



**NGQUSHWA LOCAL
MUNICIPALITY
DRAFT ANNUAL
REPORT (AUDITED)
2017/2018**

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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 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.

ABBREVIATIONS/CONCEPTS	MEANING
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.
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

ABBREVIATIONS/CONCEPTS	MEANING
	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

1.1 MAYOR'S FOREWORD

As the Mayor of Ngqushwa Municipality, I am delighted and honored to present our annual report for 2017/2018 financial year. It is a lawmaking authorization that as a Local Municipality, we are obligated to prepare an Annual report which its main objective is to reflect on the performance of the Municipality for each financial year. This report is prepared in terms of the provisions of section 121(1) of the Municipal Finance Management Act as well as section 46(1) of the Municipal Systems Act of 2000.

The Mandate given by society to us is to improve the quality of their lives. These ideals are captured in the IDP that was adopted by the current Council. This 2017/18 Annual report of the Ngqushwa Local Municipality, which in many ways reflect our service delivery and developmental achievements and challenges, is presented in recognition of our legislative obligation to be an accountable and transparent organization. This report reflects the key strategic and service delivery related projects and programmes undertaken by the Municipality during the review period. These include the projects undertaken in terms of our Municipal Integrated Development Plan (IDP) adopted by Council.

The highlights and successes detailed in this Annual Report were undertaken in line with the Strategic objectives of the Municipality, which includes the following:

- Ensuring access to basic services for all resident communities in Ngqushwa
- Ensuring sound financial viability and management
- Ensuring a culture of public participation in municipal planning, budgeting and decision-making process.
- We have secured a partnership with Canada Innisfil Municipality
- Enhancing capacity within the youth of Ngqushwa, we have implemented a Learnership for a New Venture Creation worth R 20million for 440 learners
- 100% has been spent on MIG funding

The period was earmarked by several outstanding achievements, such as receiving unqualified audit opinion for the 2016/17 and 2017/18 financial year and we intend to get a clean audit in the future. We will also intend to maintain sustained service delivery and strengthen organisational capacity. An Integrated Development Planning and Budget public participation processes was undertaken, which involves political office bearers to address and interact with public.

Lastly, I would like to express my sincere gratitude to all Councillors, officials, the communities of Ngqushwa and stakeholders for their dedication, support and co-operation which enabled the institution to record all service delivery progress during the year under review

His worship: Mayor
CLLR M. T. Siwisa

1.2 EXECUTIVE SUMMARY BY THE MUNICIPAL MANAGER

The 2017/18 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. With the declining economic condition placing extra burden to the Municipality, it became evident that the 2017/18 financial year was a difficult year.

With this said Ngqushwa Local Municipality remained focused on accomplishing our strategic goals and the creation of an environment conducive for financial stability, the promotion of organisational well-being and ultimately the improvement of effective and efficient service delivery for all communities. The Municipality focuses intensely on ensuring that the vision and mission of the organisation was clearly brought across to the public.

1) Administrative Functionality

The administration has been stronger than ever and with the support and guidance of Council we have made remarkable strides in achieving our vision "To be the preferred, vibrant, socio-economically developed municipal area that embraces a culture of human dignity, good governance and characterised by good quality of service for all. Key Managerial positions were all filled.

2) Performance Management

The performance management policy was reviewed and individual performance workshops were held with the Senior Managers and Middle Manager. The aim of this exercise was not only to prepare them for the coming financial year but also to create a performance culture throughout the entire organisation. For the 2017/18 financial year institutional annual performance is 72% (Audited) and has decreased by 8% compared to the previous financial year. All senior managers are appointed to execute the administrative functions of the municipality.

3) Communication

Municipality has implemented several communication systems to keep the public abreast with the progress and information that affects them. After the implementation and successful execution of a newsletter, a messaging system proceeded and established a social media presence. This platform has ensured that we have interactive, real time communication with our communities.

4) LED

Ngqushwa Local Municipality is one of the Municipalities in Eastern Cape where The Federation of Canadian Municipalities in partnership with the South African Local Government Association (SALGA) are piloting the BIGM program over a period of 52 months. The BIGM program aims to improve the capacity of South African municipalities to support effective service delivery, inclusive local green economic growth and enhanced climate change mitigation and adaptation measures.

The program is piloting local economic development initiatives in six Eastern Cape municipalities to:

- Promote job creation
- Poverty reduction, and
- Enhanced well-being, while empowering women, youth and vulnerable groups, and ensuring their inclusion as decision makers and beneficiaries.

We as organisation are determine to ensure that we meet our strategic objectives of Local Economic Development. We have placed our focus on job creation within the area via EPWP and CWP .We are pleased to have a good relationship with our Local Tourism Organisation, business sectors as well as farming communities and looking forward to the coming financial year to make a new and improved changes in the LED environment.

During 2017/18 financial year the following four properties were handed over to Ngqushwa Local Municipality by Amathole District Municipality through ASPIRE.

1. Emthonjeni Artist Retreat
2. Arts and Craft Centre
3. Environmental Centre
4. Music Academy

The Memorandum of Understanding between Amathole District Municipality, ASPIRE and Ngqushwa Local Municipality was also signed.

5. Good governance

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 by the institution. The Municipality ensure that all reasonable steps to ensure that the Municipality has and maintains effective, efficient and transparent system of financial, risk management and internal control are effectively implemented.

Risk Management Initiatives and actions performed

- An annual risk assessment conducted
- Monthly monitoring on the status of the strategic and operational risk register as well as quarterly reporting.

The Municipal Council adopted **seven** policies during the year under review. The developments and improvements in our financial management led the municipality to receive a better audit outcome in 2017/18 (**Unqualified Audit Opinion**).

6. Public participation

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.

7. Financial Sustainability

The financial viability of Ngqushwa Local Municipality has not improved as several problems stills prevail and our communities still very dependent on Grant funding. 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 **R31 833 000.00** 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 municipality has developed the following strategic document that will respond to the needs of the community of Ngqushwa:

- Financial Recovery Plan

8. Joint projects and functions with Sector Departments

The Municipality share the area and community with other spheres of government and has to work closely with National, Provincial department and District Municipality to ensure effective implementation of various projects and functions.

I commend all my staff, irrespective of rank for their respect, commitment dedication, loyalty and hard work that contributed to a successful year. I also acknowledge the good relationship that prevailed with sector departments and organised labour.

In conclusion, I would like to thank the **Mayor Cllr T.M Siwisa, Executive Committee, Councillors, Senior Managers** 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.

Mrs.M.P.Mpahlwa
Municipal Manager

1.3 2017/18 MUNICIPAL PROGRAMMES

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 2017	Done
Women's Month Celebrations	Women's month Rugby Tournament	Women's Caucus, SPU, Manager Mayor and Speakers Office and Communications	August 2017	Done
Heritage and Tourism Month	Tyata Hiking Trail	Manager : Tourism and Communications	September 2017	Done
Agricultural Show	Exhibition and Competition of Farmers Products	Agriculture and Department of Rural Development and Agrarian Reform	September 2017	Done
16 Days of Activism	Launch of 16 days of Activism	Manager: SPU and Communications	November 2017	Done
Initiation Awareness Programme	Customary male initiation	Department of Health Department of Social Development Department of Education Department of Cooperative Governance and Traditional Affairs	November 2017	Done
World Aids Day	World Aids Programme	Manager : SPU and Communications	December 2017	Done
Disability Programme	Disability Awareness Day	Manager : SPU and Communications	December 2017	Done
16 Days of Activism	Closing of 16 Days of Activism	Manager : SPU and Communications	December 2017	Done
Christmas Party	Christmas Party for Vulnerable	Manager : SPU and Communications	December 2017	Done
Christmas Lights	Switch on of Christmas Lights at Peddie Town and Hamburg	Manager : Tourism and Communications	December 2017	Done
Technical Strategic Planning Session	Senior Management :Technical Strategic Planning Session	Strategic Manager :Planning and Development	January 2018	Done

Institutional Strategic Planning Session	Council ,Senior Management and Line Managers Strategic Planning Session	Strategic Manager :Planning and Development	February 2018	Done
State of the Nation address	State of the Nation Address by the President	Manager: Communications GCIS	February 2018	Done
State of the Province Address	State of the Province Address by the Premier	Office of the Premier Manager : Communications	March 2018	Done
Service Delivery Day	Handover of Sharing Shed at Qhugqwala	Department of Agriculture Department of Rural Development and Agrarian Reform Manager : Communications	April 2018	Done
Heritage Programme	Isikhumbuzo soMqwashu	Tourism Unit Manager :Communications	May 2018	Done
Service Delivery Day	Handover of Gcinisa Community Hall	Technical Services Unit Manager :Communications	May 2018	Done
Service Delivery Day	Handover of Soccer Kit at Sotinini Secondary School	Nedbank Manager : Office of The Mayor Manager :Communications	May 2018	Done
State of the District Address	State of the District Address by the Executive Mayor	Amathole District Municipality Ngqushwa Local Municipality	May 2018	Done
Service Delivery Day	Imbizo on Brutal Killing of Women and Children by SAPS	SAPS Department of Social Development Department of Justice and Constitutional Development Ngqushwa Local Municipality	June 2018	Done
Service Delivery Day	Operation Cokisa	Amathole District Municipality Ngqushwa Local Municipality	June 2018	Done

		Department of Health TB-HIV/AIDS NGO		
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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

Nggushwa 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

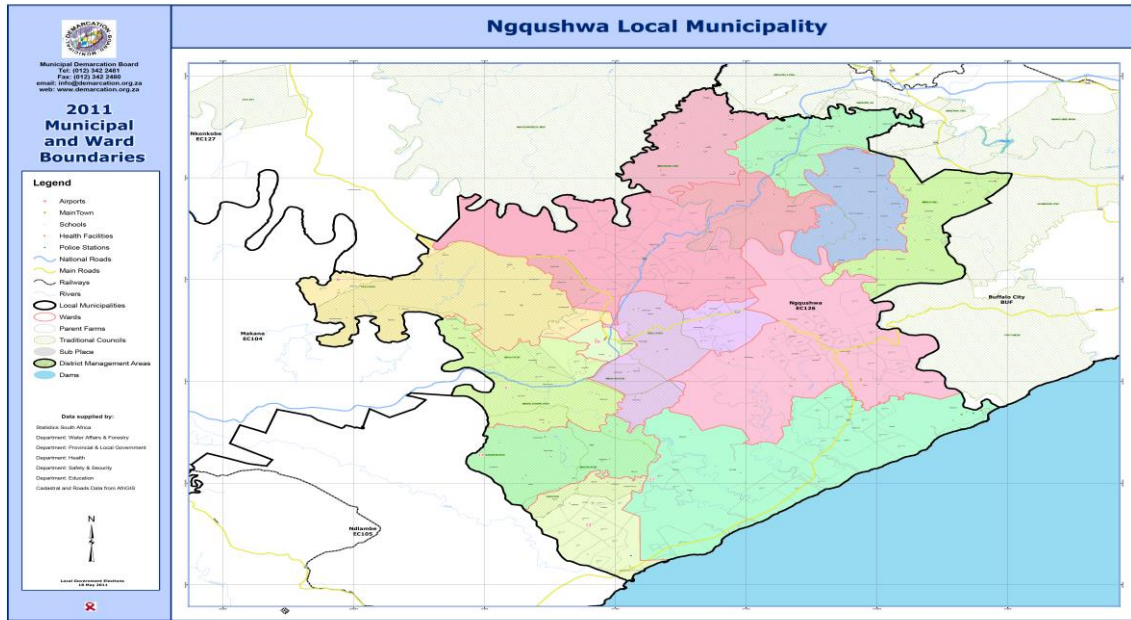
Ngqushwa Local Municipality falls within the jurisdiction of the Amathole District Municipality which is situated in the Eastern Cape Province. Amathole District Municipality covers an area of 23 573km² and the Ngqushwa Municipality area covers 2245 square kilometres which accounts for 10% of the district. 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.

The administrative seat of the Municipality finds itself in Peddie and the municipal area is divided into 13 wards which consists of 108 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, Gobozana, 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, 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, Celetyuma, Mahlubini/Nyaniso
7	Ndlambe, Ndwayana, Glenmore, Qamnyana, Gwabeni, Mankone, Horton, Maqosha, Luxolo & Rura
8	Peddie Town, Peddie Extension, Power, Luxolweni, German village, Durban Location
9	Runletts, Woodlands, Pikoli, Nobumba, Ntloko, Mgwalana, Lewis & Paradise
10	Mtati, Ngqowa, Upper Gwalana, Mabaleni, Ntshamanzi, Newtondale, Maxhegweni, Upper Qeto, Lower Qeto, Lower Mgwalana, eSigingqini
11	Mpheko, Mgababa, Prudhoe, Mkhanyeni
12	Hamburg, Benton, Gcinisa-South, Wesley, Bhingqala/Soweto, Mqheleni, Tarfield/Nier, Qobo-qobo/Nuloets, Daninge

Below is the map of Ngqushwa Local Municipality

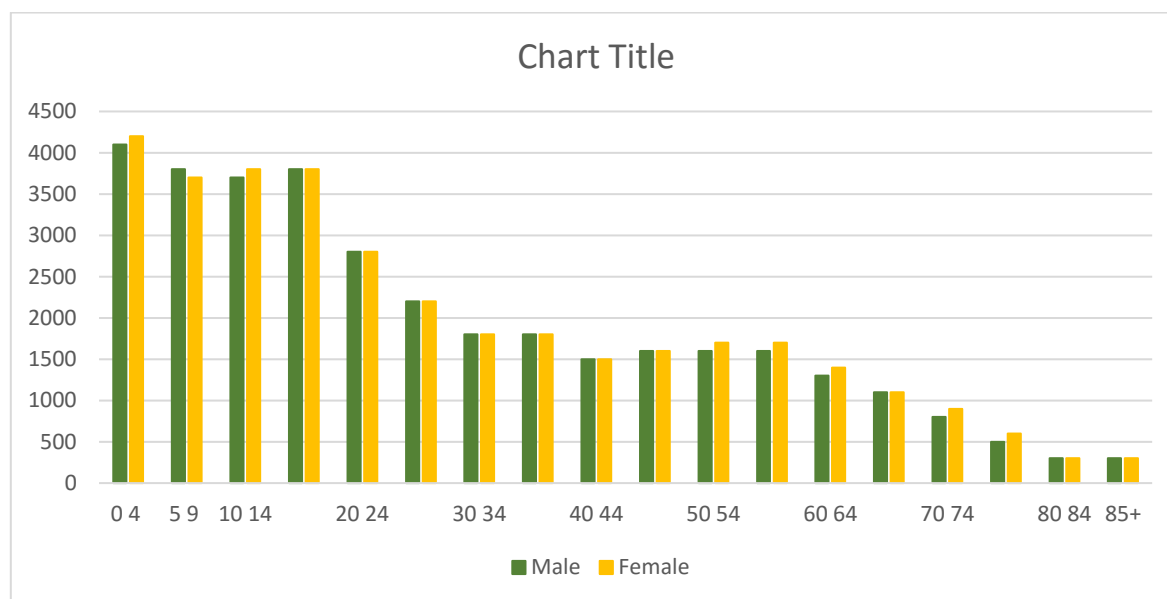


DEMOGRAPHIC PROFILE:

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
GRAND TOTAL	31 121 47% MALES	35 106 53% FEMALES	66 227 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

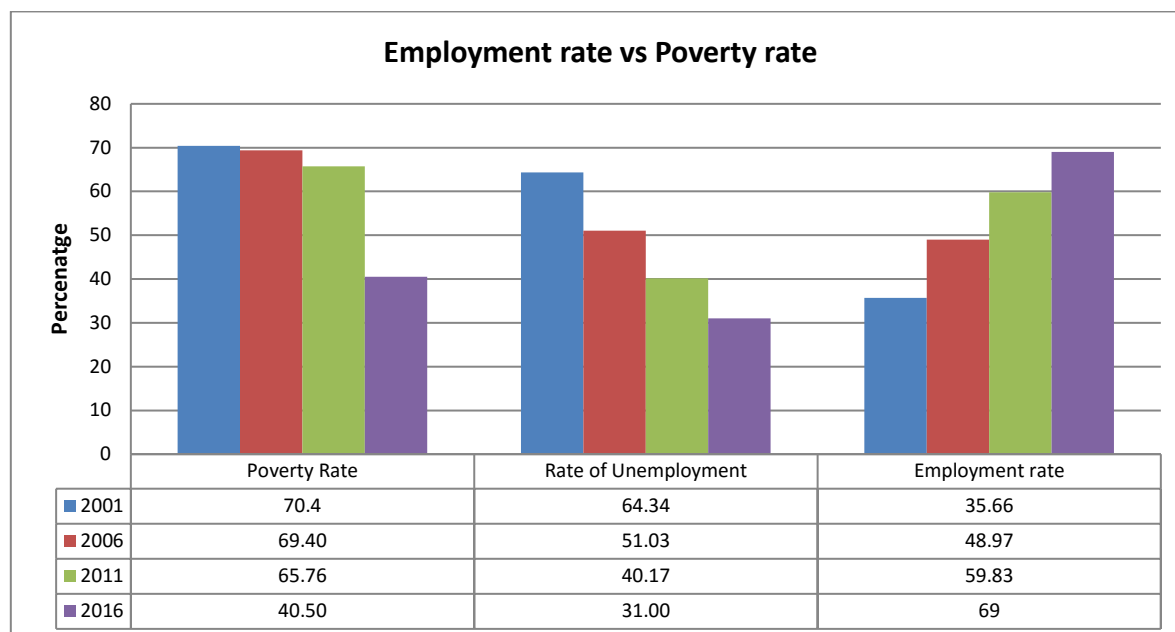
HOUSEHOLDS

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
Population	66 227	72 190
Age Structure		
Population under 15	31.1%	29.9%
Population 15 to 64	60.8%	58.3%
Population over 65	8.1%	11.8%
Dependency Ratio		
Per 100 (15-64)	64.6	71.5
Sex Ratio		
Males per 100 females	88.9	88.7
Population Growth		
Per annum	-0.55%	n/a
Education (aged 20 +)		
No schooling	7.8%	14.1%
Matric	21.4%	14.5%
Higher education	5.3%	3.7%
Household Dynamics		
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%
Household Services		
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:

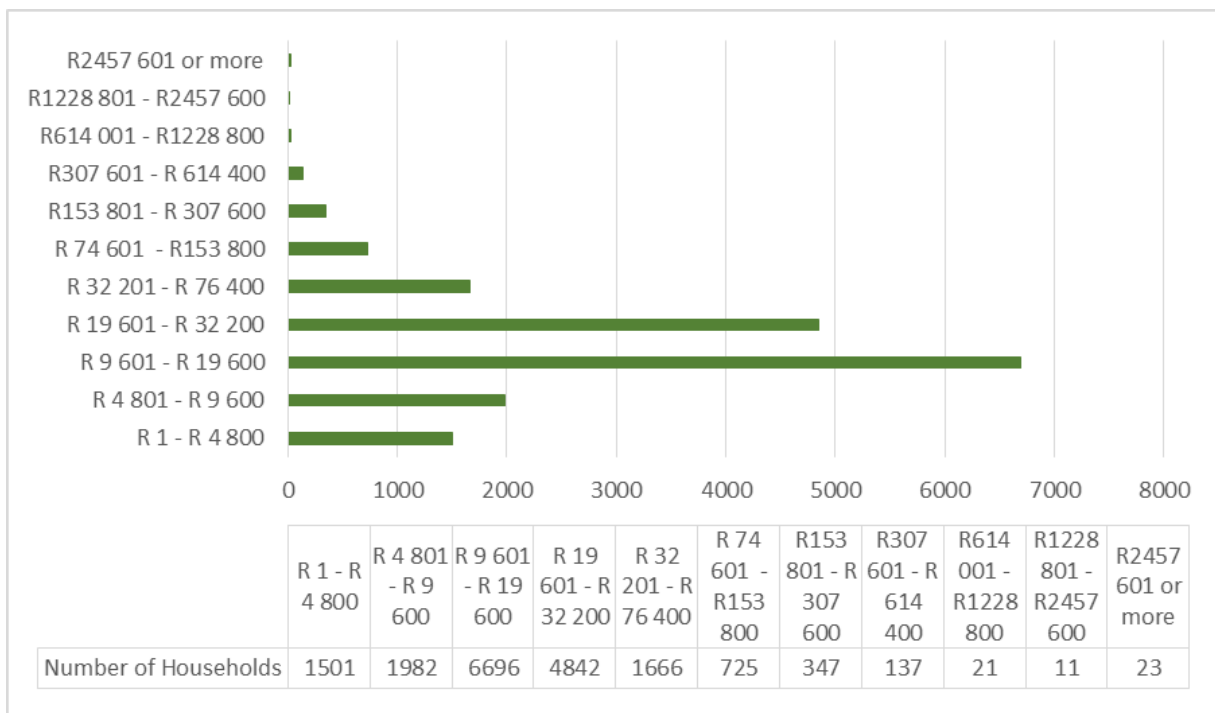
Figure 4: Employment rate vs. poverty



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.

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	94%
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

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 six (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 Councillors and 10 Proportional Representatives including the Mayor and the Representative of the opposition party. Refer to **Appendix A** for a full list of Councillors, 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, Councillors are also actively involved in community work and the various special programmes in the municipal area.

POLITICAL STRUCTURE	FUNCTION
MAYOR: Cllr. T.M Siwisa	FUNCTION: The Mayor of a municipality: <ul style="list-style-type: none">• Presides at meetings of the executive committee; and• Performs the duties, including any ceremonial functions, and exercises the powers delegated to the Mayor by Municipal Council or the Executive Committee.
SPEAKER: Cllr. N .Magingxa	FUNCTION: The Speaker of a municipal council: <ul style="list-style-type: none">• Presides at meetings of the council;• 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);• Must ensure that the council meets at least quarterly;• Must maintain order during the meetings;• 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• Must ensure that the council meetings are conducted in accordance with the rules and orders of the council.
CHIEF WHIP: Cllr. F.Phumaphi	
EXECUTIVE COMMITTEE: Cllr. F.Phumaphi (BTO) Cllr. L. Kolisi (Infrastructure Development) Cllr. Z.R Nduneni(Community Services) Cllr. S. Maneli (Corporate Services)	
MPAC CHAIRPERSON: 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 / Community Service 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
7	M .Luzipho	7404035401083	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 / Community Services Standing Committee

Below is a table of PR Councillors:

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: Community Services
6	Nondyebo Jako	6311110973083	ANC	PR Councillor / Corporate Services Standing Committee
7	Nolusindiso Caroline Gxasheka	840514 0557 08 6	ANC	PR Councillor / Community Services Standing Committee
8	Siphosenkosi Gwavu	9112236152082	EFF	PR Councillor /Corporate Services Standing Committee
9	Nomaledi V. Gxasheka	6411270818084	EFF	PR Councillor /Infrastructure Development Standing Committee
10	Robyn Taylor	5810280111086	DA	PR Councillor / Community Services 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/Community Services 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 – 26 July 2017 to 28 June 2018

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	8	7	1	0
Councillor SS Gwavu	4	3	0	1	8	8	0	0
Councillor NV Gxasheka	4	3	0	1	8	7	1	0
Councilor NC Gxasheka	4	3	1	0	8	8	0	0
Councillor NM Jako	4	4	0	0	8	8	0	0
Councillor L. Kolisi	4	4	0	0	8	8	0	0
Councillor N. Lawu	4	2	2	0	8	8	0	0
Councilor N. Leve	4	4	0	0	8	8	0	0
Councillor ML Luzipho (sworn in on 29/08/2017)	4	3	0	0	8	8	0	0
Councillor NE Magingxa	4	4	0	0	8	8	0	0
Councillor SS Maneli	4	3	1	0	8	6	1	1
Councillor LH Moyeni	4	4	0	0	8	8	0	0
Councillor NP Mpoli	4	4	0	0	8	7	1	0
Councillor N. Mqugo	4	4	0	0	8	5	3	0
Councillor N. Mtati	4	3	1	0	8	7	1	0
Councillor D. Ncanywa	4	4	0	0	8	7	1	0
Councillor ZR Nduneni	4	4	0	0	8	8	0	0
Councillor F. Phumaphi	4	4	0	0	8	7	1	0
Councilor TT Sikweyiya	4	3	1	0	8	7	1	0
Councillor P. Sitole	4	4	0	0	8	8	0	0

Councillor MT Siwisa	4	4	0	0	8	8	0	0
Councillor R. Taylor	4	4	0	0	8	8	0	0

TRADITIONAL LEADERS ATTENDANCE AT COUNCIL MEETINGS

Council Meetings – 26 July 2017 to 28 June 2018

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	8	7	1	0
Princess N. Ngqondi	4	4	0	0	8	8	0	0
Chief ZP Njokweni	4	4	0	0	8	7	1	0
Prince GL Zitshu	4	4	0	0	8	8	0	0
Prince N. Mhlauli	4	4	0	0	8	7	0	1

COUNCILLOR S ATTENDANCE AT EXECUTIVE COMMITTEE MEETINGS

EXECUTIVE COMMITTEE MEETINGS – 19 July 2017 to 26 June 2018

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	4	4	0	0	7	7	0	0
Councillor SS Maneli	4	4	0	0	7	6	1	0
Councillor MT Siwisa	4	3	1	0	7	7	0	0
Councillor ZR Nduneni	4	4	0	0	7	7	0	0
Councillor F. Phumaphi	4	4	0	0	7	6	0	1

COUNCILLOR S ATTENDANCE AT CORPORATE SERVICES STANDING COMMITTEE MEETINGS

Corporate Services Standing Committee Meetings –11 July 2017 to 30 April 2018

Name of Councillor	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor S. Gwavu	4	4	0	0
Councillor N. Lawu	4	3	1	0
Councillor N. Jako	4	4	0	0
Councillor SS Maneli	4	3	1	0
Councilor LH Moyeni	4	4	0	0

Name of Traditional Leader	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Prince N. Mhlauli	4	4	0	0

COUNCILLOR S ATTENDANCE AT PLANNING & DEVELOPMENT STANDING COMMITTEE MEETINGS

Council Meetings – 11 July 2017 to 30 April 2018

Name of Councillor	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor NC Gxasheka	5	5	0	0
Councillor NP Mpoli	5	4	1	0
Councillor D. Ncanywa	5	4	1	0
Councillor ZR Nduneni	5	4	1	0
Councillor R. Taylor	5	5	0	0

Name of Traditional Leader	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Prince A. Goni	5	3	0	2

COUNCILLOR S ATTENDANCE AT BUDGET AND TREASURY STANDING COMMITTEE MEETINGS

Council Meetings – 13 July 2017 to 30 April 2018

Name of Councillor	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor N. Leve	4	4	0	0
Councillor M. Luzipho (sworn in on 29/08/2017)	4	3	0	0
Councillor N. Mtati	4	3	1	0
Councillor F. Phumaphi	4	4	0	0
Councillor P. Sitole	4	4	0	0

Name of Traditional Leader	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Chief ZP Njokweni	4	3	0	1

COUNCILLOR S ATTENDANCE AT INFRASTRUCTURE DEVELOPMENT STANDING COMMITTEE MEETINGS

Council Meetings – 11 July 2017 to 30 April 2018

Name of Councillor	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Councillor L. Kolisi	4	4	0	0
Councillor N. Fulani	4	2	2	0
Councillor NV Gxasheka	4	3	1	0
Councillor TT Sikweyiya	4	3	1	0

Name of Traditional Leader	Ordinary Standing Committees			
	No. of Meetings	Present	Absent With Apology	Absent Without Apology
Prince GL Zitshu	4	3	1	0
Princess N. Ngqondi	4	4	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	Performance Agreement Signed Yes/No
Ms .M.P Mpahlwa	Municipal Manager	27 September 2017-current	MA in Public Administration	Yes
Mr .M Mxekeko	Director: Corporate Services	01 December 2017-current	Bsoc Honours in Industrial Psychology	Yes
Mr. V.C Makedama	Chief Financial Officer	01 November 2014-Current	BCompt	Yes
Mr. Z Msipha	Director : Technical Services	02 May 2018-current	BTech : Civil Engineering	Yes
Ms. N Makwabe	Director : Community Services	01 June 2018 – current	Bed Honours in Education	Yes

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 envisage 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 1st, 2nd, 3rd and 4th quarter of the financial year.

QUARTER	DATE	IN ATTENDANCE
1 ST	30 August 2017	Government Departments and State Owned Enterprises
2 ND	29 November 2017	Government Departments and State Owned Enterprises
3 RD	22 March 2018	Government Departments and State Owned Enterprises
4 TH	14 June 2018	Government Departments and State Owned Enterprises

The Local Communicators Forum (LCF) was established but due to non-availability of communicators in government local offices the meeting are not attended and it becomes unproductive to plan programmes together and discuss challenges experienced in wards.

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, Provincial Legal Advisor's Forum, Provincial Round Table on Public Participation, 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

Ngqushwa Municipality attends the District IGR and District Mayors Forum (DIMAFO), Speakers Forum, District Municipal Manager's Forum, District Strategic Manager's Forum, District Internal Audit Forum District Engineering Forum, District Communicators Forum (DCF), District Legal Advisor's Forum, District Wide Planning and Economic Development Forum, District Agricultural

Forum, District Corporate Services District Forum (CSDF), District Skills Development Facilitators Forum, District Tourism Forum, District Aids Council, District Finance Forum and District IDP/Budget and PMS Representative Forum and District Initiation Forum.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the Municipal System Act (MSA) refer specifically to the development of a culture of community participation within Municipality. It states that a Municipality must develop a culture of Municipal governance that complement formal representative government with a system of participatory governance. For this purpose it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of

- The preparation, implementation, review of the IDP
- Establishment, implementation, review of the IDP
- Monitoring and review of the performance, including the outcomes and impact of such performance
- Preparation of the Municipal budget.

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
Communication strategy	Yes
Communication policy	Yes
Customer satisfaction survey	No
Functional Complaint management system	Yes

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

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

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

Public meetings						
Nature and purpose of the meeting	Date of events	Number of Participating Municipal Councillor s	Number of Participating Municipal Administrators	Number of Community members attending	Issues Addressed (Yes/No)	Date and Manner of feedback given to community
MPAC Roadshows	03-10 October 2017	27	10	3000	Yes	Feedback was tabled during IDP and Budget Roads shows
IDP /Budget and PMS Roadshows	16-23 April 2018	27	10	3000	Yes	Next IDP /Budget Roadshows
IDP/Budget and PMS Representative Forum	Q1-08 September 2017 Q2-04 December 2017	27	10	2000	Yes	Next IDP/Budget and PMS Representative Forum
IGR Forum	Q1-30 August 2017 Q2-29 November 2017 Q3-31 March 2018 Q4-14 June 2018	27	10	120	Yes	Next IGR meeting and through bilateral between departments

WARD COMMITTEES

The Ward Committees support the Ward Councillor who receives report on development, participate in development planning processes and facilitate wider community participation. To this end, the Municipality constantly strives to ensure that all Ward Committees function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities.

WARD COMMITTEES MEETINGS

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2017/2018
Nokrimesi Mateta	Ngqwele	1	0631116440	22 AUGUST 2017 17 NOVEMBER 2017 23 FEBRUARY 2018 18 JUNE 2018
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 2017/2018
Vuyiswa Zaza	Lower Mthombe	2	0731278316	23 AUGUST 2017 21 NOVEMBER 2017 27 FEBRUARY 2018 19 JUNE 2018
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 2017/2018
Ntombizandile Gladys Stiti	Nqwenerana	3	0739680043	22 AUGUST 2017 17 NOVEMBER 2017 23 FEBRUARY 2018 18 JUNE 2018
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 2017/2018
Khutazwa Tshetu	Upper Dube	4	0731046995	23 AUGUST 2017 21 NOVEMBER 2017 26 FEBRUARY 2018 19 JUNE 2018
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 2017/2018
Phakama Sylvia Kosani	Leqeni	5	0781614982	24 AUGUST 2017 22 NOVEMBER 2017 28 FEBRUARY 2018 20 JUNE 2018
Mongezi Ernest Mavata	Tuku A	5	0762813005	
Phindiswa Patricia Mali	Crossroads	5	0783547971	
Olwethu Mrwebo	Tuku C	5	0738532785	
Siyathemba Mpupu	Loverstwit	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 2017/2018
Nobuzwe Magazi	Dam-dam	6	0733959105	30 AUGUST 2017 30 NOVEMBER 2017 1 MARCH 2018 25 JUNE 2018
Xolani Wilberforce Sicwebu	Nyaniso	6	0834156748	
Nombulelo Fowl	Celetyuma	6	0603288429	
Miriam 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 2017/2018
Yolanda Mame	Ndlambe	7		31 AUGUST 2017 30 NOVEMBER 2017 6 MARCH 2018 26 JUNE 2018
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 2017/2018
Nokuzola Joyce Mzileni-Khechane	New Creation	8	0725771940	30 AUGUST 2017 14 NOVEMBER 2017 27 FEBRUARY 2018 25 JUNE 2018
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 2017/2018
Nolubabalo Diana Ketile	Lewis	9	0730552050	31 AUGUST 2017 30 NOVEMBER 2017 2 MARCH 2018 26 JUNE 2018
Andile Gilman Pantsi	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 Mgqwetha	Nobumba	9	0731658655	
NT Mkhutshulwa	Ntloko	9	0631978798	

Name	VILLAGE	WARD	CONTACT NUMBER	Dates of meetings held in 2017/2018
Thembakazi Mavavana	Mabaleni	10	0733348973	29 AUGUST 2017 23 NOVEMBER 2017 7 MARCH 2018 21 JUNE 2018
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 2017/2018
Veronica Kekana	Mgababa	11	0734545598	29 AUGUST 2017 23 NOVEMBER 2017 7 MARCH 2018 21 JUNE 2018
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 2017/2018
Siyabulela Mshweshwe	Wesley	12	0718179532	24 AUGUST 2017 22 NOVEMBER 2017 28 FEBRUARY 2018 20 JUNE 2018
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

COMPONENT D: CORPORATE GOVERNANCE

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 Municipal Finance Management Act (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
Fraud Prevention Plan	Yes	Reviewed in 2017/18

The Municipal Public Accounts Committee (MPAC)

The Municipal Public Accounts Committee (MPAC) is established in terms of Section 79 of the Municipal Structures Act as a Committee of Council, and reporting and accountable directly to Council. Council has adopted the Terms of Reference (TOR) that are reviewed annually which clearly stipulates the purpose, roles and functions of MPAC.

MPAC's primary role is to provide oversight over the executive functionaries of Council and to promote good governance in the Municipality.

Roles of MPAC

- To promote good governance, transparency, accountability and value for money on the use of municipal resources;
- It considers and evaluates the content of the annual report and makes recommendations to Council when adopting an oversight report on the annual report
- Consultation on the Annual Report with local community
- Review financial statements, audit reports, performance reports
- Review in year reports, section 71 & 72 reports
- Budget compliance and alignment of budget, IDP and SDBIP
- Process investigation reports and advise Council in respect of unauthorized, irregular or fruitless and wasteful expenditure, and recommend write-offs or recovery.

Oversight in the Municipality enables the Council to:

- Gain trust of the voters on good governance related to public resources;
- To improve service delivery and performance
- To hold the executive and administration accountable for their stewardship on policy implementation and use of municipal funds;
- To enable Councillors to evaluate the performance of the municipality against the set and agreed targets;
- To report on performance of the municipality to their constitutions; and
- To enhance the integrity of the municipality and thereby installing confidence by the local communities.
- Monitor implementation of recommendations by the AG Audit Committee and Internal Audit.

Membership of the Municipal Public Accounts Committee and Attendance

The Committee comprises of five councillors and a representative of the local traditional leadership in council. The Committee's administrative function is fully supported by officials in the Office of the Speaker, i.e. the Manager: OTS and Practitioner: MPAC/ Public Participation.

Member	Portfolio	Number of ordinary meetings attended	Number of special meetings attended
Cllr. N. Mqugo	Chairperson	4	4
Cllr. L. Moyeni	Member	5	4
Cllr. N. Mtati	Member	5	3
Cllr. V.G. Gxasheka	Member	3	3
Cllr. R Taylor	Member	4	4
Prince N. Mhlauli	Member	4	3

The following officials will be invited to MPAC meetings:

- I. Manager: Internal Audit (Standing Invitation)
- II. Auditor General (Standing Invitation)
- III. Representatives of Provincial Treasury (Standing Invitation)
- IV. Representatives of the Department of Cooperative Governance and Traditional Affairs (Cogta) (Standing Invitation)
- V. Representatives of South African Local Government Association (Standing Invitation)
- VI. Representative of communities (Only on Public Hearings)

Reporting by MPAC

The Committee has no executive powers; however, the findings and recommendations of the Committee carry considerable weight for good governance. The Committee submits reports to Council on its recommendations as soon as possible after adoption. These recommendations are submitted to Council for consideration and approval.

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

The Audit Committee assessment report for 2017/2018 financial year in accordance with Section 121(3) (j) of the Municipal Finance Management Act (MFMA) No. 56 of 2003 and King IV on corporate governance. The audit committee (the committee) was established in 2009/2010 financial year. The municipality has appointed a new Audit Committee serving for a 3 year term, commencing from 01 July 2017 to 30 June 2020.

The Audit 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.

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

- Approval of the Risk Based Internal Audit Plan ;
- Reviewed the Annual Financial Statement for 2017/2018 financial year;
- Reviewed the municipalities financial and performance reports;
- Reviewed the risk management framework of the municipality;
- Reviewed the Performance Management policy 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.

MEMBERS 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 2017/2018 financial year. Details of the Committee members are as follows:

MEMBER	CAPACITY	EXPERTISE	NUMBER OF MEETINGS ATTENDED
Prof. W Plaatjes	Chairperson	Finance, auditing, risk management and performance management	6
Ms.V Hlehliso	Member	Finance, auditing, and risk management	6
Mr.C Sparg	Member	Finance ,auditing and risk management	6
Mr.P H Songo	Member	Litigation & Legal matters ,auditing and performance management	4

The permanent invitees to the Committee meetings include: the Mayor, Portfolio Head BTO, Municipal Manager, Chief Financial Officer, MPAC Chair, Senior Managers and representatives from Internal Audit.

INTERNAL AUDITING

Ngqushwa Local Municipality has an in house Internal Audit function that consists of Internal Audit Manager, Internal Audit Practitioner and Risk Practitioner.

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 2017/18 Financial Year

Internal Audit Project	Source	Status
Performance Management System – 2017/18 Quarter 1-4 Review	Internal Audit Plan	Completed
Audit readiness review	Internal Audit Plan	Completed

Internal Audit Project	Source	Status
Review of 2017/18 Annual Financial Statements	Internal Audit Plan	Completed
Review of 2017/18 Annual Performance Report	Internal Audit Plan	Completed
Internal Audit Follow up	Internal Audit Plan	Completed
Technical assistance (Internal Projects)	Internal Audit Plan	Completed
Infrastructure and planning (maintenance plan and consulting activities)	Internal Audit Plan	Completed
Risk Action Plan Update	Internal Audit Plan	Completed
Implementation Status of the Audit Action Plan	Internal Audit Plan	Completed
Audit controller	Internal Audit Plan	In Progress
Investigation on 2015/16 Fruitless and Wasteful Expenditure	MPAC Request	Complete
Licensing Management	Internal Audit Plan	Completed
Refuse Collection Management	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
Fleet Management Review	Internal Audit Plan	Completed
Mid-Year Performance Review	Internal Audit Plan	Completed
EPWP Grand Review	Internal Audit Plan	Completed
Bi-Annual Financial Statements Review	Internal Audit Plan	Completed

COMMUNICATION

Local Government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of Republic of South Africa Act, 1996 and other statutory enactment all impose an obligation on local government communication and required high levels of transparency, accountability, openness, participatory, democracy and direct communication with the communities to improve the lives of all.

WEBSITES:

Municipalities are required to develop and maintained a functional website that displays relevant information as per the requirement of Section 75 of the MFMA and Section 21 (b) of the MSA as

amended. The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The Municipal website is a key communication mechanism in terms of service offering, information shearing and public participation. It is a communication tools that should allow easily and convenient access to relevant information. The Municipal website should serve as an integral part of the municipality's communication strategy. 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.

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 2016/17	Yes
The annual report for 2017/18 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 2017/18	Yes
IDP and Budget 2018/19	Yes
IDP 2017/2022	Yes
Service Delivery and Budget Implementation Plan 2017/18	Yes
All service delivery agreements for 2017/18	No
All supply chain management contracts above a prescribed value for 2017/18	No
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2016/17	No
Contracts agreed in Year 1 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
All quarterly reports tabled in the council in terms of section 52 (d) during 2017/18	Yes
Public private partnership agreements referred to in section 120 made in year 0	No
Public private partnership agreements referred to in section 120 made in year 0	No

2.6 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.

Job Grades	2017/2018			
	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	%
0 - 3	N/A	N/A	N/A	N/A
4 – 7	1	1	N/A	100%

8 – 13	2	1	1	50 %
14 - 18	1	1	N/A	100%

Capital Expenditure 2017/2018: ICT Services					
R' 000					
Capital Projects	2017/2018				
	Budget	Adjustment	Actual Expenditure	Variance from original budget	Total Project Value
		Budget			
Computer Costs	R61456	R61456	R184 020.35	R-122564	R184 020.35
IT infrastructure and security	R510956	R510956	R211 413.83	R299543.83	R211 413.83
Software	R302956	R302956	R92 459.85	R210497	R92 459.85

By – laws and Policies

Below is a list of all available by-laws and policies developed , reviewed during the financial year

HR Policies and Plans			
	Name of Policy	Completed %	Date adopted by council or comment on failure to adopt
1	Secondment Policy	100%	25 April 2018
2	Travelling Policy	100%	25 April 2018
3	Cellphone Allowance Policy	100%	25 April 2018
4	Recruitment, Selection and Appointment Policy	100%	25 April 2018
5	Relocation Policy	100%	25 April 2018
6	Training and Development Policy	100%	25 April 2018
7	Human Resources Plan	100%	28 June 2018

Municipal by Laws

1. By-law relating to Community Services
2. By-law relating to Standing Orders for Council
3. By-law relating to Solid Waste Disposal
4. By-law relating to Credit Control
5. By-law relating to Street Trading
6. By-law relating to Advertising Signs
7. By-law relating to Prevention of Nuisance
8. By-law relating to Public Open Spaces
9. By –law relating to Keeping of Dogs and Other animals
10. By-law relating to Ward Committee
11. By-law relating to Cemeteries and Crematoria
12. By-law relating to Unsightly and Neglected Buildings
13. By-law relating to Liquor Trading
14. By-law relating to Buildings
15. By –law relating to Delegation of Power

SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Policy of the Municipality is deemed to be fair, equitable, transparent, competitive and cost effective as required by Section 217 of the Constitution. SCM Policy complies duly with the requirement of Section 112 of the MFMA as well as the Supply Chain Management Regulations. The Policy was drafted based on the SCN Model Policy issued by National Treasury and amended to suit the local circumstances within the ambit of the regulatory framework and sometimes even stricter than the legal requirement.

COMPETITIVE BIDS

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 2017/18 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.

LIST OF AWARDED TENDERS 2017-18 (JULY-SEPTEMBER)					
Bid number	Title of Bid	Service Provider	Directorate /Section	Award date	Value of Bid awarded (R)
8/2/566/2017-2018	Supply and Delivery of Refuse Bags for a Period of 12 months	Andile S.G Trading	Community Services	13 July 2017	R240.00 per bale of 200
8/2/567/2017-2018	Supply and Delivery of Tar Fix for a Period of 12 months	Ingcinga Zethu Enterprise	Technical Services	13 July 2017	R175.00 per bag
8/2/567/2017-2018	Supply and Delivery of Concrete Pipes and Rubber Joints	Misheki Tradings		13 July 2017	R 180,000.00
8/2/558/2017-2018	Supply and Delivery of Library Stationery	Ngcalentle Trading	Community Services	17 July 2017	R 94,800.00

8/2/569/2017-2018	Supply and Delivery of Stationery	Maxa Trading	Corporate Services	19 July 2017	R 110,000.00
8/2/570/2017-2018	Supply and Delivery of Cleaning Material	Luthoz and Sino Trading	Corporate Services	19 July 2017	R 84,400.00
8/2/572/2017-2018	Hiring of Excavator for 30 Days	I & U Group (Pty) Ltd		31 August 2017	R 189,000.00
8/2/573/2017-2018	Supply and Delivery of ICT Equipment	Ivance Enterprise	Good Governance	31 August 2017	R 149,000.00
8/2/555/2016-2017	Construction of Mdolomba Community Hall	Mgunculu Trading JV Andile SG Trading	Technical Services	21 August 2017	R1 431,251.65
8/2/556/2016-2017	Construction of Gcinisa Community Hall	Iphupha Investments JV Fez Building Construction CC	Technical Services	21 August 2017	R 1 274,755.96
8/2/560/2016-2017	Provision of Professional Services:Regravelling of Newtondale Internal Streets	Sokhani Engineers	Technical Services	08 September 2017	R 264,404.48
8/2/561/2016-2017	Provision of Professional Services:Regravelling of Qamnyana Internal Streets	Gilgal Development Consulting Engineers	Technical Services	08 September 2017	R 197,006.82
8/2/562/2016-2017	Provision of Professional Services:Regravelling of Mgababa Internal Streets	Sokhani Engineers	Technical Services	08 September 2017	R 264,404.48
8/2/563/2016-2017	Provision of Professional Services:Regravelling of Crossroads Internal Streets	Gilgal Development Consulting Engineers	Technical Services	08 September 2017	R 225,506.82
8/2/564/2016-2017	Provision of Professional Services:Regravelling of Cisira Internal Streets	Gilgal Development Consulting Engineers	Technical Services	08 September 2017	R 197,006.82

LIST OF AWARDED TENDERS 2017-18(OCTOBER-DECEMBER)					
Bid number	Title of BID	Service Provider	Directorate /Section	Award date	Value of Bid awarded (R
8/2/576/2017-2018	Training of 20 Lifeguards for Hamburg and Birha Beaches	Mzantsi Facilitators	Community Services	13 October 2017	R 188,850.00
8/2/579/2017-2018	Supply and Delivery of 7 Grader Tyres	N2L Pro Services	Technical Services	13 October 2017	R 196,452.60
8/2/580/2017-2018	Supply and Delivery of ICT Consumables	Bhossa Trading	Good Governance	19 October 2017	R 56,780.00
8/2/589/2017-2018	Services to Develop Safety and Security Assessment Plan for NLM	Sibu's Security & Cleaning Services (Pty) Ltd	Community Services	31 October 2017	R 188,736.21
8/2/584/2017-2018	Construction of Newtondale Internal Streets	PMB Projects 06 CC	Technical Services	21 November 2017	R 2 075,940.57
8/2/585/2017-2018	Construction of Cisira Internal Streets	Dintwa Trading	Technical Services	21 November 2017	R 2 148,665.57
8/2/586/2017-2018	Construction of Qamnyana Internal Streets	Inathi Olo Investment JV Kajuno Civil Construction	Technical Services	21 November 2017	R 2 181,143.48

8/2/583/2017-2018	Electrification of 211 Ngqushwa Villages Extensions	AM Engineering Consulting	Technical Services	21 November 2017	R 2 994,304.94
8/2/593/2017-2018	Design,Supply,Erection,Maintenance and New Decorative Festive Lighting (Xmas Lights)	Mantella Trading 522 cc T/A Designer Lighting	Community Services	05 December 2017	R 198,000.00
8/2/594/2017-2018	Hiring,Supply and Install sound system,stage and back-up generator	Carnation Delux Events (Pty) Ltd	Community Services	05 December 2017	R 188,750.00
8/2/574/2017-2018	Supply and Delivery Danger Plates and Timber Poles	Singalulo Enterprise		07 December 2017	R 98,000.00
8/2/597/2017-2018	Supply and Delivery of Xmas gifts for older persons, people with disabilities & vulnerable children	Ezamaswazi Trading	Good Governance	08 December 2017	R 195,000.00

LIST OF AWARDED TENDERS 2017-18 (JANUARY-MARCH)					
Bid number	Title of Bid	Service Provider	Directorate/Section	Award date	Value of Bid awarded (R)
8/2/582/2017-2018	Supply and Delivery of Road Signs	Lutho's and Sino Trading	Technical Services	08 January 2018	R 178,000.00

8/2/603/2017-2018	Provision of Debt Recovery from Government Departments	Sebenzani Trading 23 (Pty) Ltd	BTO	11 January 2018	20% of recovered amount
8/2/604/2017-2018	Construction of Crossroads Internal Streets	Dintwa Trading	Technical Services	18 January 2018	R 2 432,462.00
SCM 01/12/2017	Development & Implementation of Best Financial Strategies to Achieve Clean Audit/Administration for NLM for 24 Months	MMFAS	BTO	02 February 2018	R2 806,876.00
8/2/599/2017-2018	Supply and Delivery of Production Inputs	Movetshe Trading	Community Services	06 February 2018	R 95,500.00
8/2/573/2017-2018	Supply and Delivery of ICT Equipment	Tshezilam Trading	Good Governance	09 February 2018	R154,900.00
8/2/606/2017-2018	Supply and delivery of Motor Grader Tyres	Snazo Developments	Technical Services	09 March 2018	R 198,000.00
8/2/592/2017-2018	Services of Medical Surveillance	Mink-Line Consulting		26 March 2018	R595 pp

8/2/601/2017-2018	Supply of Microsoft Server Software	CHM Vuwani Computer Solution (EC) Pty Ltd	Good Governance	27 March 2018	R 105,403.88
8/2/602/2017-2018	Server Consolidation and Virtualization	Resilient Servers & Networks	Good Governance	27 March 2018	R 241,011.77
SCM 01/01/2018	Provision of Legal Services for 3 years	Dyushu & Majebe Attorneys	Good Governance	27 March 2018	R 1 500 ph

LIST OF AWARDED TENDERS 2017-18(APRIL-JUN)					
Bid number	Title of Bid	Service Provider	Directorate/ Section	Award date	Value of Bid awarded (R)
8/2/613/2017-2018	Supply and Delivery of 500 Plastic Chairs	Tiaglo (Pty) Ltd	Community Services	03 April 2018	R 66,000.00
8/2/578/2017-2018	Spatial Development Framework Review For NLM	Complan Town & Regional Planners	Community Services	18 April 2018	R 186,760.00
8/2/614/2017-2018	Supply and Delivery of 3 Laptops with Carry Bags	Amended Recline Trading & Projects	Good Governance	18 April 2018	R 49,950.00
82/615/2017-2018	Services For Partial Back Office Proposal for the Traffic	Total Compute	Community Services	18 April 2018	R 54,804.00

	Management System	r Services (Pty) Ltd			
8/2/616/2017-2018	Services of Offender Tracking & ANPR Trailer	Total Computer Services (Pty) Ltd	Community Services	18 April 2018	R 198,800.00
8/2/627/2017-2018	Services for Training of MPAC	Unakho Business Solutions	Good Governance	04 May 2018	R 198,990.95
SCM-01/04/2018	Implementation of Surfacing of Peddie Town Street Phase 2	Kayalihle Trading CC	Technical Services	10 May 2018	R 8 275,741.80
8/2/607/2017-2018	Professional Services for Design, Supervision of Qugqwala Internal Streets	Black Mountain Ziinzame JV	Technical Services	07 May 2018	R 194,496.00
8/2/608/2017-2018	Professional Services for Design, Supervision of Runletts Internal Streets	Khulanathi Consulting	Technical Services	07 May 2018	R 219,996.36
8/2/609/2017-2018	Professional Services for Design, Supervision of Wesley Internal Streets	Kukho Consulting Engineers	Technical Services	07 May 2018	R 203,531.16
8/2/610/2017-2018	Professional Services for Design, Supervision of	Beacon Consulting	Technical Services	07 May 2018	R 217,869.51

	Hamburg Internal Streets				
8/2/611/2017-2018	Professional Services for Design, Supervision of Mpeweni Internal Streets	Gilgal Development Consulting Engineers	Technical Services	07 May 2018	R 215,199.50
8/2/618/2017-2018	Construction of Bhele Communtiy Hall	27 Years Robben Island Construction JV Vaxobyte	Technical Services	07 May 2018	R 1 398,469.39
8/2/619/2017-2018	Construction of Shushu Communtiy Hall	Waving High Trading & Projects	Technical Services	07 May 2018	R 1 499,180.60
8/2/620/2017-2018	Construction of Ngquma Communtiy Hall	27 Years Robben Island Construction JV Vaxobyte	Technical Services	07 May 2018	R 1 398,469.39
8/2/627/2017-2018	Training Of 5 GAs on Unit Standards 119553-119557	Lizwa Ntlabati Trading CC	Corporate Services	21 May 2018	R 79,000.00
8/2/628/2017-2018	Training of 5 Roads General Assistants on Construction Road Works	Lizwa Ntlabati Trading CC	Corporate Services	28 May 2018	R 110,000.00

8/2/623/2017 -2018	New Venture Creational Certificate (SMME) NQF Level 2	Vezokuhl e Youth Develop ment Project	Corporate Services	12 June 2018	R 5 280,000.00
8/2/632/2017 -2018	Supply and delivery of ICT Equipment	SMS ICT Choice	Good Governance	20 June 2018	R 82,889.13
8/2/633/2017 -2018	Designing,Editing, Printing & Binding IDP 2018/2019 (60 copies)	Copyworl d (Pty) Ltd	Good Governance	25 June 2018	R 33,285.60
8/2/622/2017 -2018	Compilation and Maintenance of General and Supplementary Valuation Rolls for the Period 2018- 2023	Umhlaba Valuers	BTO	27 June 2018	R 674,814.25
8/2/624/2017 -2018	Insurance Services for Municipal Assets for a Period of 24 months	Lateral Unison Insurance	BTO	27 June 2018	R 288,343.00
8/2/629/2017 -2018	Professional Services for Design, supervision and construction monitoring of 2018/19 Electrification of 320 Connections for Ngqushwa Villages	ASCA Consultin g Engineers t/a Vokon Afrika Consultin g	Technical Services	27 June 2018	R 372,610.14

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)

1.2 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. R90million project has been approved, and the consultant has been appointed (Accus Gibb) they are currently busy with planning, Design is expected to be completed by June and Implementation and by next financial year the project will be starting. There are no treatment facilities in Hamburg nor does the municipality render a service for the emptying of septic tanks. Rural areas use primarily pit latrines, which are simply moved when the old ones are full. ADM is busy with master plans of the projects.

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 drainage 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 ±579 km of gravel roads in very bad condition.

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 1200m² 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

The following are the actions taken by the Municipality to minimize the current conditions of roads

1. Business plans have been developed by the Municipality and currently sourcing funds to upgrade the Municipal gravel roads and storm water drainage.
2. Department of Transport is currently busy with the procurement of upgrading R345 of surfacing (R72 to Hamburg and Double drift game reserve to Peddie Town).

Assessment on transport system.

Rams has been appointed by the ADM to conduct the assessment on transport system for all the local on Amathole District Municipality.

Road – Storm Water Section Staff

Job level/ Task Grade	Year 17/18			
	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	3	3	0	100
4 – 6	9	9	0	100
7 – 9	1	1	0	100
10 – 12	2	2	0	100

3.4 PROJECT MANAGEMENT UNIT (PMU)

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 17/18 financial year and budgeted for, at the end of the financial year were completed.

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 2017/2018 FY

PROJECT NAME	WARD	STATUS
Gcinisa Community Hall	12	Completed
Bhele Community Hall	1	Completed
Ngquma Community Hall	7	Completed
Shushu community Hall	3	Completed
Mgababa Internal Road	11	Completed
Cisirha Internal Road	6	Completed
Qamnyana Internal Road	7	Completed
Newtondale internal road	10	Completed
Cross roads internal road	5	Completed
Surfacing of Peddie Town Phase1	8	98 % Completed

Surfacing of Peddie Town Phase 2	8	95%Completed
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3.4.2 EPWP EMPLOYMET AND EXPENDITURE

During 2017/2018 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) EPWP Interns,
- iv) EPWP Home community based care services.
- v) EPWP seasonal life guards
- vi) EPWP maintenance of heritage sites
- vii) EPWP local workers
- viii) EPWP social programmes

The expenditure on EPWP as at the end of June 2018 is 100%

3.4.3 MIG EXPENDITURE

The expenditure on MIG as at the end of June 2018 is 100%

PMU Section Staff

Job level	Year 17/18			
	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	0	0	0	0
4 – 6	0	0	0	0
7 – 9	6	7	0	100
10 – 12	2	3	0	100
13 - 17	2	1	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 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 211 (Tyeni, Mhankone, Gcinisa South, Gobozana, Libalele, Tyata, Upper Gwalane, Paradise, Hamburg, Qawukeni, Peddie Ext/Ndlovini and Mpekweni) connections was done by the Municipality through a grant called INEP. A total of 109 (Mtati, Makhahlane ,Woodridge, Cheletyuma, Tildin) 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 17/18			
	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	0	0	0	0
4 – 6	3	3	0	100
7 – 9	0	0	0	0
10 – 12	0	0	0	0
13 – 16	1	1	0	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 Social and 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(s) and related rural centres so as to boost investor confidence.

Opportunities

- i) Agriculture Potential: Ngqushwa Municipality has several irrigation schemes namely Tyhefu, Ngxakaxha, just to mention but a few. Citrus farms (Oranges and pineapples) are found within the Ngqushwa Municipality jurisdiction. Availability of quality livestock, Aloe and Honey.
- ii) Tourism Attraction: Ngqushwa Municipality has annual commemoration for Tourism attractions such as Mqwashini, Uhambo Loxolo, Hamburg Tourist Attraction, Hiking trails, Beach, Holiday Accommodations
- iii) Spatial Planning (Developmental Nodes & Corridors): Ngqushwa Local Municipality has several nodes and corridors identified in the Municipal Spatial Development Framework that can be developed so as to achieve socio-economic development.

- iv) Personnel: The Municipality has hired knowledgeable staff in various sections such as LED Staff, Housing, Spatial Planning and Land Use Management Staff and Waste and Environment Staff. The main aim is to get the maximum gain from the potential that the Municipality has.
- v) The 42km Coastline also presents an opportunity that can unlock the economic potential of Ngqushwa area. It is in line with the mandate of Operation Phakisa which prioritise the Oceans Economy

Challenges

- i) Lack of funds
- ii) Human capacity
- iii) Rural nature of the area
- iv) Size of the Municipality

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 planning, land use management and development facilitation) spatial land use applications. These application ensure a coordinated planning and reduces unplanned and illegal development. However there are challenges that include non-submission of applications due lack of knowledge and culture. The municipality is currently undergoing a review of the 5 year Municipal Spatial Development Framework that is due for completion by December 2018.

Ngqushwa Local Municipality had over the years lacked a proper planning section, however the establishment of this section as well as Building Control office has brought a new dimension to the Municipality.

Town planning Section brings the following to the Municipality:

- i) Compliance with National Building Standards Act and Regulations for every construction taking place within the municipality so as to ensure orderly and harmonious development.
- ii) Promote sustainable development and enforce urban edge policy so as to avoid urban sprawl.
- iii) Proper management and disposal of municipal immovable property.
- iv) Attraction of investment into the municipality through spatial planning and land use management initiatives.
- v) Development of a land use scheme so as to avoid haphazard planning and ensure harmonious development.
- vi) Compliance with Spatial Planning and Land Use Management Act (16 of 2013)

The above will boost investor confidence, which in the long run will lead to sustainable socio-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 established 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 regarded as being primarily a holiday destination with great potential for ocean economic development and small harbours. Development in this area has become stagnant over the past 3 decades and facilities remain in a poor condition. The area is also not actively promoted as a holiday destination. However, as part of trying to revitalize the town, Ngqushwa Local Municipality is in the process to resuscitate Hamburg through Small Towns Revitalisation Model. The Municipality has packaged 4 anchor projects as a starting point namely:

1. Beach front Upgrade
2. Hamburg Town Revitalisation
3. Aquaculture Project Expansion
4. Commercial Property Development

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, Tarfield, Jamesdale, Stourpoort and Lewis.

- c) Holiday resorts such as Birha, Mgwalana, 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 been very slow, or has not responded to the beneficiary needs and applications need to be done to the Department of Rural Development & Land Reform as the custodians of Rural State-owned land. 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, allocate land for Housing Development and capture the housing needs register.

Land and Housing staff

Job level	Year 17/18			
	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	0	0	0	0
4 – 6	0	0	0	0
7 – 9	1	1	0	100
10 – 12	1	1	0	100
13 - 16	1	1	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. The remaining 105 units will be constructed during 2018/19 financial year as a contractor has been appointed.

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 business plans have been submitted to the Eastern Cape Department of Human Settlements for 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 encroachments and invasion of vacant municipal 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 of the project to complete the remaining 105 housing units. The newly appointed contractor is currently on-site to start the construction of these remaining houses. There are currently 3 approved housing projects comprising 500 housing units each (Mpekwani, Gcinisa and Hamburg) and the ECDoHS is currently finalising the beneficiary administration process prior to sending contractors on-site.

iii) Housing Demand Profile of the Municipality

The municipality partially reviewed the outdated Housing Sector Plan for inclusion of various housing projects in the IDP which will determine the housing demand based on the housing needs register. The full review of the 5 year Housing Sector Plan will be undertaken during 2018/19 financial year with assistance from Amathole District Municipality. The municipality has developed a Housing Needs Register which will determine the actual backlog as well as the subsidy quantum and the beneficiaries are captured on an ongoing basis. Field workers were hired in all wards to collect data from the villages using the prescribed form of Housing Needs Register with 3380 forms completed and 1823 have been captured into the system to date.

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.

PAST, CURRENT AND PROPOSED HOUSING PROJECTS IN NGQUSHWA

Project Title	Ward Area	Sites	Project Value (R'000)	Houses Completed	No of units not started/under construction	Project Type	Project Status	Comments
Peddie Masakhan e	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	-	-	Rural Housing	Planning	Planning
Cisirha	6	626	100 518 698	-	-	Rural Housing	Planning	Planning
Pikoli	9	499	80 125 927	-	-	Rural Housing	Planning	Planning
Lewis Village	9	500	80 286 500	-	-	Rural Housing	Planning	Planning
Mankone	7	290	46 566 170	-	-	Rural Housing	Planning	Planning
German Vill	8	343	55 076 539	-	-	Rural Housing	Planning	Planning
Glenmore	7	1000	160 573 000	-	-	Rural Housing	Planning	Planning

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 managed 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 plan to Department of Human Settlement for housing provision. Table 1 Below 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.

DISASTER MANAGEMENT

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 and poverty stricken municipality. Local Economic Development is seen as the only hope of fighting poverty. Ngqushwa Local Municipality LED is made up of three components: Agriculture, Small Micro Enterprise (SME's) & Cooperatives and Tourism & Heritage.

Local Economic Development Staff

Job level	Year 17/18			
	Posts No.	Employees No.	Vacancies (Fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	0	0	0	0
4 – 6	0	0	0	0
7 – 9	1	1	0	100
10 – 12	2	2	0	100
13 - 16	2	2	0	100

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. 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

- i. Facilitating registration of Cooperative with Companies and Intellectual Property Commission (CIPC)
- ii. Provide business development advice and services

- iii. A one stop shop to access all government services and programmes relating to cooperative development
- iv. Market linkages to cooperatives
- v. Accommodate other related service offerings by other spheres of government and development agencies such as DEDEAT, DTI, NYDA, SEDA etc.
- vi. Facilitation of SME trainings

Through the centres, 22 coops were registered with CIPC within the 17/18 financial year and captured in municipal data base.

Trainings: 12 Emerging contractors were trained on Contractors Contracting through the R72 SANRAL Project and benefited through sub-contracting, 22 Informal traders were trained on Basic Business by the Department of Small Business Development. 25 co-operatives were trained on Cooperative Governance.

i) 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.

Peddle CWP site currently employs 1270 beneficiaries.

Community Beneficiation

- i) Site has 1270 beneficiaries
- ii) Programme implemented in all wards

ii) 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. The Municipality has packaged 4 anchor projects as part of Oceans Economy. The Aquaculture Project expansion is one of the anchor projects submitted to the Department of Public Works and Provincial Department of Environmental Affairs, Economic Development & Tourism. This will require land for expansion and the municipality is in the process of looking into the land availability to ensure that the project potential is realised.

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:

1. Skills development
2. Transfer of technology to communities
3. Food security
4. Job creation

iii) Building Inclusive Green Municipalities (BIGM)

South African Local Government Association (SALGA) in partnership with Federation of Canadian Municipalities launched the BIGM program to be implemented over a 52 month period. Ngqushwa Local Municipality is one of six municipalities in Eastern Cape that is piloting this local economic development initiative. The BIGM program aims to improve the capacity of South African Municipalities to support effective service delivery, inclusive local green economic growth and enhanced climate change mitigation and adaptation measures

Project Status Quo

The municipality is working on the following project under the auspices of the BIGM:

- a) **NGQUSHWA ENTREPRENEURIAL ECOSYSTEM (NEE):** An entrepreneurial eco-system, or business environment summarizes all the resources entrepreneurs and business owners need to start, build and grow a business. Resources including funding, infrastructure, talent and training, incubation & acceleration, community and support organizations. The goal of the ecosystem is mapping out all the available local resources and developing and executing a strategy to communicate the available resources to entrepreneurs.
- b) **Pilot Projects - Aloe and Honey.** The municipality has developed business plans for Aloe and Honey and set aside a budget to commence with the implementation of the first phase of the Pilot projects.

BUSINESS LICENCING

Municipality is working with District Municipality in developing policy on business licensing

B) 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 instances 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 interventions were mainly directed at improving the quality of life of those operating in the Agriculture sector and redressing the inequalities created by the past.

Through working with sector departments, the municipality is taking the issue of Agriculture to remain the key pillar to the work of government in addressing the challenges of unemployment, poverty and inequality. For 2017/18 financial year, the following agriculture activities were undertaken to strengthen agriculture development.

PROGRAMME	COMMUNITY BENEFICIATION	WARD	STAKEHOLDERS INVOLVED
Revitalisation of Irrigation Schemes	Received production inputs, seven irrigation schemes benefited	7 Wards	DRDAR, NLM
Mechanization Programme	Received production inputs, all maize projects benefited	All wards participating in mechanization programme	DRDAR & NLM
Capacity Building and Trainings	Received training in crop production	Ward 4, Ward 9 and Ward 7 Macibi, Ndlambe and Glenmore	Ngqushwa Local Municipality, Umtiza, Zoetis, ADM
Livestock Improvement Scheme	Received two shearing shed structures, woolgrowers associations at Qugqwala and Hlosini location benefited.	Ward 2 & ward 3	DRDAR & NLM

The project impact:

1. Skills development
2. Infrastructure development to communities participating in farming practices
3. Food security
4. Job creation

C) 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 such as

1. Umqwashu Heritage Sites
2. Hiking trails
3. Ayliff Church Museum
4. Beach

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
- iv) Promotion and support of craft product development and marketing.

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 60 community halls, each ward has its own halls from ward 1 to ward 12

WAR D	VILLAGES	NUMBER
1	Tyeni,Gobozana,Bhele,Mtati,Ngqwele,Nxopo	6
2	Zondeka,Dlova,Rode,Tyata,Qugqwala,	5
3	Mqwashini,Ntsinekana,Bhongweni,Khalana,Qawukeni,Baltein,Mgqwangqa,Shushu	8
4	Macibi,Phole,Madliki,Mdolomba	4
5	Bell,Crossroads,Tuku A,Leqeni	4
6	Cisira,Nyaniso,Celetyuma,Feni	4
7	Nqamnyana,Mankone,Glenmore,Ndwayana,Eluxolweni,Gwabeni,Nd lambe,Rura,Ngquma	9
8	Durban,Peddie extension,Ncumisa Kondlo	3
9	Mgwalana,Woodlands,Runletts,Pikoli	4
10	Mabaleni,Upper Gwalana,Lower Qeto,Lower Gwalana	4
11	Mkhanyeni,Mpekweni,Prudo,Mgababa,	4
12	Gcinisa,Wesley,Benton.Niri,Hamburg	5

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. Since the main library is accommodated in the old town hall where it is sharing space with Ngqushwa LM's Corporate Services Department, land was made available for the Department of Sport, Recreation, Arts and Culture. This land has been set aside for the construction of a fully-fledged library, which will be sponsored by DSRAC.

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 one (1) licensed landfill site and one (1) transfer station , 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 bordered 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. 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 2017/ 2018

Money Collected for DOT / DLTC	R 3 630 690
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STAFF AT NGQUSHWA MUNICIPAL TRAFFIC SECTION

TRAFFIC/ SECURITY MANAGE R	MANAGEMEN T REP	TRAFFIC OFFICER S	TRAFFIC/ EXAMINER S	SECURIT Y OFFICER S	ADMI N STAFF	EXAMINE R: LEARNER' S	INTER N
1	1	6	3	13	3	1	1

CHAPTER 4

INSTITUTIONAL DEVELOPMENT AND ORGANISATIONAL PERFORMANCE

ADMINISTRATIVE STRUCTURE



M.P. Mpahlwa
Municipal Manager



Z. Msipa
Director: Technical
Services



N.M Makwabe
Director: Community
Services



V.C. Makedama
Chief Financial Officer
(CFO)



M. Mxekezo
Director: Corporate
Services

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 and reviewed 07 policies and HR plan for Human Resources during the year for 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	Secondment Policy	100%	25 April 2018
2	Travelling Policy	100%	25 April 2018
3	Cellphone Allowance Policy	100%	25 April 2018
4	Recruitment, Selection and Appointment Policy	100%	25 April 2018
5	Relocation Policy	100%	25 April 2018
6	Training and Development Policy	100%	25 April 2018
7	Human Resources Plan	100%	28 June 2018

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	536	4%	48	49	11	R4101.78
Task Grade 4 - 7	376	3%	38	48	9	R99 177.75
Task Grade 8 – 13	434	2%	43	47	10	R182 000.00
Task Grade 14 - 18	112	5%	15	21	7	R208 672.56
MM and S56	2	0%	1	5	2	R 5 676.87
Total	1460	14%	145	170	39	R 499 628.96

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	71	3	33.33%	23.67	R 73 284.21
Temporary total disablement	0	0	0.0%	0	0
Permanent disablement	0	0	0	0	0
Fatal					
Total	71	3	33.33%	33.33	R 73 284.21
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	Disciplinary Hearing in progress	
TRAFFIC OFFICERS x 3	Financial Misconduct	12/01/2016	Finalised. Employees recalled to duty	05 February 2018
TRAFFIC OFFICER	General Misconduct	10/07/2017	Disciplinary Hearing in progress	
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

Employees					
Description	2016/2017	2017/2018			
	Employee No.	Approved Posts No.	Employee No.	Variance No.	%
Water	0	0	0	0	
Waste Water (Sanitation)	0	0	0	0	
Electricity	4	7	3	4	0%
Waste Management	4	6	6	0	0%
Housing	4	4	4	0	0%
Roads and Waste Water (Storm water Drainage)	12	12	11	1	10%
Transport	0	0	0	0	
Planning	0	3	3	0	0%
					100
Local Economic Development	4	4	4	0	%
Planning (Strategic &Regulatory)	2	4	3	1	50%
Community & Social Services	61	69	67	2	11%
Environmental Protection	0	0	0	0	
Health	0	0	0	0	
Traffic, Security and Safety	31	37	34	3	40%
Sport and Recreation	0	0	0	0	0%
Corporate Services	26	29	28	1	20%
Budget and Treasury Office	24	26	24	2	37%
Municipal Manager's Office	17	20	17	3	22%
Technical Services	15	26	22	4	22%
Totals	206	243	226	17	24.5%
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 2017/2018			
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%
Total	267	63	26%
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 No.	Terminations during the Financial Year No.	Turn-over Rate*
2012/13	167	14	8%
2013/14	182	9	8%
2014/15	175	9	5%
2015/16	34	11	3%
2016/17	42	18	
2017/18	32	14	
* 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.

TRAINING REPORT JULY 2017 TO 30 DECEMBER 2018

START DATE	NAME	DESIGNATION	DEPARTMENT	TRAINING	COSTS	Status
15 /08/ 2017	50 Unemployed youth	Unemployed youth	Community	NC Construction Road work NQF level 2	LGSETA	completed
09/10/2017	Mxekezo M	Director Corporate	Corporate	Municipal Finance Management Programme	R58 685.00	In progress
15/01/2018	Vakele P, Mqhashane	Traffic Warden	Community Services	Basic Traffic Course	R54 891.40	In progress
24/01/2018	Pinda Z	Accountant	BTO	Bachelor of Commerce	R1 450.00 internal budget, balance funded by Unisa bursary	Awaiting results
01/02/2018	Maneli S , Mquqo N, Phumaphi F, Mtati N, Leve N	Councillors	Council	Diploma in Local Government Law & Administration	R189 900.00	Awaiting results
09/02/2018	Mpambani W	Registry Clerk	Corporate Services	Post Graduate Diploma Archives & Records Management	R23 255.00	Awaiting results
19/02/2018	Gumengu S	Debt Management & Credit Control	BTO	BTECH Cost and Management Accounting	R12 000.00	Awaiting results
26/02/2018	Mpoli N, Mhlauli N, Ncapayi N	Councillor, Traditional Leader, Manager Office of the Speaker	Council & MM Office	Advanced Certificate in Public Administration	R150 000.00	Awaiting results
13/03/2018	Ngwanduli J	Practitioner LED	Planning	Integrated Project	R29 095.00	Awaiting results

				Management Programme		
19/03/2018	Makedama V	Chief Financial Officer	BTO	Post Graduate Diploma Monitoring and Evaluation	R10 000.00 balance funded by bursary	Awaiting results
29/03/2018	Ngomani Z	Personnel Clerk	Corporate Services	Honours Industrial Psychology	R5 520.00	In Progress

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
Total		0
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 54 & 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

Skills Matrix												
Management level	Gender	Employees in post as at 30 June 2018	Number of skilled employees required as at 30 June 2018									
			Learnerships			Skills programmes & other short courses			Other forms of training			Total
		No.	Actual 30 June 2017	Actual 30 June 2018	Target 2017/18	Actual 30 June 2017	Actual 30 June 2018	Target 2017/18	Actual 30 June 2017	Actual 30 June 2018	Target 2017/18	Actual 30 June 2018
MM and S56	Female	2	1	0	0	0	0	2	0	0	0	0
	Male	3	1	2	2	0	0	3	0	0	0	2
Councillor s, senior officials and managers	Female	22	4	3	6	16	0	9	0	0	0	3
	Male	23	4	5	4	16	0	9	0	0	0	5
Technicians and associate professionals	Female	2	0	0	1	0	0	0	0	0	0	0
	Male	2	0	0	1	0	0	0	0	0	0	0
Professionals	Female	25	5	2	5	11	0	3	0	0	0	2
	Male	17	2	1	4	8	0	2	0	0	0	1
Total		96	17	13	23	51	0	28	0	0	0	13

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))

					(Regulation 14(4)(f))	
Financial Officials						
Accounting officer	1	0	1	1	1	1
Chief financial officer	1	0	1	1	1	1
Senior managers	3	0	3	3	3	2
Any other financial officials	23	0	23	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	28	0	28	5	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	Original Budget and Actual Expenditure on skills development 2017/18							
			Learnership		Skills programmes & other short courses		Other forms of training		Total	
		No.	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	R68 685.00	R68 685.00	R0.00	R0.00	R0.00	R0.00	R68 685.00	R68 685.00
Legislators, senior	Female	22	R139 975.00	R139 975.00	R0.00	R0.00	R0.00	R0.00	R139 975.00	R139 975.00
	Male	23	R199 925.00	R199 925.00	R0.00	R0.00	R0.00	R0.00	R199 925.00	R199 925.00

officials and managers										
Professionals	Female	25	R30 545.00	R30 545.00	R0.00	R0.00	R0.00	R0.00	R30 545.00	R30 545.00
	Male	17	R13 255.00	R13 255.00	R0.00	R0.00	R0.00	R0.00	R13 255.00	R13 255.00
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	23	R56 220.70	R56 220.70	R0.00	R0.00	R0.00	R0.00	R56 220.70	R56 220.70
	Male	25	R27 445.70	R27 445.70	R0.00	R0.00	R0.00	R0.00	R27 445.70	R27 445.70
Elementary occupations	Female	26	R0.00	R0.00	R25 000.00	R25 000.00	R0.00	R0.00	R25 000.00	R25 000.00
	Male	36	R0.00	R0.00	R50 000.00	R50 000.00	R0.00	R0.00	R50 000.00	R50 000.00
Total		206	R536 051.40	R536 051.40	R75 000.00	R75 000.00	R0.00	R0.00	R611 051.40	R611 051.40

4.3 ORGANIZATIONAL PERFORMANCE REPORT

Summary of Organizational performance results

Overall Organizational Performance

Nggushwa Municipality Annual Performance for 2017/18 financial year is 72 %**(Audited)**, which has decrease by 8% as compared to **80%** of 2016/17 financial year .All gaps identified will be addressed in 2018/19 Financial Year.

Priority Area	Total Annual Targets	Targets Achieved	Targets Partially Achieved	Targets Not Achieved	% Achievement
Municipal transformation and Institutional Development	1	1	0	0	100%
Infrastructure and Basic Service Delivery	21	13	7	1	62%
Local Economic Development	10	10	0	0	100%
Financial Viability and Management	3	3	0	0	50%
Good Governance and Public Participation	17	12	1	4	71%
Spatial Planning	6	5		1	83%
TOTAL	58	42	8	5	72%

PERFORMANCE REWARDS

In December 2017 best performers were awarded in a form of getting certifications of recognition in different categories

DECLARATION OF INTEREST

Following a finding by AG, a form for **Declaration of Secrecy** was amended with inclusive of clause that cover **Declaration of Interest**.

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 2017/18 financial year.

Financial Summary						
Description	R'000					
	2016/2017	Current Year 2017/2018			2017/2018 Variance to Actual	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Financial Performance						
Property Rates	25 720 318	23 322 181	29 683 956	25 080 555	107%	84%
Service Charges	653 355	717 306	717 306	758 857	105%	105%
Investment Revenue	2 692 741	6 690 396	6 690 365	2 740 298	40%	40%
Transfer recognized – operational	79 856 000	77 351 000	92 490 649	77 491 000	99%	83%
Other own revenue	14 862 506	4 686 117	4 712 357	45 604 712	967%	973%
Total Revenue (excluding capital transfer and contribution)	123 784 920	112 767 365	134 294 633	151 675 422	134%	112%
Employee Costs	51 868 473	62 514 326	60 851 806	58 945 860	94%	96%
Remuneration & Councillor s	7 414 450	8 912 640	8 887 225	9 521 166	106%	107%
Depreciation & asset impairment	16 756 178	19 898 238	19 898 238	17 219 921	86%	86%
Finance Charges	1 445 942	880 572	-	98 023	11%-	0%-
Materials and bulk purchases	-	-	-	-	-	-
Transfers and grants	-	-	-	-	-	-
Other expenditures	65 267 525	44 938 011	67 305 850	47 049 872	74%	104%
Total Expenditure	142 454 841	137 143 787	156 943 119	132 864 842	96%	84%
Surplus/(Deficit)	3 589 807	-24 376 422	-22 648 486	18 810 580	-77%	-83%-
-Transfers recognized – Capital Contributions and Contributed assets	22 575 456	25 590 893	35 732 544	35 732 544	139%	100%
Surplus/(Deficit) after capital transfers & contributions	-	-	-372 400-	-2 529 707	-	-

Financial Summary						
Description	R'000					
	2016/2017	Current Year 2017/2018			2017/2018 Variance to Actual	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Share of surplus / (deficit) of associate	-	-	-	-	-	-
Surplus / (Deficit) for the year	26 165 263	1 214 471	12 711 658	52 013 417	4282%	409%-
Capital expenditure & Funds Sources						
Capital Expenditure						
Capital Transfers recognized	22 575 456	25 590 893	35 732 544	35 732 544	139%	100%
Public contributions & donations	-			-	-	-
Borrowing	-			-	0%-	0%-
Internally generated funds	-			-	0%%	%%
Total Sourced of Capital Funds	22 575 456	25 590 893	35 732 544	35 732 544	71%	71%
Financial Position						
Total Current Assets	30 902 598	34 392 767	34 392 767	18 100 346	52%	52%
Total non current assets	195 363 152	232 334 026	240 884 029	248 815 841	107%	103%
Total current liabilities	31 333 549	34 660 768	34 660 768	18 198 810	52%	52%
Total non current liabilities	3 190 987	9 868 492	9 868 492	3 412 987	34%-	34%-
Community wealth / Equity	191 741 214	222 197 533	230 474 536	245 304 390	110%	106%
Cash Flow						
Net Cash from (used) operation	28 447 284	29 790 782	36 182 296	68 099 247	228%	188%
Net cash from (used) investing	23 033 260	30 028 622	35 809 897	67 861 399	225%	189%
Net cash from (used) financing	-5 348 191			-	-	-
Cash/Cash equivalents at the year end	1 265 817	962 967	1 573 206	1 503 665	156%	95%
Cash backing /surplus reconciliation						
Cash and investments available	-			-		
Application of cash and investments	-			-		
Balance – Surplus (Shortfall)	-	-28 486 435	-22 866 538	-		
Asset Management						
Asset register summary (WDV)	170 056 701	193 816 255	202 366 255	225 890 962	116%	111%
Depreciation & Asset impairment	16 738 461	19 898 238	19 898 238	17 219 921	86%	86%
Renewal of Existing Assets	-	-	-	-	-	-
Repairs and Maintenance	6 6012 391	2 047 121	2 613 145	3 319 013	162%	127%
Free Services						

Financial Summary						
Description	R'000					
	2016/2017	Current Year 2017/2018			2017/2018 Variance to Actual	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Cost of Free Basic Services provided	2 090 493	880 572	2 800 000	2 596 254	294%	92.%-
Revenue Cost of Free Services provided	2 090 493	880 572	2 800 000	2 596 254	294%	92.%-
Households below Minimum Service Level						
Water:	-	-	-	-	-	-
Sanitation / Sewerage:	-	-	-	-	-	-
Energy:	3 787	4 900	4 632	4 632	89%	100%
Refuse:	1 993	3 404	1 992	1 992	58%	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					
	2016/2017	Current Year 2017/2018			2017/2018 Variance to Actual	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating transfers and grants						
National Government						
Equitable Share	76 828 000	73 615 000	73 615 000	73 615 000	100%	100%
FMG	2 010 000	2 345 000	2 345 000	2 345 000	100%	100%
MIG (PMU – Operating Expenses_	9 973 750	1 141 652	1 591 650	1 591 650	139%	100%
INEP	4 000 000	3 899 544	3 899 544	3 899 544	100%	100%
EPWP	1 000 000	1 531 000	1 531 000	1 531 000	100%	100%
	93 811 750	82 532 196	82 982 194	82 982 194	100%	100%
Provincial Government						
Health subsidy	-	-	-	-	-	-

Grant Performance						
Description	R'000					
	2016/2017	Current Year 2017/2018			2017/2018 Variance to Actual	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Ambulance subsidy	-	-	-	-	-	-
Sports and Recreation	350 000	350 000	350 000	350 000	100%	100%
Roads maintenance	-	-	-	-		
District Municipality						
Total operation transfers and grants revenue	94 161 750	82 882 196	83 332 194	83 332 194	100.54%	100%

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

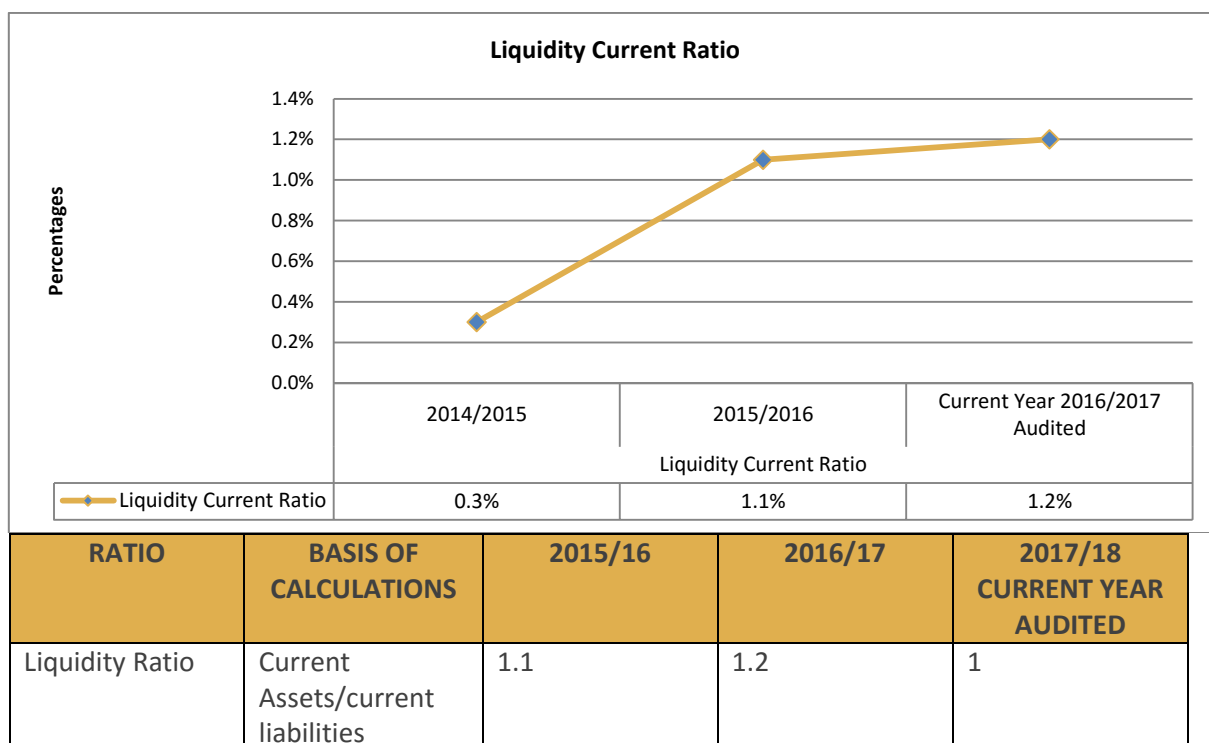
Asset Management is performed in line with the Asset Management Policy as described above. The control and safeguarding of assets remain the responsibility of each department. Each department budgets for the necessary maintenance of the assets under their control in order for the assets to achieve their economic life spans.

5.4 REPAIRS AND MAINTENANCE

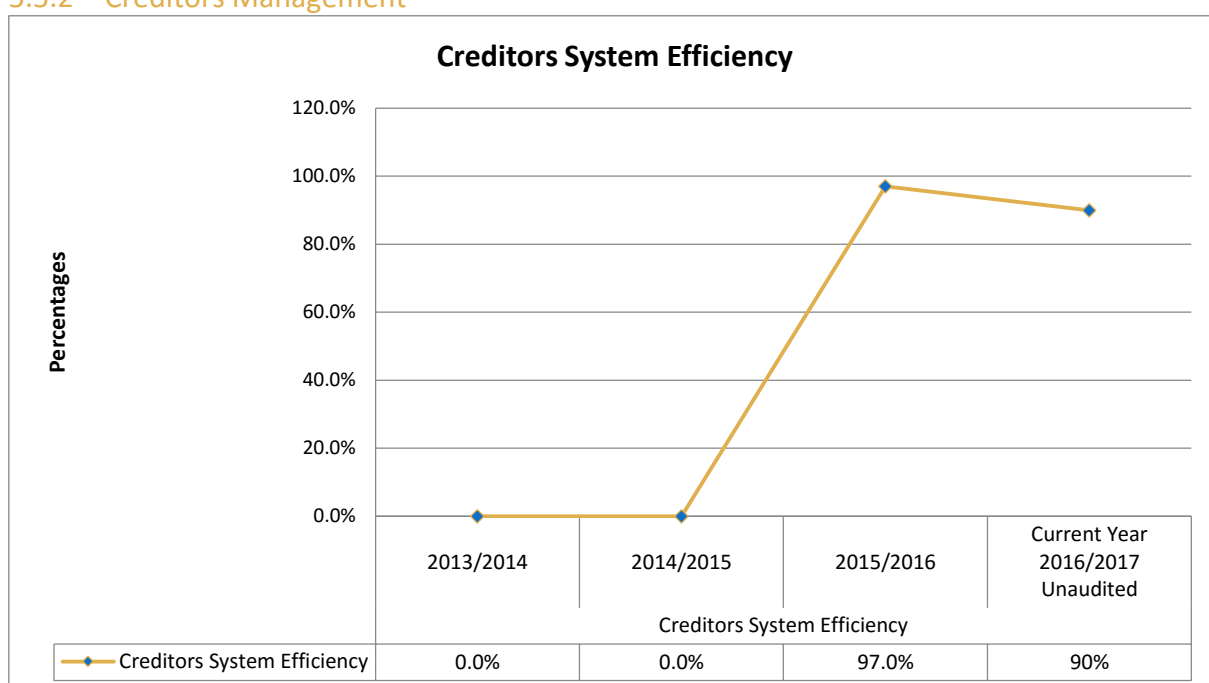
Repair and Maintenance Expenditure 2017/18				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	2 047 121	2 613 145	3 319 013	-705 868
T5.3.4				

5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

5.5.1 Liquidity Ratio

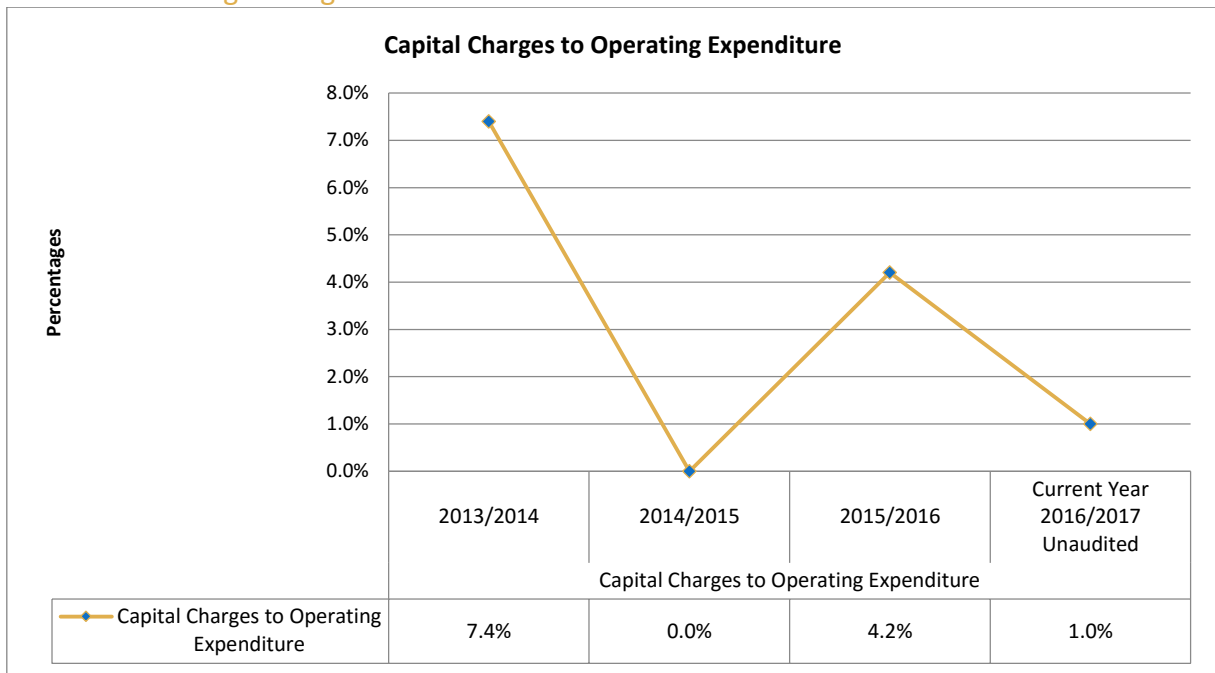


5.5.2 Creditors Management



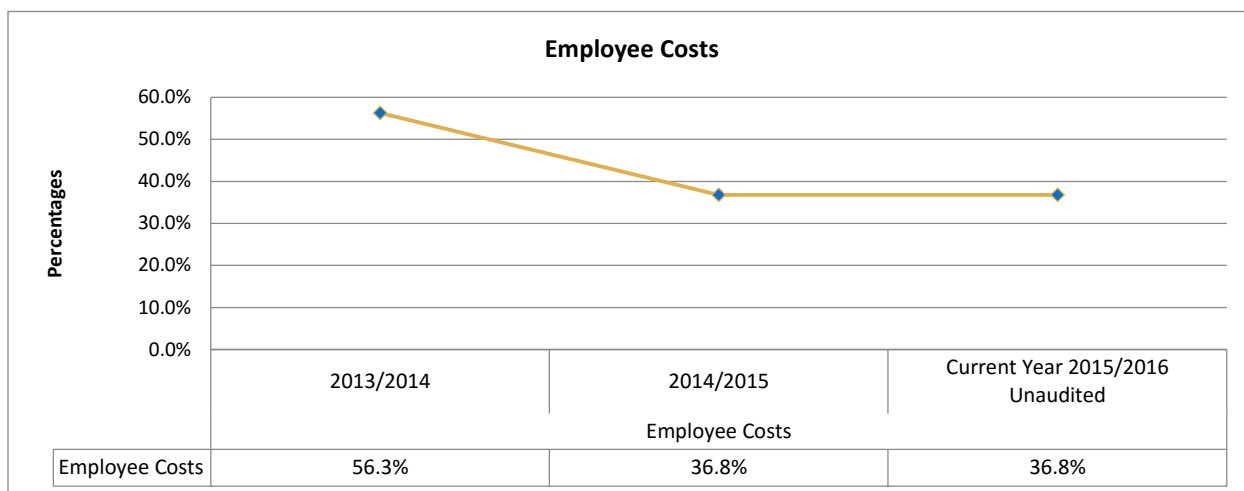
Ratio	Basis of calculation	14/15	15/16	16/17	current year audited 2017/18
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))	0.0%	97%	90%	99.9 %

5.5.3 Borrowing Management



Ratio	Basis of calculation	14/15	15/16	16/17	2017/18 current year unaudited
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	4.2%	1.0%	0.07%

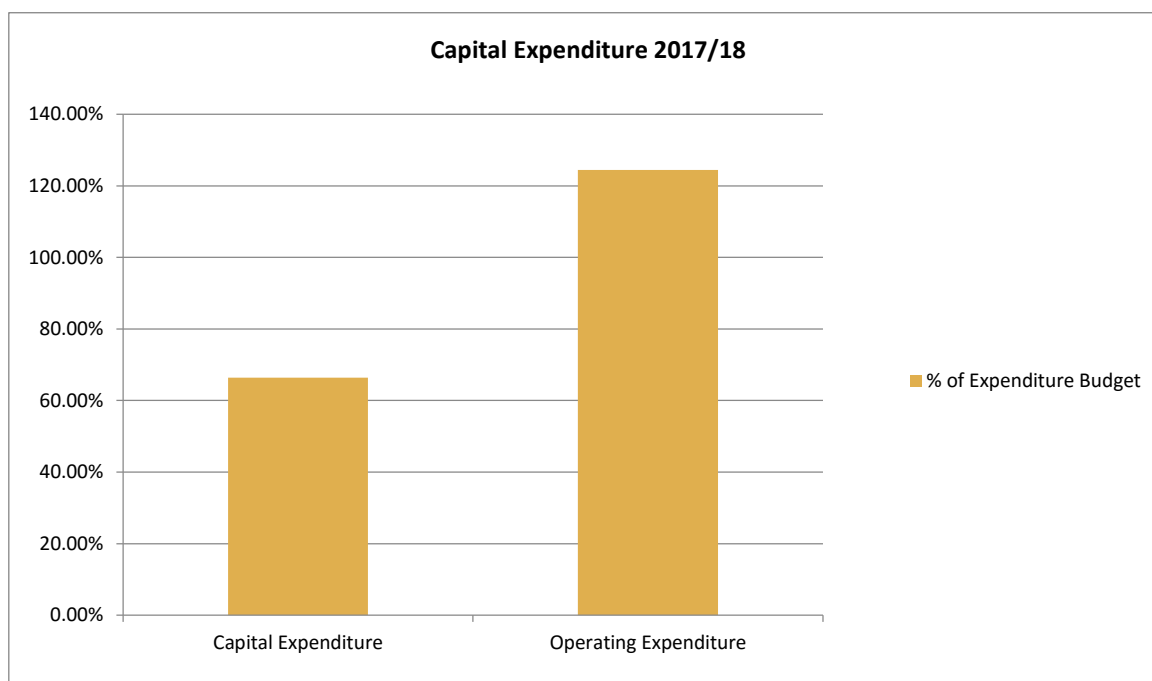
5.5.4 Employee costs



Ratio	Basis of calculation	14/15	15/16	16/17	2017/18 current year audited
Employee costs	Employee costs/(Total Revenue - capital revenue)	36.8%	40%	41.1%	38.9%

Component B: Spending Against Capital Budget

5.6 CAPITAL EXPENDITURE



	% of Expenditure Budget	Original Budget	Adjustment Budget	Un-audited Full Year Total
Capital Expenditure	224%	30 401 000	36 182 000	81 158 475
Operating Expenditure	85%	137 143 787	156 943 119	132 864 842
Total expenditure	110%	167 544 787	193 125 119	214 023 317

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 2017/18 financial year:

Capital Expenditure – Funding Sources 2016/2017 – 2017/2018 R'000						
Description	2016/17	Current Year 2017/2018			2017/2018 Variance to Actual	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Source of Financed Grants & subsidies	21 601 706	27 506 326	34 140 894	34 140 894	124%	100%
Other	3 824 294	2 894 674	2 041 106	4 767 581	165%	
Transfers/ Donations				42 250 000		
Total	23 427 401	30 401 000	36 182 000	81 158 475	267%	224%
Percentage of Finance						
External Loans	-	-	-	-	-	-
Public Contr & Donations	-	-	-	51	-	-
Grants & Subsidies	92	90	94	42	47%	45%
Other	8	10	6	7	70%	117
Capital Expenditure						
Environment	-			-	-	-
Waste						
Electricity	3 474 000-	3 000 000	3 900 000	4 055 000	135%	104%
Planning	101 000-	365 000	4 724 000	-	0%	0%
Roads & Storm	17 906	21 793	22 554 000	33 099 000	152%	147%
Water	401 000	000				
Community and Social Services	301 000	1 287 000	3 065 000	42 569 475	3307%	1389%
Corporate Services	1 645 000	3 956 000	1 940 000	1 435 000	36%	74%
Other	-					

Capital Expenditure – Funding Sources 2016/2017 – 2017/2018 R'000						
Description	2016/17	Current Year 2017/2018			2017/2018 Variance to Actual	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Total	23 427 401	30 401 000	36 182 000	81 158 475	267%	224%
Percentage of expenditure						
Environmental Waste	-			-	-	-
Electricity	14.8-	9.86-	10.78-	5-	51%	46%
Planning	0.43-	1.2-	13.06-		-	-
Roads & Storm Water	76.43-	71.68-	62.33-	40.78-	56.89%	65.42%
Community and Social Services	1.28-	4.23-	8.47-	52.45-	1240%	619%
Corporate Services	7.02-	13.01-	5.36-	1.77-	13.6	33%
Other	-			-	-	-

Component C: Cash Flow Management and Investments

5.8 CASH FLOW

Cash Flow Outcomes				
Description	2016/2017	2017/2018		
	Actual	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATION ACTIVITIES				
Receipts	143 136 169	143 836 330	170 027 127	198 381 546
Ratepayers and other	38 752 613	19 440 254	38 814 184	82 417 704
Government – Operation	80 737 544	78 114 818	92 914 710	77 491 000
Government – Capital	22 575 456	25 590 893	35 732 544	35 732 544
Interest	1 070 556	20 690 365	2 565 736	2 740 298
Dividends	-	-	-	-
Payments	1 006 456	880 572		98 023
Suppliers and employees	-113 682 429	-113 164 976	-133 844 881	-130 184 276
Finance charges	-		-	
Transfers and Grants				
NET CASH FROM / (USED) OPERATING ACTIVITIES	32 767 284	29 790 782	36 182 296	68 099 247
CASH FLOW FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	137 964	372 400	372 400	12 972 188
Decrease (increase) in non-current debtors	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-

Cash Flow Outcomes				
Description	2016/2017	2017/2018		
	Actual	Original Budget	Adjusted Budget	Actual
Decrease (increase) in non-current investments	-	-	-	-
Payments Capital Assets	-783 028- -22 388 196	- -30 401 022	- -36 182 297	119 584- -80 714 003
NET CASH FROM/(USED) INVESTING ACTIVITIES	-23 033 260	-30 028 622	-35 809 897	-67 861 399
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts	-	-	-	-
Short term loans	-	-	-	-
Borrowing long term/refinancing	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-
Payments	-	-	-	-
Repayment of borrowing	-5 348 191	-	-	-
NET CASH FROM / (USED) FINANCING ACTIVITIES	-5 348 191	-	-	-
NET INCREASE / (DECREASE) IN CASH FIELD	65 833	-237 840	372 399	237 848
Cash/Cash equivalents at the year begin	1 199 984	1 200 807	1 200 807	-
Cash/Cash equivalents at the year end	1 265 817	962 967	1 573 206	237 848

Spending against Capital Budget

Capital Expenditure2017-218	
Budget	Actual
R 36 182 297	R 93 851 847

CHAPTER 6

AUDITOR GENERAL AUDIT FINDINGS

Component A: Auditor-General Opinion

Auditor General Report on Financial Performance 2017/18	
Audit Report status	Unqualified Opinion

ANNEXURE A
ANNUAL FINANCIAL STATEMENTS



NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC128)

Annual Financial Statements for the year ended 30 June 2018

GENERAL INFORMATION

LEGAL FORM OF ENTITY

Local Municipality

Ngqushwa Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998) The municipality's operations are governed by the Municipal Finance Management Act No 56 of 2003.

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Ngqushwa is a Local Municipality rendering basic services such as Refuse Collection, Infrastructure Development and Economic Development Community Services.

EXECUTIVE COMMITTEE

M. T. Siwisa (Mayor)
N. Magingxa (Speaker) (Member of the Executive Committee)
F. Pumaphi (Chief whip) (Member of the Executive Committee)
L. Kolisi (Member of the Executive Committee)
Z. R. Nduneni (Member of the Executive Committee)
S. S. Maneli (Member of the Executive Committee)

COUNCILLORS

N. Mtati
N. C. Gxasheka
P. Sitole
D. Ncanywa
N. Jako
L. Moyeni
T. Sikweyiya
N. Leve
N. V. Gxasheka
N. Mquqo
S. Gwavu
R. Taylor
N. Fulani
N. Mpoli
N. Lawu
M. L. Luzipho (Sworn in: 29 August 2017)

TRADITIONAL LEADERS

N. Ngqondi (Princess)
L. Zitshu (Prince)
N. Mhlauli (Prince)
Z. Njokweni (Chief)
A. Goni (Prince)

GRADING OF LOCAL AUTHORITY

3

CHIEF FINANCE OFFICER (CFO)

Mr. V. C. Makedama

ACCOUNTING OFFICER

Mrs. M. P. Mpahlwa

REGISTERED OFFICE

Corner of N2 and R345 Road
Peddie
5640

BUSINESS ADDRESS

Corner of N2 and R345 Road
Peddie
5640

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

GENERAL INFORMATION

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

Telephone: 040 673 3095

www.ngqushwamun.gov.za

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

INDEX

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

	PAGE
Accounting Officer's Responsibilities and Approval of the Annual Financial Statements	5
Statement of Financial Position as at 30 June 2018	6
Statement of Financial Performance for the year ended 30 June 2018	7
Statement of Changes in Net Assets for the year ended 30 June 2018	8
Cash Flow Statement for the year ended 30 June 2018	9
Statement of Comparison of Budget and Actual Amounts	10 - 13
Accounting Policies	14 - 32
Notes to the Annual Financial Statements	33 - 66

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

INDEX

ABBREVIATIONS

ASB	Accounting Standards Board
CETA	Construction Education and Training Authority
GRAP	Generally Recognised Accounting Practice
IEC	Independent Electoral Commission
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MPAC	Municipal Public Accounts Committee
PAYE	Pay As You Earn
SARS	South African Revenue Services
SDL	Skills Development Levy
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 2018

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

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was 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.

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the 01 July 2018 to 30 June 2019 and, in the light of this review and the current financial position, she 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 have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 66, which have been prepared on the going concern basis, were approved by the Council on 31 August 2018 and were signed on its behalf by:



Mrs. M. P. Mpahlwa
Accounting Officer

30 November 2018

Peddie

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note(s)	30 June 2018	30 June 2017 Restated*
ASSETS			
Current Assets			
Inventories	3	9,852,500	9,852,500
Operating lease asset	4	396,993	398,691
Receivables from non-exchange transactions	5	10,691,930	19,018,540
Receivables from exchange transactions	6	5,256,940	6,731,914
VAT receivable	7	2,796,368	3,418,492
Cash and cash equivalents	8	1,503,665	1,265,817
		30,498,396	40,685,954
Non-Current Assets			
Intangible assets	9	870,852	1,248,448
Investment property	10	28,003,465	21,935,500
Property, plant and equipment	11	250,154,920	199,917,092
Heritage assets	12	3	3
		279,029,240	223,101,043
Total Assets		309,527,636	263,786,997
LIABILITIES			
Current Liabilities			
Finance lease obligation	13	-	7,342,097
Payables from exchange transactions	14	19,460,457	22,728,003
Payables from non-exchange transactions	15	581,193	696,564
Unspent conditional grants and receipts	16	-	899,544
		20,041,650	31,666,208
Non-Current Liabilities			
Provisions	17	12,806,070	12,338,356
Total Liabilities		32,847,720	44,004,564
Net Assets		276,679,916	219,782,433
Accumulated surplus	18	276,679,917	219,799,464

* See Note 41

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance for the year ended 30 JUNE 2018

	Note(s)	30 June 2018	30 June 2017 Restated
Revenue			
Revenue from exchange transactions			
Service charges	19	758,857	653,355
Rental of facilities and equipment	20	155,982	141,110
Agency fees	21	309,521	343,681
Licences and permits	22	1,715,473	1,604,886
Other revenue	23	1,077,629	10,765,186
Interest earned on outstanding debtors	24	1,985,149	1,563,423
Interest from investments	25	755,148	1,129,318
Total revenue from exchange transactions		6,757,759	16,200,959
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	25,080,554	25,720,317
Transfer revenue			
Government grants	27	113,223,544	102,413,456
Fines and penalties	28	449,700	588,650
Other transfer revenue	29	57,541,399	3,455,293
Total revenue from non-exchange transactions		196,295,197	132,177,716
Total revenue		203,052,956	148,378,675
Expenditure			
Employee related costs	30	(58,806,422)	(52,067,262)
Remuneration of councillors	31	(9,521,166)	(7,414,450)
Depreciation and amortisation	32	(18,577,274)	(16,735,484)
Impairment of assets	33	(14,881,096)	(410,009)
Finance costs	34	(886,155)	(2,192,392)
Debt impairment	35	(545,461)	-
Contracted services	36	(18,253,831)	(21,604,677)
Other expenditure	37	(28,239,356)	(43,695,605)
Total expenditure		(149,710,761)	(144,119,879)
Operating surplus		53,342,195	4,258,796
Gain on disposal and revaluation of assets	38	3,538,258	-
Surplus for the year		56,880,453	4,258,796

* See Note 41

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets for the year ended 30 June 2018

	Accumulated surplus	Total net assets
Opening balance as previously reported	194,217,260	194,217,260
Adjustments		
Prior year adjustments recognised in equity	(756,622)	(756,622)
Prior year adjustments	22,080,030	22,080,030
Balance at 01 July 2016 as restated*	215,540,668	215,540,668
Changes in net assets		
Surplus for the year	4,258,796	4,258,796
Total changes	4,258,796	4,258,796
Restated* Balance at 01 July 2017	219,799,464	219,799,464
Changes in net assets		
Surplus for the year	56,880,453	56,880,453
Total changes	56,880,453	56,880,453
Balance at 30 June 2018	276,679,917	276,679,917
Note(s)		

* See Note 41

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NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note(s)	30 June 2018	30 June 2017 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Billed Services		36,868,800	36,437,595
Government Grants		113,663,961	105,868,750
Interest Revenue		2,740,297	2,692,741
Receipt from other services		2,250,623	2,100,426
		<u>155,523,681</u>	<u>147,099,512</u>
Payments			
Cash paid to Suppliers and Employees		(119,433,183)	(117,612,209)
Finance costs		(126,518)	(1,445,942)
		<u>(119,559,701)</u>	<u>(119,058,151)</u>
Net cash flows from operating activities	39	<u>35,963,981</u>	<u>28,041,361</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(36,577,983)	(22,388,196)
Proceeds from Sale of Property, Plant and Equipment	11	606,233	-
Purchase of Intangible Assets	9	(92,460)	(783,028)
Proceeds from insurance		338,077	191,364
Net cash flows from investing activities		<u>(35,726,133)</u>	<u>(22,979,860)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance Lease Repayments		-	(4,995,667)
Net increase/(decrease) in Cash and Cash Equivalents		<u>237,848</u>	<u>65,834</u>
Cash and Cash Equivalents at the beginning of the year		1,265,817	1,199,983
Cash and Cash Equivalents at the end of the year	8	<u>1,503,665</u>	<u>1,265,817</u>

* See Note 41

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

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
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Service Charges	717,306	-	717,306	758,857	41,551	
Rental of Facilities and Equipment	543,406	-	543,406	155,982	(387,424)	a)
Licences and Permits	1,773,050	-	1,773,050	1,715,473	(57,577)	
Other Revenue	296,561	356,291	652,852	1,077,629	424,777	b)
Agency Fees	483,482	-	483,482	309,521	(173,961)	c)
Interest Revenue	6,690,365	(4,124,629)	2,565,736	2,740,297	174,561	d)
Gains on disposal of assets	372,401	(372,401)	-	-	-	
Total Revenue from Exchange Transactions	10,876,571	(4,140,739)	6,735,832	6,757,759	21,927	
REVENUE FROM NON- EXCHANGE TRANSACTIONS						
Property Rates	23,322,181	10,486,404	33,808,585	25,080,554	(8,728,031)	e)
TRANSFER REVENUE						
Government Grants	102,942,289	25,281,254	128,223,543	113,223,544	(14,999,999)	f)
Fines and Penalties	835,506	-	835,506	449,700	(385,806)	g)
Other Transfer Revenue	381,711	42,000	423,711	57,541,399	57,117,688	h)
Total Revenue from Non- Exchange Transactions	127,481,687	35,809,658	163,291,345	196,295,197	33,003,852	
Total Revenue	138,358,258	31,668,919	170,027,177	203,052,956	33,025,779	
EXPENDITURE						
Employee Related Costs	(62,514,326)	(755,652)	(63,269,978)	(58,806,422)	4,463,556	
Remuneration of Councillors	(8,912,640)	(183,864)	(9,096,504)	(9,521,166)	(424,662)	
Depreciation and Amortisation	(19,898,238)	-	(19,898,238)	(18,577,274)	1,320,964	i)
Impairment of Assets	-	-	-	(14,881,096)	(14,881,096)	
Finance Costs	(880,572)	880,572	-	(886,155)	(886,155)	j)
Debt Impairment	(3,200,000)	2,324,723	(875,277)	(545,461)	329,816	k)
Contracted Services	(2,047,121)	(28,392,195)	(30,439,316)	(18,253,831)	12,185,485	l)
Other Expenditure	(39,690,890)	4,448,052	(35,242,838)	(28,239,356)	7,003,482	m)
Total expenditure	(137,143,787)	(21,678,364)	(158,822,151)	(149,710,761)	9,111,390	
Operating Surplus	1,214,471	9,990,555	11,205,026	53,342,195	42,137,169	
Loss on Disposal of Assets	-	(372,400)	(372,400)	3,538,258	3,910,658	o)
Surplus for the year	1,214,471	9,618,155	10,832,626	56,880,453	46,047,827	

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018						
ASSETS						
CURRENT ASSETS						
Inventories	268,800	-	268,800	9,852,500	9,583,700	p)
Operating Lease Asset	67,602	-	67,602	396,993	329,391	q)
Receivables from non-exchange transactions	25,027,559	-	25,027,559	10,691,930	(14,335,629)	r)
Receivables from Exchange Transactions	7,827,999	-	7,827,999	5,256,940	(2,571,059)	s)
VAT Receivable	-	-	-	2,796,368	2,796,368	t)
Cash and cash equivalents	1,200,807	-	1,200,807	1,503,665	302,858	
	34,392,767	-	34,392,767	30,498,396	(3,894,371)	
NON-CURRENT ASSETS						
Intangible assets	565,871	-	565,871	870,852	304,981	u)
Investment property	37,951,900	-	37,951,900	28,003,465	(9,948,435)	v)
Property, plant and equipment	193,816,255	-	193,816,255	250,154,920	56,338,665	w)
Heritage assets	-	3	3	3	-	
	232,334,026	3	232,334,029	279,029,240	46,695,211	
Total Assets	266,726,793	3	266,726,796	309,527,636	42,800,840	
LIABILITIES						
CURRENT LIABILITIES						
Finance lease obligation	6,609,551	-	6,609,551	-	(6,609,551)	
Payables from exchange transactions	28,051,217	-	28,051,217	19,460,457	(8,590,760)	x)
Payables from Non-Exchange Transactions	-	-	-	581,193	581,193	
	34,660,768	-	34,660,768	20,041,650	(14,619,118)	
NON-CURRENT LIABILITIES						
Finance lease obligation	7,020,261	-	7,020,261	-	(7,020,261)	y)
Provisions	2,848,231	-	2,848,231	12,806,070	9,957,839	z)
	9,868,492	-	9,868,492	12,806,070	2,937,578	
Total Liabilities	44,529,260	-	44,529,260	32,847,720	(11,681,540)	
Net Assets	222,197,533	3	222,197,536	276,679,916	54,482,380	
Accumulated surplus	222,197,533	8,550,003	230,747,536	276,679,917	45,932,381	

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

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

CASH FLOWS FROM OPERATING ACTIVITIES

RECEIPTS

Billed Services	16,767,188	17,758,703	34,525,891	36,868,801	2,342,910
Government Grants	103,705,711	24,941,543	128,647,254	113,663,961	(14,983,293)
Interest Revenue	20,690,365	(18,124,629)	2,565,736	2,740,298	174,562
Receipts from Other Services	2,673,066	1,615,230	4,288,296	2,250,623	(2,037,673)
	143,836,330	26,190,847	170,027,177	155,523,683	(14,503,494)

PAYMENTS

Employee Costs and Suppliers	(113,164,976)	(20,679,905)	(133,844,881)	(119,352,750)	14,492,131
Finance costs	-	-	-	(126,518)	(126,518)
	(113,164,976)	(20,679,905)	(133,844,881)	(119,479,268)	14,365,613

Net Cash Flows from Operating Activities

30,671,354	5,510,942	36,182,296	36,044,415	(137,881)
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property, Plant and Equipment	(30,401,022)	(5,781,275)	(36,182,297)	(36,658,418)	(476,121)
Proceeds from Sale of Property, Plant and Equipment	372,400	-	372,400	606,233	233,833
Proceeds from Insurance Claim for Loss on Property, Plant and Equipment	-	-	-	338,077	338,077
Purchase of intangible assets	-	-	-	(92,460)	(92,460)

Net Cash Flows from Investing Activities	(30,028,622)	(5,781,275)	(35,809,897)	(35,806,568)	3,329
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Net increase/(decrease) in cash and cash equivalents	642,732	(270,333)	372,399	237,847	(134,552)
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Cash and Cash Equivalents at the beginning of the year	1,200,807	-	1,200,807	1,265,817	65,010
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Cash and Cash Equivalents at the end of the year	1,843,539	(270,333)	1,573,206	1,503,664	(69,542)
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NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Explanation of material differences between budget and actual amounts:

- a) The rental of Facilities budget include the budget for hall rental which is overbudgeted, also interest on debtors was written off.
- b) Change in movement in the Landfill Site and insurance reimbursement due to insurance claim.
- c) Lesser vehicle licences were issued during the current year.
- d) Reduced investments due to cashflow.
- e) More properties included in the register and billed.
- f) Budgeted for an amount from CETA which was not subsequently received.
- g) Fewer traffic fines were issued during the financial year.
- h) In kind donation received from Amathole District Municipality (ADM).
- i) This was due to the disposal of assets.
- j) No Budget - Interest incurred due to late payments.
- k) Due to the Debt write off of the Government debtors, this affected the impairment.
- l) Cashflow limitation.
- m) Budgeted for an expenditure amount from CETA which was not subsequently received and no revenue was recognised.
- n) Devaluation in investment property.
- o) Transfers from Investment property
- p) Under budgeted.
- q) Payments received and write offs.
- r) Payments received and write offs.
- s) SARS refund not yet receivable.
- t) Additions of assets.
- u) Reclasification from Investment property to Land and Inventory.
- w) Additional Assets due to Additional MIG funds received and assets transferred from ADM.
- x) Payment of creditors.
- y) The finance lease was cancelled at the beginning of the financial year before any payments were made.
- z) The provision was revised during the current financial and the revision resulted in the increase in the provision.

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

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 (Act 56 of 2003).

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

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 trade 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 on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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.

ALLOWANCE FOR DOUBTFUL DEBTS

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

ACCOUNTING POLICIES

1.4 Investment property (continued)

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

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

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

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

SUBSEQUENT MEASUREMENT - FAIR VALUE METHOD

Subsequent to initial measurement 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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

ACCOUNTING POLICIES

1.5 Property, plant and equipment (continued)

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at cost being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Land		Indefinite
Buildings	Straight line	9 - 30 years
Plant and machinery	Straight line	10 - 15 years
Furniture and fixtures	Straight line	5 - 7 years
Motor vehicles	Straight line	7 years
Office equipment	Straight line	5 - 7 years
Computer equipment	Straight line	5 years
Security equipment	Straight line	5 years
Other equipment	Straight line	5 years
Infrastructure		
• Roads paved	Straight line	30 years
• Roads Graded	Straight line	7 - 25 years
• Electricity (Street lights and High Masts)	Straight line	11 - 20 years
Minor Assets		Immediately
Park facilities	Straight line	5 - 76 years
Maintenance Equipment	Straight line	10 years
Landfill Sites	Straight line	69 - 98 years
Work in progress		Not depreciated

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

ACCOUNTING POLICIES

1.5 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

ACCOUNTING POLICIES

1.6 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Computer software, other	Straight line	5 years

Intangible assets are derecognised:

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

1.7 Heritage Assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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ACCOUNTING POLICIES

1.7 Heritage Assets (continued)

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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

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

INITIAL MEASUREMENT

Heritage assets are measured at cost.

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

SUBSEQUENT MEASUREMENT

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

IMPAIRMENT

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

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial Instruments

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

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

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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.

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ACCOUNTING POLICIES

1.8 Financial Instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

A financial asset is:

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

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

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

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

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

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.

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 category) as reflected on the face of the statement of financial position or in the notes thereto:

CLASS

Receivables from Exchange Transactions
Receivables from Non-Exchange Transactions
VAT Receivable
Operating Lease Asset
Cash and Cash Equivalents

CATEGORY

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at fair value

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

CLASS

Payables from Non-Exchange Transactions
Payables from Non-Exchange Transactions

CATEGORY

Financial liability measured at amortised cost
Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

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ACCOUNTING POLICIES

1.8 Financial Instruments (continued)

INITIAL RECOGNITION

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

The entity recognises financial assets using trade date accounting.

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 all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

GAINS AND LOSSES

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

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

IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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ACCOUNTING POLICIES

1.8 Financial Instruments (continued)

DERECOGNITION

FINANCIAL ASSETS

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

FINANCIAL LIABILITIES

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

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

PRESENTATION

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

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.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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ACCOUNTING POLICIES

1.9 Leases

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

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

OPERATING LEASES - LESSOR

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

1.10 Inventories

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

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

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

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

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

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

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

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

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

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

1.11 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.

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ACCOUNTING POLICIES

1.11 Construction contracts and receivables (continued)

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.

1.12 Impairment of Cash-Generating Assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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 used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

Useful life is either:

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

Judgements are made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets. Additional text

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ACCOUNTING POLICIES

1.12 Impairment of Cash-Generating Assets (continued)

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 use 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.

1.13 Employee Benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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ACCOUNTING POLICIES

1.13 Employee Benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

SHORT-TERM EMPLOYEE BENEFITS

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

Short-term employee benefits include items such as:

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

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

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

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

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

1.14 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.

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ACCOUNTING POLICIES

1.14 Provisions and Contingencies (continued)

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

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

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

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.15 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.

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ACCOUNTING POLICIES

1.15 Revenue from Exchange Transactions (continued)

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.

INTEREST

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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

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ACCOUNTING POLICIES

1.16 Revenue from Non-Exchange Transactions (continued)

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 (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

RECOGNITION

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

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

MEASUREMENT

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

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

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ACCOUNTING POLICIES

1.16 Revenue from Non-Exchange Transactions (continued)

FINES

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

1.17 Investment Income

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

1.18 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.19 Comparative Figures

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

1.20 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 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.

1.21 Fruitless and Wasteful Expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the 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 Irregular Expenditure

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

1.23 Budget Information

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

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

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

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ACCOUNTING POLICIES

1.23 Budget Information (continued)

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

1.24 Related Parties

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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Valued Added Tax

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

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ACCOUNTING POLICIES

1.26 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.

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.

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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 2018 or later periods:

GRAP 108: STATUTORY RECEIVABLES

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

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

The municipality has early adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

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 has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

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2. NEW STANDARDS AND INTERPRETATIONS (continued)

GRAP 21 (AS AMENDED 2016): IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

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.

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

GRAP 26 (AS AMENDED 2016): IMPAIRMENT OF CASH-GENERATING ASSETS

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

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.

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

GRAP 31 (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.

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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.

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

3. INVENTORIES

Land to be transferred to beneficiaries	9,852,500	9,852,500
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4. OPERATING LEASE ASSET

Leases for Land	396,993	398,691
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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.

Minimum lease payments receivable

- within one year	130,718	132,943
- in second to fifth year inclusive	588,541	587,384
- later than five years	887,551	1,019,426
	<u>1,606,810</u>	<u>1,739,753</u>

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Property Rates	11,652,601	23,246,467
Less: Impairment on Property Rates	(4,877,270)	(5,851,502)
Other Receivables	3,916,599	1,623,575
	<u>10,691,930</u>	<u>19,018,540</u>

Property Rates

Current (0 -30 days)	472,525	9,710,598
31 - 60 days	118,331	141,563
61 - 90 days	104,821	207,974
91 - 120 days	87,011	121,832
121 - 150 days	75,470	116,517
> 151 days	10,794,441	12,947,983
	<u>11,652,599</u>	<u>23,246,467</u>

Included in Other Receivables are Payments made in Advance of R2 000 000, Fines issued of R1 130 606 and others.

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5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
SUMMARY OF TOTAL DEBTORS (EXCHANGE AND NON-EXCHANGE) BY CUSTOMER CLASSIFICATION		
Residential		
0-30 days	383,469	864,108
31-60 days	135,038	168,123
61-90 days	106,307	116,520
91-120 days	100,897	158,429
121-150 days	123,681	150,001
> 151 days	7,301,402	6,301,753
	<u>8,150,794</u>	<u>7,758,934</u>
Less: Allowance for Impairment	(6,840,039)	(6,024,237)
	<u>1,310,755</u>	<u>1,734,697</u>
Business		
0-30 Days	375,036	637,645
31-60 Days	122,723	94,695
61-90 Days	81,736	73,062
91-120 Days	66,364	81,716
121-150 Days	67,018	81,330
> 151 days	2,837,693	3,266,718
	<u>3,550,571</u>	<u>4,235,165</u>
Less: Allowance for Impairment	(1,821,476)	(2,091,817)
	<u>1,729,095</u>	<u>2,143,348</u>
Government		
0-30 days	188,884	8,668,073
31-60 days	91,668	129,926
61-90 days	33,668	207,662
91-120 days	34,195	144,787
121-150 days	88,405	142,714
> 151 days	8,555,744	10,955,673
	<u>8,992,564</u>	<u>20,248,835</u>
Total debtor past due but not impaired		
0-30 days	947,390	10,169,825
31-60 days	91,668	129,926
61-90 days	33,526	207,662
91-120 days	34,195	144,787
121-150 days	88,405	142,714
> 151 days	8,555,744	10,955,673
	<u>9,750,928</u>	<u>21,750,587</u>

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	30 June 2018	30 June 2017 Restated
5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
RECONCILIATION OF PROVISION FOR IMPAIRMENT ALLOWANCE		
Opening balance	8,116,055	9,647,859
Provision for impairment	545,460	-
Impairment provision reversal	-	(1,531,804)
	8,661,515	8,116,055
TOTAL DEBTORS (EXCHANGE AND NON-EXCHANGE)		
Balance Net of Credit Balances	20,693,787	32,242,933
Gross Up of Credit Balances	-	15,977
	20,693,787	32,258,910
6. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
GROSS BALANCES		
Refuse	1,173,464	1,009,054
Rent	134,707	105,821
Interest on Overdue Accounts	7,733,014	7,881,592
	9,041,185	8,996,467
LESS: ALLOWANCE FOR IMPAIRMENT		
Refuse	(491,161)	(253,995)
Rent	(56,382)	(26,637)
Interest on Overdue Accounts	(3,236,702)	(1,983,921)
	(3,784,245)	(2,264,553)
NET BALANCE		
Refuse	682,303	755,059
Rent	78,325	79,184
Interest on Overdue Accounts	4,496,312	5,897,671
	5,256,940	6,731,914
REFUSE		
0-30 days	103,399	127,101
31 - 60 days	46,809	20,714
61 - 90 days	31,881	19,541
91 - 120 days	31,304	21,143
121-150 days	23,838	20,792
> 151 days	936,231	799,762
	1,173,462	1,009,053
RENT		
0-30 days	7,285	573
31 - 60 days	-	(3,195)
61 - 90 days	-	(3,195)
91 - 120 days	-	(3,195)
121-150 days	-	(3,195)
> 151 days	127,422	118,029
	134,707	105,822

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
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6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

INTEREST ON OVERDUE ACCOUNTS

0-30 days	364,180	331,553
31 - 60 days	184,288	233,662
61 - 90 days	84,866	172,924
91 - 120 days	83,140	245,152
121-150 days	179,796	239,930
> 151 days	6,836,745	6,658,370
	7,733,015	7,881,591

7. VAT RECEIVABLE

VAT Input Control Account	1,095,640	1,794,701
VAT Output Control Account	(204,665)	(156,318)
VAT Receivable from SARS	1,905,393	1,780,109
	2,796,368	3,418,492

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank Balances	1,019,122	1,145,308
Investments	484,543	120,509
	1,503,665	1,265,817

THE MUNICIPALITY HAD THE FOLLOWING BANK ACCOUNTS:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
FNB Main Account - 62022000898	1,019,122	1,145,308	662,254	1,019,122	1,145,308	662,254
FNB Reserve Fund Account - 62035920596	-	1,784	1,767	-	1,784	1,767
FNB MIG Account - 62270667531	-	13,003	12,260	-	13,003	12,260
FNB Rates Account - 62414349763	484,543	96,119	504,656	484,543	96,119	504,656
FNB EPWP Account - 62414353441	-	972	963	-	972	963
FNB FMG Account - 62414358912	-	1,752	1,734	-	1,752	1,734
FNB Business Call Account - 62606330463	-	6,878	16,350	-	6,878	16,350
Total	1,503,665	1,265,816	1,199,984	1,503,665	1,265,816	1,199,984

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
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9. INTANGIBLE ASSETS

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer Software	2,701,180	(1,830,328)	870,852	2,608,720	(1,360,272)	1,248,448

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
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9. INTANGIBLE ASSETS (continued)

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2018

	Opening balance	Additions	Amortization	Total
Computer Software	1,248,448	92,460	(470,056)	870,852

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2017

	Opening balance	Additions	Amortization	Total
Computer Software	565,871	1,039,205	(356,628)	1,248,448

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

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	28,003,465	-	28,003,465	21,935,500	-	21,935,500

RECONCILIATION OF INVESTMENT PROPERTY - 2018

	Opening balance	Fair value adjustments	Total
Investment property	21,935,500	6,067,965	28,003,465

RECONCILIATION OF INVESTMENT PROPERTY - 2017

	Opening balance	Prior year adjustment	Total
Investment property	24,058,000	(2,122,500)	21,935,500

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10. INVESTMENT PROPERTY (continued)		
DETAILS OF PROPERTY		
ERF 2220 PEDDIE - LAND EXTENT 4340 SQUARE METERS		
Land is leased to Engen Petroleum		
- Cost at acquisition	2,888,000	2,888,000
ERF 447 HAMBURG - LAND EXTENT 2824 HQ		
Portion of the Caravan Park Leased to Mrs Dorego		
- Cost at acquisition	2,050,000	2,050,000
ERF 314 - LAND EXTENT 989 SQUARE METERS		
- Cost at acquisition	91,400	91,400
ERF 1836 - LAND EXTENT 488 SQUARE METERS		
Leased to IEC		
- Cost at acquisition	556,700	556,700
OTHER INVESTMENT LAND OWNED BY THE MUNICIPALITY		
- Cost at acquisition	22,417,365	16,349,400

A valuation of the investment Property was carried out by an independent valuer and the values of the properties were adjusted to their fair market values at year end. The valuation, which conforms to international standards, was arrived at by reference to market evidence of transaction prices for similar properties. The properties were generating an average monthly income of R11 142 (June 2017: R10 326).

11. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	38,188,205	-	38,188,205	38,188,205	-	38,188,205
Buildings	125,934,535	(18,888,129)	107,046,406	78,498,889	(14,933,732)	63,565,157
Plant and Equipment	8,128,479	(4,577,236)	3,551,243	20,733,154	(6,902,968)	13,830,186
Office Furniture	1,653,483	(1,414,432)	239,051	1,536,229	(1,388,168)	148,061
Motor Vehicles	8,258,740	(4,209,047)	4,049,693	9,251,642	(4,185,129)	5,066,513
Office Equipment	1,603,863	(1,101,682)	502,181	1,601,564	(930,797)	670,767
IT Equipment	2,551,842	(1,700,611)	851,231	2,439,699	(1,728,951)	710,748
Infrastructure	155,633,018	(97,866,869)	57,766,149	140,592,921	(86,585,377)	54,007,544
Maintenance Equipment	433,801	(243,363)	190,438	433,801	(210,246)	223,555
Security Equipment	736,372	(445,796)	290,576	648,852	(444,376)	204,476
Other Equipment	532,857	(239,870)	292,987	541,257	(167,298)	373,959
Capital Works in Progress	26,687,170	-	26,687,170	12,035,158	-	12,035,158
Park Facilities	13,152,970	(2,653,381)	10,499,589	12,699,096	(1,806,333)	10,892,763
Minor Equipment	1,885,638	(1,885,637)	1	1,710,393	(1,710,393)	-
Total	385,380,973	(135,226,053)	250,154,920	320,910,860	(120,993,768)	199,917,092

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NGQUSHWA LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

11. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	38,188,205	-	-	-	-	-	38,188,205
Buildings	63,565,157	57,000,000	-	5,156,769	(3,794,424)	(14,881,096)	107,046,406
Plant and Equipment	13,830,186	-	(9,656,791)	-	(622,152)	-	3,551,243
Office Furniture	148,061	130,847	-	-	(39,857)	-	239,051
Motor Vehicles	5,066,513	719,814	(649,000)	-	(1,087,634)	-	4,049,693
Office Equipment	670,767	14,600	(4,182)	-	(179,004)	-	502,181
IT Equipment	710,748	493,076	(67,685)	-	(284,908)	-	851,231
Infrastructure	54,007,544	-	-	15,040,141	(11,281,536)	-	57,766,149
Maintenance Equipment	223,555	-	-	-	(33,117)	-	190,438
Security Equipment	204,476	118,601	(64,822)	89,370	(57,049)	-	290,576
Other Equipment	373,959	-	-	-	(80,972)	-	292,987
Capital Works in Progress	12,035,158	35,024,170	-	(20,372,158)	-	-	26,687,170
Park Facilities	10,892,763	86,675	-	-	(479,849)	-	10,499,589
Minor Assets	-	171,614	-	-	(171,613)	-	1
	199,917,092	93,759,397	(10,442,480)	(85,878)	(18,112,115)	(14,881,096)	250,154,920

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Figures in Rand

11. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2017

	Opening balance	Additions	Transfers	Depreciation capitalised	Depreciation	Prior year adjustment	Assets write off	Total
Land	7,938,500	-	-	-	-	30,249,705	-	38,188,205
Buildings	59,639,018	-	6,408,786	-	(2,482,647)	-	-	63,565,157
Plant and Equipment	14,584,306	1,203,960	-	(511,793)	(1,446,287)	-	-	13,830,186
Office Furniture	165,173	-	36,640	-	(53,752)	-	-	148,061
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	-	-	(340,581)	-	(13,137)	710,748
Infrastructure	46,194,016	-	17,555,533	-	(10,130,264)	388,259	-	54,007,544
Maintenance Equipment	164,853	101,407	-	-	(38,125)	-	(4,580)	223,555
Security Equipment	169,110	99,067	-	-	(63,701)	-	-	204,476
Other Equipment	36,886	292,400	80,388	-	(35,715)	-	-	373,959
Capital Works in Progress	19,909,067	19,043,433	(26,529,082)	-	-	(388,260)	-	12,035,158
Park Facilities	9,437,345	-	2,361,408	-	(517,284)	(388,706)	-	10,892,763
Minor Equipment	-	19,065	86,327	-	(105,392)	-	-	-
TOTAL	164,579,848	22,388,196	-	(511,793)	(16,382,440)	29,860,998	(17,717)	199,917,092

Included in Infrastructure is an amount for Landfill Site with a carrying value of R157 298 (2017: R159 084).

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
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12. HERITAGE ASSETS

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Monuments	3	-	3	3	-	3

RECONCILIATION OF HERITAGE ASSETS - 2018

	Opening balance	Total
Historical Monuments	3	3

RECONCILIATION OF HERITAGE ASSETS - 2017

	Opening balance	Total
Collections of insects, butterflies and fossils	-	-
Historical Monuments	3	3
	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.

13. FINANCE LEASE OBLIGATION

MINIMUM LEASE PAYMENTS DUE

- within one year	-	7,648,553
	-	7,648,553
less: future finance charges	-	(306,456)
	-	7,342,097

PRESENT VALUE OF MINIMUM LEASE PAYMENTS DUE

- within one year	-	7,342,097
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The Finance Lease was a lease with Kwane for the hiring of Plant and the lease was cancelled at the beginning of current financial year due to the differences experienced by the parties to the agreement with regards to the agreement. The capitalized assets per the Finance Lease have been derecognised in the assets of the company and the related litigation around this agreement has been disclosed under the Contingent liabilities in note 49.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
14. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	12,314,895	17,355,322
Accrued Leave Pay	3,160,941	2,811,429
Accrued Bonus	1,293,411	1,346,967
Retentions	2,691,210	1,214,285
	19,460,457	22,728,003

Included in trade payables is a balance for Amathole District Municipality (ADM) amounting to R7 131 576 (2017: R6 640 369).

15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Receivables with Credit Balances	221,866	497,776
Staff creditor for unpaid travel and cellphone allowances	359,327	198,788
	581,193	696,564

All receivables with credit balances have been reallocated to Payables from Non-Exchange Transactions to achieve fair presentation.

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16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Electrification	-	899,544

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
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17. PROVISIONS

RECONCILIATION OF PROVISIONS - 2018

	Opening Balance	Change in estimate	Change in discount factor	Total
Provision for Rehabilitation of Landfill Sites	9,335,356	(513,923)	759,637	9,581,070
Provision for Long Service Awards	3,003,000	-	222,000	3,225,000
	12,338,356	(513,923)	981,637	12,806,070

RECONCILIATION OF PROVISIONS - 2017

	Opening Balance	Prior year adjustment	Change in estimate	Change in discount factor	Total
Provision for Rehabilitation of Landfill Sites	184,687	8,911,257	(507,038)	746,450	9,335,356
Provisions for Long Service Awards	2,663,000	-	-	340,000	3,003,000
	2,847,687	8,911,257	(507,038)	1,086,450	12,338,356

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
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17. PROVISIONS (continued)

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 specialising in Landfill Sites valuations.

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 One Pangaea Financial. The assumptions used in the valuation are outlined below:

Key Assumptions:

1. Salary increase rate of CPI+1%.
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 2018 as supplied by the Johannesburg Stock Exchange.

18. ACCUMULATED SURPLUS

Included in the accumulated surplus are amount adjusted to the accumulated surplus of R12 519 723 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:

- Write off of certain debtors and interest,
- Write off of prior year accruals. - Adjustment to the provision for the Landfill Site

19. SERVICE CHARGES

Refuse Removal	758,857	653,355
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20. RENTAL OF FACILITIES AND EQUIPMENT

FILLING STATION AND PARKING

Various Rentals	151,130	138,396
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FACILITIES AND EQUIPMENT

Billboards	4,852	2,714
	155,982	141,110

Some of the offices were not occupied during the year ended 30 June 2018.

At the end of the financial year, the properties were generating an average monthly income of R11 142 (2017: R10 326).

21. AGENCY FEES

eNATIS Commission	309,521	343,681
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
22. LICENCES AND PERMITS		
Drivers License	1,607,027	1,450,181
Learners License	108,446	154,705
	1,715,473	1,604,886
23. OTHER REVENUE		
Movement in Landfill Site provision	513,923	510,338
Amathole District Municipality debt write-down	-	8,379,822
Tender Fees	404,742	241,409
Sundry Income	21,143	21,152
Building Plan Fees	68,104	27,262
Insurance Claim for Loss of Property, Plant and Equipment	69,717	53,399
Debt impairment recovered	-	1,531,804
	1,077,629	10,765,186
Sundry Income includes income from entrance fees and cemetery fees.		
24. INTEREST EARNED - OUTSTANDING DEBTORS		
Interest earned on Outstanding Debtors	1,985,149	1,563,423
25. INTEREST FROM INVESTMENTS		
Interest from Investments	754,119	1,106,765
Interest from SARS	1,029	22,553
	755,148	1,129,318

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
26. PROPERTY RATES		
Gross Property Rates	26,337,092	26,887,310
Less: Rebates	(1,256,538)	(1,166,993)
	25,080,554	25,720,317
VALUATIONS		
Residential	344,707,304	344,707,304
Commercial	139,476,888	139,476,888
Government	571,034,890	571,034,890
Municipal	84,049,307	84,049,307
Farms agricultural	85,104,301	85,104,301
Place Of Worship	2,396,000	2,396,000
Vacant Land	105,918,284	105,918,284
Game Hunting	6,300,000	6,300,000
Other	16,027	16,027
	1,339,003,001	1,339,003,001

Valuations on land and buildings within the boundaries of the municipality 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.

The Municipality was due to perform its annual General Valuation at the expiry of the 4 year cycle in 2017 however, the municipality obtained an extension for the new General Valuation implementation till the 01 July 2019 wherein the General Valuation will be adopted.

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27. GOVERNMENT GRANTS		
Equitable Share	73,615,000	76,828,000
Expanded Public Works Programme	1,531,000	1,000,000
Municipal Infrastructure Grant	31,833,000	19,475,000
Financial Management Grant	2,345,000	2,010,000
Integrated National Electrification Programme	3,899,544	3,100,456
	113,223,544	102,413,456

CONDITIONAL AND UNCONDITIONAL GRANTS

Included in above are the following grants and subsidies received:

Conditional grants received	39,608,544	25,585,456
Unconditional grants received	73,615,000	76,828,000
	113,223,544	102,413,456

EQUITABLE SHARE

In terms 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	1,531,000	1,000,000
Conditions met - transferred to revenue	(1,531,000)	(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	31,833,000	19,475,000
Conditions met - transferred to revenue	(31,833,000)	(19,475,000)
	-	-

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

	30 June 2018	30 June 2017 Restated
27. GOVERNMENT GRANTS (continued)		
FINANCIAL MANAGEMENT GRANT		
Current-year receipts	2,345,000	2,010,000
Conditions met - transferred to revenue	(2,345,000)	(2,010,000)
	-	-

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.

INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME

Balance unspent at beginning of	899,544	-
Current-year receipts	3,000,000	4,000,000
Conditions met - transferred to revenue	(3,899,544)	(3,100,456)
	-	899,544

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	449,700	588,650
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29. OTHER TRANSFER REVENUE

Donation of assets from Amathole District Municipality.	57,100,981	-
Library Subsidy	350,000	350,000
LG Seta transfer	90,418	105,601
CETA	-	2,999,692
	57,541,399	3,455,293

Donations Income comprises of assets donated by the ADM to the municipality in the current year. The donated assets were valued to their fair market values and recognised at fair value in the financial statements of the municipality. The assets have been included in the property, plant and equipment balance.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
30. EMPLOYEE RELATED COSTS		
Basic Salaries	41,313,250	36,030,912
Annual Bonus (13th Cheques)	2,837,625	2,684,800
UIF	327,874	301,588
SDL	467,486	430,642
SALGBC Levies	19,619	17,525
Redemption of Leave	1,656,802	655,338
Cellphone Allowance	281,303	355,512
Shift Allowance	250,509	222,084
Overtime	324,429	323,384
Acting Allowances	-	3,485
Housing Allowances	166,277	195,593
Medical Aid Contributions	2,396,885	2,148,891
Pension Fund Contributions	6,055,734	5,454,039
Long Service Bonus	406,742	415,358
Subsistence and Travel	2,301,887	2,828,111
	58,806,422	52,067,262

The amounts below have been included in the above note:

REMUNERATION OF MUNICIPAL MANAGER

Annual Remuneration	714,959	1,093,240
Backpay	23,141	38,092
SDL	7,773	11,313
UIF	1,338	1,636
Travel expenses	231,409	2,291
Bargaining Levy	-	84
Term leave	201,479	-
	1,180,099	1,146,656

The amounts below have been included in the above note:

Included are Basic Salaries, Medical Aid all, Provident fund Allowance (for 9 Months) since the MM's appointment and the Acting Allowance from Mr Govu (Technical Director).

Term Leave is for the leave days for the previous Municipal Manager when he vacated the position.

REMUNERATION OF CHIEF FINANCE OFFICER

Annual Remuneration	635,092	598,047
Travel expenses	209,950	205,084
SDL	10,256	9,858
UIF	1,785	1,785
Cellphone allowance	40,545	34,885
Backpay	21,427	31,743
Nonpensionable Allowance	172,900	165,455
Bargaining Levy	99	92
	1,092,054	1,046,949

REMUNERATION OF EXECUTIVE MANAGER: CORPORATE SERVICES

Annual Remuneration	618,135	846,750
Backpay	10,285	31,743

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
30. EMPLOYEE RELATED COSTS (continued)		
Travel expenses	107,382	154,279
SDL	7,903	9,579
UIF	1,338	1,785
Bargaining Levy	66	92
Term leave	189,846	-
	934,955	1,044,228

Included are Basic Salaries, Medical Aid & Provident Fund Allowance for the previous Director Mr.s Mazwayi and the Acting Allowance of Mr Mxekezo when Mrs. Mazwayi vacated the position.

Term Leave is for the leave days for the previous Executive Manager when she vacated the position.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
30. EMPLOYEE RELATED COSTS (continued)		
REMUNERATION OF EXECUTIVE MANAGER: TECHNICAL SERVICES		
Annual Remuneration	491,158	707,042
Backpay	-	31,743
Travel expenses	115,997	347,060
SDL	6,609	8,481
UIF	1,041	1,785
Cellphone allowance	22,849	67,486
Bargaining Levy	33	92
Term leave	148,079	-
	785,766	1,163,689

Included in Basic Salaries is the previous Executive Manager, Mr. Govu and the Acting Allowance of Mr Msipha

Term Leave is for the leave days for the previous Executive Manager when he vacated the position

REMUNERATION OF EXECUTIVE MANAGER: COMMUNITY SERVICES

Annual Remuneration	426,096	102,257
Travel expenses	51,424	34,283
SDL	2,985	1,518
UIF	595	297
Bargaining Levy	8	-
Acting allowance	-	25,564
Medical aid	13,965	9,310
	495,073	173,229

31. REMUNERATION OF COUNCILLORS

Mayor	832,829	829,472
Speaker	687,010	636,796
Chief Whip	380,707	578,570
MPAC Chair	370,847	332,896
Exco	1,142,120	1,026,451
Other Councillors	6,107,653	4,010,265
	9,521,166	7,414,450

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

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

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

32. DEPRECIATION AND AMORTISATION

Property, plant and equipment	18,107,793	16,378,855
Intangible Assets	469,481	356,629
	18,577,274	16,735,484

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
33. IMPAIRMENT OF ASSETS		
IMPAIRMENTS		
During the year, items of property, plant and equipment and investment property were impaired due to loss, damage or reduction in value.	<u>14,881,096</u>	<u>410,009</u>
34. FINANCE COSTS		
Finance Lease	-	1,281,019
Interest on late Payment of Suppliers	126,518	164,923
Finance costs on Landfill Site Provision	759,637	746,450
	<u>886,155</u>	<u>2,192,392</u>
35. DEBT IMPAIRMENT		
Debt Impairment	<u>545,461</u>	<u>-</u>
Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.		
36. CONTRACTED SERVICES		
Repairs and maintenance	3,125,094	5,907,623
Other contracted services	15,128,737	15,697,054
	<u>18,253,831</u>	<u>21,604,677</u>
Due to mSCoA implementation, the following reclassifications was made in the current year and affecting the 2016/17 financial year as follows.		
Contracted Services	18,253,831	21,604,677
Repairs and maintenance	(3,125,094)	(5,907,623)
Other expenditure: Consultation and professional fees	(15,128,737)	(15,697,054)
	<u>-</u>	<u>-</u>

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
37. OTHER EXPENDITURE		
Accommodation Expenses	2,051,330	3,277,131
Advertising	622,196	1,311,825
Agriculture	173,000	445,463
Audit Fees	3,581,608	3,199,529
Bank Charges	162,819	85,127
Books and Publications	-	82,875
Catering	567,408	340,428
Computer Expenses	62,082	67,827
Conferences and Seminars	199,195	98,538
Consumables	40,657	114,343
Electricity	2,596,255	3,125,700
Employee Assistance Programme	28,801	471,111
Financial Management Enhancement	1,378,846	1,051,994
Fines and penalties	13,500	100,000
Fuel and Oil	1,931,849	1,612,858
IDP Reviewal	58,896	719,303
Learnerships and interns	1,530,813	1,000,000
Legal Expenses	2,403,198	2,673,127
Life Saver Hire	386,310	194,800
Miscellaneous Expenses	4,608,478	7,034,670
Motor Vehicle Expenses	-	50,074
Printing and Stationery	319,135	384,054
Programmes	18,037	3,899,906
Public Participation	(3,821)	2,288,723
Refuse	252,000	79,300
Royalties and License Fees	772,347	268,163
Special Programmes Unit	950,840	591,921
Subscriptions and Membership Fees	-	1,366,483
Telephone	729,723	666,023
Tourism Development	20,000	1,837,850
Training	942,057	2,463,222
Uniforms	269,805	1,676,382
Water Municipal Use	1,571,992	1,116,855
	28,239,356	43,695,605

Included in miscellaneous expenses are, among others, License fees, Bursaries, Auction fees, Workshops, Imbizos costs, Library costs and signage expenditure.

The negative Public Participation is as a result of the VAT portion that was incorrectly charged and recorded in the expense vote in the prior year. However, due to the introduction of mSCoA on 01 July 2017, the expense vote number did not exist when the VAT correction was done.

38. LOSS/(GAIN) ON DISPOSAL AND REVALUATION OF ASSETS

Loss/(gain) on disposal/Revaluation of assets	(3,538,258)	-
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NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
39. CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	56,880,453	4,258,796
ADJUSTMENTS FOR:		
Depreciation and Amortisation	18,577,274	16,735,484
Impairment Loss on Assets	14,881,096	410,008
Amathole District Municipality liability write off	-	(8,379,822)
Debt Impairment	545,461	(1,531,804)
Gain on Disposal/Revaluation of Assets	(3,855,874)	-
Movement in Accrued Bonus	(53,556)	211,161
Movement in Long-Service Bonus	222,000	340,000
Movement on Leave Pay Provision	349,512	(201,024)
Movements in Provision for Landfill Sites	(513,923)	(510,338)
Interest on Landfill Site provision	759,637	746,450
Provision for Landfill Site	245,714	9,150,669
Donation of assets from BCM	(57,100,981)	-
CHANGES IN WORKING CAPITAL:		
VAT Receivable	622,124	601,821
Receivables from Exchange Transactions	1,474,974	1,096,085
Receivables from Non-Exchange Transactions	8,326,610	7,636,255
Inventories	-	(6,506,800)
Movements in Operating Lease Asset	1,698	(4,951)
Payables from exchange transactions	(3,267,546)	214,964
Payables from Non-Exchange Transactions	(115,371)	(154,048)
Unspent conditional grants and receipts	(899,544)	899,544
Finance lease liability current portion	-	-
Other non cash adjustments	(1,433,393)	-
Effect of the prior year adjustments	-	3,028,907
	35,646,365	28,041,357

40. COMMITMENTS

AUTHORISED CAPITAL EXPENDITURE

ALREADY CONTRACTED FOR BUT NOT PROVIDED FOR

• Property, plant and equipment	18,393,990	35,941,888
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This committed expenditure relates to property, plant and equipment and will be financed through the Municipal Grants, existing cash resources, funds internally generated, etc.

41. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS: This was a journal processed to adjust the property rates amount in the prior year and this affected the receivables from non exchange.

OPERATING LEASE ASSET: This was to correct an error made in the rental and straightligning schedule. This affected the rental of facilities.

RECEIVABLES FROM EXCHANGE TRANSACTIONS: This was due to the write off of interest on Government debtors from 2012 to 2017.

PROVISIONS: This was a journal processed to adjust the Provision for Landfill Site as a new recalculation was made which affected the lifespan of the Site. This affected the Finance Costs and Other Revenue.

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30 June 2018	30 June 2017 Restated
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41. PRIOR-YEAR ADJUSTMENTS (continued)

OTHER REVENUE: The adjustment is for the provisions above as well as the reclassification of Library Subsidy which was classified as Other Income instead of Other Transfer Revenue.

INTEREST REVENUE: This was interest written off on long outstanding Government Debtors.

PROPERTY RATES: This was a journal processed to make a correction adjustment to the property rates amount in the prior year.

OTHER EXPENDITURE: This was a journal processed to make a correction adjustment to the other expenditure amount in the prior year..

LOSS ON DISPOSAL OF ASSETS: This is the valuation of the Bhingqala road due to cost information for its construction not being available for its transfer to infrastructure.

INVENTORIES: This was due to the reclassification of inventory to Investment property and Land.

INVESTMENT PROPERTY: This was due to the transfer of investment property to Land.

PROPERTY, PLANT AND EQUIPMENT: This was due to the Bhingqala Project which was valued since there was no cost information available and then transferred to infrastructure, as well as the related depreciation adjustment. It is also due to the impairment adjustment for the Glenmore Sportfield..

PAYABLES FROM EXCHANGE TRANSACTIONS: This was to correct the Amathole District municipality balance as per the age analysis .

RENTAL OF FACILITIES AND EQUIPMENT: This was to correct an error made in the rental and straight lining schedule. This affected rental of facilities.

EMPLOYEE COSTS: This was due to the correction of employee costs that was incorrectly reported..

IMPAIRMENT OF ASSETS: This is due to the impairment adjustment for Glenmore Sportsfield..

FINANCE COSTS: This was due to the adjustment of finance costs as per the landfill site report.

DEBT IMPAIRMENT: This was due to the reversal of debt impairment as a result of debtors written off.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		30 June 2018	30 June 2017 Restated	
41. PRIOR-YEAR ADJUSTMENTS (continued)				
STATEMENT OF FINANCIAL POSITION				
2017				
	Note	As previously reported	Correction of error	Restated
Current Assets				
Inventories		3,345,700	6,506,800	9,852,500
Receivables from non-exchange transactions		21,659,587	(2,641,046)	19,018,541
Operating Lease Asset	4	404,534	(7,541)	396,993
Receivables from Exchange Transactions	6	8,364,827	(1,632,913)	6,731,914
		33,774,648	2,225,300	35,299,948
Non-current Assets				
Investment property		24,058,000	(2,122,500)	21,935,500
Property, plant and equipment		170,056,701	29,860,391	199,917,092
		194,114,701	27,737,891	221,852,592
Total Assets		227,889,349	29,963,191	257,152,540
Liabilities				
Current Liabilities				
Payables from Exchange Transactions		(22,594,254)	(133,749)	(22,728,003)
Payables from Non-Exchange Transactions		(497,776)	(198,788)	(696,564)
		(23,092,030)	(332,537)	(23,424,567)
Non-Current Liabilities				
Provisions	17	(3,190,987)	(9,147,369)	(12,338,356)
Total Liabilities		(26,283,017)	(9,479,906)	(35,762,923)
Net Assets		201,606,332	20,483,285	222,089,617

STATEMENT OF FINANCIAL PERFORMANCE

NGQUSHWA LOCAL MUNICIPALITY

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		30 June 2018	30 June 2017 Restated		
41. PRIOR-YEAR ADJUSTMENTS (continued)					
2017					
	Note	As previously reported	Correction of error	Re- classification	Restated
Revenue					
Revenue from exchange transactions					
Rental of Facilities and Equipment	20	146,952	(5,842)	-	141,110
Other Revenue	23	9,073,044	2,042,141	(350,000)	10,765,185
Interest on outstanding debtors	25	3,777,615	(2,214,192)	-	1,563,423
Total revenue from exchange transactions		12,997,611	(177,893)	(350,000)	12,469,718
Revenue from non-exchange transactions					
Property Rates	26	25,753,131	(32,814)	-	25,720,317
Other Transfer Revenue	29	3,105,293	-	350,000	3,455,293
		28,858,424	(32,814)	350,000	29,175,610
Total Revenue from non exchange		41,856,035	(210,707)	-	41,645,328
Expenditure					
Finance Costs	34	(1,445,942)	(746,450)	-	(2,192,392)
Employee related costs		(51,868,473)	(198,789)	-	(52,067,262)
Impairment of assets		(17,717)	(392,291)	-	(410,008)
Depreciation		(16,738,460)	2,976	-	(16,735,484)
Debt impairment		(1,750,594)	1,750,594	-	-
Repairs and maintenance		(6,012,391)	-	6,012,391	-
Other expenditure		(57,504,540)	(1,783,351)	15,592,286	(43,695,605)
Contracted services		-	-	(21,604,677)	(21,604,677)
Total Expenditure		(135,338,117)	(1,367,311)	-	(136,705,428)
Surplus for the year		(93,482,082)	(1,578,018)	-	(95,060,100)

CASH FLOW STATEMENT

2017

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Receipts				
Billed Services		33,219,795	3,217,800	36,437,595
Government Grants		103,313,000	2,555,750	105,868,750
Interest Revenue		1,070,556	1,622,185	2,692,741
Receipt from other services		5,532,818	(3,432,392)	2,100,426
		143,136,169	3,963,343	147,099,512
Payments				
Cash paid to Suppliers and Employees		(113,682,429)	(3,929,779)	(117,612,208)
Finance Costs		(1,006,456)	(439,486)	(1,445,942)
		(114,688,885)	(4,369,265)	(119,058,150)
		28,447,284	(405,922)	28,041,362
Cash flow from investing activities				
Proceeds from insurance		137,964	53,399	191,363
Cash flow from investing activities				
Finance Lease Repayments		(5,348,191)	352,524	(4,995,667)
		23,237,057	1	23,237,058

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NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30 June 2018	30 June 2017 Restated
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42. 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's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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 - R1 503 665 (2017: R1 265 817).

CREDIT RISK

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:

Financial instrument	2018	2017
Receivables from Exchange Transactions	5,256,940	6,731,914
Receivables from Non-Exchange Transactions	10,691,930	19,018,540
Cash and Cash Equivalents	1,503,665	1,265,817
Finance Lease Obligation	-	7,342,097
Provisions	12,806,070	12,338,356
Payables from Exchange Transactions	19,460,457	22,728,003
Payables from Non-Exchange Transactions	581,193	696,564
Unspent conditional grants and receipts	-	899,544

43. GOING CONCERN

We draw attention to the fact that at 30 June 2018, the municipality had an accumulated surplus of 276,679,917 and that the municipality's total liabilities did not exceed its assets.

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Annual Financial Statements for the year ended 30 June 2018

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
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43. GOING CONCERN (continued)

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

44. EVENTS AFTER THE REPORTING DATE

In August 2018, after the year end but before the submission and approval of the AFS, the Council made a resolution to recover monies paid to Senior Managers appointed from 2014 to current that were paid outside the upper limits of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers. The details of the resolution are in the August Council meeting minutes and are disclosed in the Note 49 under Contingent Assets.

45. 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.

Opening balance as previously reported	34,717,829	34,717,829
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46. FRUITLESS AND WASTEFUL EXPENDITURE

Opening Balance as previously reported	276,428	14,886
Fruitless and wasteful expenditure for the Current year	140,469	261,542
	416,897	276,428

47. IRREGULAR EXPENDITURE

Opening balance	53,439,937	41,111,787
Add: Irregular Expenditure - current year	43,903,041	12,328,150
	97,342,978	53,439,937

Details of irregular expenditure

Proper Supply Chain Management processes were not followed in making the awards	43,903,041	12,328,150
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
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48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

Listed below are the various circumstances where goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Incidents

Deviations due to Emergency procurement	1,707,353	9,677,513
Deviations due to Sole supplier procurement	1,935,433	3,318,448
Deviations due to impracticality of following SCM processes	3,229,963	2,924,623
	6,872,749	15,920,584

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	30 June 2018	30 June 2017 Restated
49. 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.		
Halana Motor vehicle damages vehicle no. HWN 50 EC collided with vehicle no. HLF 494 EC Pending investigation on the merits.	56,380	-
Kwane (2017) Higher purchase agreement between NLM, Kwane and BLC Company. Contract to be declared invalid Discovery stages. Kwane filled notice for discovery. NLM is yet to discover.	750,000	-
Kwane (2018) Kwane suing NLM for unlawful termination of contract Counsel is briefed to draw memorandum on the evidence and/or merits.	11,204,414	-
Nosizwe Madlingozi o.b.o Sesona Manyathi NLM being sued for negligence resulting in injury of Manyathi (Soccer match organized by independent association) Joinder application stage. Punitive cost order pending application	5,050,000	1,502,180
Gwavu (EFF) Composition of EXCO in that it excludes the opposition parties Matter set down for hearing of the application on 14/08/2018.	550,000	-
Aubrey May Civil matter : Illegal structures. Completion expected about 30 November 2017 Case is still being investigated	50,000	-
Mr Allie Title Deeds to be obtained and registration of transfer to be effected in King William's Town Deeds Offices Pending application to demolish illegally erected structures.	50,000	-
Hamburg Caravan Park Civil matter : eviction of illegal occupiers as Hamburg Caravan Park is the property of Ngqushwa Local Municipality Pending application for eviction	100,000	-
Ntombentsa Doloni Dismissal or Reinstatement of employee Hearing was held on 2 August 2018 Pending decision by management re: settlement proposals between the parties	88,162	-
Dlelanga Trading CC A claim by Dlelanga Trading CC based on a dispute for services rendered Case still pending	595,872	595,872
	18,556,111	2,098,052

CONTINGENT ASSETS

In 2014, the Municipality made payments to Senior Managers that were appointed outside the Upper limits that were set out in the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers. During the financial statements preparation period, the Council resolved that the Senior Managers who were offered packages that were outside the referred Regulations repay the excess amounts paid. The packages outside the upper limits per the Resolutions amounted to R 2,698,397. According to legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain and is dependent on the acknowledgement of debt by the affected Senior Managers.

50. 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 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. The municipality did however receive a donation of assets from ADM of R57 100 981 as disclosed in note 29.

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 and Councillors refer to Note 30 and 31 respectively.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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51. ADDITIONAL DISCLOSURE IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003		
CONTRIBUTIONS TO SALGA		
Current year fee	782,167	532,000
Amount paid - current year	(782,167)	(532,000)
	-	-
AUDIT FEES		
Opening balance	722,280	-
Current year fee	2,859,818	3,816,101
Amount paid - current year	(2,859,818)	(3,093,821)
Amount paid - previous years	(722,280)	-
	-	722,280
PAYE, SDL AND UIF		
Opening balance	691,192	665,428
Current charges	9,331,758	8,462,350
Amount paid - current year	(9,191,616)	(8,436,586)
	831,334	691,192
PENSION AND MEDICAL AID DEDUCTIONS		
Opening balance	-	72,350
Current year contributions	19,313,496	13,335,869
Amount paid - current year	(17,969,087)	(13,335,869)
Correction of misallocations	-	(72,350)
	1,344,409	-

COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2018.

ANNEXURE B
AUDITOR GENERAL REPORT

Report of the auditor-general to the Eastern Cape Provincial Legislature and 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 statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, financial position of the Ngqushwa local municipality as at 30 June 2018, 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, 2017 (Act No. 3 of 2017) (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 this auditor's 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) and 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 47 to the financial statements, irregular expenditure amounting to R97,3 million (2017: R53,4 million) has been incurred in the current year due to the reversal of a write-off of irregular expenditure and supply chain management (SCM) processes not being followed.

Restatement of corresponding figures

8. As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors discovered during the period 30 June 2018 in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Responsibilities of the accounting officer for the financial statements

9. 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.
10. In preparing the financial statements, the accounting officer is responsible for assessing the 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 appropriate governance structure 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

11. 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

13. 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.
14. 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.

15. 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 2018:

Development priorities	Pages in the annual performance report
KPA 2: Quality basic service delivery and infrastructure development	6
KPA 3: Local economic development	7

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance 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.
17. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

KPA 2 – Quality basic service delivery and infrastructure development

Usefulness of the reported performance

Various indicators

18. The measures taken to improve performance were not adequately disclosed for the following targets:

Target as per 2017/18 SDBIP	Achievement as per 2017/18 APR	Corrective Action as per 2017/18 APR
Surfacing of 1.8km of Peddie town streets	Partially achieved as surfacing of 1.8km Peddie town streets 85% completed	Project completion certificate will be issued in 2018/19 financial year
Maintenance of 290 street lights in the following villages by 30 June 2018: Mgababa (100) Prudoe (130) Wesley (30) Mphekweni(30)	Partially achieved as 130 Street lights were maintained in the following villages: Mgababa (70) Prudhoe (30) Wesley (30)	The project could not be completed due to budget constraints
Maintenance of 22 High Mast by 30 June 2018 in the following	Partially achieved as 19 High Masts were maintained in the following	The project could not be completed due to

areas/village: Peddie Extension (10) Glennmore (1) German Village (3) Durban Village (7) Hamburg (1)	villages: Glennmore (1) Hamburg (1) Durban (7) Peddie Extension (10)	budget constraints
Repairs and Maintenance of electricity in the following 6 Municipal buildings by 30 June 2018. 1)Main building 2)Technical Services Department 3) Ncumisa Kondlo indoor sport centre 4Traffic Department 5) Hamburg offices 6)Corporate Services	Partially achieved as 3 Repairs and Maintenance of electricity in the following building were performed: Technical Services Main Building Corporate Services	This indicator relates to electrical faults that are reported by the departments to Electrical unit.
Electrical Maintenance of 20 Community Halls by 30 June 2018 1) Rura 2) Baltein 3) Pikoli 4) Crossroads 5) Leqeni 6) Feni 7) Tuku A 8) Woodridge 9) Wesley 10) Mankone 11) Mtati 12) Ngqwele 13) Nxopho 14) Phole 15) Nyaniso 16) Cheletyumna 17) Mkhanyeni 18) Tyhatha 19) Bhongweni 20) Glennmore	Partially achieved as 16 Community halls were electrical maintained: 1) Wesley 2) Tuku A 3) Wooldridge 4) Crossroads 5) Leqeni 6) Feni 7) Bhongweni 8) Mhankone 9) Glenmore 10) Pikoli 11) Baltein 12) Rura 13) Phole 14) Nxopho 15) Ngqwele 16) Mthathi	The project could not be completed due to budget constraints
Maintenance of 130 street lights in Peddie town by 30 June 2018	Not Achieved as 38 street lights were maintained in Peddie town	The project will be completed in 2018/19 Financial Year
Electrification of 211 households in the following villages by 30 June 2018: Tyeni (25) Hamburg (40) Gobozana (30) Mhankone (10) Qawukeni (21) Paradise (10) Peddie Ext (5) Tyata (10) Gcinisa South (30) Libalele (10) Upper Gwalane (20)	Partially achieved as 211 houses were electrified but the construction percentage is at 70.78% for the following villages: Tyeni (25) Hamburg (40) Gobozana (30) Mhankone (10) Qawukeni (21) Paradise (10) Peddie Ext (5) Tyata (10) Gcinisa South (30) Libalele (10)	The project will be completed in 2018/19 Financial Year

	Upper Gwalane (20)	
Cleaning and unblocking of 30 storm water drainage by 30 June 2018	Partially Achieved, report and completion form are not reflecting number of storm water achieved.	This will be rectify in 2018/19 financial year.
Maintenance of 165km gravel road by 30 June 2018	Partially achieved, 149,5km of maintenance of gravel road.	The remaining KM's in the maintenance of gravel road will be done in 2018/19 financial year.

Re-gravelling of roads in municipal area and cleaning of open drains

19. As per the approved annual performance plan, the planned indicator is not consistent with the planned target. The planned indicator refers to the re-gravelling of roads in the municipal area and cleaning of open drains. The planned target refers to the cleaning and unblocking of 30 storm water drainage by 30 June 2018. The reported achievement was partially achieved.

Reliability of the reported performance

Various indicators

20. The achievement for the following targets reported in the annual performance report did not agree with the supporting evidence provided.

KPI No	Reported achievement per APR	Actual Achievement per portfolio of evidence	Misstatement
QBSD 12	Partially achieved as 211 houses were electrified but the construction percentage is at 70.78% for following villages: Tyeni (25) Hamburg (40) Gobozana (30) Mhankone (10) Qawukeni (21) Paradise (10) Peddie Ext (5) Tyata (10) Gcinisa South (30) Libalele (10) Upper Gwalane (20)	0 houses were electrified, as there was no completion certificate attached to the POE and there was no list of houses electrified.	Overstatement 100%
QBSD 8	The reported achievement as per APR is that the surfacing of Peddie	Not achieved	Overstatement of 100%. The measurement basis for the reported achievement, being a percentage, is inconsistent with the

	town streets is 85% complete.		planned target being in number of kilometres.
QBSD 9	Partially achieved as 130 street lights were maintained in the following villages: - Mgababa (70) Prudhoe (30) Wesley(30)	60 street lights were maintained, as the completion certificate for Mgababa was not certified by the ward councillor.	53% Overstatement

KPA 3 – Local economic development

Usefulness of the reported performance

Various indicators

21. The following indicators are not consistent with the planned targets approved in the annual performance and the reported achievement in the annual performance report.

Indicator	17/18 Annual target	Reported achievement
Development of business plan for LED initiatives	Implementation of LED strategy by 30 June 2018	Achieved as LED Strategy Implemented.
Revitalization of 5 irrigation schemes: Ngxakaxha, Thyefu, Dube, Gcinisa and Mthombe) Land mechanization (Mthathi, Benton)	Implementation of draft poverty alleviation plan by 30 June 2018	Achieved as Draft Poverty Alleviation Plan Implemented.
Number of tourism projects implemented through the tourism sector plan.	Implementation of draft tourism sector plan by 30 June 2018	Achieved as Draft Tourism Sector Plan Implemented.
Development of business plan for source of funding for construction of recycling facility at landfill site	Source funding for construction of recycling facility and landfill site by 30 June 2018	Achieved as Business plan developed and submitted to source funding for construction of recycling facility and landfill site.
Number of activities conducted for implementation of environmental management plan	Implementation of environmental management plan by 30 June 2018.	Achieved as environmental management plan implemented.
Development of business plan for sourcing of funds for environmental related projects.	Source funding for environmental related projects by 30 June 2018.	Achieved as business plan developed and submitted to source funds for environmental projects
Number of activities conducted for implementation of coastal management plan.	Implementation of coastal management plan by 30 June 2018	Achieved, Coastal management plan implemented

Various indicators

22. The planned and reported indicators and targets listed below are not measurable.

Planned and reported Indicator	Planned and reported target	Reported achievement
Maintenance of open spaces, municipal grounds, parks, and public amenities.	Maintenance of open spaces, municipal grounds, parks and public amenities by 30 June 2018	Achieved as open spaces, municipal grounds, parks and public amenities maintained.
Number of tourism projects implemented through the tourism sector plan.	Implementation of draft tourism sector plan by 30 June 2018	Achieved as Draft Tourism Sector Plan Implemented.
Number of activities conducted for implementation of environmental management plan	Implementation of environmental management plan by 30 June 2018.	Achieved as environmental management plan implemented.
Number of activities conducted for implementation of coastal management plan.	Implementation of coastal management plan by 30 June 2018	Achieved, Coastal management plan implemented

Number of road blocks and workshops conducted

23. The planned and reported indicator and target listed below is not relevant to the mandate of LED which is to create wealth using natural resources thereby promoting sustainable economic growth.

Planned and reported Indicator	Planned and reported target	Reported achievement
Number of road blocks and workshops conducted.	Three roadblocks to be conducted and one quarterly awareness workshops to be conducted by 30 June 2018.	Achieved as Three (3) roadblocks and one awareness workshops conducted.

Reliability of the reported performance

Various indicators

24. The achievement for the following targets reported in the annual performance report did not agree with the supporting evidence provided.

KPI No	Indicator per APR	Nature of Misstatement	Misstatement
LED 5	Revitalisation of 5 irrigation schemes (Ngxakaxha, Thyefu, Dube, Gcinisa and Mthombe)	Q1: Site visit forms were not specific as to say what irrigation scheme site was visited. Q4: There is no evidence relating to supply of production inputs for Dube, Thyefu and Ngxakaxha.	The reported achievement is overstated by 100%

Various indicators

25. The following indicators per the initial 17/18 SDBIP were found to have evidence for work performed in the Portfolio of Evidence (PoE), but were not included in the revised SDBIP and annual performance report (APR) for the 2017/2018 financial year.

KPI No	Indicator per PoE	Budget Allocation per initial SDBIP	Nature of Misstatement
LED 3	Marketing of Ngqushwa as Tourism Destination	R1 000 654	As per the PoE, work was performed in relation to the indicator but the indicator was then omitted from the revised SDBIP and not reported in the APR
LED 4	Number of farmers supported with livestock improvement programme	R0	As per the PoE, work was performed in relation to the indicator but the indicator was then omitted from the revised SDBIP and not reported in the APR.

Other matters

26. I draw attention to the matters below.

Achievement of planned targets

27. Refer to the annual performance report on pages 6 to 8 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 17 to 24 of this report.

Adjustment of material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA2 – quality basic service delivery and infrastructure development and KPA 3 – local economic development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

29. 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.

30. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue 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

32. Reasonable steps were not taken to prevent irregular expenditure amounting to R97,3 million as disclosed in note 47 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management regulations.
33. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R240 469, as disclosed in note 46 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by penalties and interest paid on overdue balances.

Consequence management

34. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
35. Losses resulting from unauthorised expenditure were not recovered from the liable person, as required by section 32(2)(a) of the MFMA.
36. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
37. Losses resulting from irregular expenditure were not recovered from the liable person, as required by section 32(2) of the MFMA.
38. I was not able to determine whether cases of irregular expenditure that constituted a criminal offence were reported to the South African Police Service, as required by section 32(6) of the MFMA.
39. Fruitless and wasteful expenditure incurred by the was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
40. Losses resulting from fruitless and wasteful expenditure were not recovered from the liable person, as required by section 32(2)(b) of the MFMA.

Supply chain management

41. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c).

- 42. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations.
- 43. Commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 preferential procurement regulation.
- 44. Commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(5).
- 45. 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. Similar non-compliance was also reported in the prior year.

Human resource management

- 46. I was unable to obtain sufficient appropriate audit evidence that the senior managers disclosed financial interests within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
- 47. I was unable to obtain sufficient appropriate audit evidence that an approved staff establishment was in place, as required by section 66(1)(a) of the MSA.

<h3>Other information</h3>

- 48. The accounting officer is responsible for the other information. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
- 49. 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.
- 50. 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.
- 51. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

52. 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 on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
53. 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 laws and regulations.
54. 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, predetermined objectives and non-compliance with laws and regulations.
55. 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 June 2018



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 this 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's 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 this auditor's report. However, future events or conditions may cause a municipality to cease continuing 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, where applicable, related safeguards.

**ANNEXURE C
AUDIT ACTION PLAN**

	E X C #	Exceptio n Heading	Summary of Finding	Natu re	Directo rate	HOD	Suggested Control Improvemen ts	POE	Time Line	Respo nsible Offici al	Reocc urring	Actual Achiev ement as at 31 March 2019	Corr ectiv e actio n and timel ine	Intern al Audit or's Asses men t	Implem entation Status
7	1	Use of Consultants	1. There was no gap analysis performed by the municipality prior to the appointment of consultants.	Internal Control Deficiency	SCM / BU's	All HOD's	The municipality should evaluate the gap in resources , after a proper a proper development plan based strategic objectives and then only after determine if external resources are still required.	Gap Analysis Report(Skills,Time,)	On - a -need -to basis	SCM	Yes, annually				

7	1	Use of Consultants	2. The municipality does not have a consultancy reduction plan in place.	Internal Control Deficiency	Contract Management /BU's	ALL HOD's	Develop a consultancy reduction plan	1.Consultancy reduction plans should be submitted by business units. 2.Improve the contract management systems within supply chain.(Monitor)	31-Mar-19	All HOD's & Supply Chain	Yes annually				
7	1	Use of Consultants	3. The performance of consultants is not monitored on a monthly basis. No evaluation of performance was	Internal Control Deficiency	Contracts managements under SCM	CFO	1. Improve the format of the performance evaluation form just a rating system to include an assesment on the work agreed vs the actual performance.	1.Improved performance evaluation form. 2. Monthly evaluation of service providers performance.	1.31 January 2019 2. Monthly	All HOD's & Supply Chain	No				

			performed in the monthly 'Evaluation of Service provider forms' that were completed for consultants . The evaluation forms were just signed by the Head of Department, there was no evaluation conducted.				2.The performance evaluation forms should be signed by section head and reviewed by the HOD to ensure that the business head is satisfied with the service performed on a monthly basis.								
8	1	Information Technology	1.The SLA or contract with the IT vendor was not monitored in the 17/18 financial year. The	Internal Control Deficiency	Information technology	ICT Manager	Review and monitor contract/SLA with IT Vendor based on deliverables .	Monitoring Reports	Throughout contract period	IT HOD ,Legal Department & SCM	No				

			monitoring reports provide relate to prior year.												
7	2	Information Technology	2. Periodic review of user access and privileges was not performed	Internal Control Deficiency	Information Technology	HOD	1. Perform periodic reviews of access and rights. 2. Perform access review scans. Scans that perform rule-based evaluations of user entitlements to determine if attestation is needed. 3. Develop a user entitlement record.	1. Proof of periodic review 2. User entitlement list	31 January 2019 /Quarterly	IT HOD	Yes annually				

7	3	Information Technology	3. IT Vendor has access to the production (live) environment, however their access is not monitored	Internal Control Deficiency	Information Technology	HOD	1.Make a list of your vendors and audit their privileged accounts.2.Ensure logging and recording remote privileged sessions to ensure security of external remote access.(Monitor)3.Restrict vendor access to the live environment (on a need-to-know)basis	List of vendors with access privileges.	28 February 2019.	IT HOD	Yes annually				
7	4	Information Technology	4. There is no approved backup and retention strategy	Internal Control Deficiency	Information Technology	HOD	1.Draft and document a back up plan in case of disaster or recovery . 2.Implement	Approved Back up plan and disaster recovery plan.	31 March 2019 / Yearly	IT HOD	31 March 2019.				

							a back up system , preferably internet based that backs up all system information atleast once a day.3.Physical (Fire)storage for hardcopy documents.								
7	1	Irregular expenditure	1.There is no evidence of review that was noted in the Irregular, fruitless and wasteful expenditure registers	Internal Control Deficiency	SCM / BU's	ALL HOD's	All business units should be responsible for monitoring irregular expenditure and have a record/list . The list should be reviewed and signed off by departmental heads on a	Irregular Expenditure Report / Register	31 March 2019 / Quarterly.	All HOD's	Yes annually				

							quarterly basis.								
7	2	Irregular expenditure	2. Differences were noted between note 47 of the AFS and the irregular expenditure register submitted as part of the accounting file amounting to R 1 539 779.	Internal Control Deficiency	SCM / BU's	ALL HOD's	There should be accuracy checks and reviews of all reports and information on AFS.	Proof of reviews	31-Dec-18	All HOD's	No				

7	1	Consequence Management	1. During the audit of consequence management, it was identified that the municipality does not have a disciplinary board to investigate allegations of financial misconduct in the municipality and to monitor the institution of disciplinary proceedings against an alleged transgressor	Internal Control Deficiency	Council	Council	The council should elect /appoint and disciplinary board/ethics committee.	Disciplinary Board / Ethics Committee.	Annually /31 March for 2019 YOA	Council	Yes					
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7	1	No fraud hotline	During the audit, it was identified that the municipality does not have a fraud hotline to anonymously report fraud.	Internal Control Deficiency	Risk & Internal Audit	Manager	A Fraud Hotline where people can anonymously is to be established in this financial year as part of the implementation process of the annual Fraud Plan.	Fraud Hotline	31 January 2019.	Internal Audit & Risk	Yes, annually				
8	1	Other Expenditure	1. During the audit it was noted that the expenditure accounting policy was not included in the annual financial statements submitted at 31 August 2018.	Internal Control Deficiency	Finance	CFO	All policies to be included in the AFS should be reviewed in order to ensure compliance.	Include expenditure accounting policy in AFS.	31 January 2019.	CFO	No				

8	1	Other Expenditure	2. The following differences were noted between expenditure per the general ledger and invoice. Amount inclusive of VAT was recorded in the general ledger.	Internal Control Deficiency	Finance	CFO	1. Finance should ensure that all entries posted in general ledger exclude VAT. 2. Reviews and checks of entries.	Accuracy checks and reviews of general ledger entries.	31 January 2019.	CFO	No				
8	1	Other Expenditure	3. The purchase of computers for new employees has been incorrectly classified as other expenditure instead of being capitalised as assets.	Internal Control Deficiency	Finance	CFO	1. Finance should ensure that entries posted in the general ledger are classified properly.	Accuracy, checks and reviews of general ledger entries	31 January 2019.	CFO	No				

	8 ...	Other Expenditure	4. An expenditure item relates to expenditure incurred in the prior year, however it has been incorrectly recorded in the current year.	Internal Control Deficiency	Finance	CFO	1. Finance should ensure that entries posted in the general ledger are recorded in the correct - period.	Cut off ,checks and reviews of general ledger entries	31 January 2019.	CFO	No				
8	2	Other Expenditure	During the audit it was noted that the 4 payments were made 30 days after the receipt date of the invoice. Payments included audit and consulting fees.	Internal Control Deficiency	BU's, Finance	CFO	1. Business Units or users of external providers should ensure that service providers are paid within 30 days of receiving invoices , as per regulation. 2. Generate exceptions report/ Register that	Expenditure report	31 March 2019.	All HOD's	Yes, annually				

							identifies expenses that took longer than 30 days to pay.								
8	3	Contracted Services	During the audit it was noted that the expenditure accounting policy not included in the annual financial statements submitted at 31 August 2018.	Internal Control Deficiency	Finance	CFO	All policies to be included in the AFS should be reviewed in order to ensure compliance.	Include all policies in AFS	31 December 2018.	CFO	No.				
8	3	Contracted Services	The following item relates to travelling and accommod	Internal Control Deficiency	Finance	CFO	1. Finance should ensure that entries posted in the general ledger are	Accuracy checks and reviews of general ledger entries.	31 December 2018.	CFO	No				

			ation, however it was incorrectly classified as repairs and maintenan ce				classified properly.								
8	4	Contract ed Services	1. There was no confirmatio n of receipt of services for the transaction s relapting to Plant & Machinery . Furthermor e, it was noted that the hiring of plant and machinery below relates to the constructio n of	Inter nal Cont rol Defic iency	Financ e	CFO	1.Classificatio n checks and reviews of general ledger entries. 2.It should be compulsory for all Finance to complete the GRAAP course.	Classificat ion checks and reviews of general ledger entries.	31 Dece mber 2018.	CFO	No				

			Crossroads internal roads and Mgababa internal roads, therefore, the transaction has been incorrectly classified as expenditure instead of property, plant and equipment.												
8	4	Contracted Services	1. The following item relates to expenditure incurred subsequent to year end, however it has been incorrectly recorded in	Internal Control Deficiency	SCM	CFO	1. Classification checks and reviews of general ledger entries. 2. It should be compulsory for all Finance to complete the GRAAP course.	Proof of course completion	Annually /31 March for 2019 YOA	CFO	NO				

			the current year.												
8	5	Inventory (Asset Register not complete)	During the audit it was noted that the following properties are in the name of Ngqushwa Local Municipality in the general valuation roll, however they could not be traced to any of the asset registers.	Internal Control Deficiency	Council	Council	A resolution needs to be taken in terms of handing over the land to the beneficiaries or remove the members.	1.Resolution from Council 2.Proof of handover (Transfer) or eviction	30 June 2019.	Council	YES				

9	1	Investment Property Valuation Understated	The item of land indicated in the table below was re-valued at year end. It was however noted that the revalued amount per the AFS and Investment property register does not agree to the valuation roll. The item of land has been understated by R 891 228.	Internal Control Deficiency	Finance	CFO	1.A proper review and reconciliation of the asset register to the valuation roll should be performed annually. 2.The balance of assets and investment property & assets in the AFS should be agreed to asset register and any discrepancies investigated.	Proof of review and checks of asset register.	Monthly	CFO	No					
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9	1	Management should develop and implement a checklist for procurement processes to ensure that all requirements per the Supply Chain Management Regulations are adhered to during the procurement process	In terms of the SCM regulation 17(1)(a), formally written quotations must be obtained from at least three different service providers. SCM regulation 17(1) (c) further states that if it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief	Internal Control Deficiency	All BU's ,SCM	HOD's	Management should develop and implement a checklist for procurement processes to ensure that all requirements per the Supply Chain Management Regulations are adhered to during the procurement process	Procurement Checklist	All Bids	HOD's	No				
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[illegible]

1	1	Supply Chain Management: Competitive Bidding	During the audit of the supply chain management, it was identified that for the following bid 8/2/556/2017-2018, there were 27 bidders received before the closing date of 26 May 2017. However, only 8 bidders were evaluated and adjudicated for the award of the tender. The bids as listed below	Internal Control Deficiency	SCM	CFO	The accounting officer should ensure that training of SCM officials, as well as persons involved in evaluation and adjudication of the bids is conducted on a regular basis.	Proof of training /Training compliance report	Ongoing	SCM	YES				
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[illegible]

1			The municipality recognised assets donated by Hamburg properties at fair value as at 01 May 2018 not at fair value as at 03 November 2017. This is as a result of misinterpretation of accounting standards in relation to measurement of assets acquired through non-exchange (GRAP 17).												
2	1	PPE Valuations: Donated Assets	Internal Control Deficiency	Finance	CFO	Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored. HR and Finance should ensure completion of the compulsory (GRAP) course.	Proof of training / Training compliance report	Through the year	FINANCE & HR HOD	No					

[illegible]

1 2	4	Revenue from exchange - Other revenue	During the audit, it was noted that an amount inclusive of deemed VAT output was recognised as Revenue for the items of Other revenue (Insurance Claim for Loss of Property, Plant and Equipment) listed below: -	Internal Control Deficiency	Finance	CFO	Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored. HR and Finance should ensure completion of the compulsory (GRAP) course.	Training Report	Throughout the year	FINANCE & HR HOD	NO				
1 2	5	Agency fees recorded as Insurance Claim for Loss of Property	Commission earned to the value of R52 008 listed below has been recognized as	Internal Control Deficiency	Finance	CFO	Implement effective HR management to ensure that adequate and sufficiently skilled resources are	Proof of training /Training compliance report	Through the year	CFO	No				

		, Plant and Equipment.	Insurance Claim for Loss of Property, Plant and Equipment instead of Agency fees.				in place and proper reviews & checks of transactions processed.HR and Finance should ensure completion of the compulsory (GRAP)course .								
1 2	6	Irregular expenditure not investigated but written off	It was noted that irregular expenditure written-off is not supported by a completed council investigation. The investigation reports and council resolutions submitted as	Internal Control Deficiency	Finance	CFO	The municipality should ensure that all municipal staff and Council are informed and have a good understanding of the MFMA and how to apply it properly.	Proof of training /Training compliance report	Throughout the year	CFO	No				

[illegible]

14	3	Human Resource Management - Performance Agreements not complete	<p>1. During the audit it was noted that the performance agreements of the S57 managers did not contain key performance objectives and targets for the financial year for each manager.</p> <p>2. Per discussion with the relevant municipal official, it was indicated that Annexure A is the SDBIP.</p>	Internal Control Deficiency	ALL HOD's	All HOD's	The municipality should ensure that all employees sign performance agreements ,which state their objectives and targets.Each employee's performance should be regularly reviewed against target and objectives on a quarterly basis.	Quarterly Performance Reports	Quarterly	All HOD's	No				
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[illegible]

[illegible]

14	4	Implementation of audit action plans	During the audit, it was noted upon inspection of the 17/18 Audit Action Plan submitted to the external auditors, that there is no indication of the status/ progress of the implementation of the corrective action to be taken by management pertaining to the internal audit and	Internal Control Deficiency	Internal Audit, Finance	Internal Audit & Risk, Finance	All Internal & external audit plans should include a timeline and progress percentage for all audit actions.	18 / 19 Audit Action Plan	Immediately	Internal Audit & Risk, Finance	No				
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			external audit findings identified in the prior year												
1 5	1	Commit ments - prior period adjustm ent (no supporti ng docume ntation).	No supporting documenta tion has been provided for the R16,367,04 3 prior period adjustment made relating to Commitme nts.	Inter nal Cont rol Defic iency	Financ e	Financ e should ensur e that all chang es and adjust ments made to AFS are prop erly docu	Finance should ensure that all changes and adjustments made to AFS are properly documented and can be explained.All opening balances should be agreed to prior years	Proof of agreemen t of opening balance to prior years closing balances.	Year end	CFO	No				

						mente d .	closing balances.								
1 7	1	Procurement and Contract Management	During the audit of contract management, it was noted that in relation to the following contracts there was no monthly performance evaluation that was performed to monitor the performance of the service provider	Internal Control Deficiency	SCM	SCM		Monthly performance register	All contracts	SCM					

17	1	Contract Management - No proper monitoring of performance of service providers	During the audit of contract management, it was noted that in relation to the following contracts there was no monthly performance evaluation that was performed to monitor the performance of the service provider.2. Furthermore, no service level agreement was provided in relation to the	Internal Control Deficiency	SCM	SCM	The municipality should make sure a comprehensive list of contractors/ register is kept. This list should include an evaluation of the contractor on a monthly basis.	Monthly performance register	All contracts	SCM	Yes, annually				
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			MAYIBUYE IAFRIKA TRADING contract for the constructio n of roads.												
1 7	2	PROCUR EMENT AND CONTRA CT MANAG EMENT: Local content and producti on not included in the informatio	For the tender listed below, it was noted that the tender falls under designated sectors, however in the invitation to tender, there was no specific	Inter nal Cont rol Defic iency	SCM	SCM	Management should review compliance with applicable laws and regulations relating to SCM .Additionally the municipality should ensure that all SCM staff	Complian ce report	All contra cts	SCM	No				

		n to tender	condition stipulated for local production and content. Consequently the supplier did not submit a declaration for local content.				receives proper training and is up to date with all regulations requirements .								
17	3	PROCUREMENT AND CONTRACT MANAGEMENT- Deviations not valid	It was noted that the contract indicated below was awarded through deviation on the 16th of January 2018. It was further noted that the reason stated for deviating is an	Internal Control Deficiency	SCM	SCM	Management should review compliance with applicable laws and regulations relating to SCM .Additionally the municipality should ensure that all SCM staff receives proper	Proof of training /Training compliance report	All contracts	SCM	Yes, annually				

			emergency as a result of termination of Laman/Kwane contract				training and is up to date with all regulations requirements .								
17	4	Suppliers with interest to persons in service of the municipality	During the audit of procurement and contract management, it was noted that the accounting officer, speaker, and other political office bearers/employees of the municipality, listed in the table	Internal Control Deficiency	SCM	All HOD's	Management should review compliance with applicable laws and regulations relating to SCM .Additionally the municipality should ensure that all SCM staff receives proper training and is up to date with all	Declaration of interest	Throughout the year	SCM	Yes, annually				

			below are business partners of the directors of the companies listed below.				regulations requirements .Employees should also be required to sign declaration of interest form annually and when their situation changes.								
17	7	PROCUREMENT AND CONTRACT MANAGEMENT - Competitive Bidding Process not followed	During the audit of quotations under procurement and contract management, it was noted that services were procured by the municipality from Empekweni Beach Resort to		SCM	All HOD's	Management should review compliance with applicable laws and regulations relating to SCM .Additionally the municipality should ensure that all SCM staff receives proper training and	Proof of training /Training compliance report	Throughout the year	SCM	Yes, annually				

			the value of R329 284, however the competitive bidding was not followed.				is up to date with all regulations requirements .								
17	8	PROCUREMENT AND CONTRACT MANAGEMENT: Awards made to supplier who did not score the highest points	It was noted that the quotations listed below were not awarded to suppliers that scored the highest points:	Internal Control Deficiency	SCM/BU's	All HOD's	Management should review compliance with applicable laws and regulations relating to SCM .Additionally the municipality should ensure that all SCM staff receives proper training and is up to date	Proof of training /Training compliance report	Throughout the year	SCM	Yes, annually				

							with all regulations requirements								
17	10	Property , plant and equipment - Assets still in use but are fully depreciated	During the audit, it was identified that the municipality had a number of fully depreciated assets included in the Fixed Asset Register. Per inspection of fixed asset register "condition column" it was found that most of these	Internal Control Deficiency	Finance , Assets	CFO	Management should assess at each reporting date whether there is any indication that the entity's expectations about the useful lives and residual values of an asset have changed since the preceding reporting date. When such indications exist, the municipality should	Asset Register , Recvaluation report	Annually ,31 March 2019	CFO	Yes, annually				

		assets were still being used by the municipality and were still in a good condition. Please see attachment to the COAF for details of assets still in use but are carried at Nil carrying amount.				determine whether the change constitute a change in accounting estimate or prior period error and adjust accordingly								
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17	Advance payment incorrectly capitalised to the cost of asset	Through inspection of supporting documentation relating to additions to capital work in progress, it was noted that cost (R3 132 369) capitalized to property, plant and equipment (work in progress) per payment certificate no 2 dated 28 June 2018 includes an advance payment amounting	Finance, Assets	CFO	The municipality should review all additions and trace to source documents i.e invoices to see whether payments qualify to be capitalized. This review should be performed and checked annually.	wProof of review of asset register	Monthly	CFO	No					
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1 7	1 2	Use of consultants: SCM (A Guide for Accounting Officers) non compliance	It was noted that consultants were appointed for development of best financial strategies to achieve clean audit at an amount of R2 806 876. However, the municipality has the skills necessary to perform the project, duty or study. The internal audit of the municipality has necessary skills and	Internal Control Deficiency	SCM / BU's	All HOD's	The municipality should evaluate the gap in resources , after a proper a proper development plan based strategic objectives and then only after determine external resources required.	Gap Analysis Report(Skills,Time,)	On - a -need -to basis	SCM	Yes, annually				
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			capability to develop strategies to achieve clean audit outcome												
		Usefulness of the reported performance	Indicators are not consistent with the planned target approved and the reported achievement in the annual	Internal Control Deficiency	IDP/PMS	Municipal Manager	The municipality to ensure that the reported information is consistent to the information outlined in the approved IDP & SDBIP specifically	Quarterly performance reports	Quarterly	HOD's & IDP/PMS	Yes, annually				

			performan ce report				the planned target and reported indicators.								
						Munic ipal Mana ger and Direct or Corpo rate Servic es	The Municipal manager to ensure that the IDP/PMS unit is offered enough and approoriate trainings to report on required information and function effectively.	Training Report	Annua lly	IDP/P MS& HR					
		AOPO: Pro- active review of SDBIP	During the audit a number of findings were identified where the SMART criteria as required by the Framework for	Inter nal Cont rol Defic iency	IDP/P MS	Munic ipal Mana ger	Review of entire PMS process for alignment to the Integrated Development Plan,SDBIP and SMART principles.	Review report	31 Januar y 2019.	IDP/P MS & IA	Yes,an nually				


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NGQUSHWA LOCAL MUNICIPALITY 2017/18 ANNUAL PERFORMANCE REPORT




KPA 1: INSTITUTIONAL DEVELOPMENT AND DESIGN



Strategy	Objective	Indicator	2016/17 Performance (Baseline)	2017/18 Annual Target	2017/18 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO	ADJUSTED BUDGET
To improve organizational cohesion and effectiveness	To build and enhance the human resource capacity of the institution	Approval of Human Resource strategy by Council	HR strategy expiring in 30 September 2017	Development of HR strategy for approval by Council by 30 June 2018	Achieved as HR Strategy submitted for approval to Council by 30 June 2018		Not Applicable	Not Applicable	3	IDD1	R 0



KPA 2: QUALITY BASIC SERVICES AND INFRASTRUCTURE DEVELOPMENT

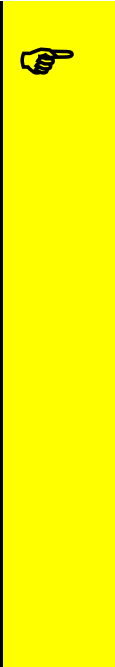
Strategy	Objective	Indicator	2016/17 Performance (Baseline)	2017/18 Annual Target	2017/18 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO	ADJUSTED BUDGET
To manage Quality Basic Services provisioning in order to ensure the rendering	To manage the construction, repair and maintenance and operational processes with regard to roads,	Construction of Community Hall in Mdolomba	2 Community halls constructed	Construction of Mdolomba Community Hall by 30 June 2018	Achieved as 1 community hall constructed in Mdolomba		Not Applicable	Not Applicable	3	QBSD 1	R1,400,000

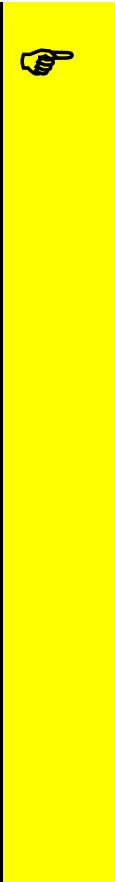
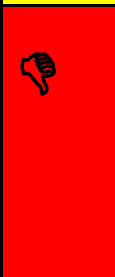
of sustainable and affordable services to the communities of Ngqushwa by 2022 and beyond.	community halls and storm water networks										
	To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Construction of Community Hall in Gcinisa	2 Community halls constructed	Construction of Gcinisa Community Hall by 30 June 2018	Achieved as 1 community hall constructed in Gcinisa		Not Applicable	Not Applicable	3	QBSD 2	R1,400,000
	To manage the construction, repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Construction of Crossroads Internal Roads	Number of km Internal Roads constructed	Construction of Crossroads Internal Roads (5km) by 30 June 2018	Achieved as 5 km Internal Roads constructed in Crossroads		Not Applicable	Not Applicable	3	QBSD 3	R2,041,100



	To manage the construction , repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Construction of Cisira Internal Roads	Number of km Internal Roads constructed	Construction of Cisira Internal Roads(5 km) by 30 June 2018	Achieved as 5 km Internal Roads constructed in Cisira		Not Applicable	Not Applicable	3	QBSD 4	R2,805,000
	To manage the construction , repair and maintenance and operational processes with regard to roads and storm water networks	Construction of Qamnyana Internal Roads	Number of km Internal Roads constructed	Construction of Qamnyana Internal Roads by (5km) 30 June 2018	Achieved as 5 km Internal Roads constructed in Qamnyana		Not Applicable	Not Applicable	3	QBSD 5	R2,500,000
	To manage the construction , repair and maintenance and operational processes	Construction of Newtondale Internal Roads	Number of km Internal Roads constructed	Construction of Newtondale Internal Roads (5km) by 30 June 2018	Achieved as 5 km Internal Roads constructed in Newtondale		Not Applicable	Not Applicable	3	QBSD 6	R2,804,150




	with regard to roads and storm water networks										
	To manage the construction , repair and maintenance and operational processes with regard to roads and storm water networks	Construction of Mgababa Internal Roads	Number of km Internal Roads constructed	Construction of Mgababa Internal Roads(5km) by 30 June 2018	Achieved as 5 km Internal Roads constructed in Mgababa		Not Applicable	Not Applicable	3	QBSD 7	R1,941,000
	To manage the construction , repair and maintenance and operational processes with regard to roads, community halls and storm water networks	Surfacing of 1.8 km of Peddie Town Streets	Number of km Internal Roads constructed	Surfacing of Peddie Town Streets by 30 June 2018	Partially achieved as Surfacing of 1.8 km Peddie town streets, only 1,5km completed		Delays due to Service Provider commitments.	Remaining 0,3km will be completed in 2018/19 financial year and project completion certificate issued in the 2018/19 financial year	2	QBSD 8	R6,800,000




	To manage the provisioning and maintenance of electrical services to ensure the rendering of effective, efficient, economical and electrical maintenance services.	Number of street lights maintained in the following villages : Mgababa Prudhoe Wesley Mphekweni	320 street lights maintained	Maintenance of 290 street lights in the following villages by 30 June 2018: Mgababa (100) Prudhoe (130) Wesley (30) Mphekweni (30)	Not achieved as only 60 Street lights were maintained in the following villages : Mgababa (70) Prudhoe (30) Wesley (30)		Lack of Personnel and insufficient material	The remaining 230 Street lights will be maintained in 18/19 Financial year.	2	QBSD 9	R160,000
		Number of High Mast maintained in the following areas/village: Peddie Extension Glenmore German Village Durban Village Hamburg	22 High Mast maintained	Maintenance of 22 High Mast by 30 June 2018 in the following areas/village: Peddie Extension (10) Glenmore (1) German Village (3) Durban Village (7) Hamburg (1)	Partially achieved as 19 High Masts were maintained in the following villages : Glenmore (1) Hamburg (1) Durban (7) Peddie Extension (10)		Insufficient material	The project could not be completed due to budget constraints	2	QBSD 10	R270,000

	To provide easily accessible new facilities that accommodate persons with disabilities whilst adapting, upgrading and maintaining existing ones	Number of electrified municipality buildings maintained	6 municipal buildings maintained	Repairs and Maintenance of electricity in the following 6 Municipal buildings by 30 June 2018. 1)Main building 2)Technical Services Department 3) Ncumisa Kondlo indoor sport center 4Traffic Department 5) Hamburg offices 6)Corporate Services	Partially achieved as 3 Repairs and Maintenance of electricity in the following building were performed: Technical Services Main Building Corporate Services		Only 3 Buildings were maintained out of the 6	This indicator relates to electrical faults that are reported by the departments to Electrical unit .	2	QBSD 11	R 100,000
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		Number of electrified community halls maintained	20 community halls maintained	Electrical Maintenance of 20 Community Halls by 30 June 2018 1)Rura 2)Baltein 3)Pikoli 4)Crossroads 5) Leqeni 6)Feni 7)Tuku A 8)Woodridge 9)Wesley 10)Mankone 11) Mtati 12)Ngqwele 13)Nxopho 14)Phole 15) Nyaniso 16)Cheletyum a 17)Mkhanyeni 18)Tyhatha 19) Bhongweni 20) Glenmore	Partially achieved as 16 Community halls were electrical maintained : 1) Wesley 2) Tuku A 3) Wooldridge 4) Crossroads 5) Leqeni 6)Feni 7)Bhongweni 8)Mankone 9)Glenmore 10)Pikoli 11)Baltein 12)Rura 13)Phole 14)Nxopho 15)Ngqwele 16)Mthathi		Lack of Personnel and insufficient material	The project could not be completed due to budget constraints	2	QBSD 12	
	To manage the provisioning and maintenance of electrical services to	Number of street lights maintained in Peddie town	130 street lights maintained in Peddie town	Maintenance of 130 street lights in Peddie town by 30 June 2018	Not Achieved as 48 street lights were maintained in Peddie town		Lack of Personnel and material for maintenance	The remaining 82 street lights will be maintained in 18/19 Financial Year.		QBSD 13	R O





	ensure the rendering of effective, efficient, economical and electrical maintenance services.	Number of households electrified in the following villages: Tyeni Hamburg Gobozana Mankone Qawukeni Paradise Peddie Ext(endloveni) Thyata Gcinisa South Libalele Upper Gwalane	209 households electrified	Electrification of 211 households in the following villages by 30 June 2018: Tyeni (25) Hamburg (40) Gobozana(30) Mankone (10) Qawukeni (21) Paradise (10) Peddie Ext(5) Thyata(10) Gcinisa South(30) Libalele(10) Upper Gwalane (20)	Not achieved as 0 houses were electrified in the following villages: Tyeni (25) Hamburg (40) Gobozana(30) Mankone (10) Qawukeni (21) Paradise (10) Peddie Ext(5) Thyata(10) Gcinisa South(30) Libalele(10) Upper Gwalane (20)		Late appointment of consultant and contractor	Electrification of 211 households in the following villages will be done in 2018/19 financial year. Tyeni (25) Hamburg (40) Gobozana(30) Mankone (10) Qawukeni (21) Paradise (10) Peddie Ext(5) Thyata(10) Gcinisa South(30) Libalele(10) Upper Gwalane (20)	2	QBSD 14	R3,899,544
	To manage the construction, repair and maintenance and	Number of km of gravel road to be maintained	119 km gravel road maintained	Maintenance of 165km gravel road by 30 June 2018	Partially Achieved, 149.50km gravel road maintained.		Mechanical faults (plant breakage) experienced in Road Machinery	The remaining KM's in the maintenance of gravel road will be	3	QBSD 15	R1,001,281




	operational processes with regard to roads, community halls and storm water networks					during maintenance hindered the Municipality to reach required target.	done in 2018/19 financial year			
	Pot-hole patching in Peddie town, Hamburg and Bira	1200 m² pot-hole patching	Pot-hole patching of 1200 m² in Peddie town, Hamburg and Bira by 30 June 2018	Achieved, 1560m² Pot-hole patching in Peddie town, Hamburg and Bira		Not Applicable	Not Applicable	3	QBSD 16	
	Re-gravelling of roads in municipal area and cleaning of open drains	4km Re-gravelling of roads and 120 open drains	Cleaning and unblocking of 30 storm water drainage by 30 June 2018	Not Achieved, report and completion form are not reflecting number of storm water achieved.		There is insufficient information presented as proof of cleaning and unblocking of 30 storm water drainages.	This will be rectify in 2018/19 financial year.	3	QBSD 17	
	Surfacing of 1.8 km of Peddie Town Streets phase 2	Phase 1 Surfacing of Peddie Town Streets	Contractor Appointed for Phase 2 (Surfacing of Peddie Town Streets)	Achieved, Appointment Letter for contractor for Phase 2 (Surfacing of Peddie Town Streets)		Not Applicable	Not Applicable	3	QBSD 18	R4,050,000


		Appointment of Contractor for construction of Community hall	Contractor appointed	Appointment of Contractor for the Construction of Bhele Community Hall by 30 June 2018	Achieved, Appointment letter for Construction of Bhele Community Hall		Not Applicable	Not Applicable	3	QBSD 19	R1,500,000
		Appointment of Contractor for construction of Community hall	1 Community halls constructed	Appointment of Contractor for the Construction of Shushu Community Hall by 30 June 2018	Achieved, Appointment letter for Construction of Shushu Community Hall		Not Applicable	Not Applicable	3	QBSD 20	R1,500,000
		Appointment of Contractor for construction of Community hall	1 Community halls constructed	Appointment of Contractor for the Construction of Ngquma Community Hall by 30 June 2018	Achieved, Appointment letter for Construction of Ngquma Community Hall		Not Applicable	Not Applicable	3	QBSD 21	R1,500,000

KPA3: LOCAL ECONOMIC DEVELOPMENT



Strategy	Objective	Indicator	2016/17 Performanc e (Baseline)	2017/18 Annual Target	2017/18 Actual Performanc e	Snapsh ot	Reasons for Variance	Corrective Actions	Scor e	KPI NO	ADJUST ED BUDGET
Local Economic Developm ent strives to ensure to create wealth using natural resources thereby promoting sustainabl e economic growth.	To create an enabling environme nt that promotes the developm ent of the local economy and facilitate job creation	Development of Business Plan for LED initiatives	Draft LED Strategy	Implementat ion of LED strategy by 30 June 2018	Not Achieved as LED Strategy was not implement ed. .		Reason for variance is due to budget constraints	Implementat ion of LED Strategy will be done in 2018/19 financial year.	1	LED 1	R 0
	To market Ngqushwa Local Municipalit y as a tourism destination of choice	Number of Tourism projects implemented through the Tourism Sector Plan	Draft LED Strategy	Implementat ion of the Draft Tourism sector plan by 30 June 2018	Achieved as Draft Tourism Sector Plan Implemente d.		Not Applicable	Not Applicable	3	LED 2	R 50,000


To manage Quality Basic Services provisioning in order to ensure the rendering of sustainable and affordable services to the communities of Ngqushwa by 2022 and beyond.	To enhance equitable access and participation in agriculture opportunities by unlocking agricultural potential.	Revitalization of 5 Irrigation Schemes(Ngxakaxha,Thyefu,Dube ,Gcinisa and Mthombe) Land Mechanization (Mthathi,Benton)	Draft LED Strategy	Implementat ion of Draft Poverty Alleviation Plan by 30 June 2018	Achieved as Draft Poverty Alleviation Plan Implemented.		Not Applicable	Not Applicable	3	LED 3	R131,000
		Conduct Risk Management Forums for the farmers	Not Applicable	Conduct 4 Risk Management Forums by 30 June 2018	Achieved as 4 Risk Management Forums conducted.		Not Applicable	Not Applicable	3	LED 4	R 0
	To manage the rendering of waste management services in accordance with applicable legislation, by-laws and standards.	Development of business plan for source funding for construction of recycling facility and Landfill site	Peddie landfill site	Source funding for construction of Recycling facility and Landfill site by 30 June 2018	Achieved as Business plan developed and submitted to source funding for construction of recycling facility and landfill site.		Not Applicable	Not Applicable	3	CMS 1	R 0
	To ensure effective, efficient and economic managem	Number of activities conducted for implementation of environmental management plan	Final draft Environmental management plan	Implementat ion of environmental management plan by	Achieved as environmental management plan		Not Applicable	Not Applicable	3	CMS 2	R 0

	ent of the environment by 2022 and beyond.			30 June 2018	implemented.						
		Development of business plan for sourcing funds for environmental related projects	Environmental projects	Source funding for environmental related projects by 30 June 2018	Achieved as business plan developed and submitted to source funds for environmental projects		Not Applicable	Not Applicable	3	CMS 3	R 0
	To manage the provisioning and maintenance/operation of parks, sport grounds, commonage and public amenities	Maintenance of open spaces, municipal grounds, parks and public amenities	Maintenance of Peddie Park and Public amenities	Maintenance of open spaces, municipal grounds, parks and public amenities by 30 June 2018	Achieved as open spaces, municipal grounds, parks and public amenities maintained.		Not Applicable	Not Applicable	3	CMS 4	R 0
	Integration of sustainability principles in planning	Number of activities conducted for implementation of coastal management plan	Coastal management plan	Implementation of coastal management plan by	Achieved, Coastal management plan implemented		Not Applicable	Not Applicable	3	CMS 5	R 0





	and subsequent activities within the coastal zone			30 June 2018							
	To manage the rendering of efficient and sustainable traffic and law enforcement services to all road users and public	Number of Roadblocks and Workshops conducted	4 Roadblocks were conducted	Three (3) roadblocks to be conducted and one quarterly awareness workshops to be conducted by 30 June 2018	Achieved as Three (3) roadblocks and one awareness workshops conducted.		Not Applicable	Not Applicable	3	CMS 6	R 0





KPA 4: FINANCIAL VIABILITY AND MANAGEMENT





Strategy	Objective	Indicator	2016/17 Performance (Baseline)	2017/18 Annual Target	2017/18 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO	ADJUSTED BUDGET
To be a financial viable municipality (self-sustainability)	Ensuring sound financial planning and reporting through budget management best practices and interdepartmental coordination.	Approved 5 year Financial Plan	Not applicable	Development and approval of 5 year Financial Plan adopted by Council at 30 June 2018	Achieved, 5 year Financial Plan developed and adopted by Council		Not Applicable	Not Applicable	3	BTO 1	R845,687
		1.Submission of 1 set of signed Annual Financial Statements for 2016/17 with accompanying GRAP compliant Fixed Asset Register for Audit	2015/16 Annual Financial Statements and Fixed Asset Register	Development of GRAP compliant Financial Statements and Fixed Asset Register by 31 August 2017	Achieved, GRAP compliant Financial Statements and Fixed Asset Register Developed		Not Applicable	Not Applicable	3	BTO 2	R3,230,232



		2.Submission of Interim Bi-Annual Financial Statement for 2017/18 to Internal Audit by 28 February 2018	2016/17 Annual Financial Statements and Fixed Asset Register				Not Applicable	Not Applicable			
	Implementing sound revenue and debt management practices through revenue maximization.	Approved Financial Recovery plan adopted	Draft Financial Recovery Plan	Development of a financial recovery plan detailing maximization of current revenue streams and identification of new revenue streams by Council 30 September 2017	Achieved as Financial recovery plan detailing maximization of current revenue streams and identification of new revenue streams developed.		Not Applicable	Not Applicable	3	BTO 3	R845,687




KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Strategy	Objective	Indicator	2016/17 Performance (Baseline)	2017/18 Annual Target	2017/18 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO	ADJUSTED BUDGET
To promote a culture of participatory and good governance.	To continuously ensure effective, economical and compliant integrated planning	Review of 2017/22 IDP	2016/2017 IDP	Approved Reviewed 2017/2022 IDP by 30 June 2018	Achieved as 2017/2022 IDP reviewed and approved.		Not applicable	Not applicable	3	OMM 1	R350,000
		Development of Ward Based Plans	Not applicable	Development of Ward Based Plans by 30 June 2018	Partially Achieved as Ward base plans developed		Late submission by sector department	Ward base plans to be submitted to Council by 31st July 2018.	2	OMM 2	R 0
	To create a high-performance culture on on-going basis	Implementation of Manual Performance Management System	2015/16 PMS system	4 Quarterly Reports on Implementation of Manual Performance Management System by 30 June 2018	Achieved, 4 Quarterly Reports on Implementation of Manual Performance Management System		Not applicable	Not applicable	3	OMM 3	R 0
	To ensure effective and compliant systems of assurance on internal controls,	Number of Audit Committee reports submitted to Council	Four (4) Audit Committee reports to Council.	4 Audit Committee reports to council by 30 June 2018	Achieved, Four (4) Audit Committee reports submitted to Council.		Not applicable	Not applicable	3	OMM 4	R 0



	service delivery and financial reporting in line with legislation by 2017 and beyond	Number of Audit committee meetings held	Four Audit Committee meetings held	4 Audit committee meetings to be held by 30 June 2018	Achieved, Four (4) Audit Committee Meetings held.		Not applicable	Not applicable	3	OMM 5	R240,511
		Quarterly Report on the Implementation status of the Internal Audit Plan.	4 Reports on the implementation status of the Audit Action Plan	4 Quarterly Updated AAP Reports by 30 June 2018	Achieved, 4 Quarterly Updated AAP Reports		Not applicable	Not applicable	3	OMM 6	R 0
		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 Internal Audit Plan by 30 June 2018	Achieved, Approved Annual Internal Audit Plan and 4 Quarterly reports on the implementation of the approved Internal Audit Plan.		Not applicable	Not applicable	3	OMM 7	R 0
	To continuously ensure that NLM has and maintains an effective process 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	One formal Annual Risk assessment workshop by 30 June 2018	Not Achieved as Annual Risk assessment workshop not conducted.		Delays to get assistance from COGTA	Annual Risk assessment workshop to be conducted by July 2018.	1	OMM 8	R30,000




To strengthen communication with internal and external stakeholders	Market and Brand the municipality's through Business Card Development ,Newsletters ,Radio Interviews and Website	Market and Brand the municipality's through the following : 1.Business Card Development 2.Newsletters 3.Radio Interviews 4.Website update	Market and Brand the municipality's through the following : 1.Business Card Development 2.Newsletters 3.Radio Interviews 4.Website	Achieved as Market and branding of Municipality was done through : 1.Business Card Development 2.Newsletters 3.Radio Interviews 4.Website		Not applicable	Not applicable	3	OMM 9	R85,000
	Number of Inter-Governmental Relations forum meetings held	3 Inter-governmental relations' forum meetings	4 inter-governmental relations Forum meetings by 30 June 2018	Achieved as 4 inter-governmental relations Forum meetings held.		Not applicable	Not applicable	3	OMM 10	R8,000
To strengthen participatory democracy by ensuring that all stakeholders are involved in decision making and ensure that decision are made in a democratic and transparent manner	Conduct Annual Report Roadshows	2015/16 Annual Report Roadshows	Conduct Annual Report Roadshows on annual basis by 30 June 2018	Achieved as Annual roadshow conducted		Not applicable	Not applicable	3	OMM 11	R130,700
	Assess Mid-Year Performance Report	2016/17 Mid-Year Report	Assess Mid-Year performance Report by 30 June 2018	Not achieved as Mid-Year performance Report was		Delays to get Audited Reports	Assess Mid-Year performance Report by July 2018	1	OMM 12	R 0

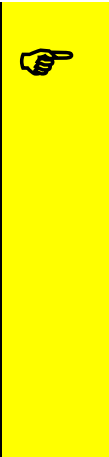
				not assessed.						
	Managing functioning of War Rooms on quarterly basis	Establishment of War Rooms in 2016/17	Managing functioning of War Rooms by 30 June 2018	Not Achieved as functioning of War Rooms was not managed.		Non-attendance of Sector Departments	Office of the Premier and Local Government Intervention August 2018	1	OMM 13	R 0
To continuously ensure mainstreaming and effective functionality of special programmes within Ngqushwa LM by 2022 and beyond	Number of special programmes national days to be coordinated by 30 June 2018	7 National Days Coordinated in 2016/2017	Coordination of the following 5 National Days: 1.Nelson Mandela Day 2.National Women's Day 3.Launch of 16 Days of Activism 4. Closing of 16 Days of Activism-Christmas for Older Persons and Orphans &Vulnerable children's 5.Coordination of Youth Day Celebration event	Achieved as 5 National Days Coordinated in 2017/2018 financial year.		Not applicable	Not applicable	3	OMM 14	R30,000

		Appointment of Service Provider for New Venture Creation Learnership	Not Applicable	Appointment of Service Provider for New Venture Creation Learnership by 30 June 2018	Achieved, Appointment of Service Provider for New Venture Creation Learnership		Not applicable	Not applicable	3	OMM 15	R 15 000 000
	To align technology with municipality goals, enabling a contribution to municipality's strategic objectives.	Implementation of ICT governance framework on quarterly basis	Approved ICT Corporate Governance framework	Implementation of ICT governance framework by the 30 June 2018	Not Achieved as ICT Enterprise Architecture & ICT migration plan not developed.		Challenge is with financial constraints to conduct training	Training is now on priority list on training needs	1	OMM 16	R 0
	To provide a secure ICT infrastructure which delivers appropriate level of data integrity and availability.	Implementation of ICT strategy on quarterly basis	Approved strategy	Implementation of ICT Strategy by 30 June 2018	Achieved, Status report on server consolidation and virtualization		Not applicable	Not applicable	3	OMM 17	R 500,000

KPA 6: SPATIAL DEVELOPMENT

Strategy	Objective	Indicator	2016/17 Performance (Baseline)	2017/18 Annual Target	2017/18 Actual Performance	Snapshot	Reasons for Variance	Corrective Actions	Score	KPI NO	ADJUSTED BUDGET
To ensure that spatial planning responds to Social, economic, environmental and cultural needs to promote sustainable livelihood in accordance with SPLUMA principles.	To review and implement wall to wall SPLUMA compliant Spatial Development Framework (SDF)	Appointment of Service provider for review of Spatial Development Framework	Adopted Spatial Development Framework	Development of Terms of Reference and Appointment of Service Provider for review of Spatial Development Framework (SDF) by 30 June 2018	Partially Achieved as Appointment of Service Provider and Situational Analysis phase produced		Service provider is now currently focusing on spatial proposal	The SDF will be finalized on 29 September 2018	2	SP 1	R75,000
	Utilization of existing LRDP's to identify projects for implementation	Review of housing sector plan, facilitation and coordination of housing development plan	2016 /17 Housing Sector Plan	Facilitation and coordination of housing sector plan development by 30 June 2018	Achieved as Review of housing sector plan was completed		Not Applicable	Not Applicable	3	SP 2	R 0

Perform land audit so as to be able to engage owners for quick release;	Number of land parcels identified for unlocking and registration	1 request submitted to Department of Public Works	2 Unlocking and registration of land parcels owned by government departments by 30 June 2018	Achieved as 2 Unlocking and registration of land owned parcels		Not Applicable	Not Applicable	3	SP 3	R 0
Development of Housing Needs Register	Number of housing beneficiaries captured in the needs register	700 Housing beneficiaries captured in 2016/17	450 Constant Updating of housing needs register by June 2018	Achieved as 598 Housing needs registers captured		Not Applicable	Not Applicable	3	SP 4	R 0
Number of municipal properties identified for registration	Identification and facilitate registration of municipal unregistered properties by June 2018	Not Applicable	Identification and facilitate registration of municipal unregistered properties by June 2018	Partially Achieved, No registration of unregistered properties.		Due to delays to get response from sector department s only process of registration was done.	Municipality is in process of registering 2 properties.	3	SP 5	R 0

		Number of building plans ,billboards and lease agreements approved	12 building plans approved	Revenue enhancement through adjudication of building plans, billboards and lease agreements by 30 June 2018	Partially Achieved, 11 building plans approved		Municipality has no control on submission of business plans as it depends to communities .	Number of building plans will be adjusted accordingly.	3	SP 6	R O
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ANNEXURE E
MPAC OVERSIGHT REPORT

**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 2018.

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 current audit committee held 6 meetings during the year under review (including the review of financial statements):

Name of Member	# of Meetings Attended
WA Plaatjes	6
C Sparg	6
V Hlehliso	6
PH Songo	4

The committee meetings are also attended by the Mayor, the Chair of MPAC, the Municipal Manager, Chief Financial Officer, Provincial Treasury, CoGTA, ADM, Internal and External Auditors (AG).

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 and the internal auditors. Management has committed to working on improving the internal control environment and the committee will continue to monitor the improvement.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

The committee recommended that ICT activities be adequately budgeted, as the risks may outweigh the cost. The AC recommends that IT Security management and The Open Architecture Framework be expedited for the implementation of ICT governance framework phase two.

RISK MANAGEMENT

The Audit Committee approved the risk management strategy. A risk assessment was conducted during the year. 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. At the financial year-end, the overall implementation status in respect of strategic risks was 69% and 46% for operational risks. The AC recommended that risk management is taken seriously and that it form part of the performance agreements of senior managers.

PERFORMANCE MANAGEMENT

The overall performance of the institution was 72% for the 2017/18 (80% in 2016/17). The Audit Committee was satisfied that performance has remained elevated notwithstanding the cash flow constraints experienced by the institution during the financial year. The Audit Committee was part of the panel to evaluate the performance of senior management. The cascading of PMS still remains a challenge in the municipality.

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; and any other key legislation applicable to the Local Municipality. No investigations were initiated by the Audit Committee or referred to the Audit Committee by Council.

The Annual Division of Revenue Act

R2.8m expenditure on MIG was covered via the equitable share. To prevent this situation in the future, departments are no longer working in silos. The audit committee was hoping to see much more alignment between income, especially conditional grants and expenditure to avoid negative cash flows.

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.

INTERNAL AUDIT

The in-house IA unit was augmented with additional resources from the co-sourcing partner, this arrangement ended on 31 January 2018.

The Audit Committee is satisfied that the internal audit function is operating effectively within its resource constraints and that it has addressed the risks pertinent to the municipality during the year under review.

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.



Prof. W Platjes

Chairperson of the Audit Committee Date: 14 December 2018

ANNEXURE G
KEY PERFORMANCE INDICATORS

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;	234	35	14%	
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	2	2	100%	
4	Percentage of Managers in Technical Services with a professional qualification	2	2	100%	

	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
5	Level of PMS effectiveness in the DM – (DM to report)	THE INFORMATION SHOULD BE REFLECTED IN A NARRATIVE FORM We are in the process of cascading PMS down to the lower lever. Our plan is to take 5years, for the 1 st two years (2017/19) we are busy with the Middle Managers, then for next two year we will be doing Practitioners and officer (2019/21) then for year final we will be doing everybody in the institution.			
6	Level of effectiveness of PMS in the LM – (LM to report)				
7	Adoption and implementation of a HRD including Workplace Skills Plan	WSP adopted on the 23 May 2018 and HRD adopted on the 28 June 2018			
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	219	79	36%	
9	Percentage of councillors who attended a skill development training within the current 5 year term	27	7	100%	
10	Percentage of staff complement with disability	2	2	100%	

	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
11	Percentage of female employees	6	14	233.3%	
12	Percentage of employees that are aged 35 or younger	11	11	100%	

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	This function is rendered by	This function is	This function is	This function is	This function is

	with access to potable water	District Municipality	rendered by District Municipality	rendered by District Municipality	rendered by District Municipality	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	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

	with access to free alternative energy sources					
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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	168 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
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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 appointed Service Provider for Development of 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.	100%		100%
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 SMME that have benefited from a SMME support program	60	30 Cooperatives 15 Contractors 10 homestays 3 crafters	96%
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			
2	Salary budget as a percentage of the total operational budget			

3	Trade creditors as a percentage of total actual revenue			
4	Total municipal own revenue as a percentage of the total actual budget			
5	Rate of municipal consumer debt reduction			
6	Percentage of MIG budget appropriately spent			
7	Percentage of MSIG budget appropriately spent			
8	AG Audit opinion			
9	Functionality of the Audit Committee			
10	Submission of AFS after the end of financial year			

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		
6	Existence of an effective communication strategy	Yes		

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
7	Number of mayoral imbizos conducted	None		
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.		