plan	Completed

#### WEBSITES:

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page

Documents published on the Municipality's/Entity	Yes/No
Current annual and adjustment budgets and all budget related documents	Yes
All current budget related policies	Yes
The annual report for 2015/16	Yes
The annual report for 2014/15 to be published	
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act for 2016/17 and resulting scorecards	Yes
Mid - year performance report 2016/17	Yes
IDP and Budget 2012-2017	Yes
IDP 2016/17	Yes
Annual SDBIP 2016/17	Yes
All service delivery agreements for 2016/17	No
All supply chain management contracts above a prescribed value (give value) for 2016/17	Yes
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2016/17	Yes
Contracts agreed in Year 1 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes
All quarterly reports tabled in the council in terms of section 52 (d) during 2016/17	Yes
Public private partnership agreements referred to in section 120 made in year 0	Yes
Public private partnership agreements referred to in section 120 made in year 0	No

#### MUNICIPAL WEBSITE CONTENT AND ACCESS:

The municipal website is updated as per section 21 (b) of the Municipal Systems Act and section 75 of the Municipal Finance Management Act. The website was later in the financial year upgraded with a new look and feel to be user friendly, documents according to Municipal Systems Act and Municipal Finance Management Act have been updated e.g. Tenders, vacancies, notices and monthly budget.



## CHAPTER 3

### SERVICE DELIVERY PERFORMANCE

## CHAPTER 3

### SERVICE DELIVERY PERFORMANCE

#### 3.1. WATER PROVISION

Amathole District Municipality (ADM) is currently mandated to be a Water Services Authority and a Provider in this Municipality and is currently in a process of updating its water services development plan (WSDP) as the current one is outdated. This plan provides an overview of the coverage and gives a strategic direction to the ADM and identifies the most crucial projects in order of priority.

Bulk water infrastructure is provided by a number of dams and water purification works within the municipal area which is operated by the Amatola Water Board. Table 14 gives an indication of these

DAM	DAM'S CAPACITY	FIRM YIELD (Mm3/pa)
Dabi Dam	0.23	0.50
Mankazana Dam	1.85	1.38
Ndlambe Dam	0.06	0.06
Rura Dam	0.05	0.05
Sandile Dam	7.4	4.14
Laing Dam	5.55	2.76
TOTAL	2.84	2.14

The Amatola Water Board also manages and operates six water treatment plants which collectively supply 2.84 million litres of portable water. These water treatment plants are as follows:

- i) Dabi water treatment works.
- ii) Peddie Regional water treatment works.
- iii) Glenmore (Enxuba) water treatment works.
- iv) Sandile Dam water treatment works.
- v) Laing dam water treatment works.

In Ngqushwa there is only one pump station which is located at the Water Works in Nqwenerana also known as Kingslyn. The water treatment works at Tyefu has been closed down and all the areas it used to serve are now being served by Glenmore Water Treatment works.

In Peddie, adequate water is supplied from the King's Lynn scheme which is also operated by the Amatola Water Board. In Hamburg, water is supplied by Amatola Water Board from Birha scheme which is also considered adequate for the present purposes. This source is however supplemented by three boreholes which constituted the town's original supply and which are capable of supplying 25% of the town's average requirement



Table: Source of water by ward and source

Ward	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	Grand Total
21206001	1341	1	2	154	97	5	57	27	16	1701
21206002	1110	6	1	191	34	56	18	35	235	1686
21206003	1547	2	3	93	32	1	8	88	17	1792
21206004	1208	14	4	138	73	37	4	70	10	1558
21206005	667	5	3	129	4	102	-	3	2	914
21206006	944	7	4	441	55	6	2	182	25	1667
21206007	1063	44	15	373	79	59	38	250	23	1943
21206008	1246	9	2	277	110	112	18	57	39	1871
21206009	686	4	19	400	152	40	25	90	81	1497
21206010	1505	5	-	85	-	2	2	15	15	1630
21206011	1366	95	10	274	25	-	3	21	45	1839
21206012	854	-	2	407	65	3	-	60	27	1418
21206013	693	7	9	635	312	29	1	60	125	1870
Grand Total	14229	199	74	3595	1039	453	176	957	662	21384

Source: Stats SA (2011)

## 3.2 SANITATION

There is only one sanitation treatment facility in the municipal area and this is at Peddie. The existing Waste Water Treatment Plant in Peddie is operating at its full capacity and is now overloaded. Amathole District Municipality is awaiting for an approval of EIA to construct a new Waste Water Treatment Works in Peddie town.

There are no treatment facilities in Hamburg nor does the municipality render a service for the emptying of septic tanks. In rural areas use is primarily made of pit latrines, which are simply moved when the old ones are full.

## 3.3 ROAD MAINTENANCE

### 3.3.1 INTRODUCTION TO ROAD MAINTENANCE

The roads section is primarily responsible for the maintenance and rehabilitation of the Municipal paved; unpaved roads and storm water within the Ngqushwa Municipal area. The municipality is responsible for 100% access to local roads within its jurisdiction, which include all streets within peri-urban and rural areas. It ensures the maintenance of a number of municipal roads which serve all communities and are regularly maintained, with the objective of addressing specific needs. The majority of municipal roads are gravel, with tar roads comprising 3% (12 km) of all municipal roads. The condition of tar roads 12 km is very bad, with a proportion of gravel roads 121km in good condition and ±357km of gravel roads in very bad condition. A road and storm water master plans are being developed to address some of the identified future needs and challenges.

The municipality is responsible for the repairing of potholes on the existing surfaced road, and unblocking and cleaning of drainage ketch pit to maintain free flow storm water. Rehabilitation of existing roads, and re-gravelling and blading of gravel roads in rural and peri-urban on regular basis. There are approximately 1271.38km of roads in the municipal area. According to the Department of Roads and Public Works only 153.9km of these roads are tarred which translates to (12.11%) of the roads in the municipal area.

A total of 128 km gravel roads were maintained through dry blading; re-gravelling also a total of 1200m<sup>2</sup> of potholes were patched (tar roads) in the year under review.

The district comprises national, trunk, main, district, minor and access roads. The Major towns are linked by an adequate network of roads and there is also a good network of proclaimed gravel roads traversing the municipal area. The roads linking the various rural settlements are in a poor state of repair and are not adequately maintained. Municipality is only focusing on maintaining and constructing internal and access roads and in its jurisdiction, ±700km's is gravel roads and 8.3km's is surface roads

### Road – Storm Water Section Staff

Job level/ Task Grade	Year -15/16	Year 16/17			
	Employees No.	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	0	3	3	0	100
4 – 6	9	9	9	0	100
7 – 9	1	1	1	1	100
10 – 12	2	2	2	0	100

## 3.4 PROJECT MANAGEMENT

Project Management Unit section ensures that everybody has access and better services as enshrined in the Constitution of the Republic. All the projects that were prioritised by the municipal council for 16/17 financial year and budgeted for, at the end of the financial year were at retention stage i.e. 95% on expenditure.

Project Management Unit is the section that is specifically dealing with the project implementation of the municipal capital projects. Responsible for the administration and financial management of MIG and any other Capital funds within the department and national accounting systems for infrastructure projects of the department.

Management of the MIG and the preparation of all necessary reports to the Provincial MIG Management Unit and the National MIG Unit the relevant provincial and national departments. Ngqushwa Municipality in terms of Division of Revenue Act (Act No 29 of 2013) forms part of the municipalities that receive grants from national treasury. The municipality is required to submit projects to be implemented under MIG to Provincial and National treasury and report to Treasury about expenditure on the grant.



### 3.4.1 PMU PROJECTS IN 2016/2017 FY

PROJECT NAME	WARD NAME	STATUS
Rhode Community Hall	2	Completed
Ntsinekane Community Hall	3	Completed
Tyatha Internal Road	2	Completed
Mabaleni Internal Road	10	Completed
Tuku C Internal Road	5	98% Completed
Prudhoe Internal Road	11	65% Completed
Ngxakaxha internal road	4	Completed

### 3.4.2 EPWP EMPLOYMET AND EXPENDITURE

During 2016/2017 Financial Year Ngqushwa Local Municipality employed 92 people through EPWP. The following are the projects implemented through EPWP:

- i) Road rangers,
- ii) Pothole patching,
- iii) Municipal Interns,
- iv) Social programs and renovations of Municipal Buildings.
- v) Maintenance of heritage sites and Ngqushwa Local workers

The expenditure on EPWP as at the end of June 2017 is 100%

### 3.4.3 MIG EXPENDITURE

The expenditure on MIG as at the end of June 2017 is 100%

### PMU Section Staff

Job level	Year -15/16	Year 16/17			
	Employees No.	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	0	0	0	0	0
4 – 6	0	0	0	0	0
7 – 9	0	6	6	0	100
10 – 12	2	2	2	0	100
13 - 17	1	2	2	0	100

## 3.5 ELECTRICITY

The Millennium Development Goal states that all households must have universal access to electricity by 2025. Access to electricity will alleviate poverty as the use of electricity supports lighting and cooking facilities. Eskom supplies electricity in the jurisdiction of Ngqushwa Local Municipality. The 2011 census figures depicts that there are 21384 households in the municipal area of which 94.65%households have access to electricity. This backlog is made up of in-fills and new extensions, rural and farm dweller homes. Eskom supplies electricity to the rural and farm dweller homes. The municipality only maintains the street lights and electricity in its own municipal buildings.

The electricity supply to the areas of Ngqushwa is provided and maintained by Eskom in accordance with their Rural Electrification Programme. According to Eskom records there is no electricity backlog in Ngqushwa electrification, the only areas that are not electrified are the in-fills and new extensions of the villages. Ngqushwa local municipality is only maintaining street lights and its own buildings.

A total of 246 (Lewis, Mkhanyeni, New rest, Wesley, Lower Mgwala, Rhurha, Dam dam) connections was done by the Municipality through a grant called INEP.

A total of 360 in fills was connected by ESKOM



## Electricity Services Policy

Currently there is no electricity services policy in the municipality, the municipality has only the electricity maintenance plan.

## Electricity Section Staff

Task grade	Year – 15/16	Year 16/17			
	Employees No.	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	0	0	0	0	0
4 – 6	2	3	3	0	100
7 – 9	0	0	0	0	0
10 – 12	0	0	0	0	0
13 – 16	1	1	1	1	100

## 3.6 PLANNING AND DEVELOPMENT

This component includes: planning and local economic development.

Planning and Development deals with, among other things, Municipal positioning in terms of Economic Development. This Planned Economic Development does not only focus on SMEs and Co-operatives development, but also in Municipal Economic Development at large where investors will be invited to come and invest, developmental nodes are identified and there is proper planning of the town so as to boost investor confidence.

### Opportunities

- Agriculture - Ngqushwa Municipality has several irrigation schemes namely Tyhefu, Mthombe, just to mention but a few. Pineapple farms are found within the Ngqushwa Municipality jurisdiction. Availability of quality livestock where the Municipality educate and give farmers quality bulls so as to improve livestock
- Tourism Attraction- Ngqushwa Municipality has annual commemoration for Tourism attractions such as Mqwashini, Uhambo Loxolo.
- Developmental Nodes. Ngqushwa Local Municipality has several nodes that can be developed so as to achieve economic development.
- Personnel - the Municipality has hired knowledgeable staff in various sections such as Agriculture, Housing, Spatial Planning and Land Use. The main aim is to get the maximum gain from the potentials that the Municipality has.

### Challenges

- Lack of funds
- Rural nature of the area
- Size of the Municipality
- Lack of knowledge from Community

Even though the directorate has sections and staff but it yet to be a stand-alone directorate due to lack of funds for appointing both Port-folio head and Head of Department. It is still amalgamated with community services

### 3.6.1 SPATIAL DEVELOPMENT

This section deals with the spatial land use applications. These application ensure a synchronised planning and reduce unplanned. However there are challenges that include non-submission of application due lack of knowledge and culture.

Ngqushwa Local Municipality had over the years not having the planning section. Only the building inspector that was employed. The town planning section is bringing a new dimension to the Municipality.

Town planning Section brings the following to the Municipality:

- Compliance with National Building Standard Act and Regulations for every housing development taking place within the municipality so as to ensure sustainability.
- To have a synchronised development so as to avoid urban sprawl
- To develop zoning scheme maps and regulations so as to avoid haphazard planning.

- iv) Ensure compliance to Spatial Planning and Land Use Management Act (16 of 2013)

The above will boost investor confidence, which in the long run lead to sustainable economic development. This will be achieved through identification of areas with potential for economic development within the Municipality. These areas will be of great benefit to both local community and investors. The Municipality has held some workshops so as to sensitise the community about the legislation in the form of National Acts, Policies and by-laws.

### 3.6.2 LAND AND HOUSING

Ngqushwa is predominantly rural with only 5% of the population living in the urban areas, as opposed to 95% of the population who reside in the rural areas.

The settlement patterns of Ngqushwa can be divided into the following categories

#### i) Urban Areas

Peddie and Hamburg are the only two proclaimed towns within the municipality. There are peri-urban settlements establishes outside of both of these nodes which in the case of Peddie almost encircle it.

Peddie can be regarded as a regional hub for service rendering to the entire municipal area. The majority of the region's services and facilities are located here and economic and social functions are performed from here. It also plays an important administrative role as the seat of the municipality is also in Peddie. Not all areas of the town are serviced, particularly the lower income areas which are found in the main part of the town.

Hamburg is primarily a holiday destination. Development in this area has become stagnant over the past 3 decades and facilities are in a poor condition. The area is also not actively promoted as a holiday destination.

#### ii) Rural Areas

The majority of the population that is 95% resides in the rural area which means that access to essential services and facilities by the majority of the population is also limited. This also compromises the municipality's ability to raise revenue on the basis of services. These limitations have been recognized by the municipality and are in the process of being addressed.

There are 110 rural villages which are scattered throughout the municipal area. These villages are surrounded by commonage land that is used for a mix of agricultural purposes including crops and livestock which are farmed primarily on a subsistence basis.

Rural villages can be classified as follows:

- a) Traditional rural villages such as Bell, Bodium, Crossroad, Lover's Twist, etc. which owe their establishment to their proximity to an agricultural resource base.
- b) Rural villages established in response to commercial agricultural needs in terms of labour on commercial farms. These villages are primarily in ward 6, 7 and 11 and include Benton, Tharfield, Jamesdale, Stourpoort and Lewis.
- c) Holiday resorts such as Birha, Mgwolana, and Mpekweni resorts which are newly developed in response to the localized resort potential of the coastal area.
- d) Minor and isolated farm communities scattered throughout the municipal area.
- e) Conservation Areas
- f) There are a number of environmentally sensitive areas which are categorized as conservation areas and which are primarily situated along the coast.

### 3.6.3 LAND TENURE AVAILABILITY AND REDISTRIBUTION

There is sufficient rural and urban land available in Ngqushwa municipal area to accommodate the short, medium and long term demand for land. Land release is however problematic and numerous tenure and distribution issues needs to be addressed. In Ngqushwa Municipal area, most urban land is owned by the Municipality. Rural land is however primarily state owned and interspersed with a number of informal land rights. A need was identified to convert the tenure of the large tracts of state owned land to communal ownership.

Land release for housing projects has either been very slow, or has not been responded to in spite of the submission of applications to that effect. Ngqushwa is also characterized by a diversity of land uses and land tenure which is primarily attributable to the previous dispensation as evidenced by historical forms of land rights, such as African freehold, quitrent and permission to occupy (PTO) which are still prevalent in the area.

The land tenure arrangements prevalent in Ngqushwa are summarized in the table below:

#### Land tenure arrangements within Ngqushwa

Bell/Bodium	Freehold/Quitrent
Tyefu Irrigation Scheme communities of Glenmore, Ndwayana, Pikoli-Kalikeneni and Ndlambe Glenmore established late 70's early 80's, Ndwayana	PTO's in dense settlement Others old nineteenth century settlements PTO's under TA New tenure arrangements introduced by Ulimocor/irrigation scheme, with foot plots, etc., but never with full community sanction.
All other rural settlements	PTO's
Surveyed farms, formerly white owned, purchased by SANT to consolidate former Ciskei	Currently black owned or "leased" pending transfer to black farmers (conveyancing problems) or to be transferred to groups of occupiers with IPILRA rights-CPA.
Former Ulimocor Pineapple farms, same as above. Three separate blocks of land in the south east.	Tenure still under the state, Company (Pineco) running pineapple production, workers organized under Peddie Pineapple Development Trust-intention to investigate transfer of land to Trust over time.

There are a number of surveyed farms which were acquired from former white owners, some of which are in the process of being transferred to black commercial farmers and holders of IPILRA rights. There are also farms which have been transferred to former lessees who had Deeds of Sale under the Ciskei regime. Delays are however being experienced with the transfers of the above properties due to a number of reasons including unregistered subdivisions.

Land redistribution of land is also a complex issue and is a major issue within this municipality. The Amathole District Land Reform and Settlement Plan identified the following crucial issues in respect of the current state land disposal process.

There is a lack of consultation between the local municipality and Department of Rural Development and Land Reform and Department of Rural Development and Agrarian Reform over decisions regarding the disposal of state farms.

There is insufficient information about the extent and availability of land earmarked for disposal available to the local authority and communities.

Legitimate land owners do not have their title deeds.

The process whereby the legal occupant of land is identified needs to be done faster.

Communities need to be given information on how to access land for farming and the relevant policy provisions.

There is a need for greater support and communication from Department of Rural Development and Land Reform.

There are unresolved land claims that still needs to be resolved.

### 3.6.3 HOUSING

Housing development in the Ngqushwa Municipality is the function performed by the Department of Human Settlement. The Municipality's role is to liaise with the department and allocate land for Housing Development

#### Land and Housing staff

Job level	Year -15/16	Year 16/17			
	Employees No.	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	00	0	0	0	0
4 – 6	0	0	0	0	0
7 – 9	1	1	1	0	100
10 – 12	2	2	2	0	100
13 – 16	2	2	2	0	100

#### i) Past, Current and Proposed Housing Project

The housing projects recently completed by the Municipality are in Peddie (Peddie 710 and Peddie 500 though still under construction). A pilot housing project, consisting of 30 low cost houses has been completed in Hamburg and in Peddie, as 28 low cost housing units of the pilot housing project has also been completed. In addition, 395 out of 500 housing units of the Masakhane housing project in Peddie Extension have also been completed.

ADM secured funding for the construction of 300 houses in Prudhoe. On construction of those houses extensions within the village lack of capacity at ADM cause some problems that led to the blocking of such project. The Department of Human Settlements is still awaiting Council Resolution from ADM surrendering their developer status.

The need for a housing project has been identified for the Glenmore area. Consumer education and beneficiary lists has been compiled and the feasibility study is underway to determine the feasibility of the project. Other projects have also been identified for Ndlovini and German village and feasibility studies are underway. Layouts for both projects have been developed, but the Ndlovini layout has been reviewed due to the constant demarcation of new sites. Housing will always be an ongoing need in municipalities which will be hampered by affordability levels.

Destitute and Emergency Housing Assistance: The Department of Human Settlements developed a Directorate that deals mainly with destitute. Firstly the task was assigned to the Special Programmes unit within the municipality but has since been referred to the Housing section. In the past year 105 applications were forwarded to the Department of Human Settlement for temporary structures, 34 referred to SASSA and 31 to Social Development for social relief, food parcels and counselling.

There is quite a number of temporary shelters erected within the municipal area from the year 2010 to date through ADM as the function lies with them.

#### ii) Ngqushwa Housing Projects

Peddie 500 is one of the projects that the Department of Human Settlements is finding hard to finish Construction of Peddie 500 started and upon construction of 394 houses the project was blocked due to financial constraints and inexperienced emerging contractors. The Provincial Department of Human Settlements managed to secure funding for the unblocking and rectification of that project. The contractor was liquidated and the project came to a complete standstill is on site, as of now Twenty-four (24) houses are finished. There are 3 approved housing projects comprising 500 units for each (Mpekweni, Gcinisa and Hamburg).

#### iii) Housing Demand Profile of the Municipality

The department of Human Settlements has reviewed the Ngqushwa Housing Sector Plan which will determine the housing demand based on the 2011 Census. The municipality is in the process of developing National Housing Needs Register which will determine the actual backlog as well as the subsidy quantum. Field workers were hired in all wards to collect data from the villages using the prescribed form of Housing Needs Register. 3380 forms were completed and 1252 were captured into the system.

### CHALLENGES

The main challenge we are facing is the Rural Housing development that needs strong political intervention. Because the land in the rural areas is either communal or state owned, therefore, before any development takes place consent from the National Minister of Rural Development and Land Reform has to be obtained. There is no clear direction as to how long is the life span of these structures and when they will be replaced by permanent structures and their condition is deteriorating.

Project Title	Ward Area	Sites	Project Value (R'000)	Houses Completed	No of units not started/under construction	Project Type	Project Status	Comments
Peddie Masakhane	10	500	7 500	395	105	Green Fields-PLS	The project is stalled	Contractor has been liquidated
Peddie Ph 2R/L 2	10	1420	38 802	710	Complete	Green Fields PHP	Complete	Complete
Hamburg (Low cost Pilot Project)		30	-	-	-	-	Completed	-
Peddie Low cost pilot project	10	28	-	-	-	-	Completed	-
Prudhoe	12					In-situ	ADM Project	
Gcinisa South	11	500	-	-	-	-	Planning stage	Adjudication stage
Hamburg	11	500	-	-	-	-	Planning stage	Adjudication stage
Mpekweni	12	500	-	-	-	-	Planning stage	Adjudication stage
Tuku A	5	500	80 286 500	-	-	Communal land rights program	Planning	Planning
Madliki	4	451	72 418 423	--	-	-	Planning	Planning
Lovers Twist	5	300	48 171 900	-	-	--	-	-
Cisirha	6	626	100 518 698	-	-	-	-	-
Pikoli	9	499	80 125 927	-	-	-	-	-
Lewis Village	9	500	80 286 500	-	-	-	-	-
Mankone	7	290	46 566 170	-	-	-	-	-
German Vill	8	343	55 076 539	-	-	-	-	-
Glenmore	7	1000	160 573 000	-	-	-	-	-

Past, Current and Proposed Housing Projects in Ngqushwa

#### iv) Housing Infrastructure

Water and Sanitation is the function of Amathole District Municipality. Bulk services for Ngqushwa Municipality, therefore, becomes their responsibility.

Bulk water supply is available to accommodate for existing and additional housing projects identified. This however does not apply to sewerage infrastructure. Water borne sewerage is only available in Peddie Town where the bucket system has just been upgraded in 2007. The size of the Waste Water Works stifles housing development in Peddie. Areas such as Alf Dlamini could not be implemented due to its size. It is because of the above that ADM started the process of expanding it. Ngqushwa LM has disposed a portion of Erf 93 for this project. During 2014/15 financial year, ADM has manage to get the Record of Decision (RoD) from the Department of Environmental Affairs. Finances are the only stumbling block.

Hamburg town uses septic tanks at the present moment.

For the rest of the municipality, VIP toilets are the main form of sanitation. The sanitation backlog in Ngqushwa is very high. 93.4% of households are below the RDP standard and approximately R97 480 950 is required to eliminate the backlog and this in particular in the rural areas.

A major challenge facing the municipality is the difficulty in extending bulk infrastructural services to the outlying areas due to the scattered nature of the settlements. Efforts have been made to provide water up to the IDP standard (public stand pipes) but it has not been possible to connect pipes to individual households. This problem equally affects electricity supply because the cost of providing new connections for new extensions will further stretch the resources of the Municipality. Another challenge facing housing delivery was the difficulties experienced in transporting building materials due to the poor state of rural road

networks. Suppliers of materials are also not able to supply the required quantities at the given times. Local contractors are also not able to obtain contracts because they are not registered with the NHBRC.

These challenges will be addressed and explored in terms of Local Economic Development opportunities.

#### v) Housing Implementation Plan and Project Schedules

Ngqushwa Municipality has, since 2012- till to date, been submitting business to Department of Human Settlement for housing provision. Table 1Below is a list of submitted business plans for rural housing:

Table 1

Year of Submission	Business Plan	Number of units
February 2012	Tuku A Housing Project	500
February 2012	Madliki Housing	451
February 2012	Lovers Twist	300
February 2012	Cisirha	626
February 2012	Ndlovini	500
February 2012	Pikoli	499
February 2012	German Village	343
August 2013	Lewis Village	500
June 2016	Mankone	290
March 2016	Glenmore	1000
Total	Total	5009

The estimated amount of housing to address the backlog and the cost of implementing the needs is indicated below, quantum as per the 2014 National Norms and Standards:

House Cost:	R110 947
Services Cost:	R43 626
Raw land cost:	R6 000
Total:	R160 573

Based on the above business plans, the estimated subsidy is as follows:

Table.

Total number of proposed dwellings	Quantum per dwelling	Total budget
5009	R110 947,00	R555 733 523.00

The table above shows that the budget has increased.

### ESTABLISHMENT OF DISASTER MANAGEMENT WARD BASED STRUCTURES AND COMMUNITY BASED DISASTER RISK ASSESSMENT

Community Based Risk Assessment (CBRA) is an approach that uses participatory action research methods to place communities in the lead role for the assessment, active planning, design, implementation and evaluation of activities aimed at reducing the community risk disaster. The process involves the Ward Councillor, Community Leaders, Traditional Leaders as well as the community at large. These structures were established for Ward 6, 8 and 4.

#### 3.6.4. LOCAL ECONOMIC DEVELOPMENT

##### INTRODUCTION

Ngqushwa Local Municipality is a rural ad poverty stricken municipality. Local Economic Development is seen as the only hope of fighting poverty. Ngqushwa Local Municipality LED consists of three sections: Agriculture, Small Micro Enterprise (SME's) & Cooperatives and Tourism & Heritage. Ngqushwa Local Municipality has successfully hosted Local Economic Development and Small Medium Enterprises Summits from the 26 -28 October 2016. The theme of the summit was to Ensuring that knowledge and Space Economy Translate to Tangible Economic opportunities. On the 21-23 February 2017 the Municipality hosted a Heritage and Tourism Indaba to unpack and package heritage and tourism related economic opportunities.

## Local Economic Development Staff

Job level	Year -15/16	Year 16/17			
	Employees No.	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	0	0	0	0	0
4 – 6	0	0	0	0	0
7 – 9	1	1	1	0	100
10 – 12	1	1	1	0	100
13 – 16	2	2	2	0	100

### 3.6.4.1 LOCAL ECONOMIC DEVELOPMENT

#### A) SME's and Cooperative Development

Ngqushwa Local Municipality is rural in nature, therefore has a high rate of unemployment. The bulk of the economically active populations migrate to cities in search jobs and better living conditions. In attempting to reduce this migration, the municipality has developed what is called a counter –urbanisation strategies such as SME's and Cooperative Development strategy that is forming part of the LED strategy that was reviewed in 2016/17 financial year.

The municipality is taking the issue of SME development very seriously as it remains the key pillars and priorities for accelerated and sustainable Local Economic Development.

#### The following services offered by SME Office

Facilitating registration of Cooperative with Companies and Intellectual Property Commission (CIPC)

- Provide business development advice and services
- A one stop shop to access all government services and programmes relating to cooperative development
- Market linkages to cooperatives
- Accommodate other related service offerings by other spheres of government and development agencies such as DEDEAT, DTI, NYDA, SEDA etc.

Through the centres, 59 coops were registered with CIPC within the 15/16 financial year and captured in municipal data base. Trainings: 30 SME members were trained in financial management, Basics business skills and business management as part of SME Development

Training: 15 Emerging Local Contractors trained on Construction Contracting

#### B) CWP (Community Works Programme)

Community Works Programme is an initiative designed to provide an employment safety net, by providing participants with predictable number of days of work per month – thus supplementing their live hood strategies and affording them a basics level of income security through work. The program me is targeted at unemployed people of working age, including those whose livelihood activities are insufficient to lift them out of poverty. The programme is designed to employ a minimum of 1,000 people per site for two a week, or eight days per month. Peddie CWP site currently employs 1058 beneficiaries.

#### Community Beneficiation

- Site has 1058 beneficiaries
- Programme implemented in all wards

#### C) Hamburg Aquaculture Project

It is an initiative by the Department of Agriculture, Forestry and Fisheries where the department invested an amount of R9, 5m to the project through the EPWP programme. Ngqushwa Local Municipality made land available for the project.

### Community Beneficiation

- i) Employed 58 local people
- ii) Youth (47%) and women (48%)
- iii) Received training (occupational health and safety, life skills, HIV/AIDS and First Aid course)
- iv) Registered as Siyazama Aquaculture co-operative member.
- v) Programme implemented at Ward 11

### The project impact:

- i) Skills development
- ii) Transfer of technology to communities
- iii) Food security
- iv) Job creation

### d) Agriculture Development

Role of Agriculture office under LED is to facilitate agriculture development in Ngqushwa through provision / support of community – based initiatives and the creation of conducive environment for increased investment in agriculture. In many instance the Municipality together with other relevant sector departments actively intervene and support initiatives in order to enhance development of local economy through enhancing food security, job creation and quality of life for the benefit of all. These intervention were mainly directed at improving the quality of life of those operation in Agriculture sector and redressing the inequalities created by the past.

### Summary of Funded Projects/Cooperatives during 2016/17 Financial Year

WARD AND VILLAGE	COOPERATIVE	PROGRAMME	ENTERPRISE	SERVICE RENDERED
Ward Celetyuma	Siyazama	Agro processing	Poultry production (Broilers and layers)	Plucker Machine
Various wards	Grain coops	Mechanization program	Grain production	Production Inputs
Ngqushwa 7 Irrigation Schemes	Irrigation schemes	Revitalization of irrigation schemes	Crop production	Production inputs
Maqosha	Community	Livestock Improvement Scheme	Livestock	10 casual workers employed –Construction of small stalk dipping tank
Qhugqwala	Community members	Livestock Improvement Scheme	Livestock	8 casual workers, Labour Construction of shearing shed

### E) Tourism and Heritage

Ngqushwa Local Municipality is rich in Tourism and Heritage. Tourism development is dominant in the Municipality, both in inland and coastal areas. There are Tourism and Heritage Nodal points which are tourism attractions. During the 2016/17 financial year, the municipality held a Tourism and Heritage Indaba, as part of LED Strategy Review, so as to revitalise Tourism and Heritage in Ngqushwa Local Municipality jurisdiction. This was done as part of LED strategy of which tourism forms part of it.

### Tourism Activities

- i) Maintenance of Uhambo Loxolo hiking trail and Umqwashu heritage sites
- ii) Establishment of Strategic relations with neighbouring municipalities.LTO members had study tour to Ndlambe LTO and Sunshine Coast LTO for benchmarking purposes.
- iii) Provision of training and support to existing hospitality industry in Ngqushwa.10 homestays owners were trained on customer care workshop  
Promotion and support of craft product development and marketing.3 crafters attended ADM Agricultural Expo at Mnquma Local Municipality and Grahamstown festival



### 3.6.5 COMMUNITY & SOCIAL SERVICES

#### 3.6.5.1 Waste Management

The refuse collection is done on all our areas except villages. Refuse is collected twice per week in households and every day on the CBD. The street cleaning is also done weekly in the CBD; and once a week in the suburbs areas. Number of drop of zones were erected on the CBD as part of the programme of keeping town clean. Awareness campaigns are conducted in communities.

Generally the refuse collection is done very well in our areas, we just have some challenges, like our vehicles are broken. Since the municipality has low volume there is not much in capital projects.

#### Capital Expenditure

Since the municipality has low volume there are no much in capital projects.

#### Comment on Waste Management Service Performance Overall:

Our volume as the Municipality is low, therefore we don't have much to budget on capital project. The municipality has introduced recycling as part of managing landfill site. The main focus on our capital project is on appropriate equipment for refuse collection and management of landfill site machinery. The municipality has installed refused collection cages in strategic positions in Hamburg and Peddie Town

#### 3.6.5.2 Introduction to Libraries; Archives; Museums; Galleries; Community Facilities

Currently the Municipality has 47 community halls, each ward has its own halls from ward 1 to ward 13, and 6 of them are still under construction. Ward 1 consist of 4 halls in Gobošana, Mtati, Tyeni, Ngqwele and Nxopo. Ward 2 has 3 halls in Dubu, Masele, Jubisa, Tsolo and one in Qaga is still under construction. Ward 3 has 2 halls in Dlova and Qugqwala, Zondeka and Tyatha are in tender process. Ward 4 has 4 halls in Qawukeni, Mgwangqa, Bhongweni, Khalana, Rode and Baltein are still under construction. Ward 5 has 3 halls in Machibi, Madliki and Phole. In ward 6 theres 3 halls in Tuku A, Crossroads, Leqeni and Bell is in Tender process. Ward 7 has 3 halls, in Cisira, Nyaniso, Cheletyuma and Feni Ward 8 has 5 halls in Qamnyana, Glenmore, Mankone, Rura, Nduwayana and Gwabeni. Ward 9 has 3 halls in Pikoli, Woodland and Runlet is still underconstruction. Ward 10 has 4 halls in Ncumisa Kondlo, Durban, Peddie extension and Luxolweni. Wars 11 has 2 halls in Hamburg and Benton. Ward 12 has 4 halls in Mpekweni, Mgababa, Prudhoe and Mkhanyeni. Ward 13 has 2 halls in Upper Gwalana, Qeto and Lower Gwalana is under construction.

#### Comment on the Performance of Libraries; Archives; Museums; Galleries; Community Facilities; Other (Theatres, Zoos, etc) Overall:

The Municipality has two Libraries one is situated inside municipal building and one mobile library at Hamburg. Both libraries have not officially been handed over to the Municipality by Department of Sport, arts, recreation and culture.

#### 3.6.5.3 Introduction to Cemeteries' & Crematoriums

We have two sites which we maintain, Ngqushwa Local Municipality is in the process of identifying a new site. Crematorium is the responsibility of ADM and it is not common in our jurisdiction. The municipality has to identify cemetery sites for both Hamburg and Birha

#### Comment on the Performance of Cemeteries & Crematoriums Overall:

Municipality has two (2) cemeteries and both are in Peddie Town. There is a general complaint about the distance the community from Ethembeni location have to travel to the cemetery, hence there is a need to open a new cemetery that will be easily accessed. The municipality is responsible for grass cutting and maintenance of cemeteries.

#### 3.6.5.4 Introduction to Peddie Garden

Peddie Town seeks to benefit from the programmes due to socio-economic and environmental challenges that make the town to become unattractive and repulsive to public and private sector investments. The Peddie Central Park – commonly known as

Ngqushwa Leisure Gardens is a unique asset to the town is well used by locals for social events and gatherings. The park offers further potential to become a great public place, which can be used to build confidence and showcase Peddie to broader users groups and tourists. Other recreation facilities such as sports fields and pocket parks are few within the primary study area.

### 3.6.6 ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

#### 3.6.6.1 Introduction to Environmental Protection

Environmental protection deals with the safeguarding of the environment through implementation and complying with legislation such as a constitution, NEMA, and other relevant legislation. Non- compliance with the Environmental legislation will fasten the depletion of Ozone Layer and fasten Climate change. In an attempt to promote compliance, Ngqushwa Local Municipality in conjunction with other government departments such as DEA, DEDEAT, Department of Roads Public Works and Amathole District Municipality came up with several projects that were aligned to Environmental Protection. These include; Working for the Waste, Coastal Management projects. Through tireless efforts of the Municipality and close relations with other stakeholders, the Hamburg beach, which is within the Municipality's jurisdiction, achieved a BLUE FLAG STATUS and Birha beach is still on pilot status.

#### 3.6.6.2 Introduction to Pollution Control

Nowadays, the world is reeling in climate change, which is a result of pollution, be it water pollution, land or air pollution. Due to the size of Ngqushwa Local Municipality, the responsibility for pollution control lies with the district Municipality (Amathole District Municipality). Be that as it may, the Ngqushwa Local Municipality conducted awareness programs for pollution control in schools, communities as well as clean up campaigns were conducted on schools.

Even though the Municipality has two (2) licensed landfill sites, it is difficult to comply with the regulations as in most cases the waste is burned, thereby polluting the environment. In future, there is a need of closing and relocating the landfill site away from the residential areas.

The other main challenge is the vandalism on our 'no litter' signs, most of them are uprooted

#### 3.6.6.3 Introduction Bio-Diversity and Landscape

Eradication of alien plants in Peddie Town was done as part of biodiversity management. The municipality conducted a workshop on Indigenous plants and eradication of alien plants. Environmental awareness was conducted on coastal communities concerning management of coastal indigenous forest. We are boarded by Great fish river Nature reserve and on a continuous basis we meet them to check on areas of common on biodiversity and general.

There are DEA projects that are focussing on coastal management. These projects assisted the Municipality towards the achieving Blue Flag status.

### 3.6.7 SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

#### 3.6.7.1 Ngqushwa Municipal Traffic Services

The Traffic Services was established in 2005 by a political mandate to address the safety needs of the community of Ngqushwa. The section delivers traffic policing services through a partnership-approach with the communities it serves. It aims to create a safe and secure environment for all residents, citizens and visitors within Ngqushwa Municipal Area through effective traffic policing, by-law enforcement and other integrated crime prevention initiatives.

## Key Performance Areas

### Traffic Law Enforcement

1. Visible policing
2. Road Blocks
3. Speed Law
4. Drunken Driving Campaigns
5. Road Safety Campaigns

### Register Authority

1. Vehicle Registration and Licensing of Motor Vehicles.
2. Renewal of Motor Vehicle Licences.
3. Duplicate Registration Papers.
4. Scrapping of Vehicles

### Driver's Licence Technical Centre

1. Renewal of Driver's Licences
2. Learners licence Tests
3. Drivers Licence Tests
4. Duplicate Driver's Licences
5. Public Driver's Licence Permits

### Road Safety

1. Learner / Driver Education program by simulator and vehicle for youth between 18 – 35 years
2. Road Safety Education at all schools and villages.

#### 3.6.7.2 Overall Performance of Ngqushwa Municipal Traffic Services

There was a considerable decrease in the number of moving violations and accidents since the establishment of the traffic services. Since 2012/ 2013 financial year a concerted effort was launched to address Road Safety with various Road Safety initiatives that include: Scholar educational projects (Coega Simulators- for both learners licence and Drivers Licences training) by the visiting of schools in the municipal area. Furthermore our continued commitment towards the National Arrive Alive, Parking, Speeding and Un- Roadworthy Vehicles are common phenomenon throughout Ngqushwa Municipal Area which invariably infringes upon the rights of law abiding citizens and visitors and in some cases endangers lives.

The Traffic Section is committed to intensify law enforcement against motorists who blatantly disregard the rules of the road. It is an accepted phenomenon that as municipality grows; its public transportation system has to keep pace with such development to ensure that sufficient capacity is provided to meet the growing demand for transportation. To this extent, the traffic section is working earnestly on regulating the minibus and private transport industry to ensure smooth transport of residents of Ngqushwa Municipality. With the establishment of a driver's licence testing centre and other functions the residents of Ngqushwa Municipality do not have to drive to other towns for services. However there are challenges such outstanding payments of infringement notices (traffic fines), condition of road services in Peddie town and lack of relevant personnel.

#### STATISTICS FOR NGQUSHWA MUNICIPAL TRAFFIC SERVICES 2016/ 2017

Money Collected for DOT / DLTC	R2 221 220.04
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## STAFF AT NGQUSHWA MUNICIPAL TRAFFIC SECTION

TRAFFIC/ SECURITY MANAGER	MANAGEMENT REP	TRAFFIC OFFICERS	TRAFFIC/ EXAMINERS	SECURITY OFFICERS	ADMIN STAFF	EXAMINER: LEARNER'S	INTERN
1	1	6	3	13	3	1	1

## 3.6.8 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

ICT section provides appropriate Information and Communication Technologies that enables our users to access the information and services necessary to do their jobs. During 2015/2016 financial year, there were three projects planned: Network wireless link upgrade and labelling of network points; Installation of network monitoring tool and inventory system and desktop support. All three projects were implemented.

Employees: ICT Services					
Job Grades	2015/2016	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	N/A	N/A	N/A	N/A	N/A
4 – 7	N/A	1	1	N/A	100%
8 – 13	2	2	1	1	50 %
14 - 18	1	1	1	0	100%

Employees: ICT Services					
Job Grades	2014/2015	2016/2017			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
Capital Expenditure 2016/2017: ICT Services					
R' 000					
Capital Projects	2016/2017				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Computer Costs	225250	428678	346037	82641	428678
IT infrastructure and security	551200	711200	504956	206244	711200
Software	590000	1260000	1039206	220794	1260000

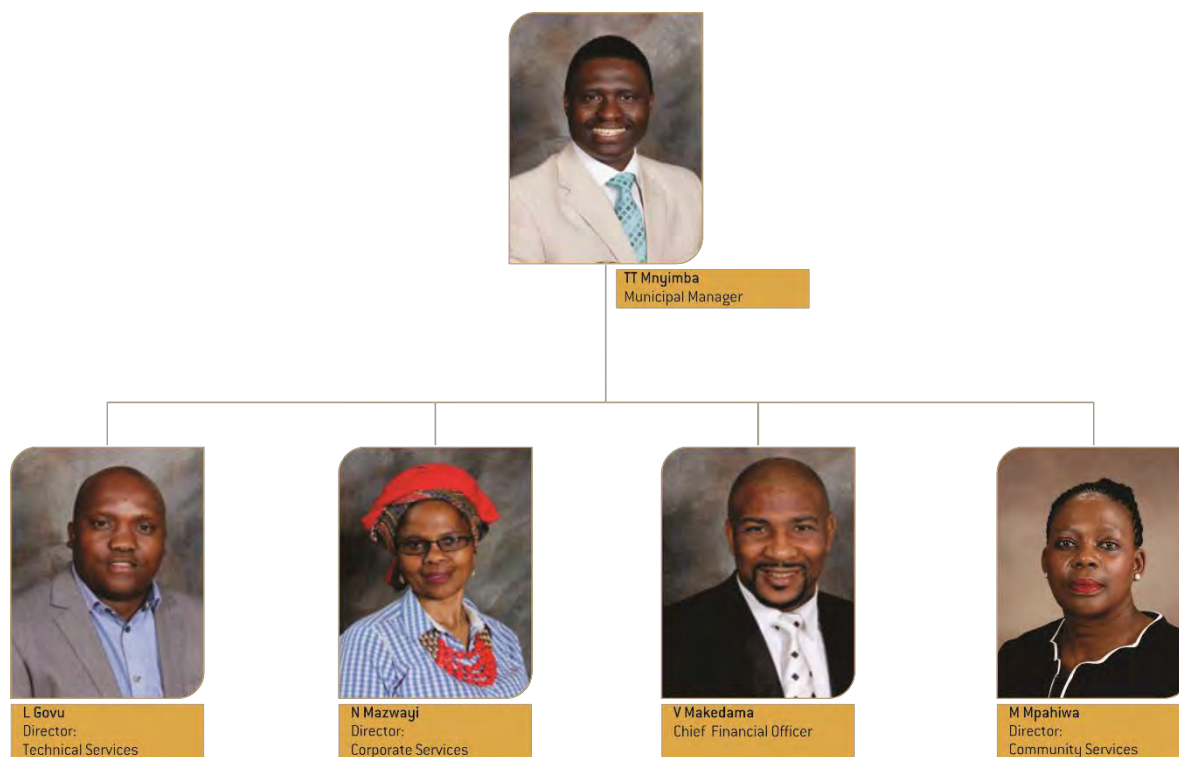


## CHAPTER 4

### INSTITUTIONAL DEVELOPMENT AND ORGANISATIONAL PERFORMANCE

## CHAPTER 4

### INSTITUTIONAL DEVELOPMENT AND ORGANISATIONAL PERFORMANCE



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#### 4.1 MUNICIPAL WORKFORCE MANAGEMENT

Ngqushwa Municipality has a responsibility to manage its workforce by implementing interventions and programmes that will keep employees motivated and enhance performance. This section emphasis on management and administration of employee matters/issues like management of leave, overtime, and training development. The municipality continues to develop workforce management policies in order to maintain productive employees.

##### WORKFORCE POLICY DEVELOPMENT:

The Municipality has developed 18 policies during the year under review. These policies are developed and reviewed annually and when required.

##### HR POLICIES AND PLANS

HR Policies and Plans			
	Name of Policy	Completed %	Date adopted by council or comment on failure to adopt
1	Induction Policy	100%	07 March 2017
2	Acting and Acting Allowance Policy	100%	07 March 2017
3	Career Succession Planning Policy	100%	07 March 2017
4	Disciplinary Code and Procedures	100%	SALGBC Collective Agreement
5	Essential Services	100%	SALGBC Collective Agreement
6	Leave Policy	100%	07 March 2017
7	Dress Code Policy	100%	07 March 2017
8	Bereavement policy	100%	07 March 2017
9	Recruitment, selection and appointment policy	100%	07 March 2017
10	Attraction and Retention Policy	100%	07 March 2017
11	Disciplinary policy and procedure	100%	07 March 2017
12	Time and Attendance Policy	100%	07 March 2017

HR Policies and Plans			
	Name of Policy	Completed %	Date adopted by council or comment on failure to adopt
13	Training policy	100%	07 March 2017
14	Code of Conduct for Employees	100%	07 March 2017
15	Occupational Health & Safety Policy	100%	07 March 2017
16	Grievance Procedures	100%	SALGBC Collective Agreement
17	Organisational Rights	100%	SALGBC Collective Agreement
18	Payroll Deductions	100%	SALGBC Collective Agreement

#### NUMBER OF DAYS AND COST OF SICK LEAVE

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	*Average sick leave per Employees	Estimated cost
	Days	%	No.	No.	Days	R' 000
Task Grade 0 - 2	N/A	0%	0	0	0	0
Task Grade 2 - 3	514	3%	48	77	10	R187 215.07
Task Grade 4 - 7	334	2%	38	37	8	R188 947.14
Task Grade 8 – 13	458	2%	44	45	10	R397 076.48
Task Grade 14 - 18	121	1%	11	17	11	R208 672.56
MM and S56	6	1%	2	4	4	R23 730.70
<b>Total</b>	<b>1433</b>	<b>9%</b>	<b>143</b>	<b>180</b>		

T4.3.2

#### NUMBER OF EMPLOYEES ON INJURY ON DUTY

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken	Employees using injury leave	Average injury leave taken per employee	Average Injury Leave per employee	Total Estimated Cost
	Days	No.	%	Days	R'000
Required basic medical attention only	67	4	25%	16.75	R30 575.99
Temporary total disablement	0	0	0.0%	0	0
Permanent disablement	0	0	0	0	0
Fatal					
<b>Total</b>	<b>67</b>	<b>4</b>	<b>25%</b>	<b>16.75</b>	<b>R30 575.99</b>

T4.3.1



## NUMBER OF EMPLOYEES SUSPENDED

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
MANAGER: BUDGET	General Misconduct	13/06/2016	Hearing in progress – scheduled for 17 January 2018	-
MANAGER: OFFICE OF THE MAYOR	General Misconduct	08/01/2016	Finalised	01 March 2017
MANAGER: IPD/PMS	General Misconduct	13/09 /2016	Finalised	07 April 2017
TRAFFIC OFFICERS x 3	Financial Misconduct	12/01/2016	Matter is on trial at the Peddie Magistrate Court (Sub judice)	Awaiting finalisation of State trial
TRAFFIC OFFICER	General Misconduct	10/07/2017	Hearing in progress- scheduled for 18 January 2018	-
MANAGER: ELECTRICITY	General Misconduct	26/06/2017	Hearing finalised	14 November 2017

## VACANCIES AND TURNOVER

On termination of employees, affected department reviews the need for the post. Where there is a need, the affected department informs Corporate Services to facilitate. Corporate Services engages on recruitment processes. Senior Management positions are advertised on both national and regional newspapers. There is no succession planning in place. One of the reasons why employees resign is because there are no prospects to move beyond middle management level. The municipality has developed the attraction and retention policy which will assist in attracting and retaining employees.

## EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	Employees				
	2015/2016	2016/2017			
	Employees No.	Approved Posts No.	Employees No.	Variance No.	s
Water	0	0	0	0	
Waste Water (Sanitation)	0	0	0	0	
Electricity	4	16	4	12	0%
Waste Management	4	4	4	0	0%
Housing	4	4	4	0	0%
Roads and Waste Water (Storm water Drainage)	20	18	12	6	10%
Transport	0	0	0	0	
Planning	0	0	0	0	0%
Local Economic Development	1	5	4	1	100%
Planning (Strategic & Regulatory)	12	8	2	6	50%
Community & Social Services	63	66	61	5	11%
Environmental Protection	0	0	0	0	
Health	0	0	0	0	
Traffic, Security and Safety	45	44	31	13	40%
Sport and Recreation	0	0	0	0	0%
Corporate Services	35	27	26	1	20%
Budget and Treasury Office	29	28	24	4	37%
Municipal Manager's Office	18	27	17	10	22%
Technical Services	14	20	15	5	22%
<b>Totals</b>	<b>249</b>	<b>267</b>	<b>204</b>	<b>63</b>	<b>24.5%</b>
Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June.					
T4.1.1					



## VACANCY RATE

Vacancy Rate 2016/2017			
Designations	*Total Approved Posts	*Variances (Total time that vacancies exist using fulltime equivalents)	*Variances (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	0	1	100%
CFO	1	0	100%
Other S56 Managers (excluding Finance Posts)	4	1	75%
Other S56 Managers (Finance posts)	0	0	0%
Traffic Officers	6	0	100%
Middle Management: Levels 13-16 (excluding Finance Posts)	16	4	100%
Middle management: Levels 13-16 (Finance posts)	5	1	75%
Other employees (excluding the above)	235	56	27%
<b>Total</b>	<b>267</b>	<b>63</b>	<b>26%</b>
Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.			
T4.1.2			

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate*
	No.	No.	
2012/13	167	14	8%
2013/14	182	9	8%
2014/15	175	9	5%
2015/16	34	11	3%
2016/17	42	18	
* Divide the number of employees who have left the organization within a year, by total number of employees who occupied posts at the beginning of the year			
T4.1.3			

## SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND THE FINANCIAL COMPETENCY REGULATIONS

There are challenges in conducting skills audit in order to determine the gaps and planning through Workplace Skills Plan. This is due to lack of participation from other departments; this is now improving as the training committee has reviewed its terms of reference. The expenditure on training exceeds the budget because of the increase in number of training needs. In line with MFMA regulations it is required that all finance employees and HOD's must possess minimum competency. Attempts have been made by the municipality as a result there employees were enrolled for CPMD. There were three employees that did not qualify to be enrolled by the institution offering the course because of the minimum entry requirements; however these employees were enrolled in other training programs.

## 4.2 MANAGING WORKFORCE EXPENDITURE

The Municipality spends on what has been approved in both organogram and budget to avoid overspending of Workforce expenditure. The expenditure is monitored monthly and reported to Council on quarterly basis.

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Graded		
Beneficiaries	Gender	Total
Unskilled and defined decision making (Task grade 0- 3)	Female	N/A
	Male	N/A
Semi-skilled and discretionary decision making (Task Grade 7 – 9)	Female	N/A
	Male	N/A
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (Task Grade 8 – 13)	Female	N/A
	Male	N/A
Professionally qualified and experienced specialists and mid-management (Task Grade 14 – 18)	Female	N/A
	Male	N/A
MM and S 56	Female	N/A
	Male	N/A
<b>Total</b>		<b>0</b>
Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column.		T4.6.2

### OCCUPATIONAL LEVELS

Occupation level	Number of employees	Job evaluation level	Comment
Unskilled and defined decision making	77	(Task grade 0-3)	General Assistants, Office Cleaners
Semi-skilled and discretionary decision making	37	(Task Grade 4 – 7)	Supervisors, Clerks, Operators, Secretaries, Drivers
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	45	(Task Grade 8 – 13)	Officers, Technicians and Middle Managers
Professionally qualified and experienced specialists and mid-management	17	(Task Grade 14 – 18)	Middle Managers
MM and S 56	4	Section 56 & 57	Grading system not applicable
T4.6.3			

### EMPLOYEES NOT APPOINTED TO POSTS NOT APPROVED AS PER THE ORGANOGRAM

Employees not appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
T4.6.4				

## SKILLS MATRIX

Management level	Gender	Employees in post as at 30 June 2016	Skills Matrix										
			Learnerships		Number of skilled employees required as at 30 June 2016								Total
					Skills programmes & other short courses				Other forms of training				
		No.	Actual 30 June 2015	Actual 30 June 2016	Target 2016/17	Actual 30 June 2016	Actual 30 June 2017	Target 2016/17	Actual 30 June 2016	Actual 30 June 2017	Target 2016/17		
MM and S56	Female	2	0	1	1	1	0	0	0	0	0	1	
	Male	3	1	1	1	0	0	0	0	0	0	1	
Councillor s, senior officials and managers	Female	20	5	4	4	6	16	16	1	0	0	20	
	Male	22	4	4	4	6	16	16	1	0	0	20	
Technicians and associate professionals	Female	2	0	0	0	1	0	0	0	0	0	0	
	Male	2	0	0	0	2	0	0	0	0	0	0	
Professionals	Female	24	3	5	5	10	11	11	0	0	0	16	
	Male	18	0	2	2	5	8	8	0	0	0	10	
Total		93	13	17	17	30	51	51	2	0	0	68	

Financial Competency Development: Progress Report*							Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))	
Financial Officials							
Accounting officer	1	0	1	0	1	1	
Chief financial officer	1	0	1	0	1	1	
Senior managers	3	0	3	0	3	2	
Any other financial officials	12	0	12	0	0	9	
Supply Chain Management Officials							
Heads of supply chain management units	0	0	0	0	0	0	
Supply chain management senior managers	0	0	0	0	0	0	
TOTAL	17	0	17	0	5	13	
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)							T4.5.2

Skills Development Expenditure											R'000
Management level	Gender	Employees as at the beginning of the financial year	Learnership		Skills programmes & other short courses		Other forms of training		Total		
			Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	
MM and S56	Female	2	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	
	Male	3	R22 000.00	R22 000.00	R0.00	R0.00	R0.00	R0.00	R22 000.00	R22 000.00	
Legislators, senior officials and managers	Female	20	R120 000.00	R120 000.00	R22 686.00	R22 686.00	R0.00	R0.00	R142 686.00	R142 686.00	
	Male	22	R165 000.00	R165 000.00	R7120.00	R7120.00	R00.00	R0.00	R172 120.00	R172 120.00	
Professionals	Female	24	R159300.00	R159300.00	R26280.60	R26280.60	R0.00	R0.00	R135 580.60	R135 580.60	
	Male	18	R46 935.00	R46 935.00	R39 584.25	R39 584.25	R0.00	R0.00	R86 519.25	R86 519.25	
Technician and associate professionals	Female	2	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	
	Male	2	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	
Clerks	Female	22	R100 403.00	R100 403.00	R43 429.40	R43 429.40	R0.00	R0.00	R143 832.40	R143 832.40	
	Male	21	R0.00	R0.00	R67 881.40	R 67 881.40	R0.00	R0.00	R 67 881.40	R 67 881.40	
Elementary occupations	Female	40	R0.00	R0.00	R48 000.00	R48 000.00	R0.00	R0.00	R48 000.00	R48 000.00	
	Male	40	R0.00	R0.00	R28 800.00	R28 800.00	R0.00	R0.00	R28 800.00	R28 800.00	
Total		236	R613 638.00	R613 638.00	R283 781.65	R283 781.65	R0.00	R0.00	R897 419.65	R897 419.65	

### 4.3 ORGANIZATIONAL PERFORMANCE REPORT

#### Summary of Organizational performance results

#### Overall Organizational Performance

Ngqushwa Municipality Annual Performance for 2016/17 financial year is **80%**, which has improved from by **12%** as compared to **68%** of 2015/16 financial year .All gaps identified will be addressed in 2017/18 Financial Year.

Priority Area	Total Annual Targets	Targets Achieved	Targets Partially Achieved	Targets Not Achieved	% Achievement
Good Governance and Public participation	33	26	6	1	79%
Municipal Transformation and Institutional Development	17	14	2	1	82%
Local Economic Development	33	22	7	4	67%
Infrastructure and Basic Service Delivery	32	27	4	1	84%
Financial Viability and Management	21	20	1	0	95%
<b>Total Targets</b>	<b>136</b>	<b>109</b>	<b>20</b>	<b>7</b>	<b>80%</b>





## CHAPTER 5

### FINANCIAL PERFORMANCE

## CHAPTER 5: FINANCIAL PERFORMANCE

### Component A: Statements of Financial Performance

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

### 5.1 FINANCIAL SUMMARY

#### 5.1.1 FINANCIAL PERFORMANCE

The table below indicates the summary of the financial performance for the 2016/17 financial year.

Financial Summary						
Description	R'000					
	2015/2016	Current Year 2016/17			2016/2017	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Financial Performance						
Property Rates	18 922 386	17235690	17235690	25 753 131	149%	149%
Service Charges	571 929	674160	674160	653 355	96%	96%
Investment Revenue	1 255 184	4411406	2411406	1 129 318	25%	46%
Transfer recognized – operational	84 033 200	87230700	87649977	79 912 206	91%	91%
Other own revenue	8 437 584	33105844	35 193 844	18 640 121	56%	52%
Total Revenue (excluding capital transfer and contribution)	113 220 283	142 657 800	143 164 296	125 042 242	87%	87%
Employee Costs	46 459 274	57 867 621	57 406 743	51 868 474	89%	90%
Remuneration & Councillor s	7 756 767	8 415 981	8 415 983	7 414 450	87%	87%
Depreciation & asset impairment	14 249 190	23 057 517	23 098 238	16 756 177	72%	72%
Finance Charges	1 835 594	-	2 100 000	1 445 942	0-	54%-
Materials and bulk purchases	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-
Other expenditures	48 006 911	69 618 212	75 241 568	65 267 525	93%	86%
Total Expenditure	118 307 916	158 959 332	166 262 533	142 752 568	89%	85%
Surplus/(Deficit)	21 222 167	--16 301 532	-23 098 237	-2 543 009	-8%	-5-
-Transfers recognized – Capital	26 309 800	24 761 300	24 761 300	22 501 250	90%	90%
Contributions and Contributed assets	-224 833	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	-	-
Share of surplus / (deficit) of associate	-	-	-	-	-	-
Surplus / (Deficit) for the year	47 307 134	8 459 767	1 663 062-	19 958 241	235%+	1200%-
Capital expenditure & Funds Sources						
Capital Expenditure						
Capital Transfers recognized	26 309 800	24 761 300	24 761 300	22 388 196	90%	90%
Public contributions & donations	-	-	-	-	-	-
Borrowing	10 170 675-	-	-	-	0%-	0%-
Internally generated funds	956 220	6 755 984	6 790 432	-	0%+	%+
Total Sourced of Capital Funds	37 436 695	31 517 284	31 551 732	22 388 196	71%	71%
Financial Position						
Total Current Assets	43 442 532	30 024 248	34 392 767	38 458 957	128%	111%
Total non current assets	189 203 721	189 787 837	201 933 007	195 363 152	102%	96%
Total current liabilities	30 059 975	23 713 000	32 8127 68	31 333 671	132%	95%
Total non current liabilities	8 369 018-	5 500 000	9 868 492	3 190 987	58%-	32%-
Community wealth / Equity	194 217 260	190 599 085	193 644 514	199 297 451	104%	102%
Cash Flow						
Net Cash from (used) operation	28 769 614	31 167 284	-19 217 699	28 447 284	91%	148%
Net cash from (used) investing	26 922 619	-31 167 283	--31 310 232	-23 033 260	73%	73%
Net cash from (used) financing	-819-809	-	-	-5 348 191	-	-
Cash/Cash equivalents at the year end	1 199 984	755 448	-18 159 841	1 265 817	167%	6.9%
Cash backing /surplus reconciliation						
Cash and investments available	-	5 166 854	1 200 807	-	-	-

Financial Summary						
Description	R'000					
	2015/2016	Current Year 2016/17			2016/2017	
		Variance to Actual			Actual	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Application of cash and investments	-	516 685	1 200 807	-	-	-
Balance – Surplus (Shortfall)	-	10 381 734	-1 716 328	-	-	-
Asset Management						
Asset register summary (WDV)	164 579 847	239 679 337	238 453 504	170 056 701	70%	71%
Depreciation & Asset impairment	14 249 190	15 914 342.16	9 432 297.16	16 756 177	99%	177%
Renewal of Existing Assets	-	-	-	-	-	-
Repairs and Maintenance	3 647 549	9 004 831.73	9 025 181.73	6 012 391	66%	66%
Free Services						
Cost of Free Basic Services provided	1 887 522	1 600 000	2 100 000	2 090 493	130%	99.5%
Revenue Cost of Free Services provided	1 887 522	1 600 000	2 100 000	2 090 493	130%	99.5%
Households below Minimum Service Level						
Water:	-	-	-	-	-	-
Sanitation / Sewerage:	-	-	-	-	-	-
Energy:	3 788	3 787	3 787	3 787	100%	100%
Refuse:	1 993	1 993	1 933	1 993	100%	100%

## 5.2 GRANTS

### 5.2.1 Grant Performance

The Municipality had a total amount of 166 262 533 for Operational Expenditure available that was received in the form of grants from the National and Provincial Governments during the 2016/17 financial year. The performance in the spending of these grants is summarized as follows:

The table below indicates the Grant performance for the 2016/17 financial year:

Grant Performance						
Description	R'000					
	2015/165	Current Year 2016/2017			2016/2017	
		Variance to Actual			Actual	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating transfers and grants						
National Government						
Equitable Share	82 854 000	76 828 000	76 828 000	76 828 000	100%	100%
FMG	1 875 000	2010 000	2010 000	2010 000	100%	100%
MIG (PMU – Operating Expenses_	1 174 200	1 092 700	987 250	973 750	90%	100%
MSIG	930 000	0.00	0.00		100%	100%
EPWP	1 000 000	1 000 000	1 000 000	1 000 000	100%	100%
	87 833 200	80 930 700	80 825 250	80 811 750	100%	100%
Provincial Government						
Health subsidy	-	-	-	-	-	-
Ambulance subsidy	-	-	-	-	-	-
Sports and Recreation	200 000	-	350 000	350 000	100%	100%
Roads maintenance	-	-	-	-	-	-
District Municipality						
Total operation transfers and grants revenue	87 833 400	930 700	81 175 250	81 161 750	90	100



## SUPPLY CHAIN MANAGEMENT

Section 117 of the MFMA states that: No Councillor of any municipality may be a member of municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, not attend such meeting as an observer. The Accounting officer established a committee system that is consistent with the MFMA and Municipal SCM Regulations for bids consisting of:

- A bid specification committee
- A bid evaluation committee
- A bid adjudication committee

### Performance of Service Providers

Annual Cumulative Report on the Performance of the Service Providers in the 2016/17 Financial Year

The legislated report on the performance of service providers (awarded bids) in terms of section 46(1) (a) of the Municipal systems Act (No.32 of 2000) is encapsulated in the table below. Detailed project monitoring reports in relation to each project are available for inspection.



NGQUSHWA LOCAL MUNICIPALITY REGISTER OF TENDERS AWARDED DURING 2016/17					
Description	Service Provider	Awarded Date	Tender Amount	Responsible Department	Status Progress Completed / Not Completed
Upgrading of Electricity at Corporate Services Department from Single Phase to 3 Phase	Ndlambe Investment	18/07/2016	R 122 420.00	Technical Service	Completed
Landfills lifespan assessment and rehabilitation costs 2015/16	Enzokuhle Enterprise (PTY) Ltd	22/07/2016	R 150 000.00	Community Service	Completed
Hiring of 2 x Tents, Chairs, Sound, Sound Stage	Andile S.G Trading	28/07/2016	R 140 000.00	Municipal Manager	Completed
Supply & Delivery of 3 Cows, hiring of mobile fridge and cutting of the cows	Ezamaswazi Trading	28/07/2016	R 80 000.00	Municipal Manager	Completed
Gloriaans Construction	Fitting of Aluminium Automatic Door and	01/08/2016	R 89 820.60	Planning Department	Completed
Establishment of a New Landfill Site	Falcolux	01/08/2016	R 200 000.00	Planning Department	Terminated non performance
Establishment of a New Cemetery	Falcolux	01/08/2016	R 200 000.00	Planning Department	Terminated non performance
Provision of Printing Services for a period of 26 months	Genbiz Trading 1001 Ltd t/a Aloe Office	01/08/2016	215 820.70	Municipal Manager	Ongoing
Nkasinet Trading and Construction	Construction of Ntsinekana Community Hall	12/08/2016	R 1 181 734.49	Technical Services	Completed
Nkasinet Trading and Construction	Construction of Ntsinekana Community Hall	12/08/2016	R 1 282 054.49	Technical Services	Completed
Supply & Delivery of Cleaning Material	Amatola Cleaning Supplies t/a Industro Clean	15/08/2016	R 91 249.02	Corporate Service	Completed
Supply & Delivery of Stationery	Gxamza Trading	15/08/2016	R 145 000.00	Corporate Service	Completed
Supply & Delivery of 80 000 Refuse bags	Tiaglo (Pty) Ltd	29/08/2016	R 49 900.00	Community Service	Completed
Construction of Bell Community Hall	Mgunculu Trading	15/08/2016	R 1 167 673.50	Technical Service	Completed
Professional Services (Design and Supervision) of Mabaleni Internal Streets	Beacon Consulting En&	02/09/2016	R 230 008.17	Technical Service	Completed
Professional Services (Design and Supervision) of Prudhoe Internal Streets	Sokhani Development	02/09/2016	R 257 684.48	Technical Service	Ongoing
Professional Services (Design and Supervision) of Tuku C Internal Streets	Sokhani Development	02/09/2016	R 257 684.48	Technical Service	Completed
Professional Services (Design and Supervision) of Tyhatha Internal Streets	Beacon Consulting En&	02/09/2016	R 217 094.75	Technical Service	Completed
Supply & Delivery of Insecticides	Amanguta'mahle Trading CC	07/10/2016	R 166 960.98	Community Service	Completed
Supply & Delivery of Electrical Material for High Mast Lights	Mafani Transfers	17/10/2016	R 149 692.50	Technical Service	Completed
Installation, Replacement, Repairs and Maintenance of Air Conditioners for a Period of 1 Year	Okuhlekodwa Trading and Projects 164 cc	17/10/2016	R 197 980.00	Technical Service	Terminated non performance
Supply & Delivery of Electrical Tools and Testers	Andile S.G Trading	20/10/2016	R 168 000.00	Technical Service	Completed
Supply & Delivery of Concrete Pipes	Zamajwarha Trading	20/10/2016	R 168 000.00	Technical Service	Completed

NGQUSHWA LOCAL MUNICIPALITY					
REGISTER OF TENDERS AWARDED DURING 2016/17					
Description	Service Provider	Awarded Date	Tender Amount	Responsible Department	Status Progress Completed / Not Completed
Conduct MPAC Training Supply & Delivery of Protective Clothing for NLM Officials	Unakho Training Consultants	20/10/2016	R 175 560.00	Municipal Manager	Completed
	Amended Recline Trading and Projects	04/11/2016	R 247 008.00	Corporate Service	Completed
	Sparks & Ellis (Pty) Ltd	04/11/2016	R 287 736.63	Corporate Service	Completed
	Wireless Alerts CC t/a The PC Shop	04/11/2016	R 222 660.00	Municipal Manager	Completed
Mzantsi Facilitators t/a S.A Guard Services	Life Guard Services for Festive Season 01 December to 03 January 2017, Easter Holidays 2017 for Four days	08/11/2016	R 194 800.00	Community Service	Completed
Supply & Delivery of Production Inputs Supply & Delivery 3000 Bags of Cold Mix Asphalt Tar Fix Supply & Delivery of Protective Clothing for EPWP Workers Financial Recovery, Debt Collection & Capital Raising	Movetshe Trading & Projects	09/11/2016	R 139 400.00	Community Service	Completed
	Tiaglo (Pty) Ltd	14/11/2016	R 173 000.00	Technical Service	Completed
	Gxamza Trading	24/11/2016	R 39 900.00	Technical Service	Completed
	Ntiyiso Consulting CC	01/12/2016	R 1 094 400.00	Budget and Treasury Office	Ongoing
Hiring of Sound and stage for Opening of Festive Season Celebration Provision of a Professional Aluminium Marquee Tent and Gazebo for a Period of 2 days Hiring of Sound and Stage for Hamburg Splash Festival on 16&17 December 2016	Carnation Delux Events (Pty) Ltd	09/12/2016	R 71 000.00	Community Service	Completed
	Amanguta'mahle Trading CC	09/12/2016	R 165 000.00	Community Service	Completed
	Carnation Delux Events (Pty) Ltd	09/12/2016	R 113 000.00	Community Service	Completed
	PMB Projects 06 CC	14/12/2016	R 1 922 347.23	Technical Service	Completed
Construction of Mabaleni Internal Streets Construction of Tyhatha Internal Streets Professional Services for Surfacing of Peddie Town Streets for a period of 3 years	PMB Projects 06 CC	14/12/2016	R 1 922 347.23	Technical Service	Completed
	PMB Projects 06 CC	14/12/2016	R 1 922 347.23	Technical Service	Completed
	MBSA Consulting	14/12/2016	R 991 800.00	Technical Service	Ongoing
	Tiaglo (Pty) Ltd	17/01/2017	R 80 000.00	Technical Service	Completed
Supply & Delivery of s High Pressure Washer Supply & Delivery of Electrical Material for Municipal Buildings Supply & Delivery of 22 New Tyres for Low Bed Truck Repairs of High Mast Lights Training of Ward Committees Supply & Delivery of 6 Grader Tyres and Rims Renewal of Peddie Landfill Site Supply & Delivery of Stationery Supply & Delivery of Toners and Cartridges Supply & Delivery of Cleaning Material Replacement of Underground Cable on 2 Light Poles Supply & Delivery of 3 Storage Containers Redesign and Monthly maintenance of website	Amanguta'mahle Trading CC	17/01/2017	R 111 186.24	Technical Service	Completed
	Amanguta'mahle Trading CC	17/01/2017	R 144 600.00	Technical Service	Completed
	Ndlambe Investment	02/02/2017	R 168 980.00	Technical Service	Completed
	Unakho Business Solutions	03/02/2017	R 159 000.00	Municipal Manager	Completed
	Movetshe Trading	07/02/2017	R 177 200.00	Technical Service	Completed
	Enzokuhle Enterprises	08/02/2017	R 90 000.00	Community Service	Completed
	Mafani Transfer	07/02/2017	R 107 000.00	Corporate Service	Completed
	SMS ICT Choice	08/02/2017	R 48 734.84	Municipal Manager	Completed
	Tiaglo (Pty) Ltd	08/02/2017	R 56 000.00	Corporate Service	Completed
	Ndlambe Investment	28/02/2017	R 126 750.00	Technical Service	Completed
	Ezamaswazi Trading	28/02/2017	R 198 900.00	Technical Service	Completed
	Delteq Information System	13/03/2017	R 58 140.00	Municipal Manager	Completed

NGQUSHWA LOCAL MUNICIPALITY					
REGISTER OF TENDERS AWARDED DURING 2016/17					
Description	Service Provider	Awarded Date	Tender Amount	Responsible Department	Status Progress Completed / Not Completed
Supply & Delivery of a Padfoot Roller	Barloworld Equipment	22/03/2017	R 1 372 514.40	Technical Service	Completed
Completion of Pound	Amanguta'mahle Trading CC	27/03/2017	R 112 559.04	Community Service	Completed
Supply & Delivery of Fertilizer	Real Vibes Entertainment	27/03/2017	R 78 500.00	Community Service	Completed
Supply & Delivery of Umqashu Fencing Material	Andile SG Trading	27/03/2017	R 108 000.00	Community Service	Completed
Supply & Delivery of Materials for Winch, Testers and High Mast Parts	Real Vibes Entertainment	29/03/2017	R 80 000.00	Technical Service	Terminated non performance
Supply & Delivery of Plucker Machine for Poultry Production	Amanguta'mahle Trading CC	29/03/2017	R 90 000.00	Community Service	Completed
Supply & Delivery of Fleet Fuel Card Services	West Bank Fleet	03/04/2017		Technical Service	Ongoing
Training of SCM for Councilor s and Officials	Unakho Business Solutions	27/06/2017	R 189 000.00	Budget and Treasury Office	Completed

### 5.3 ASSET MANAGEMENT

Asset management is practiced within the organization based on a comprehensive asset management policy. The Asset Management Policy provides direction for the management, accounting and control of Property, Plant & Equipment (Assets) owned or controlled by the municipality to ensure the following:

Implementation of the approved Asset Management Policy as required in terms of section 63 of the Municipal Finance Management Act (MFMA).

Verify assets in possession of the Council annually, during the course of the financial year.

Keep a complete and balanced record of all assets in possession of the Council.

Report in writing all asset losses, where applicable, to Council. Those assets are valued and accounted for in accordance with a statement of GRAP.

Those assets are properly maintained and safeguarded. The roles of the following are clearly defined within the asset management policy:

Municipal Manager

Chief Finance Officer

Asset control section

Manager budget section

Manager Expenditure section

Procurement section

All other departments

Asset Management is performed in line with the Asset Management Policy as described above.

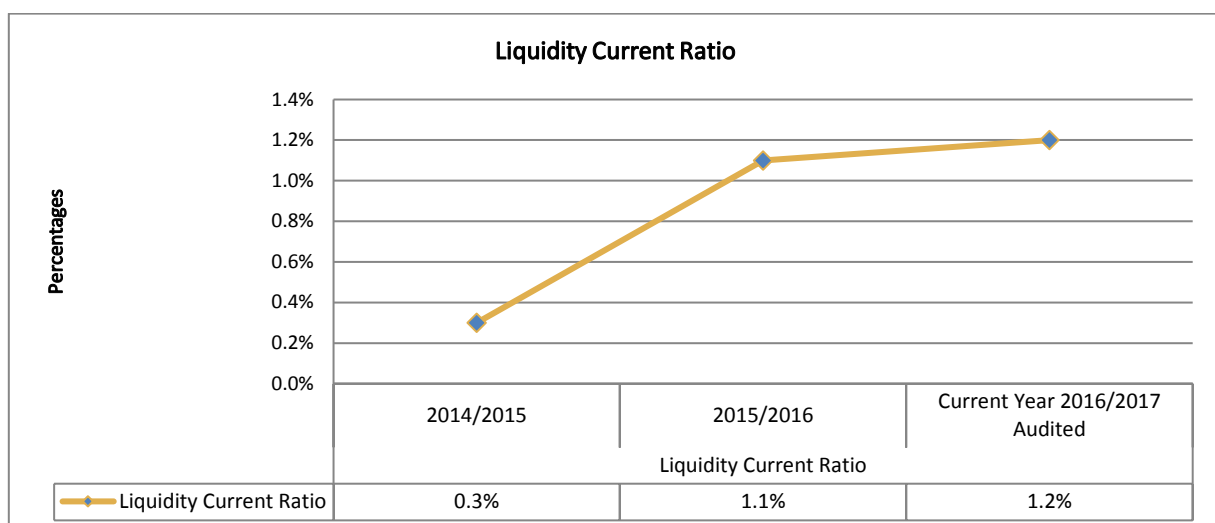
The control and safeguarding of assets remain the responsibility of each department. Each department budgets for the necessary maintenance of the assets under their control in order for the assets to achieve their economic life spans.

### 5.4 REPAIRS AND MAINTENANCE

Repair and Maintenance Expenditure 2016/17				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	10 310 179	10 672 471	6 012 391	4 660 080
				T5.3.4

### 5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

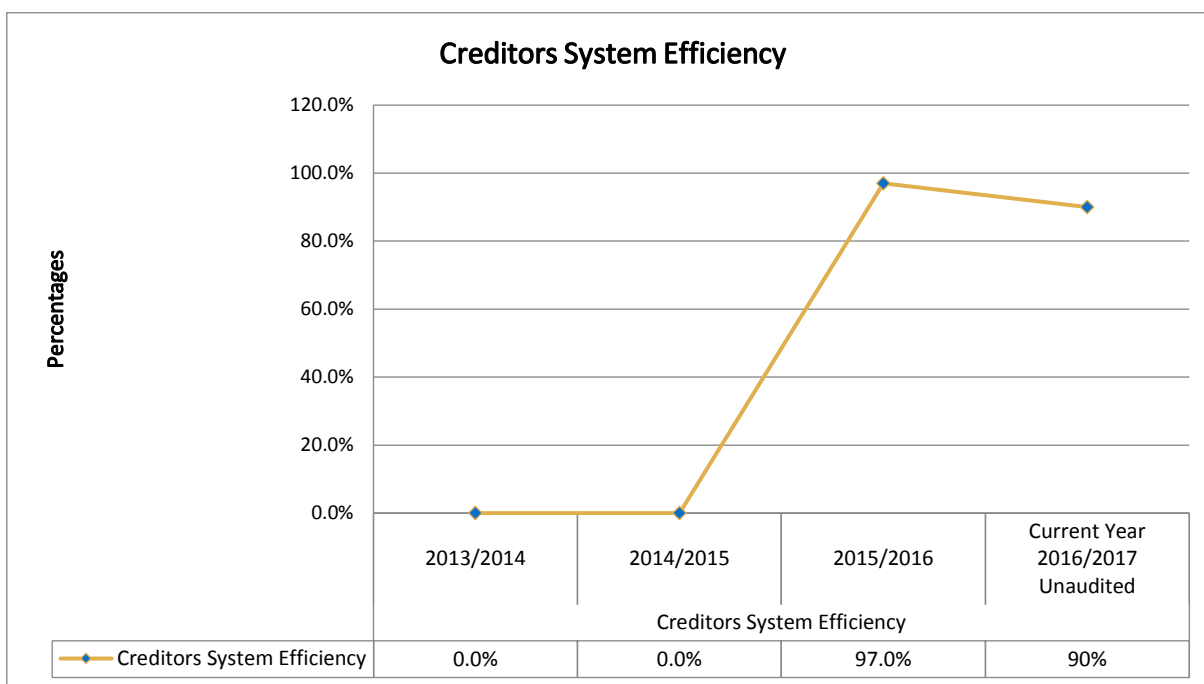
#### 5.5.1 Liquidity Ratio



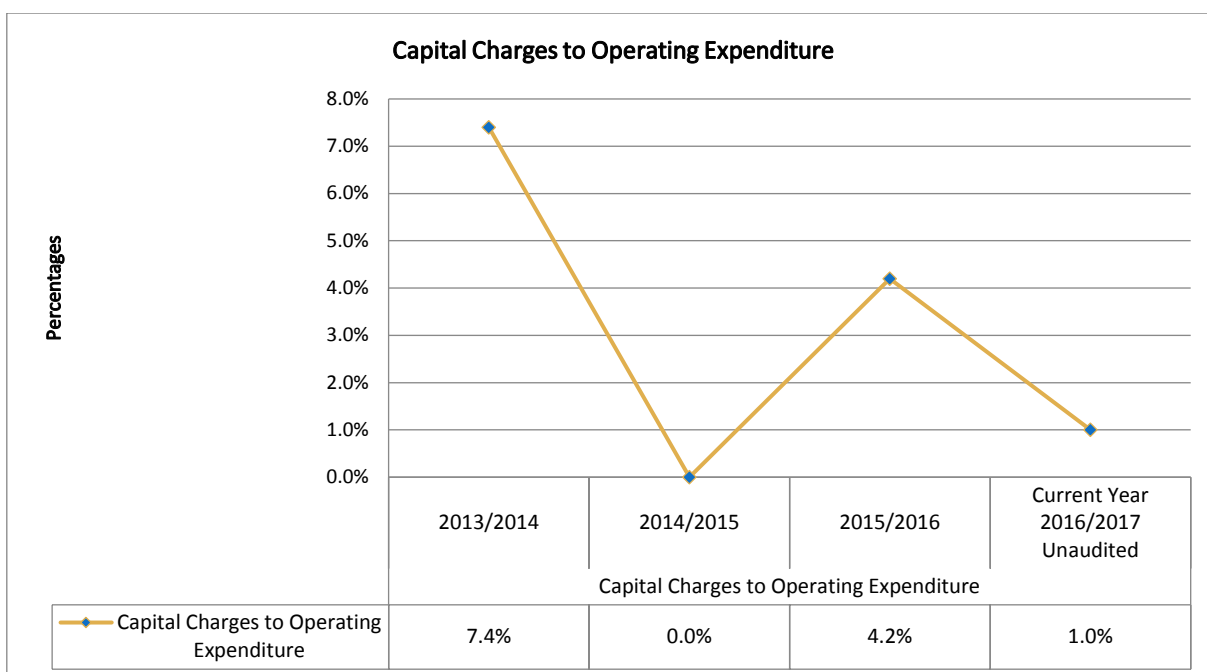
Ratio	Basis of calculation	13/14	14/15	15/16	current year audited 2016/17
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	0.0%	0.0%	97%	90%

RATIO	BASIS OF CALCULATIONS	2014/15	2015/16	2016/17 CURRENT YEAR AUDITED
Liquidity Ratio	Current Assets/current liabilities	0.3	1.1	1.2

### 5.5.2 Creditors Management



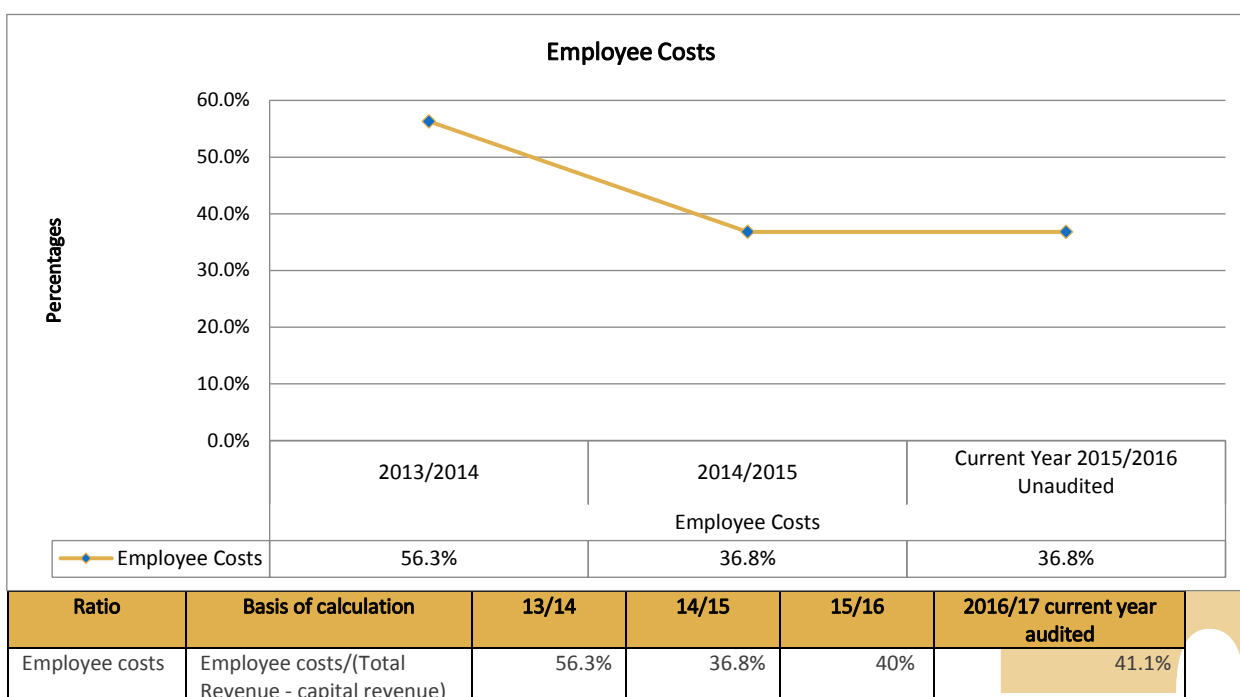
### 5.5.3 Borrowing Management



Ratio	Basis of calculation	13/14	14/15	15/16	2016/17 current year unaudited
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	7.4%	0.0%	4.2%	1.0%

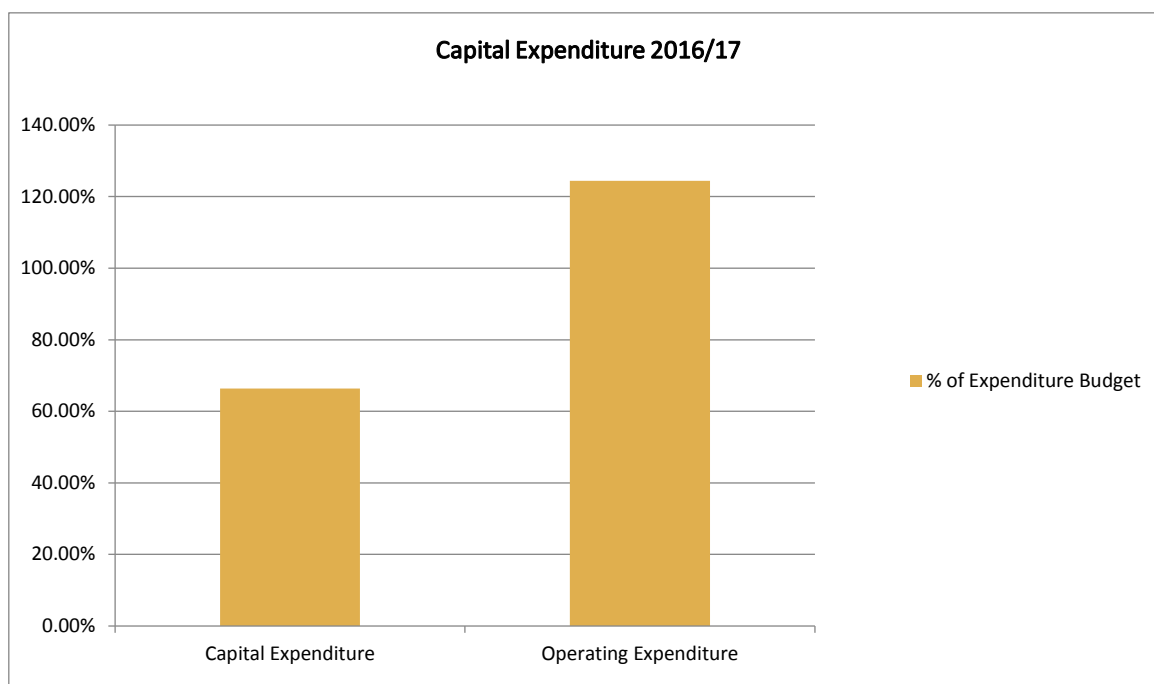
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### 5.5.4 Employee costs



## COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### 5.6 CAPITAL EXPENDITURE



	% of Expenditure Budget	Original Budget	Adjustment Budget	Un-audited Full Year Total
Capital Expenditure	70	31 517 284	31 551 732	22 388 196
Operating Expenditure	85	158 959 332	166 262 533	142 752 568
Total expenditure	83	190 476 616	197 814 265	165 140 764



## 5.7 SOURCES OF FINANCE

### 5.7.1 Capital Expenditure by Funding Source

The table below indicates the capital expenditure by funding source for the 2016/17 financial year:

Capital Expenditure – Funding Sources 2015/2016 – 2016/2017						
R'000						
Description	2015/16	Current Year 2016/2017		2016/2017 Variance to Actual		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Source of Financed						
Grants & subsidies	26 309 800	24 761 300	24 761 300	22 388 196	90%	90%
Other	11 126 895	6 755 984	6 790 432			
Total	37 436 695	31 517 284	31 551 732	22 388 196	118.18%	123.23%
Percentage of Finance						
External Loans	-	-	-	-	-	-
Public Contr & Donations	-	-	-	-	-	-
Grants & Subsidies	70	78	78	100	128%	128%
Other	30	21.5	22			
Capital Expenditure						
Environment Waste	-	-	-	-	-	-
Electricity	-	4000000	4380000	2 479 129	56%	56
Planning	-	852451	1009230		0%	0%
Roads & Storm Water	34 746 707	23881300	23881299	19 909 067	83%	83%
Community and Social Services	2 673 325	300616	50000			
Corporate Services	16 663	2445850	1893520			
Other	-	37066	37066			
Total	37 436 695	31 517 284	31 551 732	22 388 196	144	139
Percentage of expenditure						
Environmental Waste	-	-	-	-	-	-
Electricity	-	12	14	11.07	92%	79%
Planning	-	2.7	3.1			
Roads & Storm Water	92.8	76	76	88.9	116%	116%
Community and Social Services	7.1	4.41%	1.0			
Corporate Services	0.04	0.9	6			
Other	-	0.1	0.1	-	-	-

## COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### 5.8 CASH FLOW

Cash Flow Outcomes				
Description	2015/2016	2016/2017		
	Actual	Original Budget	Adjusted Budget	Actual
<b>CASH FLOW FROM OPERATION ACTIVITIES</b>				
Receipts	8 000 611	137 496 921.09	140 779 360.88	33 219 795
Ratepayers and other	4 907 474	17 294 358.09	24 566 797.88	5 532 818
Government – Operation	85 929 000	86 892 563	86 902 563	80 737 544
Government – Capital	24 414 000	23 310 000	23 310 000	22 575 456
Interest	3 277 506	10 000 000	6 000 000	1 070 556
Dividends	-	-	-	-
Payments	-97 758 977	-94 451 180.45	-109 810 955.61	-114 688 885
Suppliers and employees	-113 682 429	-94 451 180.45	-109 810 955.61	-113 682 429
Finance charges	-894 941	-	-	-1 006 456
Transfers and Grants				
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>28 769 614</b>	<b>43 045 740.64</b>	<b>30 968 405.27</b>	<b>28 447 284</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Receipts				
Proceeds on disposal of PPE	30 396	300 000	273 000	137 964
Decrease (increase) in non-current debtors	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-
Payments	-	-	-	-
Capital Assets	-26 953 015	-31 960 961	-30 649 588.20	-23 171 224
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>-26 922 619</b>	<b>-31 660 961</b>	<b>-30 376 588.20</b>	<b>-23 033 260</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipts	-	-	-	-
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments	-	-	-	-
Repayment of borrowing	-809 819	-	-	-5 348 191
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>-819-809</b>	<b>-</b>	<b>-</b>	<b>-5 348 191</b>
<b>NET INCREASE / (DECREASE) IN CASH FIELD</b>	<b>1 037 176</b>			<b>65 833</b>
Cash/Cash equivalents at the year begin	163 631	11 384 779.64	591 817.07	1 199 984
Cash/Cash equivalents at the year end	1 199 984	6 884 779.64	755 448.07	1 265 817



## CHAPTER 6

### AUDITOR GENERAL AUDIT FINDINGS

## CHAPTER 6

### AUDITOR GENERAL AUDIT FINDINGS

#### Component A: Auditor-General Opinion

Auditor General Report on Financial Performance 2016/17	
Audit Report status	Unqualified



# ANNEXURE A

## ANNUAL FINANCIAL STATEMENTS

# NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

## GENERAL INFORMATION

<b>LEGAL FORM OF ENTITY</b>	Local Municipality
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	Ngqushwa is a Local Municipality rendering basic services such as Refuse Collection, Infrastructure Development, Economic Development Community Services, etc.
<b>EXECUTIVE COMMITTEE</b>	<p>M. T. Siwisa (Mayor)</p> <p>N. Magingxa (Speaker)</p> <p>F. Pumaphi (Chief whip)</p> <p>L. Kolisi (Member of the Executive Committee)</p> <p>Z. R. Nduneni (Member of the Executive Committee)</p> <p>S. S. Maneli (Member of the Executive Committee)</p>
<b>COUNCILLORS</b>	<p>N. Mtati</p> <p>N. C. Gxasheka</p> <p>P. Sitole</p> <p>D. Ncanywa</p> <p>N. Jako</p> <p>L. Moyeni</p> <p>T. Sikweyiya</p> <p>N. Leve</p> <p>N. V. Gxasheka</p> <p>N. Mquqo</p> <p>S. Gwavu</p> <p>R. Taylor</p> <p>N. Fulani</p> <p>N. Mpoli</p> <p>N. Lawu</p> <p>N. C. Madlingozi (Deceased: 28 April 2017)</p>
<b>TRADITIONAL LEADERS</b>	<p>N. Ngqondi (Princess)</p> <p>L. Zitshu (Prince)</p> <p>N. Mhlauli (Prince)</p> <p>Z. Njokweni (Chief)</p> <p>A. Goni (Prince)</p>
<b>GRADING OF LOCAL AUTHORITY</b>	3
<b>CHIEF FINANCE OFFICER (CFO)</b>	Mr. V. C. Makedama
<b>ACCOUNTING OFFICER</b>	Mrs. M. P. Mpahlwa
<b>REGISTERED OFFICE</b>	<p>Corner of N2 and R345 Road</p> <p>Peddie</p> <p>5640</p>
<b>BUSINESS ADDRESS</b>	<p>Corner of N2 and R345 Road</p> <p>Peddie</p> <p>5640</p>

## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### GENERAL INFORMATION

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#### POSTAL ADDRESS

P.O Box 539  
Peddie  
5640

#### BANKERS

First National Bank

#### AUDITORS

Auditor General of South Africa

#### CONTACT DETAILS

Email: [mmpahlwa@ngqushwamun.gov.za](mailto:mmpahlwa@ngqushwamun.gov.za)  
Telephone: 040 673 3095  
[www.ngqushwamun.gov.za](http://www.ngqushwamun.gov.za)

## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### INDEX

The reports and statements set out below comprise the annual financial statements presented to the Council:

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Accounting Officer's Responsibilities and Approval of the Annual Financial Statements	5
Statement of Financial Position as at 30 June 2017	6
Statement of Financial Performance for the year ended 30 June 2017	7
Statement of Changes in Net Assets for the year ended 30 June 2017	8
Cash Flow Statement for the year ended 30 June 2017	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
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## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### INDEX

#### ABBREVIATIONS

ASB	Accounting Standards Board
CETA	Construction Education and Training Authority
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IEC	Independent Electoral Commission
MPAC	Municipal Public Accounts Committee
PAYE	Pay As You Earn
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ANC	African National Congress
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
SARS	South African Revenue Services
SDL	Skills Development Levy
SPU	Special Programs Unit
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
mSCOA	Municipal Standard Chart of Accounts

**NGQUSHWA LOCAL MUNICIPALITY**

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

**ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The accounting officer is required by the Municipal Finance Management Act No. 56 of 2003 to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the financial year ended 30 June 2017 and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB).

The annual financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, communicating, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, that based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatements or deficiencies.

The accounting officer has reviewed the municipality's cash flow forecast for the 12 months ended on 30 June 2018 and in light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements set out on pages 6 to 65, which have been prepared on the going concern basis, were agreed to by the Council on 29 August 2017 and were signed on its behalf by:

\_\_\_\_\_  
**M. P. Mpahlwa**  
**Accounting Officer**

\_\_\_\_\_  
**Date**

## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### Statement of Financial Position as at 30 June 2017

	Note(s)	2017 R	2016 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	3,345,700	3,345,700
Operating Lease Asset	4	404,534	393,740
Receivables from Non-Exchange Transactions	5	21,659,587	26,654,796
Receivables from Exchange Transactions	6	8,364,827	7,827,999
VAT Receivable	7	3,418,492	4,020,313
Cash and cash equivalents	8	1,265,817	1,199,984
		<b>38,458,957</b>	<b>43,442,532</b>
<b>Non-Current Assets</b>			
Intangible Assets	9	1,248,448	565,871
Investment property	10	24,058,000	24,058,000
Property, plant and equipment	11	170,056,701	164,579,847
Heritage assets	12	3	3
		<b>195,363,152</b>	<b>189,203,721</b>
<b>Total Assets</b>		<b>233,822,109</b>	<b>232,646,253</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance Lease Obligation	13	7,342,097	6,696,324
Payables from Exchange Transactions	14	22,594,254	22,513,039
Payables from Non-Exchange Transactions	15	497,776	850,612
Unspent conditional grants and receipts	16	899,544	-
		<b>31,333,671</b>	<b>30,059,975</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	-	5,521,331
Provisions	17	3,190,987	2,847,687
		<b>3,190,987</b>	<b>8,369,018</b>
<b>Total Liabilities</b>		<b>34,524,658</b>	<b>38,428,993</b>
<b>Net Assets</b>		<b>199,297,451</b>	<b>194,217,260</b>
Accumulated surplus	18	199,297,451	194,217,260

\* See Note 40

## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	Note(s)	2017 R	2016 Restated* R
<b>REVENUE</b>			
<b>Revenue from Exchange Transactions</b>			
Service Charges	19	653,355	571,929
Rental of Facilities and Equipment	20	146,952	213,454
Agency Fees	21	343,681	315,731
Licences and Permits	22	1,604,886	1,638,850
Other Revenue	23	9,073,044	308,305
Interest Earned - Outstanding Debtors	24	3,777,615	3,277,506
Interest Revenue	25	1,129,318	1,255,184
<b>Total Revenue from Exchange Transactions</b>		<b>16,728,851</b>	<b>7,580,959</b>
<b>Revenue from Non-Exchange Transactions</b>			
Property Rates	26	25,753,131	18,922,386
Government Grants	27	102,413,456	110,343,000
Fines and Penalties	28	588,650	623,592
Other Transfer Revenue	29	3,105,293	2,060,146
<b>Total Revenue from Non-Exchange Transactions</b>		<b>131,860,530</b>	<b>131,949,124</b>
<b>Total Revenue</b>		<b>148,589,381</b>	<b>139,530,083</b>
<b>EXPENDITURE</b>			
Employee Related Costs	30	51,868,474	46,459,274
Remuneration of Councillors	31	7,414,450	7,756,767
Depreciation and Amortisation	32	16,738,460	14,038,371
Impairment of Assets	33	17,717	210,819
Finance Costs	34	1,445,942	1,835,594
Debt Impairment	35	1,750,594	1,963,245
Repairs and Maintenance	36	6,012,391	3,647,549
Other Expenditure	37	57,504,540	42,396,297
<b>Total Expenditure</b>		<b>142,752,568</b>	<b>118,307,916</b>
<b>Operating Surplus</b>		<b>5,863,813</b>	<b>21,222,167</b>
Loss on Disposal of PPE		-	(224,833)
<b>Surplus for the year</b>		<b>5,863,813</b>	<b>20,997,334</b>

## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated surplus R	Total net assets R
Balance as at 30 June 2015	164,839,093	164,839,093
Prior Year Adjustments	8,380,833	8,380,833
<b>Restated Balance at 1 July 2015</b>	<b>173,219,926</b>	<b>173,219,926</b>
Restated Surplus For The Year	20,997,334	20,997,334
Total changes	20,997,334	20,997,334
<b>Restated Balance at 1 July 2016</b>	<b>194,217,260</b>	<b>194,217,260</b>
<b>Changes in Net Assets</b>		
Prior year adjustments recognised directly in equity	(756,622)	(756,622)
Surplus for the year	5,836,813	5,836,813
	5,080,191	5,080,191
<b>Balance at 30 June 2017</b>	<b>199,297,451</b>	<b>199,297,451</b>

Refer to Note 40 (Prior Year Adjustments)

\* See Note 40

# NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note(s)	2017 R	2016 Restated* R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Billed Services		33,219,795	8,000,611
Government Grants		103,313,000	110,343,000
Interest Revenue		1,070,556	3,277,506
Receipt from other services		5,532,818	4,907,474
		<u>143,136,169</u>	<u>126,528,591</u>
<b>Payments</b>			
Cash paid to Suppliers and Employees		(113,682,429)	(96,864,036)
Finance Costs		(1,006,456)	(894,941)
		<u>(114,688,885)</u>	<u>(97,758,977)</u>
<b>Net cash flows from operating activities</b>	38	<b><u>28,447,284</u></b>	<b><u>28,769,614</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	11	(22,388,196)	(27,269,440)
Proceeds from Sale of Property, Plant and Equipment	11	-	316,425
Purchase of Intangible Assets		(783,028)	-
Proceeds from Insurance Claim for Loss on Property, Plant and Equipment	23	137,964	30,396
<b>Net cash flows from investing activities</b>		<b><u>(23,033,260)</u></b>	<b><u>(26,922,619)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance Lease Repayments		(5,348,191)	(809,819)
<b>Net cash flows from financing activities</b>		<b><u>(5,348,191)</u></b>	<b><u>(809,819)</u></b>
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>		<b>65,833</b>	<b>1,037,176</b>
Cash and Cash Equivalents at the beginning of the year		1,199,984	163,631
Prior year error (Refer to Note 40)		-	(823)
<b>Cash and Cash Equivalents at the end of the year</b>	8	<b><u>1,265,817</u></b>	<b><u>1,199,984</u></b>

\* See Note 40

## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

#### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

##### REVENUE

##### Revenue from Exchange Transactions

Service Charges	674,160	-	674,160	653,355	(20,805)	
Rental of Facilities and Equipment	122,376	15,296	137,672	146,952	9,280	
Interest Revenue	4,411,406	(2,000,000)	2,411,406	1,129,318	(1,282,088)	1
Agency Fees	254,400	200,000	454,400	343,681	(110,719)	2
Licences and Permits	2,526,400	(860,000)	1,666,400	1,604,886	(61,514)	
Other Revenue	16,772,141	(4,998,800)	11,773,341	9,073,044	(2,700,297)	3
Interest Earned - Outstanding Debtors	12,726,000	7,300,000	20,026,000	3,777,615	(16,248,385)	4
Gains on disposal of assets	350,000	-	350,000	-	(350,000)	
<b>Total Revenue from Exchange Transactions</b>	<b>37,836,883</b>	<b>(343,504)</b>	<b>37,493,379</b>	<b>16,728,851</b>	<b>(20,764,528)</b>	

##### Revenue from Non-Exchange Transactions

Property Rates	17,235,690	-	17,235,690	25,753,131	8,517,441	5
Government Grants	105,692,000	350,000	106,042,000	102,413,456	(3,628,544)	6
Fines and Penalties	285,250	500,000	785,250	588,650	(196,600)	7
Other Transfer Revenue	6,369,277	-	6,369,277	3,105,293	(3,263,984)	8
<b>Total Revenue from Non-Exchange Transactions</b>	<b>129,582,217</b>	<b>850,000</b>	<b>130,432,217</b>	<b>131,860,530</b>	<b>1,428,313</b>	
<b>Total Revenue</b>	<b>167,419,100</b>	<b>506,496</b>	<b>167,925,596</b>	<b>148,589,381</b>	<b>(19,336,215)</b>	

##### EXPENDITURE

Employee Related Costs	(57,867,621)	965,664	(56,901,957)	(51,868,474)	5,033,483	9
Remuneration of Councillors	(8,415,982)	(2)	(8,415,984)	(7,414,450)	1,001,534	10
Depreciation and Amortisation	(21,268,923)	4,435,278	(16,833,645)	(16,738,460)	95,185	
Impairment of Assets	-	-	-	(17,717)	(17,717)	
Finance Costs	-	(2,100,000)	(2,100,000)	(1,445,942)	654,058	
Debt Impairment	(1,788,594)	(1,411,406)	(3,200,000)	(1,750,594)	1,449,406	11
Repairs and Maintenance	(10,310,180)	(362,292)	(10,672,472)	(6,012,391)	4,660,081	12
Transfers and Subsidies	(1,600,000)	1,600,000	-	-	-	
Other Expenditure	(59,308,034)	(8,830,442)	(68,138,476)	(57,504,540)	10,633,936	13
<b>Total expenditure</b>	<b>(160,559,334)</b>	<b>(5,703,200)</b>	<b>(166,262,534)</b>	<b>(142,752,568)</b>	<b>23,509,966</b>	
<b>Surplus for the year</b>	<b>6,859,766</b>	<b>(5,196,704)</b>	<b>1,663,062</b>	<b>5,836,813</b>	<b>4,173,751</b>	

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# NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

#### ASSETS

##### CURRENT ASSETS

Inventories	268,800	-	268,800	3,345,700	3,076,900	
Operating Lease Asset	-	-	-	404,534	404,534	
Receivables from Non-Exchange Transactions	29,000,000	(3,904,839)	25,095,161	21,659,587	(3,435,574)	
Receivables from Exchange Transactions	-	7,827,999	7,827,999	8,364,827	536,828	
VAT Receivable	-	-	-	3,418,492	3,418,492	
Cash and cash equivalents	755,448	445,359	1,200,807	1,265,817	65,010	
	<b>30,024,248</b>	<b>4,368,519</b>	<b>34,392,767</b>	<b>38,458,957</b>	<b>4,066,190</b>	

##### NON-CURRENT ASSETS

Intangible Assets	965,517	(399,646)	565,871	1,248,448	682,577	
Investment property	37,976,900	(25,000)	37,951,900	24,058,000	(13,893,900)	
Property, plant and equipment	146,434,014	16,981,219	163,415,233	170,056,699	6,641,466	
Investments	4,411,406	(4,411,406)	-	-	-	
Heritage assets	-	-	-	3	3	
	<b>189,787,837</b>	<b>12,145,167</b>	<b>201,933,004</b>	<b>195,363,150</b>	<b>(6,569,854)</b>	
<b>Total Assets</b>	<b>219,812,085</b>	<b>16,513,686</b>	<b>236,325,771</b>	<b>233,822,107</b>	<b>(2,503,664)</b>	

#### LIABILITIES

##### CURRENT LIABILITIES

Finance lease obligation	-	4,761,551	4,761,551	7,342,097	2,580,546	
Payables from exchange transactions	23,713,000	4,338,217	28,051,217	22,594,254	(5,456,963)	
Payables from Non-Exchange Transactions	-	-	-	497,776	497,776	
Unspent conditional grants and receipts	-	-	-	899,544	899,544	
	<b>23,713,000</b>	<b>9,099,768</b>	<b>32,812,768</b>	<b>31,333,671</b>	<b>(1,479,097)</b>	

##### NON-CURRENT LIABILITIES

Finance lease obligation	2,500,000	4,520,261	7,020,261	-	(7,020,261)	
Provisions	3,000,000	(151,769)	2,848,231	3,190,987	342,756	
	<b>5,500,000</b>	<b>4,368,492</b>	<b>9,868,492</b>	<b>3,190,987</b>	<b>(6,677,505)</b>	
<b>Total Liabilities</b>	<b>29,213,000</b>	<b>13,468,260</b>	<b>42,681,260</b>	<b>34,524,658</b>	<b>(8,156,602)</b>	
<b>Net Assets</b>	<b>190,599,085</b>	<b>3,045,426</b>	<b>193,644,511</b>	<b>199,297,449</b>	<b>5,652,938</b>	

##### NET ASSETS

Accumulated surplus	190,599,000	(190,599,000)	-	199,297,451	199,297,451	
	<b>190,599,000</b>	<b>(190,599,000)</b>	<b>-</b>	<b>199,297,451</b>	<b>199,297,451</b>	
<b>Total Net Assets</b>	<b>190,599,000</b>	<b>(190,599,000)</b>	<b>-</b>	<b>199,297,451</b>	<b>199,297,451</b>	



**NGQUSHWA LOCAL MUNICIPALITY**

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS****Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017****CASH FLOWS FROM OPERATING ACTIVITIES****RECEIPTS**

Billed Services	17,909,850	(1,468,159)	<b>16,441,691</b>	33,219,795	<b>16,778,104</b>
Government Grants	111,992,000	419,277	<b>112,411,277</b>	103,313,000	<b>(9,098,277)</b>
Interest Revenue	4,537,406	781,398	<b>5,318,804</b>	1,070,556	<b>(4,248,248)</b>
Receipts from Other Services	32,629,844	(11,687,737)	<b>20,942,107</b>	5,532,818	<b>(15,409,289)</b>
	<b>167,069,100</b>	<b>(11,955,221)</b>	<b>155,113,879</b>	<b>143,136,169</b>	<b>(11,977,710)</b>

**PAYMENTS**

Employee Costs and Suppliers	(134,301,816)	(8,862,480)	<b>(143,164,296)</b>	(113,682,429)	<b>29,481,867</b>
Finance Costs	-	-	-	(1,006,456)	<b>(1,006,456)</b>
	<b>(134,301,816)</b>	<b>(8,862,480)</b>	<b>(143,164,296)</b>	<b>(114,688,885)</b>	<b>28,475,411</b>

**Net Cash Flows from  
Operating Activities**

<b>32,767,284</b>	<b>(20,817,701)</b>	<b>11,949,583</b>	<b>28,447,284</b>	<b>16,497,701</b>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property, Plant and Equipment	(31,517,284)	(34,449)	<b>(31,551,733)</b>	(22,388,196)	<b>9,163,537</b>
Proceeds from Sale of Property, Plant and Equipment	350,000	(108,500)	<b>241,500</b>	-	<b>(241,500)</b>
Proceeds from Insurance Claim for Loss on Property, Plant and Equipment	-	-	-	137,964	<b>137,964</b>
Purchase of intangible assets	-	-	-	(783,028)	<b>(783,028)</b>

**Net Cash Flows from  
Investing Activities**

<b>(31,167,284)</b>	<b>(142,949)</b>	<b>(31,310,233)</b>	<b>(23,033,260)</b>	<b>8,276,973</b>
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayment of a Finance Lease	-	-	-	(5,348,191)	<b>(5,348,191)</b>
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,348,191)</b>	<b>(5,348,191)</b>

Net increase/(decrease) in cash and cash equivalents	1,600,000	(20,960,650)	<b>(19,360,650)</b>	65,833	<b>19,426,473</b>
Cash and Cash Equivalents at the beginning of the year	755,448	445,358	<b>1,200,806</b>	1,199,984	<b>(822)</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>2,355,448</b>	<b>(20,515,292)</b>	<b>(18,159,844)</b>	<b>1,265,817</b>	<b>19,425,651</b>

**Material differences between budget and actual amounts**

The municipality did not overspend on its budget for the current financial year.

1. Reduced investments due to cash flow restrictions
2. Lesser vehicles licenses were issued during the current year.

## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

#### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

3. These were cash flow items included as revenue.
4. These were cash flow items included as revenue.
5. Debtors cleansing resulting in an increase in debtors raised.
6. Grants were reduced due to not spending the required 60% by 31 December 2016.
7. Fewer traffic fines were issued during the current financial year.
8. Budgeted for an amount from CETA which was not subsequently received.
9. A number of vacant posts were not filled during the current year.
10. The Mayor and the Executive Committee did not get increases during the current year.
11. Over budgeted debtors written off in 2015/16.
12. Reduced spending due to cash flow reasons.
13. Reduced spending due to cash flow reasons.

## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### ACCOUNTING POLICIES

#### 1. Presentation of Annual Financial Statements

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

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements are disclosed below:

These accounting policies are consistent with the previous period but the wording has since been amended and inclusion of required paragraphs has since been included.

These accounting policies are consistent with the previous period.

##### 1.1 Presentation Currency

These annual financial statements are presented in South African Rands, which is the functional currency of the municipality. All amounts are rounded off to the nearest Rand.

##### 1.2 Going Concern Assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

##### 1.3 Significant Judgements and Sources of Estimation Uncertainty

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

##### Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated based on the grading of category of debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 17: "Provisions" of these financial statements.

##### Allowance for Doubtful Debts

Impairment loss is recognised in surplus or deficit when there is objective evidence that the debtor is impaired. The impairment is measured using the debtor's balances and the policy for debt impairment considering the probability of not receiving the monies owed to the municipality.

##### 1.4 Intangible Assets

The entity recognises an intangible asset or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### ACCOUNTING POLICIES

Intangible Assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of intangible assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a intangible assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a intangible assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on intangible assets where fair value cannot be determined, to write down the cost, less residual value, by equal installments over their useful lives as follows:

#### Transitional provision

The municipality changed its accounting policy for intangible assets and/or agricultural produce in 2017. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to recognise or measure intangible assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Agriculture. Intangible Assets and/or agricultural produce has accordingly been recognised at provisional amounts, as disclosed in 9. The transitional provision expires on .

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where intangible assets and/or agricultural produce was acquired through a transfer of functions, the municipality is not required to measure that intangible assets and/or agricultural produce for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2017 and intangible assets and/or agricultural produce has accordingly been recognised at provisional amounts, as disclosed in 9.

Until such time as the measurement period expires and intangible assets and/or agricultural produce is recognised and measured in accordance with the requirements of the Standard of GRAP on Biological assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Agriculture implies that any associated presentation and disclosure requirements need not be complied with for intangible assets and/or agricultural produce not measured in accordance with the requirements of the Standard of GRAP on Agriculture.

## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### ACCOUNTING POLICIES

#### 1.5 Investment property

Investment property is property held to earn rentals or for capital appreciation or both rather than for:

- use in the production or supply of goods or services, or
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is initially recognised at cost. Transaction costs are included in the initial recognition.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a cost of, or service the property. If a replacement cost is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Subsequent Measurement - Fair value method

Subsequent to initial recognition investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

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#### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include all costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### ACCOUNTING POLICIES

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

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is depreciated on a straight line basis over their expected useful lives to their estimated residual value. The residual value estimated for motor vehicles is 20% of the cost at acquisition.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except land which is carried at cost.

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

Item	Average useful life
Land	Indefinite
Buildings	9 - 30 years
Plant and machinery	10 - 15 years
Furniture and fixtures	5 - 7 years
Motor vehicles	7 years
Office equipment	5 - 7 years
Computer equipment	5 years
Security Equipment	5 years
Other Equipment	5 years
Infrastructure	
• Roads Paved	30 years
• Roads - Graded	7 - 25 years
• Electricity (Street lights and High Masts)	11 - 20 years
• Speed humps	15 years
Minor assets	Immediately
Park Facilities	5 - 76 years
Maintenance Equipment	10 years
Landfill Sites	69 - 98 years
Work in progress	Not depreciated

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

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

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

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

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

## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### ACCOUNTING POLICIES

#### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical existence. An asset is identifiable if it either:

- is capable of being separated or divided from a municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment loss.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

The municipality has assumed that the residual value of intangible assets is zero.

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

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

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

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

#### 1.8 Heritage Assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

##### Initial Measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.



## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### ACCOUNTING POLICIES

#### Subsequent Measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

#### 1.9 Financial Instruments

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

A financial asset is:

- cash;
- a contractual right to:
  - receive cash or another financial asset from another entity or any other entity; or
  - exchange financial assets or financial liabilities with another entity, or any other entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity or any other entity; or
- exchange financial assets or financial liabilities with another municipality, or any other entity under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.



## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### ACCOUNTING POLICIES

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

#### Classification

The entity has the following types of financial assets (classes and categories) as reflected on the face of the statement of financial position or in the notes thereto.

Class	Category
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from Non-Exchange Transactions	Financial asset measured at amortised cost
VAT Receivable	Financial asset measured at amortised cost
Operating Lease Asset	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at fair value

The entity has the following and of financial liabilities (classes and categories) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from Non-Exchange Transactions	Financial liability measured at amortised cost
Payables from Non-Exchange Transactions	Financial liability measured at amortised cost
Finance Lease Obligation	Financial liability measured at amortised cost

#### Initial Recognition

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

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement.

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Financial instruments are measured initially at fair value.

#### Initial Measurement of Financial Assets and Financial Liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent Measurement of Financial Assets and Financial Liabilities

The entity measures its financial assets and financial liabilities after initial recognition at amortised cost except for cash and cash equivalents.

The financial assets that are measured at amortised cost are subject to an annual impairment review.

Payables from Exchange and Non-Exchange Transactions are initially measured at fair value.

#### Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and call accounts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are subsequently measured at fair value.

#### Gains and Losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus's Statement of Financial Performance.

## NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the Year Ended 30 June 2017

### ACCOUNTING POLICIES

#### Impairment and Uncollectibility of Financial Assets

The entity assesses for impairment at the end of each reporting period when there is any objective evidence that a financial asset is impaired. When the allowance is recognised, it is measured as the asset's carrying amount at the date of recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

#### Derecognition

##### Financial Assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived or
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

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

##### Financial Liabilities

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

#### Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

##### Finance leases - lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### ACCOUNTING POLICIES

#### Finance Leases - Lessee

Leases of property, plant and equipment where the municipality substantially assumes the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments. The present value of the future minimum lease payments are determined using the rate implicit in the lease. In the event that the lease does not specify the rate implicit in the lease, the incremental borrowing rate is used. If the borrowing rate cannot be determined the prime interest rate at inception of the lease is used.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term when there is uncertainty that the ownership of the leased assets will transfer to the lessee otherwise the useful life is used in any other event.

#### Operating Leases - Lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

When assets are leased out under an operating lease, the asset is included in the statement of financial position on the nature of the asset.

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#### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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### ACCOUNTING POLICIES

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

#### 1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

#### 1.13 Impairment of Cash-Generating Assets

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

#### Cash-Generating Units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

#### 1.14 Employee Benefits

Employee benefits are all forms of consideration given by a entity in exchange for services rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the reporting period in which the employees render the related service.

#### Short-Term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the reporting period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered a service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

#### 1.15 Provisions and Contingencies

Provisions are recognised when:

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

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

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

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.



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Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

**1.16 Revenue from Exchange Transactions**

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

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

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

**Measurement**

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

**Sale of Goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of Services**

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

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

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

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

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

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### ACCOUNTING POLICIES

#### Interest

Revenue arising from the use by others of municipality assets yielding interest is recognised when:

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

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

#### 1.17 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Fines are economic benefits or service potential received or receivable by the municipality, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

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

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

#### Measurement

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

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



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### ACCOUNTING POLICIES

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured in full at the transaction date even if there is an uncertainty about the entity's ability to collect such revenue based on past history, as the entity has an obligation to collect all revenue due to it.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

#### Subsequent Measurement

The municipality assesses the collectability of the revenue and recognises impairment loss against the asset recognised. The municipality uses estimates to determine the amount of revenue that it is entitled to collect. The impairment is recognised as an expense in the statement of financial performance.

#### 1.18 Investment Income

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

#### 1.19 Borrowing Costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

#### 1.20 Comparative Figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

#### 1.21 Unauthorised Expenditure

Unauthorised expenditure means:

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

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

#### 1.22 Fruitless and Wasteful Expenditure

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

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

#### 1.23 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act No. 56 of 2003, the Municipal Systems Act No. 32 of 2000, and the Remuneration of Public Office Bearers Act No. 20 of 1998 or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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### ACCOUNTING POLICIES

#### 1.24 Use of Estimates

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

#### 1.25 Conditional Grants

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

#### 1.26 Related Parties

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

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

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

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

#### 1.27 Valued Added Tax

The municipality accounts for value added tax on accrual basis but pays over to /claims from SARS on a payment basis.

#### 1.28 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets. An expense is recognised in the municipality's statement of financial performance when, and only when the goods are received and or services consumed. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) are allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

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### ACCOUNTING POLICIES

Major expenses include:

- Repairs and Maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Other Expenditure which constitute several expense items which are not individually significant and
- Losses on the disposal of assets are reported separately from expenses on the Statement of Financial Performance.

#### 1.29 Budget Information

Municipalityunicipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2016 to 30 June 2017.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

The statement of comparison of budget and actual amounts has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

**NGQUSHWA LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****2. New standards and interpretations****2.1 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

**GRAP 34: Separate Financial Statements**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

**GRAP 12 (as amended 2016): Inventories**

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

**GRAP 18 (as amended 2016): Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the will have a material impact on the municipality's annual financial statements.

## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 2. New standards and interpretations (continued)

##### GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

##### GRAP 26 (as amended 2016): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

##### GRAP31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

# NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2. New standards and interpretations (continued)

#### GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

#### GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the standard.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member); both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).



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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS****2. New standards and interpretations (continued)**

The standard furthermore states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

**GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the minister of finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

**GRAP 106 (as amended 2016): Transfers of functions between entities not under common control**

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality is unable to reliably estimate the impact of the on the annual financial statements.

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
<b>3. INVENTORIES</b>		
Land to be transferred to beneficiaries	3,345,700	3,345,700
Inventories comprise of land on which RDP houses are constructed and are awaiting transfer to the beneficiaries. A register of these properties is maintained by the municipality.		
<b>4. OPERATING LEASE ASSET</b>		
Leases for Land	404,534	393,740
The municipality lets land to tenants under leases covering periods ranging from 3 - 30 years. The leases are subject to escalation clauses as per the lease agreement resulting in straight lining of the rentals received and receivable.		
The amount included above represents the difference between the actual rentals received and the calculated straight line lease.		
<b>Minimum lease payments receivable</b>		
- within one year	132,943	122,346
- in second to fifth year inclusive	587,384	589,793
- later than five years	1,106,435	1,226,401
	<b>1,826,762</b>	<b>1,938,540</b>
<b>5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Property Rates	28,077,308	29,204,519
Less: Impairment on Property Rates	(8,041,296)	(6,400,710)
Other Receivables	1,623,575	3,850,987
	<b>21,659,587</b>	<b>26,654,796</b>
<b>Property Rates</b>		
Current (0 -30 days)	9,668,565	2,752,979
31 - 60 days	830,627	114,936
61 - 90 days	138,022	1,028,560
91 - 120 days	207,954	121,442
121 - 150 days	117,393	1,810,703
> 151 days	17,114,747	23,375,899
	<b>28,077,308</b>	<b>29,204,519</b>



## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
<b>Summary of Total Debtors (Exchange and Non-Exchange) by Customer Classification</b>		
<b>Residential</b>		
Current (0 -30 days)	431,743	1,289,888
31 - 60 days	215,252	182,391
61 - 90 days	175,549	224,789
91 - 120 days	156,472	166,690
121 - 365 days	162,819	163,025
> 365 days	6,826,037	4,424,084
	7,967,872	6,450,867
Less: Allowance for impairment	(6,385,762)	(4,211,741)
	<b>1,582,110</b>	<b>2,239,126</b>
<b>Business</b>		
Current (0 -30 days)	718,430	162,005
31 - 60 days	151,141	155,215
61 - 90 days	99,567	112,204
91 - 120 days	91,206	117,509
121 - 365 days	87,409	85,860
> 365 days	3,214,666	2,526,364
	4,362,419	3,159,157
Less: Allowance for impairment	(2,022,705)	(1,619,951)
	<b>2,339,714</b>	<b>1,539,206</b>
<b>Government</b>		
Current (0 -30 days)	8,885,071	1,155,462
31 - 60 days	814,551	294,007
61 - 90 days	184,515	1,181,192
91 - 120 days	271,573	307,906
121 - 365 days	218,884	2,020,072
> 365 days	13,256,556	12,984,707
	<b>23,631,150</b>	<b>17,943,346</b>
<b>Other</b>		
Current (0 -30 days)	258,278	865,154
31 - 60 days	73,406	100,400
61 - 90 days	32,742	103,807
91 - 120 days	30,821	97,495
121 - 365 days	33,783	88,125
> 365 days	3,408,820	4,097,896
	3,837,850	5,352,877
Less: Allowance for impairment	(3,117,027)	(3,816,166)
	<b>720,823</b>	<b>1,536,711</b>

\* See Note 40

## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	8,885,071	1,155,462
31 - 60 days	814,551	294,007
61 - 90 days	184,515	1,181,192
91 - 120 days	271,573	307,906
121 - 365 days	218,884	2,020,072
> 365 days	13,256,556	12,984,707
	<b>23,631,150</b>	<b>17,943,346</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	9,647,859	12,401,958
Contributions to allowance	1,877,636	(2,754,099)
Debt impairment written off against allowance	-	4,717,344
Reversal of allowance	-	(4,717,344)
	<b>11,525,494</b>	<b>9,647,859</b>
<b>TOTAL DEBTORS (EXCHANGE AND NON-EXCHANGE)</b>		
Balance Net of Credit Balances	28,273,798	27,999,062
Gross Up of Credit Balances	1,619,325	850,612
Other Debtors	-	5,630,996
	<b>29,893,123</b>	<b>34,480,670</b>
<b>6. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Gross balances</b>		
Refuse	1,261,824	1,011,622
Rent	135,423	202,075
Interest on Overdue Accounts	10,324,737	9,861,451
	<b>11,721,984</b>	<b>11,075,148</b>
<b>Less: Allowance for impairment</b>		
Refuse	(360,952)	(296,600)
Rent	(39,217)	(59,247)
Interest on Overdue Accounts	(2,956,988)	(2,891,302)
	<b>(3,357,157)</b>	<b>(3,247,149)</b>
<b>Net balance</b>		
Refuse	900,872	715,022
Rent	96,206	142,828
Interest on Overdue Accounts	7,367,749	6,970,149
	<b>8,364,827</b>	<b>7,827,999</b>
<b>Refuse</b>		
Current (0 -30 days)	40,667	45,714
31 - 60 days	112,037	41,399
61 - 90 days	24,632	43,074
91 - 120 days	23,485	23,940
121 - 150 days	22,890	21,888
> 151 days	1,038,113	835,607
	<b>1,261,824</b>	<b>1,011,622</b>
<b>Rent</b>		
Current (0 -30 days)	7,206	133,156
31 - 60 days	1,558	9,993

\* See Note 40

**NGQUSHWA LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2017 R	2016 Restated* R
61 - 90 days	900	8,737
91 - 120 days	900	4,890
121 - 150 days	900	795
> 151 days	123,959	44,504
	<b>135,423</b>	<b>202,075</b>
<b>Interest on overdue accounts</b>		
Current (0 -30 days)	577,084	540,659
31 - 60 days	310,128	565,686
61 - 90 days	328,819	541,622
91 - 120 days	317,732	539,328
121 - 150 days	361,712	523,696
> 151 days	8,429,262	7,150,460
	<b>10,324,737</b>	<b>9,861,451</b>
<b>7. VAT RECEIVABLE</b>		
VAT Input Control Account	1,794,701	1,939,220
VAT Output Control Account	(156,318)	(157,157)
VAT Receivable from SARS	1,780,109	2,238,250
	<b>3,418,492</b>	<b>4,020,313</b>

**8. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

Bank Balances	1,145,308	662,254
Investments	120,509	537,730
	<b>1,265,817</b>	<b>1,199,984</b>

The Municipality had the Following Bank Accounts:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
FNB Main Account - 62022000898	1,145,308	662,254	125,834	1,145,308	662,254	125,834
FNB Reserve Fund Account - 62035920596	1,784	1,767	1,749	1,784	1,767	1,749
FNB MIG Account - 62270667531	13,003	12,260	1,000	13,003	12,260	1,000
FNB Rates Account - 62414349763	96,119	504,656	31,503	96,119	504,656	31,503
FNB EPWP Account - 62414353441	973	963	1,005	973	963	1,005
FNB FMG Account - 62414358912	1,752	1,734	1,717	1,752	1,734	1,717
FNB Business Call Account - 62606330463	6,878	16,350	-	6,878	16,350	-
<b>Total</b>	<b>1,265,817</b>	<b>1,199,984</b>	<b>162,808</b>	<b>1,265,817</b>	<b>1,199,984</b>	<b>162,808</b>

\* See Note 40

# NGQUSHWA LOCAL MUNICIPALITY

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	Restated* R

### 9. INTANGIBLE ASSETS

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer Software	2,608,720	(1,360,272)	1,248,448	1,569,514	(1,003,643)	565,871

#### Reconciliation of Intangible Assets - 30 June 2017

	Opening balance	Additions	Amortisation	Total
Computer Software	565,871	1,039,206	(356,629)	1,248,448

#### Reconciliation of Intangible Assets - 30 June 2016

	Opening balance	Amortisation	Impairment loss	Total
Computer Software	965,517	(284,903)	(114,743)	565,871

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The municipality amortises all its intangible assets and none of these are regarded as having indefinite useful lives. The useful lives of the intangible assets remain unchanged from the previous year.

### 10. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	24,058,000	-	24,058,000	24,058,000	-	24,058,000

#### Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	24,058,000	24,058,000

#### Reconciliation of investment property - 2016

	Opening balance	Prior period error	Total
Investment property	37,951,900	(13,893,900)	24,058,000

\* See Note 40

## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
<b>10. Investment property (continued)</b>		
<b>Details of property</b>		
<b>Erf 2220 Peddie - Land Extent 4340 square meters</b>		
Land is leased to Engen Petroleum		
- Cost at acquisition	2,888,000	2,888,000
<b>Erf 447 Hamburg - Land Extent 2824 ha</b>		
Portion of the Caravan Park Leased to Mrs Dorego.		
- Cost at acquisition	2,050,000	2,050,000
<b>Erf 314 - Land Extent 989 square meters</b>		
- Cost at acquisition	91,400	91,400
<b>Erf 1836 - Land extent 488 square meters</b>		
Leased to IEC		
- Cost at acquisition	556,700	556,700
<b>Other Investment Land owned by the Municipality</b>		
- Cost at acquisition	18,471,900	18,471,900

page

Valuation of investment property was done by Penny Lindstrom Valuations in 2013, an independent valuer. The valuation, which conforms to international standards, was arrived at by reference to market evidence of transaction prices for similar properties. Valuation is performed every four years and the 4 years has not yet elapsed, therefore the properties have not been revalued.

At the end of the financial year, the properties were generating an average monthly income of R10 326 (2016: R9 576).

\* See Note 40

# NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017			2016		
	R			Restated* R		
<hr/>						
11. PROPERTY, PLANT AND EQUIPMENT						
	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7,938,500	-	7,938,500	7,938,500	-	7,938,500
Buildings	78,498,888	(14,933,732)	63,565,156	72,090,102	(12,451,084)	59,639,018
Park Facilities	13,087,802	(1,806,333)	11,281,469	10,726,394	(1,289,049)	9,437,345
Infrastructure	140,204,661	(86,584,769)	53,619,892	122,649,128	(76,455,113)	46,194,015
Other Equipment	541,257	(167,298)	373,959	168,469	(131,583)	36,886
Capital Works in Progress	12,423,418	-	12,423,418	19,909,067	-	19,909,067
Plant and Equipment	20,733,154	(6,902,968)	13,830,186	19,529,194	(4,944,888)	14,584,306
Maintenance Equipment	433,801	(210,246)	223,555	346,256	(181,403)	164,853
Security Equipment	648,852	(444,376)	204,476	549,785	(380,675)	169,110
Motor Vehicles	9,251,642	(4,185,129)	5,066,513	8,473,771	(3,244,388)	5,229,383
Office Equipment	1,601,564	(930,797)	670,767	1,255,526	(702,845)	552,681
IT Equipment	2,439,700	(1,728,951)	710,749	1,969,351	(1,409,841)	559,510
Office Furniture	1,536,229	(1,388,168)	148,061	1,499,589	(1,334,416)	165,173
Minor Equipment	1,710,393	(1,710,393)	-	1,622,352	(1,622,352)	-
Total	291,049,861	(120,993,160)	170,056,701	268,727,484	(104,147,637)	164,579,847

\* See Note 40

## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

						2017 R	2016 R
Reconciliation of Property, Plant and Equipment - 30 June 2017							
	Opening balance	Additions	Transfers	Depreciation capitalised to project	Depreciation loss/Scrapped	Total	
Land	7,938,500	-	-	-	-	-	7,938,500
Buildings	59,639,018	-	6,408,786	-	(2,482,647)	-	63,565,156
Park Facilities	9,437,345	-	2,361,408	-	(517,284)	-	11,281,469
Infrastructure	46,194,015	-	17,555,533	-	(10,129,657)	-	53,619,892
Other Equipment	36,886	292,400	80,388	-	(35,714)	-	373,960
Capital Works in Progress	19,909,067	19,043,433	(26,529,082)	-	-	-	12,423,417
Plant and Equipment	14,584,306	1,203,960	-	(511,793)	(1,446,286)	-	13,830,187
Maintenance Equipment	164,853	101,407	-	-	(38,125)	(4,580)	223,555
Security Equipment	169,110	99,067	-	-	(63,701)	-	204,476
Motor Vehicles	5,229,383	777,871	-	-	(940,741)	-	5,066,513
Office Equipment	552,681	346,037	-	-	(227,951)	-	670,767
IT Equipment	559,510	504,956	-	-	(340,582)	(13,137)	710,747
Office Furniture	165,173	-	36,640	-	(53,751)	-	148,061
Minor Equipment	-	19,065	86,327	-	(105,392)	-	-
	164,579,847	22,388,196	-	(511,793)	(16,381,831)	(17,717)	170,056,700

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Annual Financial Statements for the year ended 30 June 2017

Reconciliation of Property, Plant and Equipment - 30 June 2016										2017	2016
	Opening balance	Additions	Finance lease additions	Disposals	Transfers	Assets returned to the lessor	Depreciation capitalised to project	Depreciation	Impairment loss	Prior year adjustments	Restated* R
Land	7,743,600	-	-	-	-	-	-	-	-	194,900	7,938,500
Buildings	55,663,613	-	-	-	4,609,698	-	-	(2,315,486)	-	1,681,193	59,639,018
Park Facilities	7,196,615	-	-	(154,042)	2,915,630	-	-	(421,029)	-	(99,829)	9,437,345
Infrastructure	36,564,808	-	-	-	10,049,490	-	-	(8,219,935)	-	7,799,653	46,194,015
Other Equipment	42,062	17,034	-	(11,600)	-	-	-	(10,610)	-	-	36,886
Capital Works in Progress	21,716,413	24,286,000	-	-	(17,574,818)	-	-	-	(107,226)	(8,411,302)	19,909,067
Plant and Equipment	11,423,857	272,998	10,170,675	(55,146)	-	(5,284,996)	(1,611,788)	(331,294)	-	-	14,584,306
Maintenance Equipment	126,000	81,408	-	(7,555)	-	-	-	(35,000)	-	-	164,853
Security Equipment	228,842	-	-	-	-	-	-	(59,732)	-	-	169,110
Motor Vehicles	4,658,743	1,730,199	-	(309,993)	-	-	(991)	(766,715)	(81,860)	-	5,229,383
Office Equipment	530,877	196,339	-	-	-	-	-	(173,001)	(1,534)	-	552,681
IT Equipment	489,581	449,738	-	(2,694)	-	-	-	(364,433)	(12,682)	-	559,510
Office Furniture	285,197	25,700	-	(228)	-	-	-	(145,496)	-	-	165,173
Minor Equipment	-	206,604	-	-	-	-	-	(206,604)	-	-	-
<b>TOTAL</b>	<b>146,670,208</b>	<b>27,266,020</b>	<b>10,170,675</b>	<b>(541,258)</b>	<b>-</b>	<b>(5,284,996)</b>	<b>(1,612,779)</b>	<b>(13,049,335)</b>	<b>(203,302)</b>	<b>1,164,615</b>	<b>164,579,847</b>

included in plant and machinery are leased assets with a carrying amount R11 890 858 (2016: R14 217 732). The leased assets are held as a security by the financier.

\* See Note 40



## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

				2017 R	2016 R
12. HERITAGE ASSETS					
	2017			2016	
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses
Historical Monuments	3	-	3	3	-
					3

#### Reconciliation of Heritage Assets - 30 June 2017

	Opening balance	Total
Historical Monuments	3	3

#### Reconciliation of Heritage Assets - 30 June 2016

	Opening balance	Total
Historical Monuments	3	3

#### Heritage assets

All the municipality's heritage assets are held under a freehold interest and no heritage asset have been pledged as security for any liabilities of the municipality.

The heritage assets comprise of the Dick King Memorial Site, a Fingo Milkwood Tree and Fort Peddie Tower Complex. These are not income generating assets and shown on the face of the statement of financial position at a nominal value of R1 each.

No impairment losses have been recognised on the heritage assets of the municipality at the reporting date.

These heritage assets have not been revalued due to their fair value not being easily and reliably measured due to the lack of a market for these assets..

**NGQUSHWA LOCAL MUNICIPALITY**

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Annual Financial Statements for the Year Ended 30 June 2017

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2017 R	2016 Restated* R
<b>13. FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
- within one year	7,648,553	7,629,087
- in second to fifth year inclusive	-	7,629,087
	7,648,553	15,258,174
less: future finance charges	(306,456)	(3,040,520)
	<b>7,342,097</b>	<b>12,217,654</b>
<b>Present value of minimum lease payments due</b>		
- within one year	7,342,097	6,696,324
- in second to fifth year inclusive	-	5,521,331
	<b>7,342,097</b>	<b>12,217,655</b>

It is the municipality's policy to lease certain plant under a finance lease.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets with a carrying value of R11 890 858 (2016: R 14 217 732).

The lease term is 3 years at a fixed borrowing rate of 15% linked to prime rate prevalent at the inception of the lease on 01 July 2015. Leases have fixed repayment terms. No arrangements have been entered into for contingent rent.

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**14. PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	17,221,573	17,432,840
Accrued Bonus	1,346,967	1,135,806
Accrued Leave Pay	2,811,429	3,012,453
Retentions	1,214,285	931,940
	<b>22,594,254</b>	<b>22,513,039</b>

Included in trade payables is a balance for Amathole District Municipality amounting to R 6 640 369 (2016: R 15 020 192).

**15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Receivables with Credit Balances	497,776	850,612
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All receivables with credit balances have been reallocated to Payables from Non-Exchange Transactions to achieve fair presentation.

## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	Restated* R
<b>16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
Electrification	899,544	-

The municipality received an INEP Grant in the current year for the Electrification of households in the municipal area. However, the municipality did not spend all the funds received for this purpose.

See note 27 for reconciliation of grants from National/Provincial Government.

## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	Restated* R

#### 17. PROVISIONS

##### Reconciliation of Provisions - 30 June 2017

Provision for Rehabilitation of Landfill Sites  
Provision for Long Service Awards

Opening Balance	Change in discount factor	Total
184,687	3,300	187,987
2,663,000	340,000	3,003,000
<b>2,847,687</b>	<b>343,300</b>	<b>3,190,987</b>

##### Reconciliation of Provisions - 30 June 2016

Provision for Rehabilitation of Landfill Sites  
Provisions for Long Service Awards

Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
181,811	-	-	2,876	184,687
2,309,000	626,000	(272,000)	-	2,663,000
<b>2,490,811</b>	<b>626,000</b>	<b>(272,000)</b>	<b>2,876</b>	<b>2,847,687</b>

## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	Restated* R

#### Rehabilitation of Landfill Sites Provision

The Provision for Rehabilitation of Landfill Sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation. The amount for the provision was adjusted retrospectively in accordance with the report produced by qualified engineers from the Department of Local Government.

#### Long Service Award Provision

The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continuous service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.

The actuarial valuation of the long service awards accrued liability was carried out by ZAQ Consultants and Actuaries. The assumptions used in the valuation are outlined below:

#### Key Assumptions:

1. Salary increase rate of 7.36%.
2. The mortality rate of SA 85 - 90.
3. Normal retirement age of 65 years.
4. The discount rate used was yield curve as at 30 June 2017 as supplied by the Johannesburg Stock Exchange.

#### 18. ACCUMULATED SURPLUS

Included in the accumulated surplus is an amount of R572 746 which relates to transactions that were posted against the Accumulated Surplus account in the current year of assessment. These include amounts that should have been transacted in the prior years into their respective income and expense accounts.

These include and are not limited to the following:

- Billings not raised in prior years,
- Correction of errors on invoices.

#### 19. SERVICE CHARGES

Refuse Removal	653,355	571,929
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#### 20. RENTAL OF FACILITIES AND EQUIPMENT

##### Garages and parking

Various Rentals	144,238	206,021
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##### Facilities and equipment

Billboards	2,714	7,433
	<b>146,952</b>	<b>213,454</b>

Some of the offices were not occupied during the year ended 30 June 2017.

At the end of the financial year, the properties were generating an average monthly income of R10 326 (2016: R9 576).

#### 21. AGENCY FEES

eNATIS Commission	343,681	315,731
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**NGQUSHWA LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2017 R	2016 Restated* R
<b>22. LICENCES AND PERMITS</b>		
Drivers Licence	1,450,181	1,501,622
Learners Licence	154,705	137,228
	<b>1,604,886</b>	<b>1,638,850</b>
<b>23. OTHER REVENUE</b>		
Tender Fees	103,445	108,978
Sundry Income	424,551	106,421
Photocopies	-	650
Building Plan Fees	27,262	61,860
Insurance Claim for Loss of Property, Plant and Equipment	137,964	30,396
Amathole District Municipality debt write-down	8,379,822	-
	<b>9,073,044</b>	<b>308,305</b>
Sundry Income includes income from Cemetery Fees and Commission Collection.		
<b>24. INTEREST EARNED - OUTSTANDING DEBTORS</b>		
Interest Earned - Outstanding Debtors	3,777,615	3,277,506
<b>25. INTEREST REVENUE</b>		
Interest on Investments	1,129,318	1,255,184
<b>26. PROPERTY RATES</b>		
Gross Property Rates	26,920,124	20,731,612
Less: Rebates	(1,166,993)	(1,809,226)
	<b>25,753,131</b>	<b>18,922,386</b>

## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	Restated* R
<b>Valuations</b>		
Residential	344,707,304	320,508,301
Commercial	139,476,888	84,489,000
Government	571,034,890	228,507,387
Municipal	84,049,307	84,174,808
Farms agricultural	85,104,301	46,010,000
Place Of Worship	2,396,000	2,396,000
Farms Non-Agricultural	-	13,711,801
Vacant Land	105,918,284	7,817,718
Game Hunting	6,300,000	6,300,000
Other	16,027	-
	<b>1,339,003,001</b>	<b>793,915,015</b>

The reason for the fluctuations in the property values between the 2016/17 and the 2015/16 financial years was due to the splitting of the categories of properties in order to comply with the requirements of mSCOA. The vast increase in the values of the properties was due to the supplementary valuation that was conducted and due to the surveyed rural schools and clinics that have been included in the manual rates recons and billed. General Valuations on land and buildings are performed every 4 years the last general valuation came into effect on 1 July 2013. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates applied to property valuations to determine assessment rates were established by the Council on various usage categories as per the municipality's rates policy. These rate tariffs were published and can be inspected at the municipality's registered address. Rebates of 43% (2016: 43%) are granted to residential and state property owners.

The new general valuation will be implemented on 01 July 2018.

# NGQUSHWA LOCAL MUNICIPALITY

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
<b>27. GOVERNMENT GRANTS</b>		
Equitable Share	76,828,000	82,854,000
Expanded Public Works Programme	1,000,000	1,000,000
Municipal Infrastructure Grant	19,475,000	23,484,000
Financial Management Grant	2,010,000	1,875,000
Municipal Systems Improvement Grant	-	930,000
Integrated National Electrification Programme	3,100,456	-
Library Grant	-	200,000
	<b>102,413,456</b>	<b>110,343,000</b>

### Conditional and Unconditional Grants

Included in the above are the following grants and subsidies received:

Conditional grants received	25,585,456	27,289,000
Unconditional grants received	76,828,000	83,054,000
	<b>102,413,456</b>	<b>110,343,000</b>

### Equitable Share

In terms of Section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it.

The Equitable Share Grant also provides funding for the municipality to deliver free basic services to poor households and to subsidise the cost of administration and other core services for the municipality.

### Expanded Public Works Programme

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-

The grant was received from National Roads and Public Works.

The grant was used for stipends for unemployed youths.

### Municipal Infrastructure Grant

Current-year receipts	19,475,000	23,484,000
Conditions met - transferred to revenue	(19,475,000)	(23,484,000)
	-	-

The grant was received from National Treasury.

The grant was used for construction of community halls and extension of access roads.



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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
<b>Financial Management Grant</b>		
Current-year receipts	2,010,000	1,875,000
Conditions met - transferred to revenue	(2,010,000)	(1,875,000)
	-	-

The grant was received from National Treasury.

This grant was used to pay stipends for Financial Management Interns and Budget and Treasury Office related expenditure.

#### Municipal Systems Improvement Grant

Current-year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
	-	-

The grant was received from Provincial Co-operative Governance and Traditional Affairs.

The grant was used to pay for public participation activities and for the maintenance of systems.

#### Library Grant

Current-year receipts	-	200,000
Conditions met - transferred to revenue	-	(200,000)
	-	-

The grant was received from the Department of Sport, Recreation, Arts and Culture.

This grant was used to support the maintenance of the library.

#### Integrated National Electrification Programme

Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(3,100,456)	-
	<b>899,544</b>	-

#### Grant Received in-kind

The municipality indirectly received the benefit of a grant in-kind received from National Treasury for Electrification of Household by Eskom in the Municipality boundary. Eskom does the work on behalf of the municipality and transfers directly to the beneficiary, no payments are made by the municipality nor receipts of cash are directed to the municipality

#### 28. FINES AND PENALTIES

Traffic fines issued during the year	588,650	623,592
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#### 29. OTHER TRANSFER REVENUE

CETA	3,105,293	2,060,146
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## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
<b>30. EMPLOYEE RELATED COSTS</b>		
Acting Allowances	3,485	500,093
Annual Bonus (13th Cheques)	2,684,800	2,208,377
Cellphone Allowance	325,906	346,587
UIF	301,588	258,106
Basic Salaries	36,030,913	31,511,768
Housing Allowances	195,593	110,457
Gratuity	-	4,605
Medical Aid Contributions	2,148,891	1,891,968
Pension Fund Contributions	5,454,039	4,666,807
Long Service Bonus	415,358	462,225
Subsistence and Travel	2,658,928	3,023,747
SALGBC Levies	17,525	15,457
Overtime	323,384	296,462
Redemption of Leave	655,338	749,950
Shift Allowance	222,084	19,173
SDL	430,642	393,492
	<b>51,868,474</b>	<b>46,459,274</b>

The amounts below have been included in the above note:

#### Remuneration of Municipal Manager

Annual Remuneration	1,093,240	1,105,380
Back pay	38,092	37,380
SDL	11,313	11,473
UIF	1,636	1,785
Travel expenses	2,291	15,917
Bargaining levy	84	-
	<b>1,146,656</b>	<b>1,171,935</b>

#### Remuneration of Chief Finance Officer

Annual Remuneration	598,047	552,691
Travel expenses	205,084	227,710
SDL	9,858	9,153
UIF	1,785	1,785
Cellphone allowance	34,885	26,285
Backpay	31,743	31,150
Non pensionable allowances	165,455	156,948
Bargaining levy	92	-
	<b>1,046,949</b>	<b>1,005,722</b>

#### Remuneration of Executive Manager: Corporate Services

Annual Remuneration	846,750	772,236
Backpay	31,743	48,063
Travel expenses	154,279	154,758
SDL	9,579	9,130
UIF	1,785	1,785
Bargaining levy	92	-
	<b>1,044,228</b>	<b>985,972</b>

## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	Restated* R
<b>Remuneration of Executive Manager: Technical Services</b>		
Annual Remuneration	707,042	639,150
Backpay	31,743	31,150
Travel expenses	347,060	332,683
SDL	8,481	8,604
UIF	1,785	1,785
Cellphone allowance	67,486	63,000
Bargaining levy	92	-
	<b>1,163,689</b>	<b>1,076,372</b>

#### Remuneration of Acting Executive Manager: Community Services

Annual Remuneration	102,257	394,009
Travel expenses	34,283	66,889
SDL	1,518	6,299
UIF	297	1,785
Pension	25,564	68,937
Acting Allowance	-	143,671
Housing and Cellphone Allowance	-	19,207
Medical Aid	9,310	-
	<b>173,229</b>	<b>700,797</b>

#### 31. REMUNERATION OF COUNCILLORS

Mayor	829,472	791,263
Speaker	636,796	647,136
Chief Whip	578,570	255,514
MPAC Chair	332,896	320,710
Exco	1,026,451	1,369,897
Other Councillors	3,986,908	4,372,247
	<b>7,391,093</b>	<b>7,756,767</b>

The Remuneration of Councillors is based on the upper limit as per the Government Gazette.

The Mayor and Speaker each have the use of a separate Council owned vehicle, with a designated driver for the Mayor for official duties, and are provided with an office and secretarial support at the cost of the Council.

There were no in-kind benefits declared nor received by other Councillors.

#### 32. DEPRECIATION AND AMORTISATION

Property, plant and equipment	16,381,831	13,753,468
Intangible Assets	356,629	284,903
	<b>16,738,460</b>	<b>14,038,371</b>

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
<b>33. IMPAIRMENT OF ASSETS</b>		
Property, plant and equipment	17,717	203,302
During the year, items of property, plant and equipment were impaired due to loss and damage of assets.		
Intangible Assets	-	114,743
During the prior year, items of intangible assets were impaired as no future economic benefits that could be derived from the assets. The value in use of the assets impaired is zero together with the fair value less cost to sell which was found to be zero.		
Reversal of prior year Impairment - Property, Plant and Equipment	-	(107,226)
The impairment raised in the prior year was adjusted due to the reconstruction of the impaired assets.		
	<b>17,717</b>	<b>210,819</b>

The main classes of assets affected by impairment losses are:

Motor Vehicles, Office Equipment, Computer Equipment, Maintenance Equipment, IT Equipment, Capital Work in Progress and Computer Software.

### 34. FINANCE COSTS

Finance Lease	1,281,019	1,813,463
Late Payment of Suppliers	164,923	22,131
	<b>1,445,942</b>	<b>1,835,594</b>

### 35. DEBT IMPAIRMENT

Debt Impairment	1,750,594	1,963,245
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Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.

### 36. REPAIRS AND MAINTENANCE

Repairs and Maintenance - Infrastructure	1,680,200	1,119,154
Repairs and Maintenance - Motor Vehicles	-	553,436
Repairs and Maintenance - Buildings	581,204	273,527
Repairs and Maintenance - Park Facilities	6,641	11,096
Repairs and Maintenance - Office Equipment	1,517,181	689,128
Repairs and Maintenance - Other Equipment	2,227,165	1,001,208
	<b>6,012,391</b>	<b>3,647,549</b>

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	Restated* R
<b>37. OTHER EXPENDITURE</b>		
Accommodation Expenses	3,275,406	2,150,413
Advertising	1,311,825	540,623
Agriculture	445,463	339,407
Audit Committee Expenses	-	227,842
Audit Fees	3,199,529	4,133,775
Bank Charges	85,127	84,292
Books and Publications	82,875	52,794
Catering	276,143	264,729
Computer Expenses	67,827	67,287
Conferences and Seminars	98,538	124,102
Consultation and Professional Fees	15,697,054	6,947,308
Consumables	114,343	163,085
Electricity	3,125,699	2,896,161
Employee Assistance Programme	471,111	145,920
Entertainment	64,285	83,729
Financial Management Enhancement	1,051,994	-
Fuel and Oil	1,612,858	876,992
Health and Safety Equipment	-	291,039
Hire of Equipment	-	3,691,460
IDP Reviewal	719,303	315,780
Legal Expenses	2,673,127	2,795,988
Life Savour Hire	194,800	179,458
Motor Vehicle Expenses	50,074	88,136
Miscellaneous Expenses	9,072,173	2,902,833
Printing and Stationery	384,054	361,575
Programmes	3,899,906	2,545,379
Public Participation	2,288,723	272,418
Refuse	79,300	146,144
Royalties and License Fees	268,163	-
Special Programmes Unit	591,921	607,176
Subscriptions and Membership Fees	598,081	18,864
Telephone	666,023	705,029
Tourism Development	1,837,850	312,229
Training	1,142,271	934,007
Travel Local	-	34,751
Uniforms	1,676,382	1,959,870
Fines Community and Social Services	100,000	-
Valuation Costs	-	11,520
Water Municipal Use	282,312	5,124,182
	<b>57,504,540</b>	<b>42,396,297</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2017 R	2016 Restated* R
<b>38. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Deficit)/Surplus for the year	5,836,813	20,997,334
<b>Adjustments for:</b>		
Depreciation and Amortisation	16,738,460	14,038,371
Impairment Loss on Assets	17,717	210,819
Debt Impairment	1,750,594	1,963,245
Loss on Disposal of Assets	-	224,833
Movement in Accrued Bonus	211,161	85,709
Movement in Long-Service Bonus	340,000	354,000
Movement on Leave Pay Provision	(201,024)	529,171
Movements in Operating Lease Asset	(10,794)	(300,090)
Movements in Provision for Landfill Sites	3,300	2,876
<b>Changes in working capital:</b>		
VAT Receivable	601,821	438,222
Receivables from Exchange Transactions	(536,828)	(5,116,082)
Receivables from Non-Exchange Transactions	4,995,209	(13,132,748)
Payables from exchange transactions	519,083	817,908
Retentions	282,345	360,063
Payables from Non-Exchange Transactions	(352,836)	(1,384,763)
Unspent conditional grants and receipts	899,544	-
Other non cash adjustments	(2,647,281)	-
Effect of the prior year error adjustments (Refer to Note 40)	-	8,680,746
	<b>28,447,284</b>	<b>28,769,614</b>

**39. COMMITMENTS****Authorised Capital Expenditure****Already contracted for but not provided for**

• Capital Expenditure	21,723,738	24,676,840
	<b>21,723,738</b>	<b>24,676,840</b>

This committed expenditure relates to Property, Plant and Equipment and Intangible Assets and will be financed by Municipal Grants.

**40. PRIOR PERIOD ERRORS**

During the year the following errors were discovered in both the annual financial statements submitted in the prior year and the financial accounting system. These errors have been corrected retrospectively through restatements of prior year through journals in the financial accounting system and through correcting the misrepresented prior year column on the annual financial statements.

**OPERATING LEASE ASSET (LIABILITY) AND RENTAL OF FACILITIES AND EQUIPMENT:** The straight lining of the lease in the prior year was done incorrectly. Therefore the error was corrected in the current year.

**RECEIVABLES FROM EXCHANGE TRANSACTIONS:** The error was as a result of debtors balances that were incorrectly written off in the previous year. This error was corrected by reversing all those debtors balances in the current year

**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS:** The error was a result of incorrectly billing Rural development in the previous year, this error was corrected by billing rural development in the current year.

**PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION:** The allocation of deprecation was overstated and the figures did not agree with the asset register. Furthermore the general ledger did not agree to the amounts reflected on the annual financial statements. There were completed projects which were not capitalised from Work - in - Progress to Infrastructure or Buildings. This error was corrected by agreeing the asset register to the annual financial statements and capitalising completed projects.

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	2017	2016
	R	Restated* R

**PAYABLES FROM EXCHANGE TRANSACTIONS:** This adjustment was a result of invalid creditors that were raised in the previous year, however, this was an adjustment was corrected by confirming with the creditors that the municipality is not owing any monies on these creditors.

**PAYABLES FROM NON-EXCHANGE TRANSACTIONS:** The error was as a result of write of funds received from an unknown depositor.

**REMUNERATION OF COUNCILLORS:** This was due to a mapping error made in the prior years

**OTHER EXPENDITURE:** This was due to a mapping error made in the prior years

**REPAIRS AND MAINTENANCE:** This was due to a mapping error made in the prior years

**EMPLOYEE COSTS:** This was due to a mapping error made in the prior years.

**PROPERTY RATES:** The error was a result of incorrect billing of Rural development in the previous year, this error was corrected by billing rural development in the current year.

**CASH AND CASH EQUIVALENTS:** This error was a result of invalid petty cash balances in the previous year, this error was corrected by proposing the writing off the petty cash balance in the current year.

**FINANCE LEASE OBLIGATION:** The error was a result of current portion lease liability that was understated and overstatement of the long terms portion of the leases.

**PROVISIONS:** This error was a result of incorrect provision that was made in the previous year, this error was corrected by recalculating the provision and adjusting the provision in the current year.

**FINANCE COSTS:** This error was a result of incorrect provision that was made in the previous year, this error was corrected by recalculating the provision and adjusting the finance in the current year.

**RENTAL OF FACILITIES AND EQUIPMENT:** The annual operating rentals were incorrectly calculated on straight line method.

**OPERATING LEASE ASSET:** The annual operating rentals were incorrectly calculated on straight line method.

**FINES AND PENALTIES:** Fine and penalties were recorded on cash basis instead of Invoice basis.

**INVESTMENT PROPERTY:** There was RDP houses which were incorrectly included in the balance and a property belonging to the Department of Public Works was erroneously included in the balance of Investment Property. Further, The error was a result of properties belongs to Hamburg Village management board that was included in the investment properties.

**CASH FLOW STATEMENT:** Adjustments were made to the prior year Cash Flow statement due to the adjustment of the identified prior year errors in other accounts in the Annual Financial Statements.

**INVENTORIES:** A number of RDP houses were discovered to have been incorrectly included under the Investment Property of the Municipality.

**IMPAIRMENT OF ASSETS:** The impairment raised in the prior year was adjusted due to the reconstruction of the impaired assets.

The correction of the error(s) resulted in adjustments as follows:



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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2017	2016
		R	Restated* R
	Previously stated	Correction of error	Restated
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>AS AT 30 JUNE 2017</b>			
<b>Current Assets</b>			
Inventories	268,800	3,076,900	3,345,700
Operating Lease Asset	4 67,602	326,138	393,740
Receivables from Non-Exchange Transactions	5 21,061,386	5,593,410	26,654,796
Cash and Cash Equivalents	8 1,200,807	(823)	1,199,984
	22,598,595	8,995,625	31,594,220
<b>Non-Current Assets</b>			
Investment Property	10 37,951,900	(13,893,900)	24,058,000
Property, Plant and Equipment	11 163,415,233	1,164,614	164,579,847
	201,367,133	(12,729,286)	188,637,847
<b>Current Liabilities</b>			
Finance Lease Obligations	13 4,761,551	1,934,773	6,696,324
Payables from Exchange Transactions	14 26,200,505	(3,687,466)	22,513,039
Payables from Non - Exchange Transactions	15 1,850,712	(1,000,100)	850,612
	32,812,768	(2,752,793)	30,059,975
<b>Non-Current Liabilities</b>			
Finance Lease Obligation	13 7,020,261	(1,498,930)	5,521,331
Provisions	17 2,848,231	(554)	2,847,677
	9,868,492	(1,499,484)	8,369,008
<b>Net Assets</b>			
Accumulated Surplus	18 193,644,514	572,746	194,217,260
	193,644,514	572,746	194,217,260
<b>STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017</b>			
<b>Revenue</b>			
Rental of Facilities and Equipment	20 192,928	20,526	213,454
Other Revenue	23 269,155	39,150	308,305
Property Rates	26 17,137,076	1,785,310	18,922,386
Fines and Penalties	28 623,092	500	623,592
<b>Total Revenue</b>	18,222,251	1,845,486	20,067,737
<b>Expenditure</b>			
Employee Related Costs	30 47,796,803	(1,337,529)	46,459,274
Remuneration of Councillors	31 7,758,337	(1,570)	7,756,767
Depreciation and Amortisation	32 13,334,238	704,133	14,038,371
Impairment of Assets	33 318,045	(107,226)	210,819
Finance Costs	34 3,675,138	(1,839,544)	1,835,594
Repairs and Maintenance	36 3,811,007	(163,458)	3,647,549
Other Expenditure	37 41,846,126	550,171	42,396,297
<b>Total Expenditure</b>	118,539,694	(2,195,023)	116,344,671



## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		2017	2016
		R	Restated* R
<b>CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017</b>			
<b>Cash flow from Operating activities</b>			
Net cash flows from operating activities	38	-	-
Billed Services		6,592,178	1,408,433
<b>Interest Revenue</b>			8,000,611
Purchase of Property, Plant and Equipment	11	1,255,184	2,022,322
Other services		4,876,578	30,896
<b>Cash Flows from Investing Activities</b>			4,907,474
Payments to Employees		(57,863,119)	4,619,378
Payments to Suppliers		(35,415,109)	(53,243,741)
Finance Costs		(3,675,138)	(8,205,186)
Purchase of Property, Plant and Equipment		(24,528,277)	(43,620,295)
Cash Flows from Financing Activities		-	(894,941)
Finance lease repayments		(894,942)	-
		<b>(109,652,645)</b>	<b>(109,652,645)</b>

#### 41. RISK MANAGEMENT

##### Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach to managing the liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when they fall due, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality manages liquidity risk through an ongoing review of future commitments and grant receipts.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

##### Interest rate risk

Balances with banks, deposits and all call and current accounts attract interest at rates that vary with South African prime rate. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus / deficit.

The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of interest bearing assets.

Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer to note 8.

Any change in interest rates will not have any impact on the accumulated surplus of the municipality.

At period end financial assets exposed to interest rate risk were as follows:

Cash and Cash Equivalents - R 1 265 817 (2016: R 1 199 984)

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	Restated* R
<b>Credit risk</b>		
Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations and arises principally from the municipality's receivables, and cash and cash equivalents. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.		
Receivables are amounts owing by consumers and are presented net of impairment losses. Receivables comprise a widespread customer base. Management evaluated credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors.		
Financial instruments exposed to credit risk at year end were as follows:		
<b>Financial instrument</b>	<b>2017</b>	<b>2016</b>
		<b>Restated*</b>
Receivables from Exchange Transactions	8,364,827	7,827,999
Receivables from Non-Exchange Transactions	21,659,587	26,654,796
Cash and Cash Equivalents	1,265,817	1,199,984
Finance Lease Obligation	7,342,097	6,696,324
Provisions	3,190,987	2,823,649
Payables from Exchange Transactions	22,594,254	22,513,039
Payables from Non-Exchange Transactions	497,776	850,612
Unspent conditional grants and receipts	899,544	-

### 42. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for refuse collection. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 43. EVENTS AFTER THE REPORTING DATE

The Municipality is party to a Finance Lease contract in entered into on the 01 July 2015 as disclosed in Note 13 to the Annual Financial Statements. The municipality has been in the process of terminating the referred lease contract and the process of the termination was still not finalised by 30 June 2017 and at the time of finalising the financial statement.

### 44. UNAUTHORISED EXPENDITURE

There was no unauthorised expenditure incurred by the municipality in the current year. Refer to the Statement of Comparison of Budget and Actual Amounts

**NGQUSHWA LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2017	2016
	R	Restated* R
<b>Details of Unauthorised Expenditure</b>		
Remuneration of Councillors	-	119,337
Depreciation and Amortisation	-	3,902,238
Loss on disposal of Assets	-	824,833
Finance Costs	-	3,675,138
Impairment of Assets	-	318,045
	<b>-</b>	<b>8,839,591</b>

	2017	2016
Opening balance as previously reported	34,717,829	50,669,691
Written off by Council for previous years	-	(22,450,424)
Restated Balance	34,717,829	28,219,267
Unauthorised expenditure for the year	-	8,839,591
Written off by Council	-	(2,341,029)
	<b>34,717,829</b>	<b>34,717,829</b>

**45. FRUITLESS AND WASTEFUL EXPENDITURE**

Opening balance as previously reported	14,886	-
Fruitless and wasteful expenditure for the current year	261,542	112,265
Certified as irrecoverable by council	-	(97,379)
	<b>276,428</b>	<b>14,886</b>

**Details of Fruitless and Wasteful Expenditure**

Interest charged by the Auditor General	3,147	19,751
Interest charged by Telkom	761	2,366
Traffic penalties	10,500	-
Interest charged by Eskom	6,504	11,082
SARS penalties	139,204	79,066
Amathole District Municipality	1,426	-
Penalty for Landfill site: Dept. of Economic Dev and Environmental Affairs & Tourism	100,000	-
	<b>261,542</b>	<b>112,265</b>

The above incidents have been taken to Council for consideration.

**46. IRREGULAR EXPENDITURE**

	2017	2016
Opening balance as previously reported	41,111,787	59,499,000
	<b>41,111,787</b>	<b>59,499,000</b>
Add: Irregular Expenditure - current year	12,328,150	23,089,635
Amount written off by Council - Audit	-	(40,415,928)
Amount written off by Council - Incurred in current year	(6,296,669)	(1,060,920)
	<b>47,143,268</b>	<b>41,111,787</b>

## NGQUSHWA LOCAL MUNICIPALITY

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### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017	2016
	R	Restated* R
<b>Details of irregular expenditure</b>		
Proper Supply Chain Management processes were not followed in making the following awards:	12,328,150	23,089,635

**NGQUSHWA LOCAL MUNICIPALITY**

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2017	2016
	R	Restated* R
<b>47. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS</b>		
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.		
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.		
The incident below were procured during the financial year under review and the process followed deviated from the provisions of 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to Council who considered them and the accounting officer subsequently approved the deviations from the normal supply chain management regulations:		
<b>Incidents</b>		
Deviations due to Emergency procurement		9,677,513
Deviations due to Sole supplier procurement		3,318,448
Deviations due to impracticality of following SCM processes		2,924,623
		-
		<b>15,920,584</b>

**48. CONTINGENT LIABILITIES**

Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of the dates by the respective courts, the timing of the economic outflow is therefore uncertain.

**Dlelanga Trading CC vs Ngqushwa Local Municipality** - A claim by Dlelanga Trading CC based on a dispute for services rendered.

**Nosizwe Madlingozi obo Sesona Manyathi vs Ngqushwa Local Municipality** - A claim by Nosizwe Madlingozi obo Sesona Manyathi for damages sustained by a minor on the municipal owned sports field. In this matter, the municipal insurers have been notified.

**Contingent Liabilities**

The table below summarises the potential financial impact of the law suits:

	R
Dlelanga Trading CC vs Ngqushwa Local Municipality (Dispute for services rendered)	595,872
Nosizwe Madlingozi obo Sesona Manyathi vs Ngqushwa Local Municipality (Damages sustained)	1,502,180
	<b>2,098,052</b>

**49. RELATED PARTIES**

GRAP 20 requires a disclosure of related party transactions during the financial period of the financial statements as well as the nature of the related party relationship, the nature of the transactions and outstanding balances including commitments. However, those disclosures are not required for transactions which occurred in the normal course of business. The municipality did not have any transactions with its related parties that were not in the ordinary course of business. The municipality discloses the transactions of water provision by the Amathole District Municipality (ADM) to the municipality in the ordinary course of business of both the municipality and ADM. Refer to Note 14 for the outstanding balances owed.

Further, the municipality is also required to disclose the remuneration of its management having the authority to direct the business of the municipality. Key management include the Mayor, Speaker, Mayoral Committee members, Councillors, Municipal Manager, Chief Financial Officer and the Directors. For the remuneration of the key management refer to Note 30 and 31 for the Executive Management and Councillors respectively.

## NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the Year Ended 30 June 2017

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2017 R	2016 Restated* R
<b>50. ADDITIONAL DISCLOSURE IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003</b>		
<b>Contributions to SALGA</b>		
Current year subscription / fee	532,000	500,000
Amount paid - current year	(532,000)	(500,000)
	-	-
<b>AUDIT FEES</b>		
Opening balance	-	888,896
Current year fees	3,816,101	4,133,775
Amount paid - current year	(3,093,821)	(5,022,671)
	<b>722,280</b>	-
<b>PAYE, SDL AND UIF</b>		
Opening balance	665,428	(1,587,597)
Current year subscription / fee	8,462,350	8,780,552
Amount paid - current year	-	(7,488,935)
	-	961,408
	<b>9,127,778</b>	<b>665,428</b>
<b>PENSION AND MEDICAL AID DEDUCTIONS</b>		
Opening balance	72,350	768,295
Current year subscription	13,335,869	11,438,446
Amount paid - current year	(13,335,869)	(10,894,990)
Amount paid - prior year	-	(903,142)
Correction of misallocations	(72,350)	(336,259)
	-	<b>72,350</b>
<b>COUNCILLOR'S ARREAR CONSUMER ACCOUNTS</b>		

No councillors had balances in excess of 90 days in the year under review.





## ANNEXURE B

### AUDITOR GENERAL REPORT



## Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on the Ngqushwa Local Municipality

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Ngqushwa local municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ngqushwa Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of General Recognised Accounting Practice (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, 2016 (Act No. 3 of 2016) (DoRA).

#### Context for the opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matters

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

#### Irregular expenditure

7. As disclosed in note 46 to the financial statements, irregular expenditure amounting to R12,3 million (2015-16: R23,1 million) has been incurred in the current year due to the supply chain management (SCM) processes not being followed.



## Restatement of corresponding figures

8. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered during the period 30 June 2017 in the financial statements of the municipality at, and for the year ended, 30 June 2016.

## Additional matter

### Unaudited disclosure notes

9. 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.

## Responsibilities of the accounting officer

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting officer is responsible for assessing the Ngqushwa Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

## Auditor-general's responsibilities for the audit of the financial statements

12. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for

selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2017:

Development priorities	Pages in the annual performance report
KPA 2 – Basic services and infrastructure	x – x
KPA 4 – Local economic development	x – x

17. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18. The material findings in respect of the usefulness of the selected development priorities are as follows:

#### KPA 2 – Basic services and infrastructure

##### Usefulness

##### Reported indicators not consistent with planned indicators

19. The following reported indicators differ to the approved indicators as this is not in line with the requirements of section 41(c) of the Municipal Systems Act, 2000 (Act No. 32 of 2000):

Reported indicator	Planned indicator
Number of electrified municipality buildings to be maintained	Number of Municipal buildings to be maintained
Number of electrified community halls to be maintained	Number of community halls to be maintained
Number of electrified households in Ngqushwa Municipal area	Number of Electrified households in rural areas
Number of km's gravel road constructed	Number of km's surfaced



Reported indicator	Planned indicator
Number of km's gravel road constructed	Rehabilitation of Bingqala Internal streets
Completion of construction of Ntsinekana community hall	% Completion of construction of Ntsinekana community hall
Completion of construction of Rhode community hall	% Completion of construction of Rhode community hall
Completion of construction of Bell community hall	% completion of construction of Bell community hall
Number of community halls connected.	Number of community halls electrified or connected
Completion of EPWP funds	% Completion of EPWP funds for 2016/17 FY
Number of meetings arranged between NLM and DRPW	Number of meetings held between NLM and DRPW.

### Reported targets not consistent with planned targets

20. The following reported targets differ to the approved targets as this is not in line with the requirements of section 41(c) of the MSA:

Reported targets	Planned targets	Indicator
Maintenance of 470 street lights as follows: 1) 120 Street lights to be maintained in Mkanyeni. 2) 130 Street lights to be maintained in Mpekweni 3) 70 Street lights maintained in Prudhoe and 30 in Wesley 4)150 Street lights to be maintained in Mgababa	Maintenance of 470 street lights	Number of street lights maintained in all villages
Quarterly Repairs and Maintenance of the following 6 Municipal buildings by 30 June 2017. 1)Main building 2)Technical Services Department 3) Ncumisa Kondlo indoor sport centre 4)Traffic Department 5) Hamburg offices 6)Corporate Services	Maintenance of 6 Municipal buildings	Number of Municipal buildings to be maintained
Maintenance of the following 20 Community halls by 30 June 2017 : 1)Nier 2) Feni 3)Qamnyana 4)Mqwashini 5)Mankone	Maintenance of 20 Community halls	Number of community halls to be maintained

Reported targets	Planned targets	Indicator
6)Benton 7) Madliki 8)Machibi 9)Dlova 10)Qawukeni 11)Tyeni 12)Gobozana 13)Durban 14)Zondeka 15) Mphekweni 16) Cisira 17) Mgababa 18) Hamburg 19) Prudhoe 20) Ngqwele		
Repairs and Maintenance of 200 Street lights by 30 June 2017 in the following areas: 1)130 street lights in Peddie town 2) 70 in Hamburg	Maintenance of 130 street lights in Peddie town and 70 in Hamburg	Number of street lights to be maintained in urban areas
Repairs and Maintenance of 22 high masts in the following areas by 30 June 2017: 1)3 In Peddie extension, 2)5 in New Rest, 3)2 Ethembeni location, 4)3 in German village, 5)7 in Durban village 6)1 in Hamburg 7) 1 Glenmore.	Maintenance 22 high masts	Number of high masts lights to be maintained
Electrification of 264 households in the following rural areas by 30 June 2017 : Mkhanyeni 20 Cisira 50 Nwrest 105 German Village 11 Lower Gwalana 11 Wesley 30 Lewis 15 Lower Mgwalana 11 Qugqwala 11	Electrification of 264 households in rural areas	Number of Electrified households in rural areas
Completion of electrification of Jubisa community hall by 30 June 2017	100% completion of Jubisa community hall	Refurbishment of Jubisa community hall
Electrification of the following 8 community halls by 30 June 2017 : Baltein Bhongweni Mkhanyeni Nier Celetyuma Runnlets	Electrification of 8 community halls	Number of community halls electrified or connected

Reported targets	Planned targets	Indicator
Ndwayana Ndlambe		
Maintenance of 145km gravelled road by 30 June 2017 5.4 km Lewis 5.4 km Lovers twist 7.1 km Benton 11.5 Nobumba 4 km Dube 3 km Ngxakaxha 10.9 km Ntloko 12 km Qeto 18 km Mxwashu 6.7 km Peddie Town 12 km Zalara 5.8 km Bingqala 6.7 km Tyhata 4.8 km Qawukeni 11.5 km Nobumba 10.9 km Ntloko 4.1 km German Village 3km Power 4.1 km Dam Dam 3 km Mahlubini 3 km Mathambekeni	Maintenance of 145km gravelled road	Number of km's of existing gravel roads maintained (Dry blading)
Pot-hole patching of 1200 square meters in Peddie town, Hamburg and Bira to complete by 30 June 2017 300 Square meters of pothole patching in Peddie Town 300 Square meters of pothole patching in Hamburg 210 Square meters of pothole patching in Bira 390 Square meters of pothole patching in Bira and Peddie	Pot-hole patching of 1200 square meters in Peddie town, Hamburg and Bira to complete in 16/17 FY	Number of Square meters of pothole patching in urban areas (Surfaced roads)
Re-gravelling of 4 km in Municipal area and cleaning of 120 m open drains. 1km Emthombe 1km Power Location 1km Mgababa Location 1km Hamburg	Re-gravelling of 4 km in Municipal area and cleaning of 120 m open drains.	Number of km's re-gravelled. No of meters of storm water drains cleaned.
Update MANCO resolution registers on quarterly basis	100% implementation of MANCO resolutions	% Implementation of MANCO resolutions
Prepare 4 Quarterly reports on the Implementation of the fleet management policy by 30 June 2017	Prepare 4 Quarterly reports on the Implementation of the fleet management policy and procedures talking to repairs and maintenance.	Number of reports on the Implementation of Fleet management policy and procedures talking to repairs and maintenance.



## Targets not specific

21. The following targets were not specific in clearly identifying the nature and required level of performance as required by the Framework for managing programme performance information FMPPi:

- Maintenance of 470 street lights
- Maintenance of 6 Municipal buildings
- Maintenance of 20 Community halls
- Maintenance of 22 high masts
- Electrification of 264 households in rural areas
- Electrification of 8 community halls
- Maintenance of 145km gravelled road
- Pot-hole patching of 1200 square meters in Peddie town, Hamburg and Bira to complete in 16/17 FY
- Re-gravelling of 4 km in Municipal area and cleaning of 120 m open drains.

## Targets not time-bound

22. The following targets did not specify the period or deadline for delivery, as required by the FMPPi:

- Maintenance of 470 street lights
- Maintenance of 6 Municipal buildings
- Maintenance of 20 Community halls
- Maintenance of 130 street lights in Peddie town and 70 in Hamburg
- Maintenance of 22 high masts
- Electrification of 264 households in rural areas
- Construction of 7km gravel road in Prudoe
- Construction of 5km gravel road in Tyhatha
- Construction of 8km internal street in Tuku C
- 1.8 km of road surfaced and Construction of 1km Stormwater in Peddie town
- 4 km of Access road constructed in Ngxakaxha
- Construction of 5km gravel road in Mabalenj Internal streets
- Completion of construction of 4km of Bingqala Internal streets
- 100 % completion of Qhaga community hall
- 100% completion of Jubisa community hall
- Construction of 1 Ntsinekana community hall
- Construction of 1 Rhode community hall
- Construction of 1 Bell community hall
- Maintenance of 145km gravelled road
- Re-gravelling of 4 km in Municipal area and cleaning of 120 m open drains.
- 100% implementation of MANCO resolutions

## KPA 4 – Local economic development

Reported indicators not consistent with planned indicators

23. The following reported indicators differ to the approved indicators as this is not in line with the requirements of section 41(c) of the MSA.

Reported indicator	Planned indicator
Number of local contractors assisted through subcontracting and training.	Development of the implementation plan for the Local Contractors development Programme.
Application for renewal of landfill site permit from Department of Economic Development and Environmental Affairs and Tourism and procurement of appropriate machinery for refuse collection	Application for renewal of landfill site permit from DEDEAT
Number of safety and security plans developed.	Developed safety and security plan submitted to council
Implementation of Spatial Planning and Land Use Management Act (SPLUMA), Spatial Development Framework and SPLUMA bylaws	Hamburg Development Initiative
Number of submitted and adjudicated building plans	Adjudication of submitted building plans
Establishment of Community Safety Forum	Development of Ngqushwa safety and security plan

## Reported targets not consistent with planned targets

24. The following reported targets differ to the approved targets as this is not in line with the requirements of section 41(c) of the MSA:

Reported targets	Planned targets	Indicator
Development of one (1) implementation plan for the Local Contractor's development programme.	4 Quarterly reports on Development of the implementation plan for the Local Contractors development programme	Development of the implementation plan for the Local Contractors development Programme.
The collection of 6000 tons of waste within the jurisdiction of Ngqushwa Local Municipality by 30 June 2017	4 Quarterly reports on waste data collection	Number of Waste data collected



Reported targets	Planned targets	Indicator
To receive an approved renewed landfill site permit from Department of Economic Development, Environmental Affairs and Tourism by 30 June 2017	Submission of application to DEDEAT for renewal of landfill site for Peddie town	Application for renewal of landfill site permit from DEDEAT
Repairs and Maintenance to be conducted on 15 vandalised RDP houses and six (6) Municipal Buildings by 30 June 2017	Repairs to 15 vandalised RDP houses and maintenance of 6 Municipal Buildings	Number of repaired vandalised RDP houses Maintenance of Municipal Buildings
Two (2) livestock farmers to be supported with infrastructure/production inputs by 30 June 2017.	3 Co-ops/farms supported	Number of farmers/co-ops supported
Seven (7) irrigation schemes to be supported with production inputs by 30 June 2017	Revitalization of 7 Ngqushwa irrigation schemes	Number of irrigation schemes supported
Two (2) Cooperatives to be supported with Agro processing machinery by 30 June 2017	Provision of 2 processing equipment	Number of Co-ops supported with Agro-processing machinery
One (1) roadblock to be conducted by the Ngqushwa local Municipality Traffic Department by 30 June 2017	Four (4) roadblocks to be conducted and one quarterly awareness/workshop to be conducted	Number of road blocks and workshops/awarenesses to be conducted
Maintenance of the Uhambo loxolo hiking trail and the Mqwashu heritage site by 30 June 2017	2 heritage site maintained	Number of heritage sites maintained

Reported targets	Planned targets	Indicator
Preparation and submission of one (1) Agriculture Sector Plan for council approval by 30 June 2017.	Submission of final LED strategy to Council for adoption	Developed Agricultural sector plan submitted to council for approval
The development and submission of one (1) safety and security plan to council for approval by 30 June 2017.	Development of Safety and Security plan	Developed safety and security plan submitted to council
The approval by council of one (1) Spatial Development Framework by 30 June 2017.	Submission of final Hamburg Development framework to Council	Hamburg Development Initiative
The submission of one (1) Environmental Management Plan to Council for adoption and conducting three (3) workshops on environmental management by 30 June 2017	1. Submission of the Environmental management plan, 2. conduct two environmental workshops and awareness 3.Planting of 20 trees	Quarterly reports on the implementation of Environmental management plan
The approval by Council of one (1) feasibility study by 30 June 2017	Submission of feasibility study for Peddie landfill site to Council	Feasibility study for the relocation of landfill site submitted to council
The approval by Council of one (1) feasibility study on the establishment of new cemeteries by 30 June 2017	Submission of feasibility study for new cemetery site to Council	Feasibility study for Establishment of a new cemetery site submitted to council
The submission of four (4) reports on coastal maintenance to the Head of Department by 30 June 2017	4 quarterly reports on maintenance of open spaces ,municipal grounds and amenities	quarterly reports on maintenance plan

Reported targets	Planned targets	Indicator
Collection of 5000 housing needs forms by 31 March 2017. Data capturing of 1200 housing needs forms into the Housing subsidy electronic system by 30 June 2017	Quarterly report on data collection and capturing of 5000 Housing Needs FOR 2016/17	Number of housing needs collected and captured in the housing needs register.
Four (4) reports submitted to the Head of Department relating to buildings plans prepared by the property owners within the jurisdiction of Ngqushwa Local Municipality by 30 June 2017	Number of building plans submitted for Adjudication	Adjudication of submitted building plans
Two (2) reports on a Community Safety Forums held to be submitted to the Head of Department by 30 June 2017	2 Community Safety Forum meetings held	Development of Ngqushwa safety and security plan
Distribution of 250 visitor's brochures to tourism & hospitality establishments by 30 June 2017	Printed visitors guide in place	Visitors brochure developed
Preparation and submission of one (1) Tourism Sector Plan for Council approval by 30 June 2017	Development of Tourism sector plan and submission to Council	Developed Tourism sector Plan

## Targets not specific

25. The following targets were not specific in clearly identifying the nature and required level of performance as required by the FMPPi:

- Revitalisation of 7 Ngqushwa irrigation schemes
- Supporting 2 identified Community tourism projects
- 2 heritage site maintained
- Number of building plans submitted for Adjudication

## Targets not time-bound

26. The following targets did not specify the period or deadline for delivery, as required by the FMPPi:

- Submission of application to DEDEAT for renewal of landfill site for Peddie town
- Repairs to 15 vandalised RDP houses and maintenance of 6 Municipal Buildings
- 3 Co-ops/farms supported
- Mechanisation of 500 hector of land for maize production and supporting 3 citrus farmers.
- Revitalization of 7 Ngqushwa irrigation schemes
- Provision of 2 processing equipment
- Four (4) roadblocks to be conducted and one quarterly awareness/workshop to be conducted
- Supporting 2 identified Community tourism projects
- 2 heritage site maintained
- 2 tourism trade shows attended
- Submission of final LED strategy to Council for adoption
- Development of Safety and Security plan
- Submission of final Hamburg Development framework to Council
- 1. Submission of the Environmental management plan,  
2. conduct two environmental workshops and awareness  
3.Planting of 20 trees
- Submission of feasibility study for Peddie landfill site to Council
- Submission of feasibility study for new cemetery site to Council
- Number of building plans submitted for Adjudication
- Installation 2 Signages
- 1 Land Survey conducted
- 2 Community Safety Forum meetings held
- Hosting Hamburg Beach festival end of Dec 2016 and Christmas lights
- Printed visitors guide in place
- Development of Tourism sector plan and submission to Council
- 100% MANCO resolutions implemented

## Other matters

27. I draw attention to the matters below.

### Achievement of planned targets



28. Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraphs 19 to 26 of this report.

#### **Adjustment of material misstatements**

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 2: basic services and infrastructure and KPA 4: local economic development. As management subsequently corrected the misstatements, I did not raise any material findings on the reliability of the reported performance information.

### **Report on audit of compliance with legislation**

#### **Introduction and scope**

30. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
31. The material findings on compliance with specific matters in key legislations are as follows:

#### **Annual report and annual financial statements**

32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.
33. Material misstatements of current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### **Expenditure management**

34. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
35. Effective steps were not taken to prevent irregular expenditure amounting to R12,3 million, as disclosed in note 46 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure related to non-compliance with the SCM Regulations.
36. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R261 542, as disclosed in note 45 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.



## Procurement and contract management

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

## Strategic planning and budgeting

38. A performance management system was not adopted as required by section 38(a) of the MSA and municipal planning and performance management regulation 8.

### Other information

39. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected development priorities presented in the annual performance report that have been specifically reported on in the auditor's report.
40. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
41. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
42. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. No material inconsistencies were identified in the other information.

### Internal control deficiencies

43. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for unqualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
- Although leadership has set the correct tone in the municipality it has not been fully effective due to the number of issues that are being addressed in financial reporting, predetermined objectives and compliance with legislation.
  - Management has not effectively implemented daily and monthly controls as designed for the municipality's business processes, resulting in significant misstatements not being detected or corrected in the financial statements, internal control deficiencies noted relating to the annual performance report and non-compliance with legislation.

- The municipality has a functional internal audit and audit committee, however, the internal control weaknesses identified by external and internal auditors have not been adequately addressed by management.

*Auditor General*

East London

30 November 2017



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ngqushwa Local Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.



# ANNEXURE C

## AUDIT ACTION PLAN

COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
01	1	<b>AFS Review:</b> The financial statements submitted for audit were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.	Material misstatements of current assets / liabilities/ revenue / expenditure / disclosure items identified by the auditors in the submitted financial statements were subsequently corrected , resulting in the financial statements receiving an unqualified audit opinion.	Internal Controls	1, Management should develop Bi-Annual Financial Statements. 2, The Bi-Annual Financials as well as the Annual Financial statements should be subjected to quality reviews by BTO, Internal Audit and Audit Committee	Budget and treasury	V Makedama	Chief Financial Officer	1. 30 April 2018 2. 30 May 2018 and 30 Aug 2018
05	2	<b>Expenditure:</b> payments not paid within 30 days.	During the audit of operating expenditure, it was noted that the following payments were made after 30 days of the receipt of the invoice: 1. Gloriaan Constructions CC 2. Amanguta'mahle Trading 3. Narveda Trading 2 4. Amanguta'mahle Trading 5. University of Fort Hare 6. University of Pretoria 7. Lateral Unison Insurance Broker 8. Gcida Travel enterprise CC	Internal control	1. Document Movement Register be implemented to record all in coming and outgoing invoices from various departments. 2, A central point where invoices are to be received established. 3. Suppliers to be made aware of the wherein they should direct their invoices to the Institution.	Budget and Treasury	V Makedama	Chief Financial Officer	1. 28 Feb 2018 2. 31 Marc 2018 3. 31 March 2018
03	3	<b>Employee related costs:</b> Performance reviews only done for one quarter in 2016/17 financial year.	Performance reviews only done for one quarter in 2016/17 financial year.	Internal Controls	1. Management to undertake the outstanding PMS reviews for 2016/17 . 2. PMS Review dates for the 2018/19 financial year be included in the Institutional Calendar 3. Outside stakeholders (i.e. Panel members) be sent the municipality's programme or proposed dates for upcoming PMS reviews to allow for proper planning 4. PMS Reviews for the 2017/18 financial year to be completed by 30 July 2018	Office of the municipal Manager	Mrs M.P Mpahlwa	X Maswana	1. 2018-06-30 2. 2018-06-30 3. 2018-07-30 4. 2018-07-30



COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
03	4	<b>Employee related costs:</b> Performance evaluation panel not in terms of the regulation 27(4) of Municipal Performance regulations	As per inspection of the attendance register of quarter one performance reviews for managers directly accountable to the municipal manager it was noted that a member of the mayoral or executive committee was not present and further the municipal manager from another municipality was also not present.	Internal Controls	Management should ensure they comply with the Municipal Performance regulation 27(4) e) in terms of which they must establish a performance evaluation panel that constitutes the absence of a performance audit committee, member of the mayoral or executive committee and Municipal manager from another municipality. Performance reviews must be done for the municipal manager and senior managers to ensure that performance is monitored regularly and appropriate measures can be taken f	Office of the municipal Manager	Mrs M.P Mpahlewa	X Maswana	30th June 2018
03	5	<b>Employee related costs:</b> No basis for the amount of travel allowance paid to technicians, middle and senior managers	During the audit work performed in subsistence and travel allowance it was noted that an amount of R 5 887.54 is paid monthly to managers, however this amount could not be agreed to the approved subsistence and travel policy, furthermore the amount of travel allowance is increased each year by the salary increment published in SALGA circular.	Internal control	Management should develop a basis of how travel allowance that is paid to each technician, middle or senior is calculation to ensure that qualifying employees receive travel allowance that is an equivalent reflection of their employment position. A clear policy outlining the basis for granting car/travel allowance to all municipal officials.	Corporate Services	Mkuseli Mxekezo	Director Corporate Services.	31-Mar-18
03	6	<b>Employee related costs:</b> No letter from MEC approving the extension of action director of community services.	The acting director of Community services acted for a period of more than 3 months, then the acting period was extended for a further period of more than 3 months, but as per inspection of the employee file of the acting director of community services, it was noted that no letter was obtained from the MEC approving his extension.	Internal Controls	It is recommended that that when an acting period of a person that is acting in a position of a senior manager or municipal manager is extended for an extended period of more than 3 months, a letter from the MEC local government which approves the extension must be obtained.	Corporate Services	Mkuseli Mxekezo	Director Corporate Services.	Continuous

COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
14	7	<b>Procurement and Contract Management:</b> Application of SCM regulation 32	The municipality procured Siya and Aya from I Ngquza Hill Local municipality, for electrification of 9 villages. This was procured through application of section 32 of SCM regulation; however these contracts were not validly procured by other organs of the state as they have resulted in irregularities. Further Siya and Aya had a valid tax clearance from SARS certifying that the tax affairs of Siya and Aya are not in order.	Compliance	Management should ensure that all contracts procured through SCM regulation 32 are validly procured by the other organs of the state by developing and implementing a checklist to be reviewed and signed-off by a senior official.	Budget and Treasury	V Makedama	Chief Financial Officer	On going
18	8	<b>Procurement and contract management:</b> Prohibited suppliers trading with the municipality.	The following award was made to suppliers prohibited from doing business with the public sector. > Supplier name - Bomasoka Trading > Amount - R 8 000 > Entity status - In Business	Compliance	Management should ensure that each supplier is checked against the National Treasury database for prohibited suppliers before being awarded. A checklist be included as part of the evaluation criterion during the evaluation of bids. The checklist is to confirm that suppliers under evaluation have been confirmed or check against national treasury database for prohibited suppliers and in-house Restricted suppliers database	Budget and Treasury	V Makedama	Chief Financial Officer	On going
14	9	<b>Procurement and Contract Management:</b> Suppliers in service of other state institutions	23 awards worth a total value of R 7 265 247.91 were made to suppliers who are in the service of other state institutions. Refer to the detailed audit findings for further details.	Compliance	Maintain a database of Suppliers who have in the past submitted false declarations and flag such suppliers on the supplier database so as to ensure that quotations are not accepted from these service providers.	Budget and Treasury	V Makedama	Chief Financial Officer	On going
18	10	<b>Procurement and contract management:</b> Awards to suppliers in which partners or associates of employees, and	During the audit work performed the following exceptions with a total value of R 3 356 881.88 were identified: > Supplier with interest (interest other) > Suppliers which close family members of employees and POB/	Compliance	SCM Section should maintain a Database of all municipal officials that have business interest. The said database should be consulted every time an award is made to a supplier to ensure that there is no conflict of interest.	Budget and Treasury	V Makedama	Chief Financial Officer	

COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
02	11	POB/ members of AA has an interest	<p>members of AA has an interest.</p> <p>&gt; Suppliers with no VAT numbers</p> <p>&gt; Suppliers with no physical addresses only PO Box</p> <p>&gt; Suppliers with duplicate information</p> <p>During the audit a number of findings were identified where the SMART criteria as required by the Framework for Managing Programme Performance Information (FMPP) were not applied.</p> <p>Refer to the detailed audit findings for the detailed list of findings identified.</p>	Measurability	Management should ensure that indicators and targets are SMART. The SDBIP and the Adjusted SDBIP Should be reviewed by both Internal Audit and Audit Committee before approval by Council	Office of the municipal Manager	Mrs M.P Mpahlwa	Strategic Manager	28-Feb-18
04	12	AOPO: Adjustment of the SDBIP not in accordance with budget process.	<p>During the audit it was noted that the SDBIP was adjusted not in accordance with the budget adjustment processes as it was approved by council on the 28th of June 2016 6 Months after the adjustment budget was approved.</p> <p>Further changes were made to the nature of the indicators and targets making targets aligned to the actual achievement rather than being predetermined and performance being measured against those predetermined indicators and targets.</p> <p>Refer to the detailed audit findings for the detailed list of changes identified.</p>	Usefulness and Reliability	Management should ensure that performance is predetermined and changes to the SDBIP are made in accordance with budget adjustment processes to prevent planned performance being aligned to reported performance at year end.	Office of the municipal Manager	Mrs M.P Mpahlwa	X Maswana	28-Feb-18
14	13	Procurement and contract management: Bidder that scored	When recalculating the functionality points for procurement of Professional Service of Prudhoe Internal	Compliance	Deviations to normal procurement processes as documented in the municipality's Supply Chain Management policy, should be	Budget and Treasury	V Makedama	Chief Financial Officer	On going



COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
		the highest points was not appointed.	Streets, we noted that Sokhani Development did not meet the functionality points of 80 out of 100 and therefore should have been disqualified and not proceeded to pricing.		approved by the designated level of authority and captured timely in a deviations register. Furthermore, such deviations are to be supported by relevant documentation to substantiate the proposed course of action.				
12	14	<b>Use of Consultants:</b> No proper contract monitoring in place	During the audit work performed on consultants and contract management it was noted that the municipality does not have adequate controls in place to ensure that it monitors the performance of contractors on a monthly basis.	Compliance	A Standardised monitoring tool be developed and communicated to all departments. The monitoring tool is to be completed and signed off for all SP and sent through to BTO on a monthly basis for reporting purposes	Budget and Treasury	V Makedama	Chief Financial Officer	28-Feb-18
15	15	<b>Contract management:</b> No proper performance monitoring in place.	For a number projects the information provided was not sufficient to confirm that the performance of the contractors was effectively monitored on a monthly basis.  Refer to the detailed audit findings for the detailed list of projects.	Compliance	A Standardised monitoring tool be developed and communicated to all departments. The monitoring tool is to be completed and signed off for all SP and sent through to BTO on a monthly basis for reporting purposes	Budget and Treasury	V Makedama	Chief Financial Officer	28-Feb-18
14	16	<b>Procurement and Contract management:</b> Deviations less than R 200 000.	The following transactions were recorded in the deviation register do not meet the provisions of regulations 36 (2) and should not be recognised as deviations.	Compliance	Deviations to normal procurement processes as documented in the municipality's Supply Chain Management policy, should be approved by the designated level of authority and captured timely in a deviations register. A deviation checklist be developed or updated accordingly to ensure all procurements done through deviations do in fact meet the definition of a deviation and comply with all aspects as contained in the SCM Policy and the applicable SCM Regulations.	Budget and Treasury	V Makedama	SCM Manager	31-Jan-18

COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
15	17	<b>Contract Management:</b> No proper approval of variations and extensions	During the audit work performed on contract management it was noted that expenditure to date exceeded the contract amount therefore resulting in variations above 15 percent, the variation was not considered by the adjudication committee, was approved by council and the local community was not given reasonable notice of the intention to amend the contract.	Compliance	A senior official should frequently update the contract register and reviews should be performed by the chief accountant and should sign off as evidence of having performed such reviews. Contracts that are approaching or have exceeded their initial or approved contract value be flagged and reported to MANCO	Budget and Treasury	V Makedama	Chief Financial Officer	On going
14	18	<b>Procurement and contract Management:</b> Conflict of interest ( Gift register not kept)	Through testing of procurement it was noted that the municipality does not maintain a gift register, furthermore a gift register was requested in RFI 10 and it was not submitted as the municipality does not maintain a gift register to allow Scum officials and other employees to declare only gifts received.	Internal control	1. Management should ensure that a gift register is maintained by the municipality so that officials or other role players involved in procurement declare any gifts received. 2. It is recommended that the municipality maintains a sponsorship register to record all sponsorships received from supplier and other stakeholders. 3. The register(s) should be communicated to all employees to create awareness of the existence thereof. 4. BTO is to report quarterly to MANCO, Executive and Council on all Gifts and Sponsorships received or declared for a particular quarter.	Budget and Treasury	V Makedama	Chief Financial Officer	1. 30 Jan 2018 2. 30 Jan 2018 3. 15 Feb 2018 4. Quarterly
14	19	<b>Procurement and Contract Management:</b> Application of SCM regulation 32	During the audit work performed, it was noted that the municipality has not demonstrated the benefits and discounts of participating in the in the following contracts: > Mgunculu Trading > Thubalam Cc > Siya and Aya	Compliance	Management should use regulation 32 only when goods or services being procured are exactly the same in nature and scope, furthermore benefits to be obtained from procurement through another organ of state should be considered and demonstrated before entering into the contract. BTO to develop	Budget and Treasury	V Makedama	Chief Financial Officer	On going

COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
			<p>&gt; Mantella Trading T/A Designer Lighting</p> <p>The scope, specification and price for the goods that are being procured are not exactly the same in all material respects to those procured by other related organ of state.</p>		and implement a checklist to be reviewed and signed-off by a senior official which will ensure all criterion is met before entering into a contract through application of Reg 32				
Not indicated	20	<p><b>Expenditure:</b></p> <p>Differences between invoices and general ledger</p>	<p>During the audit, differences were noted between invoices and general ledger.</p> <p>Refer to the detailed audit findings for the detailed list of invoices identified with differences.</p>	Financial	Debtors Monthly reconciliations should be performed and reviewed by senior official to ensure there are no errors or mistakes that have been processed through the accounting system.	Budget and Treasury	V Makedama	Chief Financial Officer	on going
Not indicated	21	<p><b>Payables:</b></p> <p>Difference with payables</p>	<p>The following differences were noted related to payables between the proposed and actual journals passed.</p> <p>The proposed journals to be passed amounted to R 668 642 and the actual journals passed amounted to R 1 464 606, resulting in a difference of R 795 964.</p> <p>This results in understatement of payables by R 795 964 and expenditure of the same amount.</p>	Financial	<p>Creditors Monthly reconciliations should be performed and reviewed by senior official to ensure there are no errors or mistakes that have been processed through the accounting system.</p> <p>2. Journals should be prepared and reviewed by senior officials. The journals should have defined fields where the preparer, reviewer and authoriser are required to sign and date.</p>	Budget and Treasury	V Makedama	Chief Financial Officer	1 & 2 Monthly
15	22	<p><b>Procurement and Contract Management:</b></p> <p>Reasons for approving variations are not justifiable</p>	<p>For the contract below management approved a deviation but the reasons for the deviation was not justifiable as there was no emergency and it did not seem that it was impossible to follow procurement</p>	Compliance	The municipality should follow procurement procedures when appointing contractors, a deviation should only be done when there is an emergency and/ it is impractical to follow the procurement processes.	Budget and Treasury	V Makedama	Chief Financial Officer	On going

COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
18	23	<b>Indigent debtors:</b> Exceptions from CAATS testing > Refer to CAATS 3 CAATS 4 & CAATS 5	<p>The contract was not advertised although the Municipality knew that the contract was ending, no procurement steps were followed before the end date of the previous contract with tyekeni therefore the municipality deviated due to poor planning.</p> <p>&gt; Tyekani Protection and clothing - Security Services. (8/2/541/2016-2017)</p> <p>The following instances were identified which indicate that the indigent debtor is not valid.</p> <p>During the comparison, the following data sets were used:</p> <ul style="list-style-type: none"> <li>&gt; Companies and intellectual Property commission (CIPC)</li> <li>&gt; Government employees and Municipality workers file</li> <li>&gt; National Populations Register (NPR)</li> <li>&gt; Combined payments information file</li> <li>&gt; Indigent information</li> </ul> <p><b>Invalid ID numbers</b></p> <p>Records that consists of a 13 character ID number were compared with the NPR information and cases identified where the account holders ID numbers could not be found on the NPPR data base.</p> <p>Number of records found = 9 records.</p>	Financial	Management should review the contents of the findings identified from the CAATS testing to determine the validity thereof such that appropriate follow up action can be taken if necessary to declassify the applicant as an indigent debtor.	Budget and Treasury	V Makedama	Chief Financial Officer	30/06/2018

COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
			<p>Refer to the detailed audit findings for the detailed list of records identified.</p> <p><b>Employed in Government of in Municipalities</b></p> <p>With comparison of the 13 character ID number of the account holders with the combined Government employees and municipality workers file cases were identified where the particular account holder appears to be in the employment one or another government department or organisation.</p> <p>Number of records found = 2 records.</p> <p>Refer to the detailed audit findings for the detailed list of records identified.</p> <p><b>CIPC Directors All payments</b></p> <p>With comparison of the 13 character ID number of the account holder with the CIPC database information and combined payments information file of payments to businesses in which government employees and municipal workers have an interest in cases were identified where the account holder have an interest in one or another company/business.</p> <p>Number of records found = 2 records.</p> <p>Refer to the detailed audit findings for the detailed list of records identified.</p>						

COAF #	EXC #	Exception Heading	Summary of Finding	Nature	Suggested Control Improvements	Directorate	HOD	Responsible Official	Time Line
Prepared:			Reviewed:		Endorsed:			Approved:	
V. Makhedama Chief Financial Officer Date:			M.P. Mphahlela Municipal Manager Date:		Clir MT Siwisa Mayor Date:			Clir NE Magingxa Speaker Date:	



## ANNEXURE D

### ANNUAL PERFORMANCE REPORT



## ACRONYMS

AAP	Audit Action plan
AG	Auditor General
CWP	Community Works Programme
EPWP	Expanded Public Works Programme
IDP	Integrated Development Plan
IGR	Intergovernmental Relations
IT	Information Technology
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
LLF	Local Labour Forum
LM	Local Municipality
MFMA	Municipal Financial Management Act of 2003
MIG	Municipal Infrastructure Grant
MoU	Memorandum of Understanding
MSA	Municipal Systems Act of 2000
PMS	Performance Management System
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SLA	Service Level Agreement
SPU	Special Programmes Unit

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## CERTIFICATION

I certify that this annual performance report has been prepared in accordance with Section 46 of the Municipal Systems Act 32 of 2000 as amended. I further certify that to my knowledge that the information contained within the report is a true reflection of the performance of the municipality during the 2016/17 financial year.

This information is based on the performance of the municipality as per the Service Delivery and Budget Implementation Plan [SDBIP] of the Ngqushwa Local Municipality as approved by the Honorable Mayor, Cllr. T.M. Siwisa

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**Mr. L Govu**  
**Acting Municipal Manager**

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**Date**

## RECIPT BY THE MAYOR

I, \_\_\_\_\_, the Mayor of the Nggushwa Local Municipality, hereby accept the Annual Performance Report for the 2016/2017 FINANCIAL YEAR as prepared in accordance with Section 46 of the Municipal Systems Act 32 of 2000 as amended

\_\_\_\_\_  
Cllr. T.M. Siwisa  
Honorable Mayor

\_\_\_\_\_  
Date

## 1. STATUS OF THE REPORT

This report is prepared in terms of Municipal Systems Act of 2000 as amended (MSA). Section 46 of the MSA states that a municipality must prepare for each financial year a performance report reflecting:

- (a) The performance of the municipality and of each external service provider during that financial year;
- (b) A comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- (c) Measures taken to improve performance.

The Section further states that the annual performance report must form part of the municipality's annual report.

## 2. BACKGROUND

This annual performance report is based on the annual indicators and targets set in the Integrated Development Plan and budget of Ngqushwa Local Municipality for the 2016/17 financial year as approved by the Council. The adoption of the IDP and budget culminated into the drafting and approval of Service Delivery and Budget Implementation Plan (SDBIP) by the Mayor of the Municipality.

The SDBIP is a detailed plan approved by the Mayor in terms of Section 53 (1) (c) (ii) for implementing the IDP and Budget. The plan contained annual performance indicators and targets that were measured and evaluated throughout the year through compilation of various in-year reports which were presented to the various committees of Council. These included Sections 52 (d), 71 and 72 reports which were prepared in terms of the Municipal Finance Management Act of 2003 (MFMA).

This report therefore provides an annual overview of progress achieved towards the attainment of the set performance indicators and targets for the institution during the 2016/17 financial year.

### 3. ANALYSIS OF DEPARTMENTAL PERFORMANCE FOR THE 2016/17 FINANCIAL YEAR.

The following is the departmental performance for the aforementioned period it illustrates the total overall of targets achieved, not achieved and partially achieved and the overall performance for each directorate including the institution in general. The report is presented in line with the five (5) Key Performance Areas (KPA's) of the Local Government Strategic Agenda. These are:

- ..... MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT;
- ..... BASIC SERVICE DELIVERY AND INFRASTRUCTURE;
- ..... FINANCIAL VIABILITY AND MANAGEMENT;
- ..... LOCAL ECONOMIC DEVELOPMENT (LED); and
- ..... GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The following methodology is utilized in determining the % achievement for each KPA

#### 3.1 CALCULATION METHODOLOGY FOR EACH KEY PERFORMANCE AREA.

##### 3.1.1 KPA: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

- Total targets = 33  $\frac{26 \times 100}{33}$
- Targets Achieved = 26
- Targets Not Achieved = 1 = 79%
- Targets Partially Achieved = 6

The KPA at hand has received **79%** for the 2016/17 financial year, which shows improvement by **23%** as compared to **56%** of the 2015/16 financial year.

##### 3.1.2 KPA: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

- Total targets = 17  $\frac{14 \times 100}{17}$
- Targets Achieved = 14
- Targets Not Achieved = 1 = 82%
- Targets Partially Achieved = 2

The KPA at hand has received **82%** for the 2016/17 financial year, which shows improvement by **22%** as compared to **60%** of the 2015/16 financial year.

### 3.1.3 KPA: LOCAL ECONOMIC DEVELOPMENT

- Total targets = 33  $\frac{22 \times 100}{33}$
- Targets Achieved = 22 33
- Targets Not Achieved = 4 = 67%
- Targets Partially Achieved = 7

The KPA at hand has received **67%** for the 2016/17 financial year, which shows improvement by **8%** as compared to **59%** of the 2015/16 financial year.

### 3.1.4 KPA: BASIC SERVICE DELIVERY AND INFRASTRUCTURE

- Total targets = 32  $\frac{27 \times 100}{32}$
- Targets Achieved = 27 32
- Targets Not Achieved = 1 = 84%
- Targets Partially Achieved = 4

The KPA at hand has received **84%** for the 2016/17 financial year, which shows improvement by **9%** as compared to **75%** of the 2015/16 financial year.

### 3.1.5 PA: FINANCIAL VIABILITY AND MANAGEMENT

- Total targets = 21  $\frac{20 \times 100}{21}$
- Targets Achieved = 20 21
- Targets Not Achieved = 0 = 95%
- Targets Partially Achieved = 1

The KPA at hand has received **95%** for the 2016/17 financial year, which shows improvement by **5%** as compared to **90%** of the 2015/16 financial year.

## 4. INSTITUTIONAL OVERALL PERFORMANCE

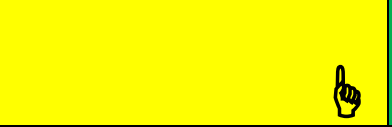


**NGQUSHWA LOCAL MUNICIPALITY OVERALL PERFORMANCE FOR THE 2016/17 FINANCIAL YEAR IS AT 80%, WHICH SHOWS IMPROVEMENT BY 14% AS COMPARED TO 66 % OF THE 2015/16 FINANCIAL YEAR.**

Priority Area	Total Annual Targets	Targets Achieved	Targets Partially Achieved	Targets Not Achieved	% Achievement
Good Governance and Public participation	33	26	6	1	79%
Municipal Transformation and Institutional Development	17	14	2	1	82%
Local Economic Development	33	22	7	4	67%
Infrastructure and Basic Service Delivery	32	27	4	1	84%
Financial Viability and Management	21	20	1	0	95%
<b>Total Targets</b>	<b>136</b>	<b>109</b>	<b>20</b>	<b>7</b>	<b>80%</b>





The overall institutional performance is sitting at **80 %** for 2016/17 FY tabulated as follows;










## KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Filling of all vacant and budgeted post within 90 days after receiving request of filling of post form	To ensure timeous filling of vacant and budgeted positions by 2017 and beyond	Number of days taken to fill vacant and budgeted posts (turnaround time)	Positions to be filled within three months as at beginning 2015/2016	Filling of vacant and budgeted posts as per the approved organogram within 90 days by June 2017	Partially achieved as the turnaround time of 90 days to fill vacant positions as planned was not always adherent to.		The turnaround period of 90 days could not always be adherent to due to management decision to freeze certain post and thus took longer to finalise the recruitment process.	Municipality will strive in future to adhere to the 90 day time frame to fill vacant funded posts	2	IDOP: 1
Implementation of the Employment Equity Plan (EEP) in line with the Employment Equity Act no.55 of 1998	To ensure continuous compliance with the Employment Equity Plan by 2017 and Beyond	Number of employees appointed from designated groups	Employment equity plan in place	Appoint 4 employees from designated groups in line with Employment Equity Plan by 30 June 2017	Achieved as the appointment of 4 employees from designated group was done as per 16/17 EEP		N/A	N/A	3	IDOP: 2
Adherence to Skills Development Act no.97 of 1998 through implementation of WSP	To continuously build capacity and improve performance	Number of trainings implemented per Work	2015/2016 WSP	Conduct 20 training interventions in line with Workplace	Achieved, 20 trainings were conducted as planned.		N/A	N/A	3	IDOP: 3

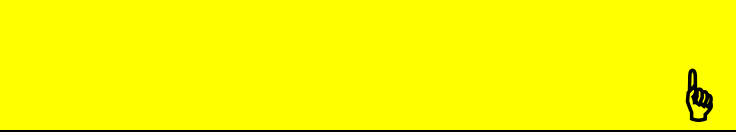
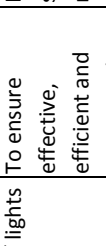
Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
	at all levels of the municipality by 2017 and beyond	Skills Plan (WSP)		Skills Plan by 30 June 2017						
Implementation of the PMS framework and policy (cascading of PMS)	To continuously improve performance at all levels of the municipality by 2017 and beyond	Number of Performance Agreements signed by Middle Managers	PMS Framework	All Performance Agreements of Middle Managers to be signed by 30 June 2017	Not achieved, middle managers performance agreements not yet developed.		Organogram had major challenges as it was challenged by the unions and that resulted late approval. The delay on job evaluation also had an impact in the process of developing the performance agreements.	Target transferred to 2017/18 financial year.	1	IDOP: 4
Adherence to OHS Act No.85 of 1993 through implementation of H&S policy	To continuously create a conducive and safe working environment by 2017	Number of interventions in the OHS Audit Action Plan	H&S Policy	Implementation of 5 interventions from OHS Audit action plan by 30 June 2017	Achieved, implementation of intervention was performed		N/A	N/A	3	IDOP: 5
Implementation of HR Plan	To ensure continuous implementation of Municipal vision and mission through Human Resources Management plan	Number of interventions implemented per HR Plan	HR Implementation plan	Implementation of 4 HR interventions in line with HR plan by 30 June 2017	Achieved, HR interventions implemented as planned.		N/A	N/A	3	IDOP: 6


Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Coordinate forum meetings as per Collective agreement	Continuously maintain a conducive working relationship between the employer and employees of NLM for the furtherance of service delivery	Number of LLF meetings held	4 LLF Meetings to be held	Conduct 4 Local Labour Forum (LLF) meetings by 30 June 2017	Achieved, as target was implemented as planned		N/A	N/A	3	IDOP: 7
Conduct employee wellness awareness workshops to management, councillors and staff	Effective implementation of wellness programmes	Number of employee wellness awareness workshops conducted	4 quarterly Wellness workshops	Coordinate four (4) wellness workshops by 30 June 2017	Achieved, 4 wellness workshops conducted in 2016/17 as planned.		N/A	N/A	3	IDOP: 8
Provision of effective and efficient Council support services to council structures such as Standing committee/EXCO/ Council	To continuously ensure the provision of effective and efficient council support services to the council and its structures by ensuring the availability and adherence to the Municipal Institutional Calendar aligned to all applicable legislations	Number of Council and council structures meetings held as per the adopted institutional calendar	Four (4) ordinary Council meeting held in 2015/2016	Facilitate four (4) Council and Council structures meetings by 30 June 2017	Achieved, 4 Council and Council structures meetings were held in 2016/17		N/A	N/A	3	IDOP: 9
		Number of days in which	4 ordinary Council	Distribution of Council	Partially achieved, as only 3 of the 4 delivery list is available on file.		Due to the records	A File Plan which	2	IDOP: 10

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
		notices are distributed to councillors	meetings 4 Ordinary standing committee meeting 4 EXCO meetings	notices within 5 days for all 4 Council meetings by 30 June 2017			management exercise that is currently underway, the said evidence was misfiled and could not be located to demonstrate actual performance.	informs the filing of information is to be implemented in the 2017/18 financial year to ensure proper filing and easy retrieval of information		
		Advertise Council meeting via newspapers		Advertise four (4) council meetings to the newspaper by 30 June 2017	Achieved, 4 Council meetings were advertised on the newspaper		N/A	N/A	3	IDOP: 11
% of employees that have signed Code of conduct	Promote Accountable & Efficient Administration by 2017 and beyond.	100 % of new employees signing code of conduct	100%	All newly appointed employees to sign code of conduct by 30 June 2017	Achieved, all newly appointed employees signed code of conduct.		N/A	N/A	3	IDOP: 12
Adherence to the records management policy and registry procedures	To achieve centralization of record keeping and improved records management processes by 2016/17	Number of reports on implementation and adherence to the records management policy and registry procedures	Records Unit	Four (4) quarterly reports on the Implementation of the records management and registry procedures by 30 June 2017	Achieved, reports on implementation of records management and registry procedures compiled and submitted.		N/A	N/A	3	IDOP: 13
Implementation of Council Resolutions	To continuously provide	Number of reports on the progress on	2015/2016 reports submitted on	Generate 4 reports on progress on	Achieved, as target was implemented as planned		N/A	N/A	3	IDOP: 14



Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
talking to Corporate Services Department.	effective and efficient implementation of Council resolutions talking to Corporate Services Department by 2016/17.	implementation of council resolution submitted to Council by 30 June 2017	implementation of council resolutions	implementation of council resolution submitted to Council by 30 June 2017						
Coordinate implementation of MANCO resolutions that talks to Corporate Service Department.	To continuously provide effective and efficient implementation of MANCO resolutions by 2016/17	% Implementation of MANCO resolutions	MANCO resolution register were prepared.	Update MANCO resolution registers on quarterly basis	Achieved, as target was implemented as planned		N/A	N/A	3	IDOP: 15
Attend to correctives measures as identified in internal audit	Reduce RISK within the Department by 2016/2017	Submission of Risk POE files to Risk Management Unit	4 Quarterly updated departmental risk registers and POE files submitted	4 Quarterly updated departmental risk registers and POE files	Achieved, 4 quarterly updated risk registers updated.		N/A	N/A	3	IDOP: 16
Attend to correctives measures as identified by AG	To ensure contribution to improved audit outcome by 2016/2017	Submission of updated Departmental Audit Action Plan and POE Files	4 Quarterly updated Audit Action Plan	4 Quarterly updated Audit Action Plan and POE files	Achieved, 4 quarterly Audit Action Plan updated.		N/A	N/A	3	IDOP: 17

## KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE



Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Maintenance of lights in rural areas	To ensure effective, efficient and economical provision of electrical services and street lighting to the community of Ngqushwa by 2016/17 FY	Number of street lights maintained in all villages	600 street lights have been maintained	Maintenance of 470 street lights as follows: 1) 120 Street lights to be maintained in Mkanyeni. 2) 130 Street lights to be maintained in Mpekweni 3) 70 Street lights maintained in Prudhoe and 30 in Wesley 4) 150 Street lights to be maintained in Mgababa	Partially achieved, 259 street lights maintained in 2016-17.		The target could not be implemented as planned due to budgetary constraints	Target will be implemented in the 2017/18 Financial year	2	IDSD: 1
Maintenance of electricity in municipal buildings	To ensure effective, efficient and economical provision of electrical	Number of electrified municipality buildings to be maintained	6 Municipal buildings maintained in 15/16	Quarterly Repairs and Maintenance of the following 6 Municipal	Achieved, 6 Municipal buildings maintained in 2016/17		N/A	N/A	3	IDSD: 2




Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
	services and street lighting to the community of Ngqushwa by 2016/17			buildings by 30 June 2017. 1) Main building 2) Technical Services Department 3) Ncumisa Kondlo indoor sport centre 4) Traffic Department 5) Hamburg offices 6) Corporate Services						
Maintenance of electricity in municipal community halls	To ensure effective, efficient and economical provision of electrical services and street lighting to the community of Ngqushwa by 2016/17	Number of electrified community halls to be maintained	15 municipal community halls have been maintained	Maintenance of the following 20 Community halls by 30 June 2017 : 1) Nier 2) Feni 3) Qamnyana 4) Mqwashini 5) Mankone 6) Benton 7) Madliki 8) Machibi 9) Dlova	Achieved, 20 Community halls maintained as planned.		N/A	N/A	3	IDSD: 3









Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
				10)Qawukeni 11)Tyeni 12)Gobozana 13)Durban 14)Zondeka 15) Mphekweni 16) Cisira 17) Mgababa 18) Hamburg 19) Prudhoe 20) Ngqwele						
Maintenance of street lights in urban areas	To ensure effective, efficient and economical provision of electrical services and street lighting to the community of Ngqushwa by 2016/17	Number of street lights to be maintained in urban areas	64 Hamburg and 78 Peddie town street lights were maintained	Repairs and Maintenance of 200 Street lights by 30 June 2017 in the following areas: 1) 130 street lights in Peddie town 2) 70 in Hamburg	Target achieved as repairs and maintenance were done to 200 street lights by 30 June 2017 in the following areas: 1) 130 street lights in Peddie town 2) 70 in Hamburg.		N/A	N/A	3	IDSD: 4
Maintenance of high mast lights in urban areas	To ensure effective, efficient and economical provision of electrical services and	Number of high masts lights to be maintained	15 High mast lights maintained in 15/16	Repairs and Maintenance of 22 high masts in the following areas by 30 June 2017: 1) 3 in Peddie extension, 2) 5 in New Rest, 3) 2 Ethembeni location, 4) 3 in German village,	Target achieved as repairs and maintenance were done to 22 high masts by 30 June 2017 in the following areas: 1) 3 In Peddie extension, 2) 5 in New Rest, 3) 2 Ethembeni location, 4) 3 in German village,		N/A	N/A	3	IDSD: 5





Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
	street lighting to the community of Ngqushwa by 2016/17			1)3 In Peddie extension, 2)5 in New Rest, 3)2 Ethembeni location, 4)3 in German village, 5)7 in Durban village 6)1 in Hamburg 7) 1 Glenmore.	5) 7 in Durban village 6) 1 in Hamburg 7) 1 Glenmore Hamburg					
Electrification of extensions by NLM	To ensure effective, efficient and economical provision of electrical services and street lighting to the community of Ngqushwa by 2016/17	Number of Electrified households in Ngqushwa Municipal area	No of new extensions were constructed in 2015/2016	Electrification of 264 households in the following rural areas by 30 June 2017 : Mkhanyeni 20 Cisira 50 Nwrest 105 German Village 11 Lower Gwalana 11 Wesley 30 Lewis 15 Lower	Target partially achieved as 264 households in the following rural areas by 30 June 2017 : Mkhanyeni 20 Cisira 50 Nwrest 105 German Village 11 Lower Gwalana 11 Wesley 30 Lewis 15 Lower Mgwala 11 Qugqala 11 were electrified but the transformers were not energised and we were waiting for metres from Eskom		service provider was appointed to undertake the electrification project however there are delays as it has not been completed	To be completed in the 2017/18 financial year	2	IDSD: 6

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
				Migwalana 11 Qugqwala 11						
Arranging and attending of meetings for water and sanitation	To ensure a proper communication between Ngqushwa LM and ADM in issues of water and sanitation also Eskom on issues of Electricity by 2016/17 and beyond.	Number of meetings to be attended	4 Quarterly meetings were attended in 2015/2016	4 Quarterly meetings held between NLM and ADM & Eskom by 30 June 2017	Target achieved- As 4 Quarterly meetings were held between NLM and ADM & Eskom by 30 June 2017		N/A	N/A	3	IDSD: 7
Construction of Prudhoe internal streets	To ensure Construction of existing access roads and internal streets by 2016/17 and beyond.	Number of km's of gravel road constructed	No gravel roads constructed in Prudhoe in 2015/2016	Construction of 7km gravel road in Prudhoe by 30 June 2017	Target Partially achieved-There was an increase in project scope of works from 7km to 14 km gravel road and 7,5 km gravel road was constructed in Prudhoe by 30 June 2017		NLM utilized in-house construction team to undertake the project. Project scope was extended. Since the project was	to be implemented in the 2017/18 financial year when the municipality acquires the construction Plant.	2	IDSD: 8

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
							constructed internally the municipality does not have plan to continue with construction.			
Construction of Tyhatha Internal streets	To ensure Construction of existing access roads and internal streets by 2016/17 and beyond.	Number of km's of gravel road constructed	No gravel roads constructed in Tyhatha in 2015/2016	Construction of 5km gravel road in Tyhatha by 30 June 2017	Target Achieved- as 5km gravel road in Tyhatha was constructed by 30 June 2017		N/A	N/A	3	IDSD: 9
Construction of Tuku C Internal streets	To ensure Construction of existing access roads and internal streets by 2016/17 and beyond.	Number of km's of gravel road constructed	No of gravel roads constructed in Tuku C in 2015/2016	Construction of 8km internal street in Tuku C by 30 June 2017	Target achieved as 8km internal street in Tuku C was constructed by 30 June 2017		N/A	N/A	3	IDSD: 10
Surfacing of Peddie town streets and Construction of storm water	To ensure Construction of existing access roads and	Number of km's surfaced and Construction	No of surfacing of Peddie Town streets in 2015/2016 FY	1.8 km of road surfaced and Construction of 1km Storm	Not Achieved,		Contractor has been appointed	To be implemented in the 2017/18	1	IDSD: 11

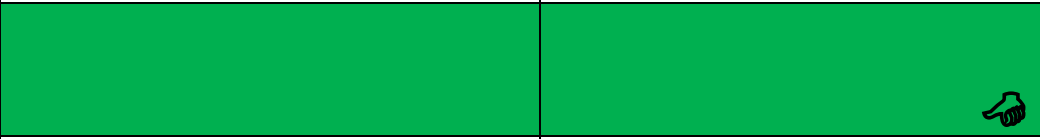
Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
	internal streets by 2016/17 and beyond.	of Storm water		water in Peddie town by 30 June 2017			to commence with the project however it was discovered that the road was built on top of a water stream thus resulting in design changes.	financial year according to the design.		
Construction of Ngxakaxha Access Road	To ensure Construction of existing access roads and internal streets by 2016/17 and beyond.	Number of km's gravel road constructed	No of gravel roads constructed in Ngxakaxha in 2015/2016 FY	4 km of Access road constructed in Ngxakaxha by 30 June 2017	Target achieved as 4km of access road was constructed in Ngxakaxha by 30 June 2017		N/A	N/A	3	IDSD: 12
Construction of Mabaleni Internal streets	To ensure Construction of existing access roads and internal streets	Number of km's of gravel road constructed	No of gravel roads constructed in Mabaleni in 2015/2016	Construction of 5km gravel road in Mabaleni Internal	Target achieved as 5km of gravel road was constructed in Mabaleni Internal streets by 30 June 2017		N/A	N/A	3	IDSD: 13

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
	by 2016/17 and beyond.			streets by 30 June 2017						
Construction of Bhingqala Internal streets	To ensure Construction of existing access roads and internal streets by 2016/17 and beyond.	Number of km's gravel road constructed	No of Internal Streets constructed in Bhingqala	Completion of construction of 4km of Bhingqala Internal streets by 30 June 2017	Target achieved as 4km of Bhingqala internal street was completed by 30 June 2017		N/A	N/A	3	IDSD: 14
Construction of Qhaga community hall	To ensure construction of community halls by 2016/17 and beyond	Refurbishment of Qhaga community hall	No of community halls constructed in Qhaga	Completion of construction of Qhaga community hall by 30 June 2017	Achieved, construction of Qhaga community hall completed		N/A	N/A	3	IDSD: 15
Electrification of Jubisa community hall	To ensure electrification of community halls by 2016/17 and beyond	Refurbishment of Jubisa community hall	No of community halls constructed in Jubisa	Completion of electrification of Jubisa community hall by 30 June 2017	Achieved, electrification of Jubisa community hall completed.		N/A	N/A	3	IDSD: 16
Construction of Ntsinekana community hall	To ensure construction of community halls by 2016/17 and beyond	Completion of construction of Ntsinekana community hall	No Community halls constructed in Ntsinekana.	Construction of Ntsinekana community hall by 31 March 2017	Achieved, Ntsinekana community hall constructed		N/A	N/A	3	IDSD: 17





Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Construction of Rhode community hall	To ensure construction of community halls by 2016/17 and beyond	Completion of construction of Rhode community hall	No Community halls constructed in Rhode.	Construction of Rhode community hall by 30 June 2017	Target Achieved as Rhode community hall was constructed by 30 June 2017		N/A	N/A	3	IDSD: 18
Construction of Bell community hall	To ensure construction of community halls by 2016/17 and beyond	Completion of construction of Bell community hall	1 Community Hall constructed but not completed	Construction of Bell community hall by 30 September 2016	Target Achieved, Bell community hall constructed by 30 September 2016		N/A	N/A	3	IDSD: 19
Coordinate connections of all community halls	To ensure all community halls are connected	Number of community halls connected	8 community halls were connected in 2015/16	Electrification of the following 8 community halls by 30 June 2017 : Baltein Bhongweni Mkhanyeni Nier Celetyuma Runlets Ndlambe Gwabeni	Target achieved as the following 9 community halls were electrified by 30 June 2017: Baltein Bhongweni Mkhanyeni Nier Celetyuma Runlets Ndlambe Gwabeni		N/A	N/A	3	IDSD: 20
100% Spending of MIG funds for 16/17 FY	To ensure 100% expenditure to all Capital Projects	%Completion of MIG funds for 16/17 Financial Year	12 MIG Monthly expenditure reports	100% spending of MIG grant at 30 June 2017	Target achieved as 100% of MIG grant was spent by 30 June 2017		N/A	N/A	3	IDSD: 21







Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Blading of existing gravel roads in rural	To ensure maintenance of existing access roads and related storm water by 2016/17 and beyond.	Number of km's of existing gravel roads maintained (Dry blading)	119 km of Existing gravel roads were bladed	Maintenance of 145km gravelled road by 30 June 2017	Target achieved as maintenance of 145km gravelled road was done by 30 June 2017 in the following areas: 5.4 km Lewis 5.4 km Lovers twist 7.1 km Benton 11.5 Nobumba 4 km Dube 3 km Ngxakaxha 10.9 km Ntloko 12 km Qeto 18 km Mxwashu 6.7 km Peddie Town 12 km Zalara 5.8 km Bingqala 6.7 km Tyhata 4.8 km Qawukeni 11.5 km Nobumba 10.9 km Ntloko 4.1 km German Village 3km Power 4.1 km Dam Dam 3 km Mahlubini 3 km Mathambeken		N/A	N/A	3	IDSD: 22

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Pothole patching in urban areas	To ensure maintenance of existing municipal roads and related storm water by 2016/17 and beyond.	Number of Square meters of pothole patching in urban areas (Surfaced roads)	800 m <sup>2</sup> of Pothole patching in urban areas was achieved.	11.5 km Nobumba 10.9 km Ntloko 4.1 km German Village 3km Power 4.1 km Dam 3 km Mahlubini 3 km Mathambeken i	Target Achieved, Pot-hole patching of 1200 square meters in Peddie town, Hamburg and Bira to was completed by 30 June 2017 300 Square meters of pothole patching in Peddie Town was completed 300 Square meters of pothole patching in Hamburg was completed 210 Square meters of pothole patching in Bira was completed 390 Square meters of pothole patching in Bira and Peddie was completed		N/A	N/A	3	IDSD: 23




Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Re-gravelling and cleaning of storm water drains in urban and rural areas	To ensure maintenance of existing access roads and related storm water by 2016/17 and beyond.	Number of km's re-gravelled. No meters of storm water drains cleaned.	100m of storm water drains and 5km of re-gravelling was done 2015/2016.	Re-gravelling of 4 km in Municipal area and cleaning of 120 m open drains. 1km Emthombe 1km Power Location 1km Mgababa 0.3km Hamburg	Target Partially achieved-As 3,3 km re-gravelled in Municipal area and cleaning of 120 m open drains. 1km Emthombe 1km Power Location 1km Mgababa 0.3km Hamburg			To fast track the process of lease to purchase the new plant (machinery) for construction and maintenance. Target will be implemented in the	2	IDSD: 24

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
								2017/18 financial period.		
Facilitate the maintenance of provincial roads by the department of roads and transport	To facilitate the maintenance of provincial roads and related storm water by 2015/17 and beyond.	Number of meetings arranged between NLM and DRPW.	3 Quarterly meetings were attended.	Conduct 4 meetings between NLM and DPRW by 30 June 2017	Target achieved as 4 Quarterly meetings were held between NLM and ADM & Eskom by 30 June 2017.		N/A	N/A	3	IDSD: 25
Coordinate implementation of MANCO resolutions that talks to the Infrastructure development.	To ensure compliance and accountability by 2016/2017	% Implementation of MANCO resolutions	MANCO resolution register were prepared.	Update MANCO resolution registers on quarterly basis	Achieved, resolution register attached in the Office of the Municipal Managers Office.		N/A	N/A	3	IDSD: 26
Attend to correctives measures as identified in internal audit	Reduce RISK within the Department by 2016/2017 Financial Year	Submission of Risk POE files to Risk Management Unit	4 Quarterly updated departmental risk registers and POE files submitted	4 Quarterly updated departmental risk registers and POE files	Achieved, 4 Quarterly updated departmental risk registers submitted		N/A	N/A	3	IDSD: 27
Attend to correctives measures as identified by AG	To ensure contribution to improved audit outcome by 2016/2017 and beyond	Submission of updated Departmental Audit Action Plan and POE files	4 Quarterly updated Audit Action Plan	4 Quarterly updated Audit Action Plan and POE files	Target Achieved-As four quarterly audit action plan and POE files submitted		N/A	N/A	3	IDSD: 28





Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Development of business plans for all municipal roads for 2016/17.	To eradicate road infrastructure backlog within Ngqushwa Municipal by sourcing funds from other relevant sector departments in 2017 and beyond.	No of business plans to be developed for Ngqushwa Municipal roads.	Five roads business plans developed for 2015/2016	Development of 12 business plans for all 12 wards of NLM by 30 June 2017	Target Achieved-As 12 business plans were developed for all 12 wards of NLM by 30 June 2017		N/A	N/A	3	IDSD: 29
Monitoring of funds in MIG projects	Monthly expenditure monitoring in 2016/17 FY projects	% funds spent in each project.	12 MIG monthly expenditure reports for 2015/16.	Prepare 12 monthly MIG projects expenditure reports by 30 June 2017	Target Achieved-As 12 monthly MIG project expenditure reports were prepared by 30 June 2017		N/A	N/A	3	IDSD: 30
Adherence to fleet management policy and procedures	To ensure effective, efficient and economical administration and utilization of Municipal resources on ongoing basis through systems	Number of reports on the Implementation of Fleet management policy and procedures talking to repairs and maintenance.	4 quarterly fleet management reports for 2015/2016.	Prepare 4 Quarterly reports on the Implementation of the fleet management policy by 30 June 2017	Achieved, 4 Quarterly reports on the Implementation of the fleet management policy prepared		N/A	N/A	3	IDSD P:31





Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
	and business process that are aligned to the organisation for 2016/2017 FY									
100% Spending of EPWP funds	Commitment of EPWP expenditure the 2016/17 financial year	Completion of EPWP funds	12 EPWP Spending reports to be produced	4 Quarterly reports on completion of EPWP funds by 30 June 2017	Achieved, 4 Quarterly reports on completion of EPWP funds prepared		N/A	N/A	3	IDSD P:32




## KPA 3: FINANCIAL VIABILITY AND MANAGEMENT




Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Sound Financial Planning and reliable and Compliant Financial reporting	To ensure effective, economical and compliant financial management processes culminating sound financial viability by 2017 and beyond	2017/18 Budget submitted to council for approval	Approved budget policies.	Approved 2017/18 Budget by May 2017	Target achieved- 2017/18 Draft annual budget was tabled on the 31 March 2017 special council meeting and the final 2017/18 budget was approved on the 31 May 2017 special council meeting		N/A	N/A	3	MFV:1
Sound Financial Planning and reliable and Compliant Financial reporting	To ensure effective, economical and compliant financial management processes culminating sound financial viability by 2017 and beyond	MFMA Section 71, 72 and 52d reports prepared and submitted to the Accounting Officer	Section 71 & 72 Reports, Monthly reports and quarterly reports	11 monthly MFMA 71 reports 3 quarterly MFMA 52d reports and 1 final MFMA 72 report	Target achieved-The section 71, 72, 52d reports were produced during the year		N/A	N/A	3	MFV:2
Sound Financial Planning and reliable and Compliant Financial reporting	To ensure effective, economical and compliant financial management processes culminating sound financial viability	Submission of 2017/18 Budget Process Plan to Council for approval	Approved budget process plan for 2016/2017, budget for 2015/16, adjustment budget for 2015/2016	Approved 2017/18 Budget Process Plan by Council by 30 June 2017	Target achieved- 2017/18 budget process plan was approved by Council, 2016/17 adjustment budget was approved by council on the 26/01/2017 and		N/A	N/A	3	MFV:3







Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
	by 2017 and beyond				2017/18 budget was approved by council on the 31/05/2017					
Sound Financial Planning and reliable and Compliant Financial reporting	To ensure effective, economical and compliant financial management processes culminating sound financial viability by 2017 and beyond	2015/16 Annual Financial Statement	2014/15 AFS	2015/16 Approved Annual Financial Statements submitted to AGSA by 31 August 2016	Target achieved -As the 2015/16 Annual financial statements were submitted to AGSA on the 31 August 2016		N/A	N/A	3	MFV:4
Reviewing of existing policies, Implementati on and monitoring implement thereof.	To ensure effective, efficient and economical financial management processes culminating sound financial viability by 2016/17	Submission of Expenditure policies to Council for approval	Approved expenditure Policies and procedure manuals.	Review and submit 1 Expenditure policies to Council for approval by 30 June 2017	Target achieved-As the expenditure policy was tabled to Council for approval by 30 June 2017		N/A	N/A		3 MFV:5
Maintain sound controls by preparing and reviewing monthly reconciliation s.	To ensure effective, efficient and economical financial management processes culminating sound financial viability by 2016/17	Prepare monthly Reconciliation (Bank, Creditors, and VAT reconciliation)	Monthly Reconciliation (Bank, Creditors, and VAT reconciliation).	12 Reconciliation to be prepared monthly for each of the following balances (Bank, Creditors, and VAT reconciliation)	Target achieved -As the monthly reconciliation(Bank, Creditors and VAT) were performed		N/A	N/A	3	MFV:6
Maintain an effective and efficient	Payment of all Officials, Councillors and third parties within	Monthly reports in compliance with	N/A	12 monthly section 66 reports to be prepared and	Target achieved -As the 12 monthly payroll reports were preformed		N/A	N/A		3 MFV:7



Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
payroll processes.	the required period.	section 66 of the MFMA.		approved by the CFO						
Sound revenue management systems in place	To ensure efficient and effective systems of revenue management by 2017 and beyond through revenue collection and expansion	Submit reviewed Revenue Management policies to Council	2016/2017 Approved Polices	Review and submit 1 revenue policies to Council for approval by 30 June 2017	Target achieved-as the Draft Revenue management policy was tabled to Council on the 07/03/2017 and the Final Revenue management policy was approved by the Council on the 31/05/2017		N/A	N/A	3	MFV:8
		Developed Financial Recovery implementation plan for 2016/17	N/A	Develop a Financial Recovery plan to be approved by council by 30 June 2017	Target achieved -as the financial recovery plan was approved by Council.		N/A	N/A	3	MFV:9
	Increase collection levels and proof of written letters of demand to our debtors. Reduction of outstanding amount for long outstanding debtors	Submit of billing reports to Chief Accountant	Billing information on financial system and approved tariff structure for 2015/2016	Develop 12 monthly billing reports to be reviewed by the CFO by 30 June 2017	Target achieved-as the monthly billing report reviewed by the CFO		N/A	N/A	3	MFV:10
		Appointment of debt collector	Debt management and credit control Policy, age analysis. Debtors age analysis.	Appointment of Debt Collector and Quarterly reports on collection of outstanding debtors by 30 June 2017	Target achieved -as the debt management collector was appointed and the quarterly reports prepared for debt collection		N/A	N/A	3	MFV:11




Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Effective and Compliant Supply Chain Management Processes	Updated indigent register for 2016/2017 and beyond	Updated indigent register	Indigent register for 2015/2016	Submission of updated Indigent register to Indigent Committee for approval by 30 June 2017	Target partially achieved as the indigent register was updated and not yet submitted to indigent committee		There was no indigent steering committee meeting held in quarter four(4)	To conduct indigent committee meeting in quarter one (1) of 2017/18	2	MFV:1 2
	To ensure and maintain an effective, efficient, fair, economical and compliant system of supply chain management in pursuit for clean administration by 2016/17 and beyond.	Approved Reviewed Policies	Approved Policy	Review and submit an updated SCM policy to Council for approval by 30 June 2017.	Target achieved as reviewed SCM policy was tabled to Council for approval on the 31/05/2017		N/A	N/A	3	MFV:1 3
		Updated Irregular, unauthorized, fruitless and wasteful expenditure registers signed off by CFO	2016/17 Irregular, fruitless and unauthorized deviation registers.	3 quarterly updated Irregular unauthorized, fruitless and wasteful expenditure deviation registers signed off by CFO by the end of each quarter  1 Final annual irregular, unauthorized, fruitless expenditure registers plus 1 annual deviation	Target achieved -As the quarterly irregular, wasteful and unauthorized deviation registers were prepared and one (1) annual register developed		N/A	N/A	3	MFV:1 4

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
		Effective performance of service providers (meeting of deadlines as per SLA by our service providers)	2015/2016 Quarterly reports on performance of service providers for effective service delivery	4 Quarterly reports on performance of service providers for effective service delivery approved by the CFO by the last day of each quarter	Target achieved-as the quarterly reports on the performance of service providers prepared and approved by the CFO		N/A	N/A	3	MFV:1 5
		Institutional Procurement plan developed	Procurement Plan	Develop 1 Institutional Procurement plan developed to be approved by the CFO by 30 September 2016.	Target achieved-as one institutional procurement plan developed and approved by the CFO		N/A	N/A	3	MFV:1 6
		Reports on implementation of procurement plans.	Reports	3 Quarterly reports on implementation of Procurement plan 1 Annual report on the implementation of the procurement plan by 30 June 2017	Target achieved-as the quarterly reports on the procurement plan progress prepared and approved by CFO		N/A	N/A	3	MFV:1 7



Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Effective, Efficient and Compliant Asset Management	To ensure and maintain an effective, efficient, fair, economical and compliant system of supply chain management in pursuit for clean administration by 2016/17 and beyond.	Complete Asset Register	GRAP compliant Asset Register	3 quarterly updated Asset register to be approved by the CFO quarterly 1 Annual GRAP compliant Asset Register to be approved by the CFO by 30 June 2017	Target achieved as the asset register was updated and approved by CFO and One (1) annual GRAP compliant asset register developed and approved by CFO by 30 June 2017		N/A	N/A	3	MFV:18
Coordinate implementation of MANCO resolutions that talks to Budget and Treasury Department.	To continuously provide effective and efficient implementation of MANCO resolutions by 2016/17.	% Implementation of MANCO resolutions	MANCO resolution register were prepared.	Update MANCO resolution registers on quarterly basis	Target achieved as MANCO resolution register was updated		N/A	N/A	3	MFV:19
Attend to correctives measures as identified in internal audit	Reduce RISK within the Department of Budget and Treasury by 2016/17.	Submission of Risk POE files to Risk Management Unit	4 Quarterly updated departmental risk registers and POE files submitted	4 Quarterly updated departmental risk registers and POE files	Target achieved as the updated risk register were prepared and proof of submitting POE files was submitted		N/A	N/A	3	MFV:20
Attend to correctives measures as identified by AG	To ensure contribution to improved audit outcome by 2016/2017	Submission of updated Departmental Audit Action Plan and POE files	4 Quarterly updated Audit Action Plan	4 Quarterly updated Audit Action Plan and POE files	Target achieved as the proof of submitting POE files was submitted and updated audit action plan was submitted		N/A	N/A	3	MFV:21

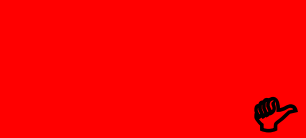

## KPA 4: LOCAL ECONOMIC DEVELOPMENT



Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Development of a five year strategic document that guide the overall implementation of local economic development initiatives in Ngqushwa.	To continuously provide adequate and effective support to local SMEs for increased local economy by 2017 and beyond	Submission of LED Strategy 2016 to Council	Existing strategy and Master plan	The submission of one (1) Draft Local Economic Development Strategy to Council for adoption by 30 June 2017.	Target achieved-As the LED summit was hosted on the 24-26 October 2016 and developed LED strategy was adopted by Council		N/A	N/A	3	LED:1
To build partnerships with relevant stakeholders and to establish platforms from where continuous engagements will take place.	To continuously provide adequate and effective support to local SMEs for increased local economy by 2017 and beyond	Submission of SME Strategy to Council	No SME strategy has been developed for 2015/16	The submission of one (1) Draft Small, Micro and Medium Enterprise Development Strategy to Council for adoption by 30 June 2017.	Target achieved-As the SME strategy is incorporated in the LED strategy which was approved by the Council		N/A	N/A	3	LED:2




Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Provide technical and business support to local contractors	To continuously provide adequate and effective support to local SMEs for increased local economy by 2017 and beyond	Number of local contractors assisted through subcontracting and training.	Contractors assisted for 2015/2016	Development of one (1) implementation plan for the Local Contractor's development programme.	Target achieved -as the Local contractors development plan was developed and quarterly reports were prepared on the implementation of the plan		N/A	N/A	3	LED:3
Implementation and monitoring of Environmental management plan	To ensure effective, efficient and economic management of the environment by 2017 and beyond.	Quarterly reports on the implementation of Environmental management plan	Environmental management plan	The submission of one (1) Environmental Management Plan to Council for adoption and conducting three (3) workshops on environmental management by 30 June 2017.	Target partially achieved -as the workshops on the environmental management were conducted and Environmental Management plan is not yet tabled to Council for approval by 30 June 2017		The environmental management plan is awaiting for review	To be tabled in quarter one (1) of 2017/18	2	LED:4
Implementation of waste information system	To protect and preserve the environment of Ngqushwa through effective, efficient, and economical methods of waste management by 2017	Number of tons of Waste collected	Number of workshops conducted	The collection of 6000 tons of waste within the jurisdiction of Ngqushwa Local Municipality by 30 June 2017	Target partially achieved-as the municipality collected 4500 tons of waste within the Ngqushwa Local municipality jurisdiction by 30 June 2017		For quarter one and quarter two the volume of the waste collected was not document	Going forward the volume of the data collected was captured on the waste register	2	LED:5







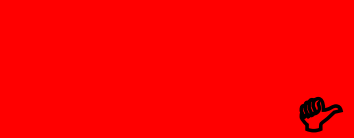
Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
							ed on the register			
Renewal of landfill site permit	To protect and preserve the environment of Ngqushwa through effective, efficient, and economical methods of waste management by 2017	Application for renewal of landfill site permit from Department of Economic Development and Environmental Affairs and Tourism and procurement of appropriate machinery for refuse collection	Outdated landfill site permit	To receive an approved renewed landfill site permit from Department of Economic Development, Environmental Affairs and Tourism by 30 June 2017.	Target partially achieved –as the municipality is awaiting for a renewed Landfill site permit		Target partially achieved due to financial constraints in the municipality	Target to be implemented in Quarter one (1) of 2017/18	2	LED:6
To conduct feasibility study for relocation Peddie landfill site	To protect and preserve the environment of Ngqushwa through effective, efficient, and economical methods of waste management by 2017	Feasibility study for the relocation of landfill site submitted to council	2 landfill sites have been developed for 2015/2016	The approval by Council of one (1) feasibility study by 30 June 2017.	Target not achieved - as the draft feasibility was not developed and tabled to council		Service provider failed to perform the required project and was chased out of site	Target to be implemented in quarter one of 2017/18	1	LED:7




Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Establish a new cemetery	To ensure effective, efficient and economical management of cemeteries by 2017 and beyond	Feasibility study for Establishment of a new cemetery site submitted to council	2 cemeteries	The approval by Council of one (1) feasibility study on the establishment of new cemeteries by 30 June 2017.	Target not achieved as the cemetery feasibility study was not developed and tabled to Council for approval		Service provider failed to perform the required project and was chased out of site	To source services of the new service provider by quarter one(1) of 2017/18	1	LED:8
Review, implementation and monitoring of Coastal Management Plan	To ensure effective, efficient, and economical coastal area to stimulate local and international tourists inflow and access into the Ngqushwa Municipal area by 2017 and beyond	Quarterly reports on the implementation of the Coastal Management Plan	Draft coastal management plan	The submission of four (4) reports on the implementation of the Coastal management plan to the Head of Department by 30 June 2017	Target achieved as Quarterly report on the coastal management plan were developed and submitted to Head of Department by 30 June 2017		N/A	N/A	3	LED: 9

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Implementation of the maintenance plan	To ensure effective, efficient, and economical coastal area to stimulate local and international tourists inflow and access into the Ngqushwa Municipal area by 2015 and beyond	quarterly reports on maintenance plan	Approved coastal maintenance plan	The submission of four (4) reports on coastal maintenance to the Head of Department by 30 June 2017	Target achieved as Quarterly report on the coastal maintenance plan were developed and submitted to Head of Department by 30 June 2017		N/A	N/A	3	LED:10
Development of Housing Needs Register.	To ensure provision of adequate and sustainable human settlements by 2017 and beyond	Number of housing needs collected and captured in the housing needs register.	3300 Housing needs forms Completed for 2015/16	Collection of 5000 housing needs forms by 31 March 2017. Data capturing of 1200 housing needs forms into the Housing subsidy electronic system by 30 June 2017	Target achieved as 8000 needs forms were collected by 31 March 2017 and 1252 data collected was updated to the subsidiary electronic system by 30 June		N/A	N/A	3	LED:11




Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Repairs to vandalised RDP houses and maintenance of municipal buildings	To ensure provision of adequate and sustainable human settlements by 2017 and beyond	Number of repaired vandalised RDP houses Maintenance of Municipal Buildings	17 Vandalised Houses	Repairs and Maintenance to be conducted on 15 vandalised RDP houses and six (6) Municipal Buildings by 30 June 2017	Target Partially achieved, as there was maintenance on six(6) municipal buildings and no maintenance conducted on 15 RDP houses by 30 June 2017		The target could not be achieved due to financial constraints and the RDP houses beneficiaries could not be reached	The target is budgeted for in 2017/18	3	LED:12
Development of strategic document that are conducive to Agricultural production and investment.	To ensure effective and efficient agricultural production management by 2017 and beyond.	Developed Agricultural sector plan submitted to council for approval	LED Strategy	Preparation and submission of one (1) Agriculture Sector Plan for Council approval by 30 June 2017	Target achieved- as the agricultural sector plan is incorporated in the LED strategy that was approved by Council		N/A	N/A	3	LED:13
Facilitate livestock improvement through provision of Infrastructure and medication.	To ensure effective and efficient agricultural production management in 2016/2017 and beyond	Number of farmers/co-ops supported	2015/16 Livestock Improvement Programme	Two (2) livestock farmers to be supported with infrastructure/production inputs by 30 June 2017.	Target not achieved as the municipality did not support two (2) livestock farmers with infrastructure /production inputs by 30 June 2017		There was a change in Municipal programmes in which the municipality decided to build dipping	Target to be achieved in the Quarter one (1) of 2017/18 financial year	1	LED:14





Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
							tank to the farming projects at large due to drought facing Ngqushwa municipal area			
Formalisation of grain and citrus production for creation of sustainable markets	To ensure effective and efficient agricultural production management in 2016/2017 and beyond	Number of production inputs to be purchased for citrus and mechanisation.	2015/16 Mechanization program and citrus.	500 hectares of land mechanized and three (3) citrus farmers supported with production inputs by 30 June 2017.	Target achieved as the 620 hectares of land mechanised and three citrus farmers supported with production inputs		N/A	N/A	2	LED:15
Revitalisation of Agricultural Schemes through provision of production inputs	To ensure effective and efficient agricultural production management in 2016/2017 and beyond	Number of irrigation schemes supported	2015/16 Revitalisation of Dube Irrigation Scheme Program	Seven (7) irrigation schemes to be supported with production inputs by 30 June 2017.	Target achieved as seven (7) irrigation schemes were supported with production inputs		N/A	N/A	3	LED:16




Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Facilitate value chain linkage to ensure, among other things that agriculture commodities find markets	To ensure effective and efficient agricultural production management in 2016/2017 and beyond	Number of Co-ops supported with Agro-processing machinery	There is no facilitation of value chain in Agriculture production for 2015/16	Two (2) Cooperatives to be supported with Agro processing machinery by 30 June 2017.	Target achieved as the two cooperatives were supported with agro-processing machinery		N/A	N/A	3	LED:17
Implementation, monitoring and review of policies and bylaws	To continuously ensure that property development in Ngqushwa is in line with building laws and regulations by 2017 and beyond	Number of submitted and adjudicated building plans	National building regulations and policies	Four (4) reports submitted to the Head of Department relating to buildings plans prepared by the property owners within the jurisdiction of Ngqushwa Local Municipality by 30 June 2017.	Target achieved as four adjudicated (building plans) reports were submitted to Head of department		N/A	N/A	3	LED:18
Implementation in Spluma, SDF (wall to wall) and related Town planning legislation	To ensure access to land and properties for development and continuous of an efficient and integrated settlement pattern by 2017	Implementation of Spatial Planning and Land Use Management Act (SPLUMA), Spatial Development Framework and SPLUMA bylaws.	Adopted SDF	The approval by Council of one (1) Spatial Development Framework by 30 June 2017.	Target not achieved as the spatial development framework was not developed and approved by the Council by the 30 June 2017		Still awaiting for the adoption of the provincial SDF and the target is reduced to Humberg Developm	Target to be implemented in quarter three (3) of 2017/18	1	LED:19


Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
							ent initiative			
Monitoring of implemented project	To modernise and beautify the image of Peddie/Hamburgh in order to attract investors by 2017	No of signage's developed	Business plan in place	Two (2) information sign boards to be erected within the Ngqushwa Local Municipality by 31 March 2017	Target achieved as two(2) information sign boards were erected within Ngqushwa jurisdiction		N/A	N/A	3	LED:20
		Appoint Land Survey to conduct Surveying as when needed	Land Survey conducted	One (1) land survey to be conducted by the land surveyor within the jurisdiction of Ngqushwa Local Municipality by 30 June 2017	Target achieved as one(1) land surveying was conducted within Ngqushwa jurisdiction		N/A	N/A	3	
To continuously reduce road accident	To ensure reduction of road accidents within the jurisdiction of NLM through road blocks and awareness's for 2016/ 2017	Number of road blocks and workshops/awareness's to be conducted		One (1) roadblock to be conducted by the Ngqushwa local Municipality Traffic Department by 30 June 2017	Target achieved as seven (7) road blocks were conducted and awareness programmes		N/A	N/A	3	LED:21







Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Development of Ngqushwa safety and security plan	To ensure safety and security within the Municipality for 2016/2017	Number of safety and security plans developed	There is no safety and security plan in place.	The development and submission of one (1) safety and security plan to Council for approval by 30 June 2017.	Target partially achieved as the safety and security plan is at draft stage		The safety and security plan was not submitted to Council by 30 June 2017 as there were still gaps on the plan	To be submitted on quarter one (1) Council meeting	2	LED:22
		Establishment of Community Safety Forum	Community Safety Forum meetings were conducted by ADM	Two (2) reports on a Community Safety Forums held to be submitted to the Head of Department by 30 June 2017	Target partially achieved as one (1) community safety forum meeting was held for the year ending 30 June 2017		The community safety forum could not sit due to late establishment of the forum	To conduct one (1) security forum meeting on Quarter one(1) 2017/18	2	LED:23
Promoting Community tourism development	To promote tourism in order to position Ngqushwa municipality as the Tourism destination by 2030	Number of community tourism projects supported	Number of Community Tourism project funded in 2015/16	Two (2) Community tourism projects to be supported by 30 June 2017.	Target achieved as two tourism community projects supported by 30 June 2017		N/A	N/A	3	LED:24



Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
Improve the existing hiking trail and heritage sites	To promote tourism in order to position Ngqushwa municipality as the Tourism destination by 2030	Number of heritage sites maintained	Annual events	Maintenance of the Uhambo loxolo hiking trail and the Mqwashu heritage site by 30 June 2017	Target achieved as two (2) heritage sites (Uhambo loxolo and Mqwashu) during the year		N/A	N/A	3	LED:25
Marketing Ngqushwa municipality as a tourist destination Participate in Tourism trade shows	To promote tourism in order to position Ngqushwa municipality as the Tourism destination by 2030	Revival of the Hamburg Splash Festival Annual Event and Christmas lights	There was no festival hosted in the 2015/16	Revival of the Hamburg Splash Festival Annual Event and Christmas lights by 31 December 2016	Target achieved as the Hamburg splash festival and Christmas light event was conducted on the 15-17 December 2016		N/A	N/A	3	LED:26
	To promote tourism in order to position Ngqushwa municipality as the Tourism destination by 2030	Number of tourism trade shows attended	N/A	2 Tourism trade shows attended by 30 June 2017	Target partially achieved as one (1) tourism trade show was attended during the year		The target was not implemented due to financial constraints	The target to be implemented in 2017/18 financial year	2	LED: 27
	To promote tourism in order to position Ngqushwa municipality as the Tourism destination by 2030	Visitors brochure developed	Flyers and visitors guide	Distribution of 250 visitor's brochures to tourism & hospitality establishments by 30 June 2017	Target achieved as 250 visitors guides were distributed to tourism and hospitality establishments by 30 June 2017		N/A	N/A	3	LED:28



Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
		Developed Tourism sector Plan		Preparation and submission of one (1) Tourism Sector Plan for Council approval by 30 June 2017	Target achieved as the municipality hosted tourism stakeholder engagement on the 17 August 2016 and Tourism indaba on the 21-23 February 2017 in preparation for the development of the tourism sector plan that is incorporated in the LED strategy that was approved by Council on the		N/A	N/A	3	LED:29
Coordinate implementation of MANCO resolutions taking to Community Services	To continuously provide effective and efficient implementation of MANCO resolutions by 2016/17.	% Implementation of MANCO resolutions	MANCO resolution register were prepared.	100% MANCO resolutions implemented	Target achieved as MANCO resolution were implemented during the year		N/A	N/A	3	LED:30
Attend to correctives measures as identified in internal audit	Reduce RISK within the Community Services Department by 2016/17.	Submission of Risk POE files to Risk Management Unit	4 Quarterly updated departmental risk registers and POE files submitted	4 Quarterly updated departmental risk registers and POE files	Target achieved as the 4 quarterly updated departmental risk registers		N/A	N/A	3	LED:31

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reason for variance	Corrective action	APR score	KPI NO
					developed and POE files submitted					
Attend to correctives measures as identified by AG	To ensure contribution to improved audit outcome by 2016/2017	Submission of updated Departmental Audit Action Plan and POE files	4 Quarterly updated Audit Action Plan	4 Quarterly updated Audit Action Plan and POE files	Target achieved as the 4 quarterly updated audit action plan developed and POE files submitted		N/A	N/A	3	LED:32




## KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Submission of advisory Audit Committee reports to Council.	To ensure effective and compliant systems of assurance on internal controls, service delivery and financial reporting in line with legislation by 2017 and beyond	Number of Audit Committee reports submitted to Council	Four (4) Audit Committee reports to Council.	4 Audit Committee reports submitted to council by 30 June 2017	Achieved as All 4 Audit Committee reports were submitted to council		N/A	N/A	3	GGP:1
		Number of Audit committee meetings held	Four Audit Committee meetings held	4 Audit committee meetings to be held by 30 June 2017	Achieved as all 4 planned audit committee meetings were held		N/A	N/A	3	
Implementation of AG's Action Plans	To ensure effective and compliant systems of assurance on internal controls, service delivery and financial reporting in line with legislation by 2017 and beyond	15% Quarterly reporting on the implementation status of the Audit Action Plans	4 Reports on the implementation status of the Audit Action Plan	4 Quarterly Updated Audit Action Plan Reports by 30 June 2017	Achieved as all 4 planned 4 Quarterly Updated Audit Action Plan were produced		N/A	N/A	3	GGP:2
		15 % Quarterly Report on the Implementation status of the Internal Audit Plan.	4 Quarterly reports on the implementation status of the Internal Audit Plan	Approved Annual Internal Audit Plan and 4 Quarterly reports on the implementation of the approved	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:3






Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
	delivery and financial reporting in line with legislation by 2017 and beyond			Internal Audit Plan by 30 June 2017						
Conduct risk assessments (operational and strategic)	To continuously ensure that NLM has and maintains an effective processes of risk management by 2017 and beyond	Quarterly Report on the Implementation Status of the Risk Action Plans.	4 Quarterly reports on the implementation status of the Risk Management Plan	Conduct One formal Annual Risk assessment workshop by 30 September 2016	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:4
To continuously ensure mainstreaming and effective functionality of special programmes within Ngqushwa L M by 2017 and beyond.	Implementation of the Special Programmes Unit strategy - sustainable special programmes	Number of special programmes national days to be coordinated	2 National Days Coordinated 2015/2016	4 National Days coordinated by June 2017 The following 4 National Days coordinated : Mandela Day Women's Day Launch of 16 days of activism Closing function of 16 days of activism(Christmas for Older persons and vulnerable children)	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:5





Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
To continuously ensure mainstreaming and effective functionality of special programmes within Ngqushwa L M by 2017 and beyond.	Implementation of the Special Programmes Unit strategy - sustainable special programmes	Number of learners capacitated through implementation of the Ceta programme.	Ngqushwa Youth Database in place	300 Learners capacitated (200 Short Skills and 100 Learnership) by 30 June 2017	Achieved as Target was implemented as planned, although pre-defined evidence not all available. But there is reasonable sufficient evidence to confirm capacitation		N/A	N/A	3	GGP:6
To continuously promote the unearthing and nurturing of talent in various sporting codes within NLM by 2017 and beyond	Adoption and Implementation of the Ngqushwa Sports Development Strategy	Ngqushwa Sports Development Strategy submitted to council and Implemented	Sport events coordinated	Ngqushwa Sport Development Strategy Implemented through Mayor's Cup by 30 June 2017	Achieved as Target was implemented as planned, although pre-defined evidence not all available. But there is reasonable sufficient evidence to confirm implementation.		N/A	N/A	3	GGP:7






Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Improving quality of IDP in line with prescribed processes, monitor, evaluate and report performance information.	To continuously ensure effective, economical and compliant integrated planning, resourcing implementation reporting monitoring and evaluation by 2017 and beyond.	Development of 2017/2022 five year strategic plan (IDP).	Approved IDP 2016/2017.	Approved 2017/2022 IDP by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:8
Improving quality of IDP in line with prescribed processes, monitor, evaluate and report performance information.	To continuously ensure effective, economical and compliant integrated planning, resourcing implementation reporting monitoring and evaluation by 2017 and beyond.	Number of performance reports submitted to internal audit for review.	2015/2016 Annual performance report.	4 Quarterly performance reports submitted to Internal Audit by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:9
Improving quality of IDP in line with prescribed processes, monitor, evaluate and report performance information.	To continuously ensure effective, economical and compliant integrated planning, resourcing implementation reporting monitoring and evaluation by 2017 and beyond.	Development of the 2015/16 Annual report	2014/2015 Annual report	Submission of Final Annual Report to Council for approval by 30 June 2017	Achieved as Target was implemented as planned, although pre-defined evidence not all available. But there is		N/A	N/A	3	GGP:10

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
performance information.	reporting monitoring and evaluation by 2017 and beyond.				reasonable sufficient evidence to confirm implementation.					
Improving quality of IDP in line with prescribed processes, monitor, evaluate and report performance information.	To continuously ensure effective, economical and compliant integrated planning, resourcing implementation reporting monitoring and evaluation by 2017 and beyond.	Number of PMS reviews for HODs and Municipal Manager conducted.	PMS Framework and PMS regulations	Conduct 4 Quarterly reviews for HOD's and Municipal Manager by 30 June 2017	Partially Achieved as only Quarter one Reviews were performed		Due to a busy schedule of the municipality the performance management reviews could not be held	These are planned for implementation in the 2017/18 financial year	2	GGP:11
Improving quality of IDP in line with prescribed processes, monitor, evaluate and report performance information.	To continuously ensure effective, economical and compliant integrated planning, resourcing implementation reporting monitoring and evaluation by 2017 and beyond.	Development of 2017/18 Service Delivery and Budget Implementation Plan.	2016/17 SDBIP	Approved 2017/18 Service Delivery and Budget Implementation Plan by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:12

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Implementation of the ICT governance framework	To ensure an integrated, responsive and efficient ICT function for NLM by 2017 and beyond	Quarterly implementation status of the ICT governance framework	Approved ICT Corporate Governance framework	Phase 1 of ICT Corporate Governance Framework implemented by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP: 13
		Number of PC's and local printers provided	ICT policy	26 PCs and 25 Local printers provided by 30 June 2017	Achieved as 27 PCs and 25 Local printers were procured by 30 June 2017		N/A	N/A	3	GGP: 14
		Number of software licenses renewed	ICT policy	5 Software licenses renewed by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP: 15
Quarterly sitting of MPAC	To continuously ensure an effective and compliance system of municipal governance by 2017 and beyond	Number of ICT Steering Committees held	Existing ICT steering Committee	Conduct 4 ICT Steering Committee meeting by 30 June 2017	Partially achieved as only two of the 4 planned meetings were convened		Due to non-sitting of MANCO meetings the meetings were not convened as scheduled	The Agenda items were incorporated in the next scheduled meeting in the following Quarter	2	GGP: 16
		Number of MPAC meetings held	4 Quarterly MPAC meetings	Conduct 4 Quarterly MPAC meeting by 30 June 2017	Partially achieved as only 3 quarterly MPAC meetings were held.		The committee was not able to sit during the next quarter two as they were conducting the 2015-16 Annual Report Road	The Agenda items were incorporated in the next scheduled meeting in the following Quarter	2	GGP: 17

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
							shows in all Wards			
Implementation of MPAC Programme of action	To continuously ensure an effective and compliance system of municipal governance by 2017 and beyond	Number of MPAC Reports to Council	4 MPAC reports submitted to Council	4 Quarterly reports submitted to Council by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:18
Implementation of the annual Report Process Plan	To continuously ensure effective stakeholder consultation by 2017 and beyond	Number of MPAC Annual Report Roadshows	2014/15 Annual Report Roadshows	Conduct MPAC Annual Report Roadshows by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:19
Streamlined programme for Ward Committee reporting on a quarterly basis	To ensure effective, efficient, compliant and economical Public Participation Systems by 2017 and beyond	Number of Reports on functioning of Ward Committees	2014/15 report on functioning of Ward Committees	4 Quarterly reports on functioning of Ward Committees submitted to Council by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:20
Effective implementation of the Petitions Policy	To Continuously ensure effective, efficient and compliant Customer Management by 2017 and beyond	Number of petitions management reports submitted to Council	2 petitions management reports	4 Quarterly petitions management reports submitted to Council by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:21

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
Coordination of the implementation of programmes of action	To ensure effective and efficient functioning of MRM and Women's Caucus for 2016/2017	Number of quarterly MRM and reports submitted to council	3 Quarterly reports submitted to Council	4 Quarterly Moral Regeneration Movement reports submitted to Council by 30 June 2017	Partially achieved as only 3 quarterly Reports were submitted		NO activity and members not attending meetings as scheduled	The structure is going to be dissolved and new one established.	2	GGP:22
		Number of quarterly Women's Caucus reports submitted to Council	3 Quarterly reports submitted to Council	4 Quarterly Women's reports submitted to Council by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:23
Development of the 5 year communication strategy and action plan	To ensure effective, efficient, economical and compliant public participation systems by 2017 and beyond.	2016/17 Communication action plan submitted to council for approval.	Communication plan is in place September 2016.	1 Communication action Plan to be developed by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:24
	Strengthen the Local Communicator's Forum through quarterly sittings	Number of quarterly meetings conducted.	2 LCF meetings held	3 Local Communicators Forum meeting to be held by 30 June 2017	Partially achieved as only 2 LCF meetings were convened.		Due to poor attendance by sector departments and other relevant stakeholders the forum was not able to sit as scheduled.	The forum has since been dissolved owing to poor attendance by relevant stakeholders	2	GGP:25
Effective distribution of information to all relevant stakeholders.	Effective contribution to institutional corporate	Number of newsletters developed	2 Quarterly newsletters developed.	3 Newsletters to be developed by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:26

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
	identity, image and branding of NLM									
	Branding for the municipality (Radio interviews, banners, posters for events, Diaries, radio interviews, advertisements and Presidential Hotline.	Business cards, Banners for marketing and branding, posters for events, Diaries, radio interviews, advertisements and Presidential Hotline.	Branding of the municipality through media (print and radio)	Development of Business cards for Management, Dairies for municipal officials and banners for marketing and branding of municipality by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:27
	Updating the municipal website as per section 21 (b) of the Municipal Systems Act and section 75 of the Municipal Finance Management Act.	Development and Maintenance of Website	Branding of the municipality through website	5 days before actual publication of information on website by 30 June 2017	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:28
	Facilitate the implementation of signed MOU	Number of MOU's signed by municipality and departments	2 MOUs have been signed between Ngqushwa LM and other sector departments 2015/16	2 Memorandum of Understanding to be sign by municipality and Sector departments by 30 June 2017	Not Achieved		There were no LM programmes that necessitated partnership with sector departments and as such	N/A	1	GGP:29

Strategy	Objective	Indicator	2015/16 Performance (Baseline)	2016/17 Annual Target	2016/17 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO
							no MOU were signed			
Facilitate the sitting of IGR	Coordinate planning and reporting by sector departments in line with 2015/2016 IDP through IGR	Number of Inter-Governmental Relations forum meetings held	4 Quarterly IGR meetings were convened for 2015/2016.	Conduct 4 Inter-governmental relations' forum meetings by 30 June 2017	Partially achieved as only 3 of the 4 planned meetings were convened		The meeting did not sit as scheduled due to the Launch of the War rooms which took priority.	The matters that were to be discussed were incorporated in the Agenda of the next scheduled meeting which did take place.	2	GGP:30
Coordinate implementation of MANCO resolutions relevant to the Office of the Municipal Manager	To continuously provide effective and efficient implementation of MANCO resolutions by 2016/17.	% Implementation of MANCO resolutions	MANCO resolution register were prepared.	Update MANCO resolution registers on quarterly basis	Achieved as target was implemented as planned		N/A	N/A	3	GGP:31
Attend to correctives measures as identified in internal audit	Reduce RISK within the Department by 2016/2017	Submission of Risk POE files to Risk Management Unit	4 Quarterly updated departmental risk registers and POE files submitted	4 Quarterly updated departmental risk registers and POE files	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:32
Attend to correctives measures as identified by AG	To ensure contribution to improved audit outcome by 2016/2017	Submission of updated Departmental Audit Action Plan and POE files	4 Quarterly updated Audit Action Plan	4 Quarterly updated Audit Action Plan and POE files	Achieved as Target was implemented as planned		N/A	N/A	3	GGP:33



## CONCLUSION

This document represents Ngqushwa Local Municipality's detailed report back to citizens and stakeholders on the municipality's performance during 2016/2017 financial year. This report therefore provides the detailed performance of the municipality in terms of assessing achievements in efforts to realise the objectives as set by Council for the year under review. All the reported positive results attained are as a result of the continued commitment and cooperation between our communities, administration and political leadership. As such, this report not only reflects on milestones and challenges experienced, but also on the on-going commitment to progressively deepen accountability to the citizens of the whole of Ngqushwa Local Municipality area.



## ANNEXURE E

### MPAC OVERSIGHT REPORT

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## INTRODUCTION/BACKGROUND

MPAC has an obligation to exercise an oversight role over the executive obligations of Council, therefore a resolution was taken in Council on the 12 December 2017 for MPAC to consider the 2016/2017 Draft Annual Report.

The functions of the Oversight Committee on the Annual report are to:

- ✦ Undertake a review and analysis of the Annual Report
- ✦ Invite, receive and consider inputs on the Annual Report
- ✦ Consider written comments received on the Annual Report from the members of the public
- ✦ Receive and consider Councils' Audit Committee views and comments on the annual financial statements and the performance report
- ✦ Prepare the Oversight Report to be tabled before Council for consideration

The Audited Annual Report 2016/17 should be made public within seven (7) days after it has been adopted by Council in order for MPAC to get public comments.

The process for the finalisation and approval of the 2016/2017 Annual Report is set out in the table below:

ACTIVITY DESCRIPTION	
Preparation of annual financial statements of the municipality and submission to the Auditor-General	MUNICIPAL FINANCE MANAGEMENT ACT Section 122(1)(2)
Receipt of final audit report from Auditor-General	MUNICIPAL FINANCE MANAGEMENT ACT Section 126(3)(b)
Tabling of Final Draft Annual Report in Council by Mayor	MUNICIPAL FINANCE MANAGEMENT ACT Section 127(2)
Allowing for comment by community and relevant state organs	MUNICIPAL FINANCE MANAGEMENT ACT Section 127(5)(a) & (b)
Corrective actions to AG's opinion formulated and tabled in Council	MUNICIPAL FINANCE MANAGEMENT ACT Section 121(3)(g)
Submission of Annual Report and Oversight Report to AG, Provincial Treasury and MEC: Local Government	MUNICIPAL FINANCE MANAGEMENT ACT Section 129(2)(b)
Communication of final Annual Report / Oversight Report (Website, hard copies and other mediums)	MUNICIPAL FINANCE MANAGEMENT ACT Section 129(3)
Submit Annual Report / Oversight Report to the provincial legislature	MUNICIPAL FINANCE MANAGEMENT ACT Section 132 (1) (2)

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page

## MEMBERS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE AND ATTENDANCE OF MEETINGS

COUNCILLOR NAME	PORTFOLIO	DATES OF MEETINGS				
		27/09/2016	18/10/2016	18/01/2017	23/05/2017	06/06/2017
Cllr. N. Mquqo	Chairperson	Yes	Yes	Yes	Yes	Yes
Cllr. L. Moyeni	Member	Yes	Yes	Yes	Yes	Yes
Cllr. N. Mtati	Member	Yes	Yes	Yes	No	Yes
Cllr. R. Taylor	Member	Yes	Yes	Yes	Yes	Yes
Cllr. N. V. Gxasheka	Member	Yes	Yes	Yes	Yes	Yes
Prince N. Mhlauli	Member	Yes	Yes	Yes	No	Yes

This Oversight Report is prepared in line with Section 129 of the Municipal Finance Management Act read in conjunction with Municipal Finance Management Act, Circular No.63.

The following table displays the nature of the accountability framework for local government:

Council Structures/Directorate	Responsible for	Oversight over	Accountable to
Council	Approving policy and budget	Executive Committee	Community
Mayor or Executive Committee	Policy, budgets, outcomes	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The Administration	Mayor or Executive Committee
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

- The Oversight Report is the final major step in the annual reporting process of a municipality. The oversight report must consider any input from the public and Council.
- The Oversight Report on the Annual Report is a product of comprehensive consideration and consultation on the Annual Report and is considered to be a report of the municipal council to the community disclosing the extent to which the priority needs have been met as contained in the IDP.

## MPAC PUBLIC MEETINGS ON THE ANNUAL REPORT

WARD	DATE	ACTIVITY	VENUE	TIME
1	03.10.2017	Draft Annual Report 2016/17	Mtati Community Hall	10H00
3	03.10.2017	Draft Annual Report 2016/17	Crossman Community Hall	13H00
4	04.10.2017	Draft Annual Report 2016/17	Phole Community Hall	10H00
2	04.10.2017	Draft Annual Report 2016/17	Dlova Community Hall	13H00
12	05.10.2017	Draft Annual Report 2016/17	Wesley Community Hall	10H00
5	05.10.2017	Draft Annual Report 2016/17	Crossroads Community Hall	13H00
6	06.10.2017	Draft Annual Report 2016/17	Feni Community Hall	10H00
8	06.10.2017	Draft Annual Report 2016/17	Ncumisa Kondlo Hall	13H00
7	12.10.2017	Draft Annual Report 2016/17	Mankone Community Hall	10H00
9	12.10.2017	Draft Annual Report 2016/17	Nobumba Community Hall	13H00
11	13.10.2017	Draft Annual Report 2016/17	Mgababa Community Hall	10H00
10	13.10.2017	Draft Annual Report 2016/17	Lower Gwalana Comm Hall	13H00

## RECOMMENDATIONS PERTAINING TO THE ANNUAL REPORT

- That Council **approves** 2016/2017 Annual Report of the Ngqushwa Local Municipality with no reservations and representations thereof in terms of section 129 of the Municipal Finance Management Act.
- That Council **approves** the 2016/2017 Annual Report with no reservations; in terms of section 129 (1) (a) of the Municipal Finance Management Act.
- That the Annual Report be submitted to Provincial Legislature within seven (7) days after adoption as required by section 132(2) of the Municipal Finance Management Act, 56 of 2003.

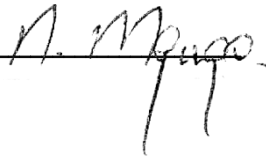
## RECOMMENDATIONS PERTAINING TO THE OVERSIGHT REPORT

Accordingly, the Municipal Public Accounts Committee (MPAC) of Ngqushwa Local Municipality recommends to Council that:

- Council **adopts** 2016/2017 Oversight Report of the Ngqushwa Local Municipality and representations thereof in terms of section 129 of the Municipal Finance Management Act;
- This MPAC Oversight Report be made public within seven (7) days from the date of adoption by Council in accordance with the prescripts of the Municipal Finance Management Act.

Cllr. N. Mquqo  
Chairperson

Signature: \_\_\_\_\_



Date: \_\_\_\_\_



## ANNEXURE F

### AUDIT COMMITTEE ANNUAL REPORT



## NGQUSHWA MUNICIPALITY AUDIT COMMITTEE REPORT TO COUNCIL

### Report of the Audit Committee

We present our report for the financial year ended 30 June 2017.

### Role and Responsibility of the Audit Committee

The function of the Audit Committee (hereinafter referred to as the Committee) is primarily to assist the Ngqushwa Municipality (hereinafter referred to as the Council) in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements.

The Committee operates in terms of section 166 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003 and has endeavoured to comply with its responsibilities arising from those requirements.

The Committee has performed its duties according to its terms of reference in the form of an approved Audit Committee Charter which stipulates amongst other issues the primary purpose of the Committee, which is:

- To monitor the integrity of the Council's financial statements and announcements relating to its financial performance, reviewing significant reporting financial reporting judgements;
- To review the effectiveness of the Council's internal controls and risk management systems;
- To monitor the effectiveness of the internal audit function and review its material findings; and,
- To oversee the relationship with the internal and external auditors, including agreeing to the latter's audit fees and terms of engagement, monitoring their independence, objectivity and effectiveness.

The Committee has no executive function and its primary objective is to review and challenge rather than assume responsibility for any matters within its remit.

### Audit Committee Members and Attendance

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. In terms of the Audit Committee Charter, the committee should consist of a minimum of 3 members. The following Audit/Performance Audit Committee (AC) meetings were held: 14 July 2016; 19 August 2016 (AFS review), the 13 October 2016, 20 January 2017 and 2 May 2017.

Name of Member	Number of Meetings Attended
WA Platjies	5
G Bana	5
N Hlongwane	3

The above Audit Committee' contract ended 30 June 2017.

A new committee was appointed, effective from 1 July 2017. The new Committee met for the first time on the 24 August 2017 to review the draft annual financial statements, draft annual performance report and the draft annual report.

The committee meetings are also attended by the Mayor, the Chair of MPAC, the Municipal Manager, Chief Financial Officer, National Treasury, Internal and External Auditors.

### The Effectiveness of Internal Control

The system of internal control was not entirely effective for the period under review. During the period under review, several deficiencies in the system of internal control and/or deviations were identified by the audit committee, internal auditors and the Auditor General.

### Information and Communications Technology (ICT)

The AC noted the ICT Governance Framework and ICT Governance Charter and Terms of Reference.

The AC tracked the readiness of the municipality in the implementation of MSCOA for implementation 1 July 2017.

The Municipality achieved 90% compliance with mSCOA as confirmed by Provincial Treasury as at 2 May 2017. The AC encouraged that the system is run as live before the 1st of July 2017, to sort out any challenges that might occur.

The ICT activities basically involved the replacement or upgrading of software and hardware, in order for the mSCOA system to operate. The Audit Committee awaits a holistic implementation costing plan, rather than the ad hoc pattern.

## Risk Management

The risk action plans are derived from the risk registers and are mainly constituted by suggested control improvements to address risks that may negatively affect the institution's ability to achieve its objectives. The AC approved the Risk Management Strategy and Plan and reviewed the Fraud Prevention Plan.

At financial year end, the overall implementation status in respect of strategic risks was 76% and 61% for operational risks.

## Performance Management

Although the Auditor General report does not reflect an improvement in performance; performance management execution and reporting has vastly improved in the municipality as compared to previous years. SDBIP targets in terms Specific, Measurable, Attainable, Reliable, and Time Specific (SMARTness) was corrected too late according to the Auditor General.

Performance evaluations were delayed due to various municipal activities taking priority. The MM together with S56 managers - signed their performance agreements and submitted to the office of the MEC for ECCoGTA.

The Performance Management (PMS) Framework was reviewed by the Committee. The cascading of PMS remains a challenge in all local municipalities.

## Compliance with the MFMA, the Annual Division of Revenue Act and any other applicable legislation

The Audit Committee reports that it is not aware of any material occurrence or omission resulting or potentially resulting in non-compliance with the Municipal Finance Management Act; the Annual Division of Revenue Act and any other key legislation applicable to the Local Municipality.

Due to the re-demarcation process, a ward of the municipality has been lost to Buffalo City Metropolitan Municipality the implications of this are as follows:

- Approximately R6 million has been lost in equitable share, and
- The transfer of assets within the ward, to the Metro.

An amount of R2.4 million on MIG was withheld from Treasury due to incorrect documentation being submitted, and the municipality utilised its equitable share to fund this shortfall.

The above scenarios impacted negatively on the cash flow of the municipality.

## Evaluation of the Financial Statements

The Audit Committee has:

- Reviewed and discussed the unaudited annual financial statements to be included in the annual report;
- Reviewed changes in accounting policies and practices;
- Reviewed the municipality's compliance with legal and regulatory provisions;
- Reviewed the information on pre-determined objectives to be included in the annual report, and
- Reviewed significant adjustments used in the compilation of the annual financial statements.

The AC concurs with and accepts the audit opinion of the external auditors on the annual financial statements and is of the opinion that the audited financial statements for the 2016/17 financial year should be accepted, read together with the audit report.

## Internal Audit

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality during the year under review. The in-house unit is augmented with additional resources from our co-sourcing partner (OHS) for a period of two years, ending 31 January 2018.

## Auditor General South Africa

The Audit Committee has met with the Auditor General during the year to ensure that there are no outstanding issues relating to the Municipality.

**Dr. W Plaatjes**  
Chairperson of the Audit Committee  
Date: 17 January 2018



## ANNEXURE G

### KEY PERFORMANCE INDICATORS

## CIRCULAR NO. 1 OF 2014 (MUNICIPAL ANNUAL REPORT)

CONSIDERATION OF KEY PERFORMANCE INDICATORS  
IN THE DEVELOPMENT OF THE ANNUAL REPORT

The following is the list of indicators that were agreed upon and on how the performance information should be populated:-

## Chapter: Organisational Transformation and Institutional Development –KPA 1

## Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	31	21	67.7%	
0 2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	1	1	100%	
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	1	1	100%	
4	Percentage of Managers in Technical Services with a professional qualification	3	3	100%	
5	Level of PMS effectiveness in the DM – (DM to report)	THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM			
6	Level of effectiveness of PMS in the LM – (LM to report)				
7	Adoption and implementation of a HRD including Workplace Skills Plan	Adopted on the 30 <sup>th</sup> April 2016			
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	188	118	62%	
9	Percentage of councillors who attended a skill development training within the current 5 year term	27	27	100%	
10	Percentage of staff complement with disability	3	0	0%	
11	Percentage of female employees	14	11	78.6%	
12	Percentage of employees that are aged 35 or younger				

## Chapter: Basic Service delivery performance highlights (KPA 2)

### Annual performance as per key performance indicators in water services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality
2	Percentage of indigent households with access to free basic potable water	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality
3	Percentage of clinics with access to potable water	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality
4	Percentage of schools with access to potable water	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality
5	Percentage of households in formal settlements using buckets	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality	This function is rendered by District Municipality

### Annual performance as per key performance indicators in Electricity services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	21 384	54	410	356	1.7%
2	Percentage of indigent households with access to basic electricity services	4 090	1 810	No Target set	4 090	44.3%
3	Percentage of indigent households with access to free alternative energy sources	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

## Annual performance as per key performance indicators in sanitation services (DISTRICT FUNCTION)

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to sanitation services					
2	Percentage of indigent households with access to free basic sanitation services					
3	Percentage of clinics with access to sanitation services					
4	Percentage of schools with access to sanitation services					

## Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	18 492	16 346	5314	5314	95%
2	Percentage of road infrastructure requiring upgrade	18 492	18 492	140 km	18 492	100%
3	Percentage of planned new road infrastructure actually constructed	18 492	16 333	5314	5314	95%
4	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	18 492	16 333	5000	5000	95%

## Annual performance as per key performance indicators in waste management services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	15 000	Not collecting in Rural areas.	15 000	15 000	100%
2	Existence of waste management plan	The Municipality has no Waste Management Plan.				

Annual performance as per key performance indicators in housing and town planning services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements	27,9%	5159	Dept. Human Settlement Indicator	Dept. Human Settlement Indicator	Dept. Human Settlement Indicator
2	Percentage of informal settlements that have been provided with basic services	None	None	None	None	None
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	72,1%	13333	Dept. Human Settlement Indicator	Dept. Human Settlement Indicator	Dept. Human Settlement Indicator
4	Existence of an effective indigent policy	The Municipality has Indigent policy				
5	Existence of an approved SDF	The Municipality has SDF that is in place, currently the Municipality is in the process of procuring service provider to review the SDF.				
6	Existence of Land Use Management System (LUMS)	The Municipality is implementing SPLUMA.				

CHAPTER: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

Annual performance as per key performance indicators in LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Existence of LED unit	YES		
2	Percentage of LED Budget spent on LED related activities.	4,250,000 Total budget.		80%
3	Existence of LED strategy	THE MUNICIPALITY HAS AN EXISTING LED STRATEGY THAT IT IS IN A DRAFT STAGE.		
4	Number of LED stakeholder forum meetings held	4	4	100%
5	Plans to stimulate second economy	22	22 Informal traders received capacity building	100%
6	Percentage of SME that have benefited from a SME support program	60	30 Cooperatives 15 Contractors 10 homestays 3 crafters	96%



	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
7	Number of job opportunities created through EPWP	35	28 casual workers for construction of LED infrastructure	89%
8	Number of job opportunities created through PPP			

#### Chapter: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

##### Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	31 517 283	22 388 196	71%
		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	57 867 621(36%)	51 868 474	89.6%
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
3	Trade creditors as a percentage of total actual revenue	17 432 840	17 221 573	12%
		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	The targeted percentage for actual own revenue was 80%	The archived level is 88%	The archived level for 2016/2017 is 88%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	Targeted % for consumer debt reduction was 32%	% archived is 25% for 2016/2017	% archived is 25% for 2016/2017
6	Percentage of MIG budget appropriately spent	R 19 475 000.00	R 19 475 000.00	100%
7	Percentage of MSIG budget appropriately spent	Not Applicable	Not Applicable	Not Applicable
8	AG Audit opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	100%
9	Functionality of the Audit Committee	Effective	Effective	100%
10	Submission of AFS after the end of financial year	31 August 2017	Submitted	100%

Chapter: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	% of ward committees established	100%	100%	100%
2	% of ward committees that are functional	100%	100%	100%
3	Existence of an effective system to monitor CDWs	The performance of CDW's is monitored directly by Department of Cooperative Governance and Traditional Affairs, however, the office of the Speaker gives support to CDW's.		
4	Existence of an IGR strategy	No, We have terms of reference		
5	Effective of IGR structural meetings	Yes ,the IGR meetings are seating on quarterly basis and the IGR meetings are scheduled in the IDP/Budget and PMS Process Plan		
6	Existence of an effective communication strategy	Yes ,the municipality communicates with the public and other stakeholders via the media (radios and newspaper ) to ensure that the public is kept abreast with the municipal programmes		
7	Number of mayoral imbizos conducted	Yes	2 IDP /Budget and PMS Representative Forum 1 Draft IDP/Budget and PMS Roadshows 1 Annual Report Roadshows	90%
8	Existence of a fraud prevention mechanism	The municipality has a fraud prevention plan and the fraud awareness workshop which is part of risk assessment workshop that is conducted on an annual basis.		

