



NDLAMBE MUNICIPALITY
ANNUAL REPORT 2018/2019
FINAL

Ndlambe Municipality
046 604 5500
www.ndlambe.gov.za



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VISION:

NDLAMBE MUNICIPALITY strives to be a premier place to work, play, and stay, on the eastern coast of South Africa. It strives to be the destination of choice for people who love natural and cultural heritage, adventure water sports, and laid-back living for families.

Our promise is to build a state-of-the-art physical infrastructure which will be laid out aesthetically in our beautiful natural environment. Our prosperous community supports a safe and healthy lifestyle which is supported by affordable natural living and a vibrant tourism and agriculturally-based economy!

We promote good governance by providing sustainable, efficient, cost effective, adequate and affordable services to all our citizens.

MISSION:

To achieve our vision by enabling optimal performance within each of the five Key Performance Areas of Local Government within the context of available resources.

VALUES:

- Commitment;
- Transparency;
- Honesty;
- Trustworthiness; and
- Care

CHAPTER ONE

COMPONENT A: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

MAYOR'S FOREWORD

I take great pleasure in introducing this Draft Annual Report for 2018/2019 financial. This Annual Report highlights the achievements and challenges experienced by the municipality for the year under review. The municipality takes pride in serving the community as an extension of good governance and those decisions taken in the best interests of the people of Ndlambe. The report is brutally honest about our challenges and achievements. The challenges are not unique to Ndlambe Municipality – and I am confident that with the existing leadership and collective wisdom of other political parties in Council, and the Administration- these challenges are not insurmountable.

It is recognized that continued efforts must be placed on maintaining and improving existing performance in all areas. Every effort must be made to maintain a culture of service delivery and to maintain and enhance sound fiscal and administrative functioning at all costs. We and those that come after us will endeavor to ensure that the municipality continues to perform, while providing the community with the required and expected levels of service delivery, local economic development, infrastructure development, fiscal control and sustainability and good governance within all spheres. Every effort will be made to meet and sustain community needs at all identified levels – as dictated and defined by the constraints of available infrastructure and resources.

As a municipality it is incumbent upon the political and administrative leadership to provide what may be described as a vibrant local economy that is able to sustain financial independence and growth. By so doing it will be ensured that both local enterprises and community members are and remain empowered – creating a community of motivated and capable individuals who are able to contribute towards the growth and sustainability of the community and the environment.

Our focus as an institution is guided and driven by the Integrated Development Plan (IDP), which is developed initially as a five (5) year plan (aligned to the current term of office). This is revised and updated annually while taking current resources (detailing annual strategic objectives) into account. The strategic goals and priorities are cascaded into the strategic and operational plans of all directorates and related employee scorecards. By so doing, it is ensured that every effort at any point in time is constantly being made to achieve the required targets and desired outcomes.

The day to day struggles of ageing and poor infrastructure and limited financial and human resources continues to place strain on the ability of Ndlambe Municipality to provide and improve its service delivery. These challenges are clearly reflected within service delivery initiatives and every effort is being made to improve service delivery performance at every level.

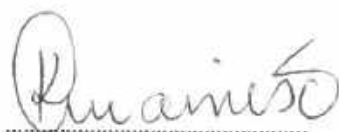
Despite many achievements, challenges always abound and as a result the following areas will receive particular focus:

- Public participation initiatives;
- Minimization of water losses;
- Roads maintenance and construction initiatives in order to minimize extensive challenges;
- Sustainable roads development and maintenance;
- Capacitation of both staff, councillors and the community;
- Effective performance management and reporting;
- Land availability, land tenure changes and allocation of sites;
- Legitimizing the Landfill Sites;
- Eradicating /minimizing cases of irregular, wasteful and fruitless expenditure;
- Paving of sidewalks and roads in towns (EPWP initiatives);
- The development of recreational facilities; and
- The implementation of SPU programmes (especially relating to youth).

The achievement of service delivery targets and deliverables is obviously also required to be viewed together with the municipality's financial performance and our ability to comply with a whole suite of municipal legislation. This report is therefore intended to attest to the collective efforts of the municipal administration and Council to progressively address the expectations of our people. As a local government we will always be evaluated by our ability to meet the growing needs of our residents through rendering quality services, promoting economic development, fiscal discipline, ensuring that we govern effectively and facilitating the growth of our municipality.

I want to thank our political leadership and staff led by the Municipal Manager, Advocate Rolly Dumezweni for ensuring political and administrative stability in our municipality. I thank them for everything they do to make our municipality work each and every day.

COUNCILLOR K C NCAMISO



MAYOR

COMPONENT B: EXECUTIVE SUMMARY

MUNICIPAL MANAGER'S OVERVIEW

The 2018/2019 financial year has provided Ndlambe Municipality with many challenges on all fronts. Despite this, we have managed to ensure that we deliver services to our people. Despite significant successes, we have also experienced challenges. I am very pleased to say that these have been managed professionally and well.

The five (5) year Integrated Development Plan (IDP) is revisited annually and after evaluating highlighted priorities and current plans available – not to mention the available Budget and resources/ infrastructure for the year – an annual set of IDP strategic objectives are created for each current year. These then represent a realistic set of IDP strategic objectives for the current year. In order to ensure that these are successfully achieved, a Service Delivery and Budget Implementation Plan (SDBIP) for the organization as a whole (reflected within each Directorate) is created – aligned to both Budget and IDP.

From the SDBIP, performance targets are created for each s56 Director and this is aligned to each SDBIP, the IDP and Budget. This then culminates into the scorecards for each directorate. In each instance it is ensured that the service delivery targets created are aligned to the level above which ultimately means alignment with the IDP, Budget and SDBIP.

It is critically important that every effort is made to ensure that realistic service delivery targets are created / formulated, and this is required to occur using what is formally known as the "SMART" principles. Targets are therefore written in such a way that they are considered to be "SMART" i.e.: **S**imple, **M**easurable; **A**chievable; **R**ealistic and **T**imebound. This is one area that the municipality was found wanting as such we appointed an external service provider to reword our Key Performance indicators and we are hoping that that exercise will yield positive results with the Auditor General.

It must be emphasized that the IDP is informed by inputs from public participation initiatives and the final documents not only reflect the needs of the community, but are required to take into account the **pre-determined objectives** (with emphasis on service delivery) that are required nationally as a matter of compliance.

In terms of performance the municipality has recorded major progress in delivering the objectives of the IDP. This will be explicitly substantiated in detail in subsequent sections of this report, in particular Chapter 5. The capacity and support received through intergovernmental cooperation also enabled us to discharge our constitutional responsibilities with reasonable efficiency.

Ndlambe municipal communities are no longer suffering inadequacy of **water** especially during festive season in particular in Port Alfred, Bushmansrivermouth and Kenton-on-Sea which areas are visited the most by tourists during this period. Alexandria water supply remains a challenge and the municipality aim to increase water capacity to the area hence the Alexandria water reticulation project. This project commenced in 2018 but had to be delayed due to Environmental Impact Assessment. Nonetheless the appointed contractor is continuing with the work that can be carried out off site.

Roads are continuously maintained however it is very difficult to keep pace with the rate in which they are aging given our financial state of affairs. Council has taken a stance to pave roads and this is ongoing and is visible in Ndlambe.

SMME development – the municipality does not compromise in giving work to the SMME's as part of local economic development and job creation.

Application for low cost houses for Port Alfred (Thornhill), Marselle and Alexandria have been submitted to the Department of Human Settlement however water is a stumbling block but the municipality has projects in the pipeline to deal with the water situation. There are currently housing projects that are in progress in particular Nemato 120.

The municipality has outsourced the maintenance of electricity and the service provider is doing well. Indigent households are provided with free electricity which is 50KW per month and 6 kilo litres of water each month. Houses in particular squatter have been provided by gel stoves in the meantime as means of alternative energy.

Building Control remains a serious challenge in the area especially in the townships where people are building without following the building regulations and as a result of this there is a potential that the municipality may be losing a lot of revenue and the households who are contravening the building regulations are exposed to danger because they are living in houses that have not been approved by the relevant authorities. The municipality is doing by all means to overcome this challenge as it is one of the highest risk.

The municipality is also facing a challenge of cemeteries which are becoming full at a very fast rate due to the HIV/AIDS pandemic which is rife in the townships and the quick urbanisation however the relevant department is busy with the necessary process to acquire land for graveyards. Other methods of burying the dead especially in the township where these are foreign e.g burying two people over each other in one grave, cremation etc. to prolong the lifespan of these graveyards are introduced and encouraged.

Waste management remains huge challenge for the municipality. The costs associated with managing the sites are quite huge. We are hoping that our partnership with the Federation of Canadian Municipalities will bring about some form of assistance when it comes to waste management.

The importance and relevance of an annual report in an accountable, participatory and developmental orientated local government as a valuable assessment tool cannot be over-emphasised. The 2018/2019 financial year has come to an end and, as required by section 127 of the Municipal Finance Management Act, 2003 (Act 56 of 2003), we must table and adopt an annual report for the 2018/2019 financial year within the prescribed time frames. The report is not only a compliance matter but provides a fair presentation of the performance of the municipality for the year under review.

I therefore affirm or assert that the annual report is to my best knowledge the true reflection of what the municipality has managed to do in the 2018/2019 financial year.

ADVOCATE R DUMEZWENI



MUNICIPAL MANAGER

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

The Ndlambe municipality, as a Category B municipality performs such municipal functions as enshrined in the Constitution of the Republic of South Africa, 1996. In particular these are listed in Schedule 4 part B & Schedule 5 part B. These include:

Air pollution	Water & sanitation services limited to potable water supply systems and domestic waste-water and sewerage disposal systems
Building regulations	Beaches and amusement facilities
Electricity	Billboards and display of advertisements in public places
Fighting services	Cemeteries and funeral parlours
Local tourism	Cleansing
Municipal Planning	Control of public nuisances
Municipal Health Services	Control of undertaking that sell liquor to the public
Jetties & Piers	Facilities for accommodation, care and burial of animals
Stormwater management system	Fencing and fences
Trading regulations	Traffic and parking
Licensing and control of undertaking that sell food to the public	Municipal roads
Local amenities	Noise pollution
Local sport facilities	Pounds
Municipal parks and recreation	Public places
Refuse removal, refuse dumps and solid waste disposal	Street trading
Street lighting	

The Ndlambe municipality also performs other functions that may be delegated to it by another sphere of government.

The Ndlambe municipal area falls within the Eastern Coastal Zone (one of the areas within the Sarah Baartman District Municipality that has similar geographical characteristics and requires similar geographical guidance). This area can be described as an area with:

- A pristine coastal area;
- Well preserved river mouths and inter-tidal areas;
- Diverse vegetation;
- A relatively low density development along the coast; and

- Major tourism potential

The following is the presentation and analysis of key Ndlambe municipal population and household statistics as provided in the Census, 2011.

Population

Population by age group and gender

Age	Male	Female	Total	%Male	%Female
0 - 4	3006	2796	5802	4.9	4.6
5 - 9	2593	2538	5131	4.2	4.1
10 - 14	2261	2243	4504	3.7	3.7
15 - 19	2469	2464	4933	4	4
20 - 24	2549	2408	4957	4.2	3.9
25 - 29	2509	2571	5080	4.1	4.2
30 - 34	2032	2266	4298	3.3	3.7
35 - 39	2014	2218	4232	3.3	3.6
40 - 44	1767	2269	4036	2.9	3.7
45 - 49	1571	1998	3569	2.6	3.3
50 - 54	1477	1906	3383	2.4	3.1
55 - 59	1223	1526	2749	2	2.5
60 - 64	1052	1362	2414	1.7	2.2
65 - 69	814	1039	1853	1.3	1.7
70 - 74	734	1003	1737	1.2	1.6
75 - 79	424	588	1012	0.7	1
80 - 84	282	453	735	0.5	0.7
85 +	258	492	750	0.4	0.8
Total	29035	32140	61176	47.5	52.5

Source: Census, 2011

The Census 2011 data suggests a total population of 61 176 compared to the Census 2001 data which suggested a total population of 57 241, as compared to the 2005 backlog study figures of 58 927 and a total number of households of 18 913. The Socio Economic Profile of Cacadu estimates the population of Ndlambe Municipality at 63 000. The community survey (STATS SA – 2007) concurred with this population figure. When one compares Census 2011 population data with Census 2001, the population of Ndlambe has increased by a margin of 3935 persons and this represents a percentage increase of 1,2 per cent. This could be attributed to an influx of people from the surrounding areas to look for job opportunities in the new industries that have emerged in the municipal area. Also, the Thornhill housing development has attracted some individuals who were living outside Ndlambe to come back and settle in their newly built RDP homes. Another contributor to this population growth is the migration of people from inland towns and cities to the coast. This influx also impacts negatively on the unemployment rate which currently stands at 30.3 per cent with youth unemployment rate standing at 39 per cent.

The bulk of the migration patterns being experienced within the Municipality are due to holiday makers (approximately 33 000) in the peak season. The influx of seasonal holiday makers equates to approximately 56% of the permanent resident population and places tremendous pressure on the available infrastructure of the area. There is a small migration impact on the agricultural sector related to the harvesting of chicory and pineapples, which has no effect on the immediate service delivery as these activities take place on private land. It does, however, impact on the Municipality in the longer term as some migrant labour decides to remain once the seasonal work is completed.

Although undocumented, the Municipality is also dealing with an influx of farm workers to urban centres as well as people from neighbouring municipalities seeking new economic opportunities. This is placing increasing pressure on the housing delivery program and efforts to eradicate informal settlements.

Number of households

Household size by population group of head of the household

	Black African	Coloured	Indian or Asian	White	Other	Total
1	3837	174	14	987	39	5051
2	2779	212	22	1714	54	4781
3	2491	226	12	443	24	3196
4	2138	232	1	349	6	2726
5	1290	155	4	97	3	1549
6	745	93	1	38	1	878
7	485	56	1	11	1	554
8	244	15	1	2	0	262
9	140	10	0	3	0	153
10+	167	14	0	0	0	181
Total	14316	1187	56	3644	128	19331

Source: Census, 2011

Based on the above data, the average household size is 3.2 persons per household. Of the total number households, 42.6 per cent are female headed. Given the high percentage of female headed households the municipality’s planning and projects should be targeted at reaching out to these households. Furthermore, there is a need for the municipality to engage relevant sector departments, such as Social Development and Women, Children and People with Disability, in this regard.

1.3 SERVICE DELIVERY OVERVIEW

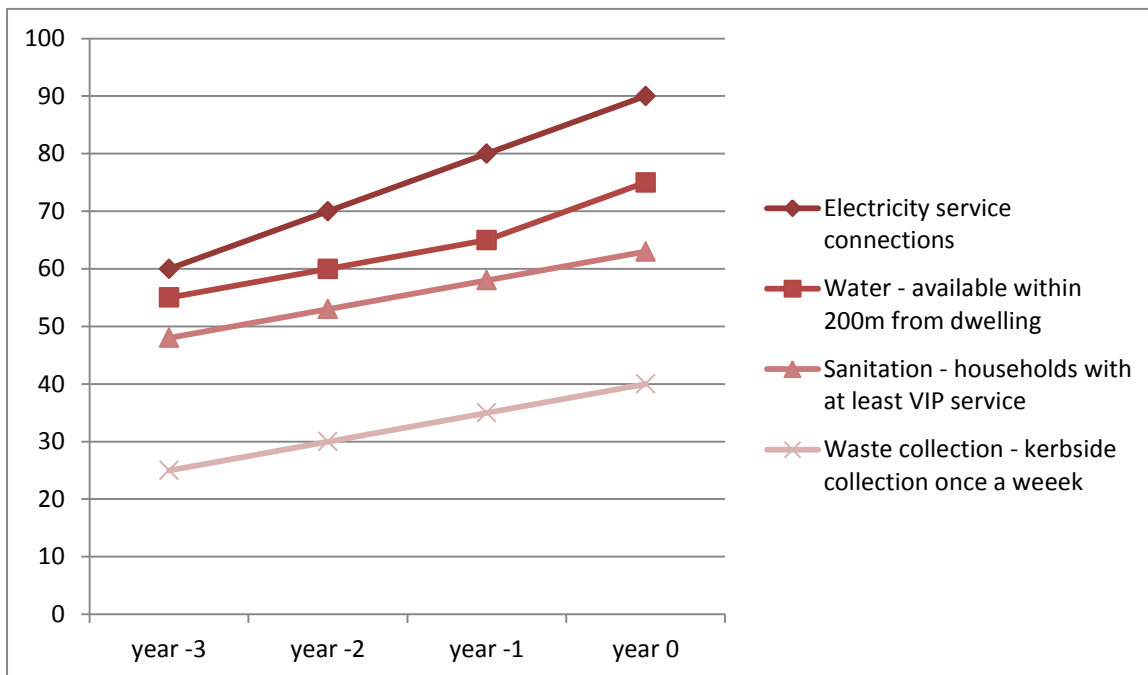
SERVICE DELIVERY INTRODUCTION

Basic service delivery achievements have been noteworthy and are continuing. Council has acknowledged that the biggest stumbling block to transformation and development within the municipal area has been suitable access to sufficient water. Council then embarked on a multi-year strategy to improve the water supply to the consumer base of Ndlambe Municipality. Implementation of these projects is underway. Other recent service delivery achievements include the various improvements and upgrades to various Waste Water Treatment Works, Technical upgrades to sewerage systems maintenance competency within staff.

Challenges include the following:

- Increasing unemployment levels within the consumer base.
- Increasing migration from rural agricultural sector to urban nodes
- Cost of service delivery when revenue base is considered.
- Ageing infrastructure operating in physically aggressive environment

Proportion of households with access to basic services



COMMENT ON ACCESS TO BASIC SERVICES:

It is a well-known fact that the reliability of the yields and the quality of the water from the respective water sources is in general inadequate. Furthermore the capacity of the bulk infrastructure is also inadequate especially during peak holiday seasons when holiday makers flock to the coastal resort town and the demand for municipal water supply cannot be met. This challenge is being addressed through grant funded projects. The present status quo results in many of the households in the area augmenting the Municipal supplies by establishing private rainwater harvesting facilities, which Council encourages and enforces within the building plan application process. All formal erven have access to basic services, which includes, water, sanitation, electricity refuse removal and road access. There are various levels of service but in all cases the minimum levels of service are exceeded.

1.4 FINANCIAL HEALTH OVERVIEW (2018/2019)

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards. The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation such measures in terms of section 168 thereof.

The application of sound financial management principles is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The key objective of the Municipal Finance Management Act (2003) is to modernise municipal financial management in South Africa so as to lay a sound financial base for the sustainable delivery of services. Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable.

The Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. Encouragement of structured community participation in the matters of the municipality is an important focus area.

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards. The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation such measures in terms of section 168 thereof.

Efforts are made to address the issues raised by the Auditor-General in both the audit report and the audit management letter for the audit of the financial year ending 30 June 2018. An audit check list was developed and is monitored by the internal auditor to ensure that we improve in the areas identified. Further controls and action plans have been implemented by the finance directorate to ensure that the financial statements are prepared timeously and that we work towards an improved audit outcome by the financial year ending 2018. To achieve a clean audit is going to be a challenge and all offices and directorates are going to have to pull together as a team to achieve the objective. The compilation of the financial statements and the audit undertaken by the auditor-general's office is no longer just a finance issue.

The demands on the finances of Ndlambe Municipality continue to be significant as backlogs in services, aging infrastructure, and maintenance remain a serious challenge. Emphasis has to be put on enhancing our revenue streams and collecting debt due to the Ndlambe Municipality by consumer and ratepayers that have the ability to pay. Households that receive indigent grants that are in fact not indigent also need to be addressed.

The internally funded capital budget, the reduction in the maintenance budget and reducing budgets for depreciation/bad debts provision/income foregone as a means to balance the budget and the increase to our customer's needs to be seriously addressed in future financial years as the aging infrastructure needs to be replaced and maintained.

A major challenge that continues to face the administration of Ndlambe Municipality and highlighted in the Auditor-Generals management letter in the past and still continuing, is the implementation and compliance to regulations emanating from the Municipal Finance Management Act including but not limited to supply chain management issues, asset management and budget control.

MUNICIPAL FINANCIAL VIABILITY

FINANCE DIRECTORATE

The finance directorate is a support directorate to other directorates and ratepayers of Ndlambe Municipality. The finance directorate consists of four sections namely the Budget and Treasury Office, Supply Chain Unit, Revenue and Expenditure. The main office of finance is situated in Port Alfred with three satellite offices in Alexandria, Kenton-on-Sea and Bathurst.

The objectives of the finance directorate for the 2018/2019 financial year were as follows;

- To activate/implement, update the entire Municipality's fixed asset register and ensure its Compliance to GRAP (Generally Recognised Accounting Practice)
- Ndlambe is able to raise sufficient revenue (internal and external sources) and manage the assets to meet their responsibilities in terms of service delivery incorporating both capital and operational costs
- To maintain Finance assets
- To improve communication of the budget process
- To implement mSCOA according to National Treasury Circulars and guidelines.
- Households living below the poverty line, as well as vulnerable groups, have improved access to all required basic services, health facilities and social/ work creating programs
- Develop the Supply Chain Management Unit to be in line with the SCM policy and meet the requirements of good practice and address all issues raised in the report of the Auditor-General
- To ensure financial resources are utilised in an economical, efficient and effective manner
- Develop the capacity of the Budget and Treasury Office (BTO) to meet the requirements of credible financial management.

- To ensure that all revenue is collected on a monthly basis to cover the operating expenditure of the municipality on a daily basis
- To ensure all indigents have access to free basic services.
- To ensure an effective customer care service to all residents.
- To ensure increased registration of the qualifying indigent households
- To ensure all collectable debt is collected

To meet the above objectives the following indicators were set that we needed to achieve;

- Percentage of progress made towards maintenance and rehabilitation of Asset register including all Finance Leases, Operating Leases, Infrastructure Assets and municipal and Investment properties
- New asset acquisitions are recorded/captured on a monthly basis.
- The existence of all assets is verified half yearly.
- All assets acquired are bar coded and insured on a monthly basis.
- Percentage increase in the possible local revenue base
- 100% spending of FMG grant allocated
- Increase in % of equitable share based on more accurate statistics in terms of the DORA
- Percentage decrease in non-payment
- Percentage of elements of financial system utilized
- Increased in number of staff trained to effectively use the financial system
- Increase in number of useful reports generated for planning and monitoring purposes
- Increase in the investments of maintenance / upgrade of financial system
- Number of reports that meet the legal requirements at the right time
- Percentage of improved cash flow by reducing expenditure to match actual cash on hand.
- Number of Finance assets assessed and ensuring that they are utilized economically.
- Relevant advertisements and loud hailing are done within the legislated time frames
- Increase in number of households benefiting from poverty alleviation programs
- Fully operational SCM unit in line with SCM Policy and MFMA implemented
- Income and expenditure reports are provided on a monthly basis to offices and directorates for them to do budget control.
- Infrastructure investment plan is developed for development priorities in the IDP
- Relevant officials are trained to ensure that they are able to contribute to the financial management system (treasury departments and departmental managers)
- A process plan in place to ensure all new buildings, additions to buildings, re-zoning of properties, sub-divisions and consolidations are forwarded to the finance directorate on a monthly basis for billing and valuation purposes.
- All residents who do not have the financial means to pay for basic services in terms of the indigent policy are registered.
- A complaint register to reduce number of complaints from residents resulting from system errors is developed
- Increase in response time and resolution of complaints to be within 7 days of receipt

Finance Directorate Challenges

The following general challenges were experienced by the finance directorate for the year ending 30 June 2019;

- Grant dependency for capital expenditure
- Increase of the debtors book impacting negatively on our financial viability
- Turnaround time of customer queries and complaints
- Asset maintenance and asset control to ensure sustainability
- Revenue enhancement
- Lack of office space
- Staff establishment
- Reduction of bad debt, depreciation and income foregone budget to reduce the tariff percentage increase to ratepayers and consumers
- Water losses where Amatola Water to be paid for water lost
- Decentralisation of the supply chain unit.

- Subsidisation of water consumed by households in Amatola subsidised areas
- Debt collection in ESKOM licenced electricity distribution areas.

Finance Directorate Composition

Creditors

Payroll:

Administer payment of salaries and allowances. Monthly reconciliation of salaries. Payroll runs on the Friday closest to the 25th of each month where salaries are transferred electronically to staff members bank accounts .Payments made to the Pension Funds, SDL, PAYE and UIF as well as other salary deductions due, are done before the 7th of the following month. The duties are performed by a Senior accounting who reports directly to the Expenditure Assistant Director. The municipality is in the process of appointing an assistant for this position minimise the risk of centralising knowledge to one person.

Creditors Payments.

Administer payment of creditors. Creditors to be paid within 30 days of invoice received date on a monthly basis, statements of creditors reconciled with the orders/requisitions issued- This has been a challenge seeing that not all documentation relating to these payments have been received in time as well as the ongoing cash flow problem within the Municipality- resulting that creditors not being paid within 30 days. Direct payments are done on a day to day basis for emergencies, accommodation ,travelling and temporary wages. Safekeeping of documents is a challenge, the department is investigating an alternative to use an electronic document management system.

Stores:

Execute control over stock/stores -Buying and controlling of stock which includes stationery, petrol and diesel, water meters etc. Stocking taking at year end will no longer involve the participation of the storekeeper and Ass. Store Keeper, but will be done by the internal auditor and delegated staff members. Slow moving stock, adjustment and obsolete stock items were taken to council to be written off as these were no longer in use by the Municipality. A mini stock take was then done at the end of March to determine if there were any more variances on the stores module vs stock on hand as well as to confirm that the quantities and values were correct.. Expenditure has activated the fuel management functionality in MunSoft. This will be used to manage issuing of fuel and individual fleet usage.

The strategic objectives of the Creditors Section are to:

Creditors:

To utilise all the functions available on the MunSoft system in order to be more effective on directs/creditors payments.

The key issues for 2018/2019 were:

- To get all expenditure processes computerized
- Balance all stock items and bin cards to the stores sub-ledger
- Balance and reconcile creditors statements and Eliminate fuel losses

Revenue

Overview:

The revenue section within Ndlambe Municipality covers a wide range of functions which are of an administrative nature.

It plays a pivotal role in revenue generation and collection activities through;

- Formulation, implementation and reviewal of relevant revenue policies
- Ensuring compliance to national, provincial and local government legislation.
- Active participation in various government structures to promote intergovernmental.
- Engaging in revenue enhancement activities by billing for services consumed, provide key statistical data for setting annual tariffs, undertaking banking services, meter readings for billing purposes.
- Facilitation of property general and supplementary valuations and finally rating of properties.

One of the critical functions of the department is to continuously, monitor expenditure and give advice to other directorates to ensure that expenditure is within approved budget. Financial management is not only inward focused, it provides a wide range of services to local communities. It serves as a delivery mechanism for free basic services.

Free Basic Services

Financial function is responsible for facilitating an enabling environment for the implementation of free basic services by developing policies to be approved by council. It is through these policies that local communities can access these services. Communities are assisted by the Finance department to apply for these services and thereafter facilitate payment for such services. Different mechanisms are considered to extend the provision of certain free basic services to informal settlement and rural areas. Such services are provided through an alternative sources of energy namely gel, gel stoves, internal and street solar lights

Service Delivery

The Finance department is one of the key role players in service delivery. Finances' role is to provide support to the departments that are directly involved in service delivery. Such support is ensuring of cash resources, these resources are generated through various billing activities, collections of payments due are done by the finance department. One of the greatest challenges that Ndlambe is faced with is electricity distribution in townships which fall under ESKOM's electricity distribution licences. The challenge is in the distribution network that is currently in place. It must be noted that this problem is not only in Ndlambe.

There are number of problems to mention a few, insufficient credits levels maintained by the vendors resulting unavailability of electricity to consumers. The matter has been addressed with ESKOM, but no solution has been provided to us.

Property Valuations

A General and a Supplementary Valuations were compiled during the 2018/2019 financial year to rate new properties and properties that have had improvements done. The General Valuation Roll was for implementation in the financial year 2019/20.

Strategic Objectives

The following are finance key strategic objectives which will contribute towards achievement of the municipality's strategic objectives;

- Creation and maintenance of a credible valuation roll
- Building and maintenance of a good customer relationship
- Creation and maintenance an internal customer approach when serving other internal departments.
- Reduction of errors in billing
- Ensuring maximum collection of municipal revenue through billing and revenue collection.
- Capacitating of departmental staff
- Use of various tools, equipment, to enhance revenue collection
- Identification of unbilled and unmetered consumption to enhance our revenue base.

Key issues for 2018/2019 financial year are;

The focus will be on the following issues, which are critical for service delivery and financial viability of Ndlambe Municipality, these will include but not limited to the list below;

- Resourcing the department
- Capacitating staff
- Improving billing and credit control information system/reports
- Increasing the number of registered indigents
- Reduce account queries
- Shorten account query response time
- Increasing debt collection efforts
- Improving customer relations
- Exploring other debt collection mechanisms

- Ensuring continuous supply of electricity to consumers in Ndlambe townships.
- Increased accessibility of Free basic Electricity to indigent people through ;
 - Indigent registration and
 - Issuing of free tokens without purchasing coupons.
 - Provision of alternative energy sources to rural and informal settlement communities.

It must be noted that due to processes to be followed some of the issues may be both short and long term issues

Budget And Treasury Office

Budget and Treasury Office was established in terms of section 80 of the MFMA. It consists of BTO managers reporting directly to the CFO. The section plays a pivotal role in compilation and management of expenditure. There is a limited staff complement resourced with the 5 Treasury funded interns. Reliance on interns is a risk as treasury may decide to stop the funding. Ndlambe will have to build its capacity with time.

The functions of the BTO are as follows:

- Budgeting,
- Financial Statements & Reporting,
- Asset Management,
- Cash Management,
- Investments
- Insurance.

The function of the budget and treasury office within the municipality is administered as follows and includes:

Budgeting

The Municipality's annual budget comprises of an operating budget and a capital budget. The operating budget funds employee salaries, operating costs, purchases and assistance for the poor, such as free basic water and sanitation. The Municipality's business and service delivery priorities were reviewed and where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. The focus is to critically review expenditure on non-core items.

The capital budget is set aside for spending on infrastructure and services, such as roads, water and sanitation as well as the many other utilities and services that Ndlambe Municipality needs in order to function, grow and offer opportunities to its residents.

The entire budget amount per annum is based on the income that the Municipality accrues on rates, service charges, and grants and subsidies. Budgeting on the accrual basis enforces strict cash control measures as before expenditure can be incurred the income must be in the bank. The municipality has to move to a cash budget so that expenditure can be more certain.

BTO's involvement in budgeting starts from the planning, strategizing, preparing, and tabling, approving, finalizing and implementation stage. The planning and strategizing stages are done through the political guidance by the Mayor. i.e. review of time table schedule and the previous year's budget process to determine what went wrong, what should be corrected and the way forward. This can be done through internal and external participation. The preparation to the finalizing stage of the budget is done by the BTO with the assistance of the Accounting Officer and the co-operation of the other directorates. After the implementation the BTO conducts the in-year monitoring of the budget. The major difficulties we encountered in the budget preparation are the directorates are not adhering to the time table schedule approved by the council. The directorates are not procuring according to their budget. IDP is not aligning to the budget. The directorate does not prepare their departmental SDBIP.

The strategic objectives of this function are to:

- Compile well balanced, representative and affordable budget informed by the IDP and available resources.

The key issues for the financial year are:

- The in-year monitoring to control the budget.
- Engagement of the Mayor and the Accounting officer involvement in the budget in order to achieve a smooth budget process.
- To include the SDBIP in the Budget process

Financial Statements And Reporting

The BTO coordinates the process of preparing the financial statements with the finance management team. The finance management team is required to prepare statements that are in accordance with generally recognized accounting practice (GRAP). The financial Statement are handed over to Auditor General at the 31 August for auditing purposes as required by the S126 (1) b of the MFMA. The BTO prepares the monthly, quarterly, half yearly and yearly reports to Council, National and Provincial Treasury based on the requirements required by the MFMA.

The strategic objectives of this function are to:

- Compile accurate and reliable financial statements and reporting which reflect the true financial position of Council.
- An updated (contemporary) financial system of Ndlambe is optimally used by competent staff to achieve an unqualified audit report.

The key issues for the financial year are:

- Striving to produce financial statements that are fully complying with GRAP.
- To develop a monthly checklist to correct errors on matters affecting the financial statements before the reporting date.

Asset Management

BTO coordinates the verification of assets towards the year end. Control the movement, transfers, acquisitions and disposals of Council assets on a daily basis. Report to Council a list of assets to be disposed for approval.

The strategic objectives of this function are to:

- Keep record and the movement of Council assets.
- An updated (contemporary) financial system of Ndlambe is optimally used by competent staff to locate, identify and revalue all Municipal Assets.
- Ndlambe Municipality is able to raise sufficient revenue (internal and external sources) and manage their assets to meet their responsibilities in terms of service delivery incorporating both capital and operational costs.

The key issues for the financial year are:

- To maintain the asset register on a monthly basis.
- Ensuring that the Council asset register complies with GRAP.
- Conducting a monthly checklist ensuring the asset register balances with the ledger.

Cash Management

Prepares a daily cash flow to determine whether the council is in the status to spend from the budget. Informs the directorates if there are any cash flow problems.

The strategic objectives of this function are to:

- To secure sound and sustainable cash flow management of the Council.

The key issues for the financial year are:

- To review the cash management and investment policy in accordance with any framework that may be prescribed in terms of s13 (1) of the MFMA.

Investments

The BTO maintains the quotation register. Identify monies that are transferred to the Council current account and invest monies not immediately required. Prepares the monthly reconciliation, realises and re-invest investments on the due date. Make withdrawals on the investments to the revolving fund, debit the current account with the original money invested and credit the vote provided by a specific director.

The strategic objectives of this function are to:

- To secure sound and sustainable investment procedures of the Council.

The key issues for the financial year are:

- Implement authorization and review the investment decision made of the employee making the investment

Insurance

The BTO register all the new assets to the insurance company take out the disposed assets from the insurance list. Make insurance claims for the damage or stolen assets. Allocate payments received from the insurance company to the relevant vote. Update insurance claim register. The problems encountered when implementing the insurance activity are directorates are not informing the BTO of the new acquisitions and stolen assets for insurance additions. Directorates are submitting insufficient information for insurance claims and are not adhering to the terms of the insurance contract. i.e. late submissions

The strategic objectives of this function are to:

- To ensure all the Council assets as per asset register are insured.

The key issues for the financial year are:

- To review the fixed asset register to comply with GRAP and ensuring that the fixed assets are at the market value for the insurance purposes.

SUPPLY CHAIN MANAGEMENT

Report for the period 1 July 2018 to 30 June 2019

SUPPLY CHAIN MANAGEMENT POLICY – Paragraph 6(3)(a) and 6(4) REPORT

Extracted from the SCM Policy as approved by Council:

“6. Oversight role of the council

(3) For the purposes of such oversight, the accounting officer must –

*(a) within 30 days of the end of each **financial year**, submit a report on the implementation of this policy to the council through its mayor;*

(b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report thereon to the council through its mayor.

*(4) The accounting officer must, within 10 days of the end of **each quarter**, submit a report on the implementation of this policy to the mayor.*

(5) The aforesaid reports must be made public in accordance with section 21A of the Municipal Systems Act.”

1. Staffing Matters

During the 2019 Financial Year, the department still operated with three permanent staff members of the Unit continued to face many challenges, due mainly to an insufficient number of staff members in the Unit to carry out

the full range of duties as set out in the Municipality's Supply Chain Management Policy. The municipality contracted one person to beef up the SCM Unit. The municipality is currently has filled the position of a Senior Buyer and in the process of filling Contracts Manager vacancy to strengthen capacity in the SCM unit.

To ensure sustained compliance with Best Practice processes, and to address to issues raised previously by the Auditor-General, the Logistics Clerk post was filled on a permanent basis. However, the Task Grading in respect of this new post has still not yet been completed. The post of Logistics Clerk remains the only currently occupied post which has yet to be task graded. No firm indication has been provided by the Human Resources Section as to when this evaluation will be completed but it has been intimated by the HR Section of Ndlambe Municipality that the conclusion of the process is imminent.

2. Office Infrastructure

Training on the finer points of utilisation of the new VoIP telephone switchboard system has not yet been provided, and, as use is currently being made of low volume stand-alone units, it is also felt that, due to the requirements of the new Munsoft system, the SCMU is in need of a high volume scanner/printer

3. Decentralised Supply Chain Processes

It remains a challenge to fully and comprehensively comply with the administrative and reporting requirements of legislation due to the currently dispersed nature of responsibility for the various Supply Chain Management functions.

Council Took a resolution to centralise, attempts are made to achieve this objective,. One department was taken on board, training has been done, a commodity database is being developed. With effect from September the Departments will forward

4. Ndlambe Municipality Supplier Database

By amendment to the Supply Chain Management Policy, the municipality's supplier database, with effect from 1 July 2016, has become, *de facto*, the Central Supplier Database (see below).

5. Web Based Central Supplier Database (CSD)

With effect from 1 July 2016, Municipalities started using the CSD supplier number starting with (MAAA) which is auto generated by the Central Database System after successful registration and validation of the prospective provider as mandatory requirement as part of listing criteria for accrediting prospective provider in line with Section 14(1)(b) of the Municipal Supply Chain Management Regulations. This means that the requirement for Ndlambe Municipality to operate and maintain a separate supplier database has fallen away, as all organs of state (including municipalities) must, make exclusive use of suppliers who are registered on the CSD.

To this end:

- An amendment to the Supply Chain Management Policy of the municipality, in line with the recommendations of National Treasury regarding compulsory CSD registration, was approved by Council.
- SCMU officials have been assisting many local potential suppliers to register on the CSD.
- The Supply Chain Manager has been registering Ndlambe officials as users on the CSD so that user departments can search this database for potential suppliers. This is an ongoing process.

The response from, particularly local, current suppliers to the municipality has, regrettably, been extremely poor. Ongoing efforts to encourage registrations are being made but there exists a considerable risk that the municipality, in order to ensure ongoing service delivery, may be left with no other option than to transact with unregistered suppliers.

The current user-friendliness of the CSD has proved to be rather challenging, and suggestions are being made, on an ongoing basis, to National Treasury regarding possible improvements to this aspect of the system.

6. Minimum Competency Levels

Section 119(1) of the MFMA states that: *"The accounting officer and all other officials of a municipality or municipal entity involved in the implementation of the supply chain management policy of the municipality or municipal entity must meet the prescribed competency levels."*

Both the Head: Supply Chain Management and Acquisition Officer must therefore comply with the requirements of the National Treasury: Local Government: Municipal Finance Management Act: Municipal Regulations on

Minimum Competency Levels in this regard. To date, both the SCM Head and Senior Buyer have not yet attained this requirement and the municipality is pushing them to comply.

7. Abakus System migration to the Munsoft System

MunSoft procurement system has been implemented partially, requisitions are done manually but requisitions are generated by the system. The manual requisitions are to be done electronically once the commodity database is developed

8. Deviations from SCM Processes

Although tendering procedures and many other provisions of the Supply Chain Management Policy were adhered to, many deviations (as defined in Section 36 of the SCM Regulations and Para 39 of Ndlambe Municipality's SCM Policy), mostly relating to the Informal and Formal Written Quotation provisions, still occur on a regular basis. Concerted efforts are continually being made by the Supply Chain Management Unit to inform user departments of ways to decrease their reliance on using deviations to support acquisitions.

9. National Treasury MFMA Circular 77 – Model SCM Policy for Infrastructure Procurement and Delivery Management

In October 2015 this circular, which suggested a separation of supply chain management requirements for general goods and services from those for infrastructure delivery, was issued. A "model" Infrastructure Procurement and Delivery Management policy was also provided.

As the current Supply Chain Management Regulations (Municipal Supply Chain Management Regulations per Notice 868 of 2005) do not make any provision for municipalities to have more than one Supply Chain Management Policy, no action, other than noting the contents of the circular, was taken. Implementation of the SPIDM as parallel procurement vehicle still remains a challenge.

10. National Treasury MFMA Circular 83 – Publication of information on the eTender Publication Portal

This circular, issued in July 2016, set out "requirements" by National Treasury (although a Circular is obviously not any form of Regulation) for municipalities and municipal entities to advertise, on the eTender Publication Portal (<http://www.etenders.gov.za/>), all their bids and publish notices of all awarded bids, cancellations and deviations, variations and extensions of existing contracts.

The circular also stated, *inter alia*, that:

- "Accounting Officers must utilise the Organ of State System Account Application Form on the Office of the Chief Procurement Officer (OCPO) website to request access rights on the eTender Publication Portal." No clarity has yet been provided to the SCMU regarding this matter.
- "The National Treasury will facilitate access to the system and provide training and support in collaboration with Provincial Treasuries." No indication as to when this training will be provided has been received by the SCMU.

The circular also does not make any mention of a commencement date of the requirements. No action, other than noting the contents of the circular, has therefore been taken by the SCMU.

Municipal Regulations on a Standard Chart of Accounts (mSCOA)

In terms of section 169(1) (b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Minister of Finance has signed into effect and subsequently published the Municipal Regulations on a Standard Chart of Accounts (SCOA) in terms of Notice 312 of 2014, Government Gazette No. 37577 subsequent to formal consultation. The Municipal Regulations on a Standard Chart of Accounts *inter alia* makes provision for an updated GFS Classification Framework, Detailed Classification Framework of the 7 Segments (SCOA Version 5.5).

To date Ndlambe has complied with this requirement in all respect.

EMPLOYEE BENEFITS AS AT 30 JUNE 2019

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency.			
Financial year	Total Expenditure salary and allowances	Total Operating Expenditure (R'000)	Percentage
2016/2017	118,877,349	316,616,592	37.55%
2017/2018	120,978,896	281,022,537	43.05%
2018/2019	135,570,643	344,337,678	39.37%

Below is a summary of Councillor and staff benefits for the year under review:				
Financial year	2016/2017	2017/2018	2018/2019	
Description	Actual	Actual		Actual
Councillors (Political Office Bearers plus Other)				
Salary Package	6,050,938	6,925,286	7,340,792	
Senior Managers of the Municipality				
Salary Package	5,759,796	5,704,488	6,370,191	
Other Municipal Staff				
Basic & 13 th cheque	72,148,748	75,923,546	82,752,958	
Allowances	3,996,189	3,468,543	3,499,066	
Post employee benefit	13,570,895	15,509,581	12,716,504	
Medical aid – Company contributions	8,432,080	9,061,887	10,759,495	
Unemployment Insurance Fund (UIF)	868,169	768,964	786,618	
WCA	421,327	426,108	44,994	
Skills development levy	931,208	1,027,822	1,110,636	
Leave pay provision	321,665	728,240	915,617	
Overtime payments	10,254,331	9,775,073	10,076,754	
Car allowance	2,683,744	2,960,778	3,657,093	
Housing Benefits	1,043,648	1,037,920	1,018,571	
Group insurance	432,967	242,081	233,732	
Industrial levy	44,429	48,353	50,741	
Casuals	3,727,949		7,947,865	
Sub Total	118,877,349	120,978,896	135,570,643	
Total	130,688,083	133,608,670	149,281,626	

Names of pension fund	Number of members	Names of Medical Aids	Number of members
Cape Joint Pension Fund	3	LA Health	72
Cape Joint Retirement Fund	319	Bonitas	149
SALA Pension Fund	34	SAMWU National Medical Scheme	128
SAMWU National Pension Fund	83	Hosmed	10
Sanlam Pension Fund	18	Key Health	2

SERVICE PROVIDERS TO THE FINANCE DIRECTORATE STRATEGIC PERFORMANCE

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. Service provider means a person or institution or any combination of persons and institutions which provide a municipal service.

- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality.

Section 121(b) of the MFMA and Section 46 of the MSA further state that a municipality should include the following related to service providers in its annual report:

- The performance of each service provider
- Comparison of the performance with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Section 116(2) of the MFMA further states that:

The accounting officer of a municipality must:

- take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;
- monitor on a monthly basis the performance of the contractor under the contract or agreement;

The following table is to provide information related to the performance of external service providers that were utilised by the finance directorate during the 2017/2018 financial year;

Contract name	Supplier name	Type of services rendered	Term of contract (in months)	Performance	Average rating	Comment and/or corrective action when under performed
Banking Services	FNB	Banking	Expired	Only issue was the slow response on	Good	N/A

				electronic banking		
Delivery of Accounts	CAB Holding	Mailing of debtor accounts	Month to Month	Issues with e-mailed accounts	Fair	N/A
Asset Verification	PWC	Compile asset register	5 Months	Slow hand-over	Good	N/A
GRAP Advisor	A2A Kapano	Assistance with AFS	3 years contract	Good skills transfer	Good	N/A
Supplementary Valuation	Penny Lindstrom	Property Valuation Services	4 years	Insufficient data for appeal hearing	Fair	Matter addressed by using additional staff

FINANCE RELATED BY-LAWS

By-laws Introduced during 2018/2019					
Newly Developed	Revised	Public Participation conducted prior to adoption of by-laws (yes/no)	Dates of public participation	By-laws Gazetted* (yes/no)	Date of publication
0	0	N/A	N/A	N/A	N/A

COMMENT ON BY-LAWS:

The finance policies that were reviewed and adopted for the 2018/2019 financial year did not necessitate any amendments to the financial by-laws that are in place. The finance related by-laws are available on the municipal web-site and at the finance offices.

FREE BASIC SERVICES AND INDIGENT SUPPORT

The free basic services were funded from the "equitable share" grant received from National Treasury.

The criteria for an Indigent Household for 2018/2019 were as follows:

- ✓ The applicant must be a resident of the municipality.
- ✓ The applicant must be in possession of a valid South African identity document.
- ✓ The combined or joint gross income of all occupants or dependants in a single household which receives services from the municipality may not exceed the thresholds determined by the municipality annually during consideration of the budget for the next financial year. The guideline relating to the household income threshold for a 100% rebate is an income of not more than two state pensions per month. The guideline relating to the threshold for a 30% rebate is an income between two government state pensions and R3500 per month.
- ✓ The applicant must be the owner or tenant who receives municipal services and is registered as an account holder on the municipal financial system; provided that the requirement of being registered as an account holder does not apply to households in informal settlements where no accounts are rendered nor in rural areas where no accounts are rendered.
- ✓ Any occupant or resident, as per the definition of indigent, of the single household referred to above may not own any property in addition to the property in respect of which indigent support is provided.

- ✓ A tenant can apply for the benefits in respect of the charges he/she is billed for while the landlord remains liable for all ownership related charges such as rates.
- ✓ The account of a deceased estate, may be subsidised if the surviving spouse or dependants of the deceased who occupy the property, applies for assistance.
- ✓ Rateable house value of less than R200 000.
- ✓ Any one of the following factors will serve as a disqualification :
 - ✓ Where the applicant is a subscriber to either M-net or DSTV;
 - ✓ Where the applicant has or allows any business to be operated on the property
 - ✓ Where there is no written service agreement with the applicant;
 - ✓ Where the applicant owns more than one property
 - ✓ Where any of the documents requested in the application is not supplied.

Water leaks on the consumer side of indigent households are repaired at no cost to the household by the municipality. Great savings on water losses were affected by these actions. The municipality needs to ensure that all indigent households have pre-paid electricity and water flow limited meters to keep consumptions to the limit allowed by the policy.

Financial Performance 2018/19:						
Cost to Municipality of Free Basic Services Delivered						
Category	2016/2017	2017/2018	2018/2019			
	Actual	Actual	Budget	Adjusted Budget	Actual	Variance %
	R'000					
Rates	2122	1499	2381	2381	1526	35.91%
Electricity	6248	5748	6665	6665	6139	7.89%
Water	8137	11442	20504	19864	12628	36.43%
Sanitation	11279	11077	15012	15012	11778	21.54%
Solid Waste	9095	8931	11367	11367	9380	17.48%
Alternate Energy	84	265	2106	2106	2410	-14.41%
Other	4881	4490	2782	2782	4818	-73.18%
TOTAL	41 846	43452	58436	60177	48679	

DEBTS WRITTEN OFF 2018/2019

2018/19		
Categories	Amount	%
RATES (MONTHLY)	R1,848,614.97	8%
SERVICE CHARGE	R984,961.50	4%
WATER	R10,932,656.90	48%
SEWERAGE	R3,682,076.22	16%
SANITATION	R29,523.70	0%
REFUSE	R2,356,378.95	10%
ELECTRICITY	R1,256,425.87	6%

HOUSING		R240,466.47	1%
LEGAL FEES		R60,190.42	0%
INDIGENT CHARGE	R	-	
SUNDRIES		R66,314.22	0%
ENVIRONMENTAL LEVY		R1,381,728.97	6%
Total		R22,839,338.19	100%

Finance Directorate Strategic Objectives for 2018/2019 as per Director's scorecard

BASIC SERVICE DELIVERY			
Objective	Indicator	Annual Target	Comments
Ensure that water is supplied as per DWA Standards	% increase of indigent households having access to free basic potable water	94%	This objective has been achieved and the monthly reports and indigent drives are evidence
Ensure that water is supplied as per DWA Standards	% increase of indigent household with access to free basic sanitation services	100%	All approved applicants are granted free basic sanitation benefit on approval of the application.
Ensure that water is supplied as per DWA Standards	% increase of indigent households with access to basic electricity service in direct proportion to housing projects coming on-line	100% of formal urban households to have access to electricity	This target has been achieved, all indigent within Ndlambe licenced distribution area are granted Free Basic electricity in our prepaid system
Ensure that water is supplied as per DWA Standards	% increase of indigent households with access to free alternative energy	Register for the distribution of gel stoves and fuel to all indigent households to be expanded by 5% per quarter.	Exceeded the target set
MUNICIPAL & INSTITUTIONAL DEVELOPMENT & TRANSFORMATION(KPA2)			
Ensure efficient and cost-effective management of the resources and the performance of the Municipality	Fiscal discipline maintained and monitored	12 S71 Reports Quarterly Financial Report Mid-year Budget Adjustment Report AFS	This target was met and all reports submitted
Ensure efficient and cost-effective management of the resources and the performance of the Municipality	Performance Information reports analysed and signed off	4 Quarterly Performance Reports S72 Mid-year Performance Report Annual Report	This target was met and all reports submitted
Ensure efficient and cost-effective management of the resources and the performance	Quarterly reports on implementation of Financial Delegations of Authority analysed and signed off	4 Quarterly Financial Delegations Reports Annual Financial Delegations Report	This target has not been met. The finance signed delegations are in place from 1 July 2015 but the 4 quarterly reports have not been completed.

of the Municipality				
Promote integrated development planning in the Municipality	Adopted process and schedule according to applicable prescripts	Budget and time approved	Adopted process and time schedule	
			This target was met and approved by Council in August 2015	
LOCAL ECONOMIC DEVELOPMENT				
MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT				
Ensure financial viability of the municipality	Improved revenue mechanisms to be implemented according to Municipal systems Act and the Municipal Finance Management Act.		100%	This target has been achieved for the financial year, Supplementary valuation roll was compiled and implemented, metering device audits had been done we are about to implement the results of Port Alfred water meter audits. Consumers are being migrated to prepaid electricity devices.
	Supplementary valuation rolls, as prescribed by the Municipal Property Rates Act No 6 of 2004, on all improvements to properties, subdivisions and consolidations done in the financial year.		100%	This target has been met and the supplementary valuation was implemented before year end
	Measures put in place to obtain a credit rating by independent rating agency		None	This target was not met as there was not sufficient funding available to undertake the credit rating
	% increase in revenue collection rate		78%	This target was achieved, as at 30 June 2016, a total 79.1% of the amount was collected.
	% expenditure spent on approved budget		80%	Did not achieve the results due to cash flows
	Compliance with budget preparation and budget related policies finalisation in accordance with the MFMA		100%	This target has been met and the tabled budget was considered by Council before end March 2016, budget was considered by Council before end May 2016 and budget was approved by Council before the start of the new financial year
	Number of in year budget performance reports as required by MFMA submitted on time		100%	This target has not been met as despite all reports been done and submitted not all were done on time.
	Compliant budget adjustment approved by council in terms of all legislated requirements by 28th February 2016		100%	This target was not met as although the main adjustment budget was approved by Council by end February 2016 other adjustment budgets were done after that period

	Positive cash flow management according to MFMA & its regulations maintained	100%	This target was not met as although we maintained a positive cash flow we had to hold back payments of certain creditors
	% improvement in the implementation of Indigent Policy	100%	This target has been met to a certain degree, Improvement of implementation is a continuous, consequently we have appointed service providers who will do use electronic indigent application devices.
Ensure that the implementation of Supply Chain Management according to the SCM policy	Compliance with legislated SCM reporting requirement in line with SCM Policy and MFMA	100%	This target has not been met as not all required reporting was done
	Standard operating procedures operationalised in accordance with SCM policy and legislation.	100%	This target has not been met as the function remains decentralised and not all documentation goes through the unit
	Steps taken to mainstream the implementation of SCM according to the policy and good practise	100%	This target has not been met as the function remains decentralised
	Procurement Plans monitored in line with the SCM policy	100%	This target has not been met as supply chain has not had any response to the request to provide the plans
	% reduction of irregular expenditure related to procurement documentation in line with legislation and SCM policy	100%	This target has not been met and is evident by the irregular expenditure register.
Ensure improved sound financial management	Annual financial statements that are 100% compliant to GRAP standards as per gazette issued by National Treasury	100%	Yes in our opinion this target has been met and the statements are 100% GRAP compliant
	Measures in place to monitor and control fruitless and wasteful expenditure	1	This target has been met and the register is maintained by the creditors section
	Increase in the number of finance employees that are competent (SETA certification) on minimum competency levels as regulated	4	This target has not been met. Two have completed and three are in the process of completing and one is still to commence
Maintain and manage all municipal assets	% increased budget provision for asset repairs and maintenance	1%	Target was met
	Asset Management System with Fixed Asset Register in place as prescribed by GRAP and the MFMA	100%	This target has been met with the assistance of Price Waterhouse Coopers. See the BAUD Asset Register
	% reduction of Stock losses	5%	Target was met
GOOD GOVERNANCE & PUBLIC PARTICIPATION			
Promote good	A Framework for	Finance delegations	This target was met and all signed

corporate governance	Financial Delegations of Authority in place as prescribed by the MFMA	registers signed as accepted and approved	delegations in place
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Finance Directorate - Staff Component – 2018/2019

The staff component does not fall into an ideal structure and this needs to be addressed when the budget and cash flow allows. It is also critical that the budgeted posts in finance must be filled at all time or debt collection and segregation of duty becomes a problem and in turn increases the risk factor.

MFMA Competencies – Finance Directorate

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act.

Employees and interns were identified in the finance directorate to obtain the CPMD qualification and prescribed competencies.

All of the finance directorate staff apart from the Assistant Director: Expenditure has complied with the requirements of the Government Notice 493 of June 2007.

Financial Sustainability of the Municipality

Financial Sustainability of the Municipality			
Financial Overview: 2018/2019			
(R'000)			
Details	Original Budget	Adjustment Budget	Actual
Income:	490,200.00	358,398.00	363,145,638.00
Grants	119,906,050.00	-	117,906,050.00
Taxes, levies and tariffs	90,227,756.00	160,785,000.00	97,586,173.00

Details	2018/2019			Variance to budget
	Actual R'000	Adjustment Budget R'000	Actual R'000	
Employees	126,759,680.00	2,605,723.00	118,243,119.00	
General	194,217,668.00	589,012.00	10,185,047.00	
Repairs and Maintenance	15,199,853.00	967,729.00	118,243,119.00	

Financial Overview: 2018/2019 (R'000)			
Details	Original Budget	Adjustment Budget	Actual
Income:	133,026,227.00	187,317,000.00	151,517,848.00
Grants	165,078,945.00	131,909,400.00	167,390,185.00
Taxes, levies and tariffs	103,976,211.00	100,785,000.00	91,659,930.00
Other	9,948,766.00	28,153,000.00	221,961,361.00
Sub – Total	412,030,149.00	448,164,400.00	632,529,324.00
Less: Expenditure	- 346,495,394.00	- 3,790,960.00	- 339,956,418.00
Net Total*	65,534,755.00		
*Note: surplus/(deficit)			

BORROWING AND INVESTMENTS

Actual Borrowings: 2015/2016 to 2018/2019			
Instrument	2016/2017	2017/2018	2018/2019
Municipality			
Long – Term loans (annuity/reducing balance)	15,881,390.00	12,197,630.00	11,643,573.34
Long – Term Loans (non – annuity)	15,881,390.00	12,197,630.00	11,643,573.34
Local registered stock	0	0	0
Instalment Credit	0	0	0
Financial Leases	0	0	0
PPP liabilities	0	0	0
Finance Granted by Cap Equipment Supplier	0	0	0
Marketable bonds	0	0	0
Non – marketable bonds	0	0	0
Bankers Acceptances	0	0	0
Financial derivatives	0	0	0
Other securities	0	0	0
Municipality Total	15,881,390.00	12,197,630.00	11,643,573.34

The Ndlambe Municipality did not borrow any funds over the last three financial years and to-date only has the DBSA loans outstanding.

CHAPTER 2

GOVERNANCE

INTRODUCTION TO GOVERNANCE

Governance is examined under the following four (4) components:

Component A: Political and Administrative Governance

Component B: Intergovernmental Relations

Component C: Public Accountability and Participation

Component D: Corporate Governance

Each of these components is required to function optimally and the high levels of interaction and interdependence that is required to occur between these components, will impact positively on organizational & operational effectiveness overall.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

By necessity and design, formal political and administrative frameworks and infrastructure have been created both internally and externally in order to facilitate operational performance. To this end the required policy has been created and updated; structures (political and administrative) have been created and implemented, procedures and compliance prescriptions have been developed to aid and direct day-to-day operations; and an infrastructure and support system has been created. All of these ensure that operations occur in a sound and effective manner. In every instance, efforts are continuously made to meet community needs in an ordered and structured manner, while ensuring optimum levels of efficiency and effectiveness.

Ndlambe Municipality's operational focus is determined by its strategic objectives as reflected within its Integrated Development Plan (IDP). These objectives are initially translated into the performance targets that are reflected within the Service Delivery and Budget Integration Plan (SDBIP). These targets are translated further on an operational level by being cascaded into operational and management targets within the relevant performance scorecards within each directorate. This process facilitates that performance targets are monitored and met over a designated period of time and in the manner prescribed. The successful achievement of these objectives is dependent on the available resources i.e. operational, human and financial.

Functions of the political arm:

- Advocating and protecting the needs of the community and in this manner, facilitating the possibility of a better quality of life for all; and
- Communicating effectively and involving all members of the community in decision-making wherever practical and possible, in order to give new meaning to the concept of a "people-centred government".

Functions of the administrative arm:

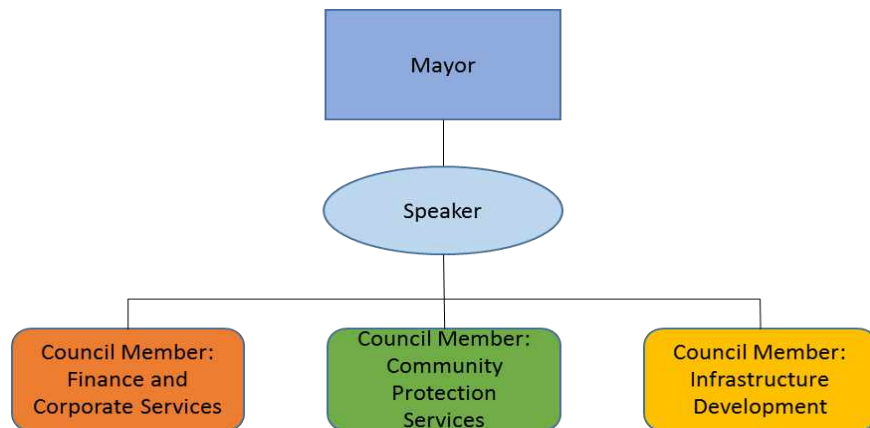
- Ensuring that there is sufficient infrastructure (human capital, resources, policies and procedures) in order to ensure that the strategic objectives can be met through effective management and control of operations, service delivery and matters of compliance; and
- Providing a supportive and administrative role and function overall.

2.1.2 Political Governance

Introduction to Political Governance

As per the Municipal Structures Act, Act No. 117 of 1998, Ndlambe Municipality has a **Collective Executive System**. In terms of this and as depicted within the diagram below, it presents as a democratically elected Category B municipality with a structure that is categorized by elected Ward Councillors and Proportional Representative Councillors.

POLITICAL STRUCTURE OF THE MUNICIPALITY



Portfolio Councillors are allocated to oversee the functioning of each directorate including the Office of the Municipal Manager, thus enhancing the oversight role. By so doing, formal decision making is enhanced. In this manner, Councillors are better placed to make “informed decisions” and appropriate recommendations to Council for final approval where necessary.

a. Councillors

The Ndlambe Municipal Council is comprised of 20 Councillors (Ward Councillors and Party Representatives) and this is reflected as follows:

The Council has 20 seats (10 Proportional Representative (PR) Councillors and 10 Ward Councillors). All seats in the Council are filled. The Speaker is the Chairperson of Council. The party-political and demographic representation of Councillors is reflected in the table below:

Political Party	Number of Councillors	Gender of Distribution	
		Male	Female
African National Congress (ANC)	13	9	4
Democratic Alliance (DA)	6	3	3
Economic Freedom Fighters (EFF)	1	1	0
TOTAL	20	11	9

The Mayor of the Ndlambe Local Municipality is Ms KC Ncamiso and the speaker is Ms N V Maphaphu. The Portfolio Councillor for Infrastructure Development is Cllr. T Mazana, Community and Protection Services is Cllr. N Xhasa and the Portfolio Councillor for Finance is Cllr. Raymond Schenk and Corporate Services is Cllr Ncamiso.

List of Councillors and Political Party Representation

Initials & Surname	Political Party
Councillor K C Ncamiso (Mayor)	African National Congress
Councillor N V Maphaphu (Speaker)	African National Congress
Councillor N Gamlashe	African National Congress
Councillor T M Mbunge	African National Congress
Councillor C B James	African National Congress
Councillor A Ngqosha	African National Congress
Councillor A L Marasi	African National Congress
Councillor M Raco	African National Congress
Councillor M W Yali	African National Congress
Councillor T Mazana	African National Congress
Councillor M E Njibana	African National Congress
Councillor M Mateti	African National Congress
Councillor N Xhasa	African National Congress
Councillor R L Schenk	Democratic Alliance
Councillor J P Guest	Democratic Alliance

Councillor Y P Kani	Democratic Alliance
Councillor S Venene	Democratic Alliance
Councillor K Daweti	Democratic Alliance
Councillor T D Mbekela	Democratic Alliance
Councillor X Runeli	Economic Freedom Fighters

Administrative responsibilities of Councillors/Council

- Attendance of Council meetings (quarterly) and Special Council meetings (convened to address urgent issues – requiring urgent attention/action);
- Political decisions are taken regarding service delivery;
- Provision of an oversight role regarding Council;
- Compliance with Chapter 3 of the Municipal Systems Act, (Act No. 32 of 2000). It is legislated and understood that the executive and legislative authority of a municipality lies with the Council and Council is required to take all the decisions of the municipality subject to s59;

Committees of Council

Executive Committee (Exco)

Councillor K C Ncamiso	Mayor, Chairperson & Portfolio Head: Corporate Services	African National Congress
Councillor T Mazana	Portfolio Head: Infrastructural Development	African National Congress
Councillor R Schenk	Portfolio Head: Finance	Democratic Alliance
Councillor N Xhasa	Portfolio Head: Community and Protection Services	African National Congress

Municipal Public Accounts Committee (MPAC)

The MPAC comprises of the following members:

Councillor T Mbunge	Chairperson	African National Congress
Councillor K Daweti	Member	Democratic Alliance
Councillor M Mateti	Member	African National Congress
Councillor T Mbekela	Member	Democratic Alliance

Functions of MPAC

- Provision of an oversight role in respect of the administration and executive committee of the council;
- Reviewing the municipal / municipal entity's quarterly, mid-year and annual reports and providing an oversight report on the Annual Report for consideration by Council;
- Assisting Council to maintain oversight over the implementation of the Supply Chain Management Policy;
- Examining the financial statements and audit reports of the municipality and municipal entities (considering improvements from previous statements and reports);
- Evaluating the extent to which the Audit Committee's and the Auditor General's recommendations have been implemented;
- Promoting good governance, transparency and accountability on the use of municipal resources;
- Examining the Mid-Year Review documents in line with the Integrated Development Plan (IDP); and
- Recommending or undertaking any investigation that falls within the scope of this committee's responsibilities/ area of competence.

To fulfil its functions MPAC may/is required to:

- Seek / have access to any information required from any councillor/employee;
- Report to council on the activities of the committee;
- Perform any other function assigned to the committee through a resolution of Council;
- Call upon the accounting officer of the municipality or the chairperson of the municipal entity to provide information or clarity;
- Request the support of the internal and external auditors when necessary;
- Engage directly with the public and consider public comments when received;
- Have permanent referral with regard to the following reports:
 - Mid-year /In-year s72reports
 - Annual Financial Statements
 - Reports of Auditor General and audit committee
 - Any other financial audit report from the municipality
 - Information on compliance in terms of sections 128 and or sections 133 of the MFMA
 - Information in respect of any disciplinary action taken in terms of MFMA on matters serving or having been served before the committee; and
 - Performance information of the municipality.

Note:

- As with the previous year, the annual work plan was drafted and implemented;
- Oversight was provided as prescribed and in terms of any other issues deemed necessary;
- The oversight report for 2018/2019 as part of the Annual Report will be drafted and

tabled to Council by 31 March 2020. This report will incorporate comments and recommendations on management's action plans developed in order to address findings raised by the Auditor General in its audit report

Rules And Ethics Committee

Councillor N Maphaphu	Chairperson	African National Congress
Councillor K Daweti	Member	Democratic Alliance
Councillor M Njibana	Member	African National Congress
Councillor N Gamlashe	Member	African National Congress

Audit Committee

Committee responsibilities and performance:

- i. The Audit Committee was established in terms of s166 of the MFMA 56 of 2003 and is comprised of four (4) independent members;
- ii. This Committee is bound by the Council approved Audit Committee's Charter;
- iii. The Committee performs an advisory function and role for the municipality and is directly accountable to Council. In this regard, it plays a key role in ensuring that there is accountability and transparency within the organization;
- iv. The quarterly performance information is required to be reviewed in terms of compliance;
- v. The unaudited financial statements are required to be reviewed prior to submission to the Auditor – General as per prescriptions of compliance;
- vi. The committee is required to provide an objective view on the effectiveness of the municipality's risk management processes during each quarter in terms of compliance and specific feedback is then required to be provided to the Accounting Officer and Council in this regard;
- vii. The committee is responsible for oversight on the integrity of financial controls, combined assurance, compliance management and meaningful integrated reporting to stakeholders;
- viii. The committee is required to discharge its responsibilities by using work done/information received from the internal audit unit and other information presented to it by the management at its quarterly meetings;
- ix. The committee minutes contain comments, resolutions and reports on work performed by the internal audit and the committee, and these are required to be approved during the quarterly meetings; and
- x. Approved internal audit reports are required to be distributed quarterly to the Accounting Officer, the Mayor and the chairperson of the Municipal Public Accounts

Committee (MPAC) for notification and to management for action.

The Audit Committee was constituted as follows:

MEMBER	POSITION
Mr Sabatha Mbalekwa	Chairperson
Mr Sipho Robert Thandani	Ordinary Member
Mrs L Shaw	Ordinary Member
Adv S Gugwini Peter	Ordinary Member

Note: A Manager: Internal Audit and 2 Internal Auditors facilitate the audit function in- house.

Ward Committees Establishment and Functionality

Ward Committees were established in terms of section 73 of the Municipal Structures Act 117 of 1998.

Purpose

As per s74 of the Municipal Structures Act 117 of 1998, the purpose of these committees is to assist Municipal Councils in ensuring that ward issues are properly communicated to Council and are catered for should there be a need for a budget to address such issues. These meetings are required to provide opportunities to report to the Speaker on issues of interest to the municipality which are taking place in their wards. This has assisted the municipality in ensuring that public participation is enhanced and accountability of the municipality is not compromised

During 2018/2019 Ward Committee meetings were held in all 10 wards on different dates and for each quarter. These meetings were attended by community members. Issues raised by ward committees are reported quarterly to the Executive Committee and Council. From the results thereof, it appears that these meetings and this method of communication appears successful with issues being resolved. This system ensures that council is kept current on all issues raised within Ward Committee meetings.

Ward Committees and their Members

WARD 1
Councillor N Gamlashe Chairperson
Mkhonto Ntomboxolo
Boyce Jonga
James Edward Charles Pomroy
Mzwakhe Klaas

Ntombizandile Galada
Siyabulela Soul
Nikiwe Bloko
B Liebengerg
S Gqobothi
WARD 2
Councillor T Mbunge Chairperson
Babalwa Ntante
Vuyiswa Ndesi
Wanele Fulani
Ronald Robert Jacobs
Morice Edward Lavin
Steven King
N Ncandana
N Koortzen
WARD 3
Councillor B James Chairperson
Petrus Cummins
John Wesley
Sheila Swanepoel
Athenkosi Diniso
Nompumelelo George
Lungiswa Siko
Nomazwi Button
Siyabulela Gongqa
Vuyiswa matyunu
WARD 4
Councillor A Ngqosha chairperson
Chester Wilmot
Eugene De Witt
Simon Oliver
Noluthando Smile
Milia Sinqotho
Zingisile Futhi
Nomonde Dili
Torina Mendile
WARD 5
Councillor A Marasi Chairperson
H Butler
J Gaga
D Jam-Jam

Z Jam-Jam
T Mbumba
K Msimanga
M Ngotsha
M Ntozini
S Tembeni
A Zeeman
WARD 6
Councillor M Raco Chairperson
B Nomlomo
V Mcetywa
H Apleni
N Gagayi-Tyam
Z Booi
N Halom
M Mnyanda
L Sontsonga
WARD 7
Councillor M Yali Chairperson
V Dilima
S Gxamza
W Ngcobo
N Makinza
Z Mdambatya
N Pikoli
V Thembeni
N Valela
N Zweni
WARD 8
Councillor T Mazana Chairperson

A Bukani
M Hani
X Macota
P Msipha
N Weba
B Mxube
N Ngece
B Nqobo
K Ntozini
WARD 9
Councillor M Njibana Chairperson
N Daniels
M Lukhwe
S Melani
T Mbabela
S Ngxingxo
B Ngqokoqwane
S Ntamo
N Plaatjie
WARD 10
Councillor R Schenk Chairperson
R Hicks
H Leicher
L Nettelton
Z Nkwinti
C Millard
R Pryce
R Solwandle
T Tele
G P Wansell
D Van Wyk

Community Development Workers (CDW's)

Community Development Workers are required to interact with the community and identify households in need and to ensure that community relationships are nurtured so that community participation, support and correct utilization of services occur as a result of effective marketing.

Functioning of CDW's

- All CDW's are required to undergo the appropriate training (ensuring that they clearly understand their role and purpose);
- Issues and observations noted, are forwarded monthly to the municipality via the Speakers Office;

CDW's report to the relevant government department by utilizing designated reporting mechanisms in an effort to obtain required support and assistance for particular households. CDW's report on their activities performed, while detailing challenges experienced within the communities in which they work – with a view to resolving these at higher levels.

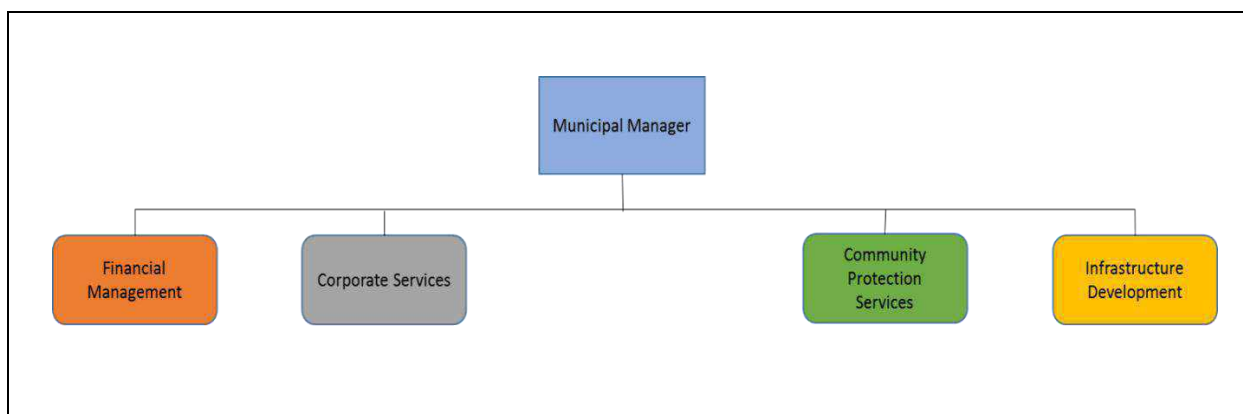
While this programme has achieved great success through its marketing campaigns, it is hampered by the lack of transport and telecommunications that would enable CDW's to ensure that the requested services reached the required families.

Administrative Governance

Introduction to Administrative Governance

The functional structure representing administrative governance is reflected as follows:

Figure 2: Basic organisational structure



Within the Ndlambe Local Municipality, there are four departments that report to the municipal manager (Adv. Rolly Dumezweni) namely; Financial Management (CFO: Mr Mlungisi Klaas), Corporate Services (Director: Lazola Maneli-Payi), Community Protection Services (Director: Nombulelo Booyesen-Willy) and Infrastructure Development (Director: Noluthando Vithi-Masiza).

The political leadership and the administration complement each other to achieve the objectives of the IDP. The organogram of the municipality showing filled, vacant funded and unfunded and proposed positions will be attached when the IDP goes to Council.

2.2 COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

It is recognized that organizations benefit from both individual and shared experiences. In this manner, opportunities are created for organizations to share and learn from each other and to develop more effective skills in handling day to day operations and specific challenges.

Efforts to improve and facilitate these relationships have led to the development of IGR (intergovernmental relations) structures which have been put in place and are driven at the local level. The IGR Forum has been established in order to formally promote and to improve this process.

In order to govern and facilitate this process further, an Intergovernmental Relations Terms of Reference were developed by the municipality

Existing and Functional Structures

Additionally, the following structures exist to enhance IGR:

- The District Municipal Managers Forum;
- The District Mayor's Forum(DIMAFU);
- MUNIMEC Meetings;
- ☐ Attended by Mayor and Municipal Manager;
- ☐ Driven and coordinated by MEC for Co-operative Governance (to evaluate the performance of government programmes);

- Presidential Hotline

The Presidential Hotline continues unabated. This hotline is to be commended for all its efforts and achievements over the last two years in particular; Regular monthly reporting on issues raised and resolved/failure to resolve have been provided as required.

- IDP Representative Forum
These are held in order to consult with Sector Departments and in order to link IDP processes; and it is to be noted that all required meetings were held as planned.

2.2.1 Intergovernmental Relations

National Intergovernmental Structures

All the programmes that are developed by Ndlambe Municipality are derived from the legislative policies that are approved by National and Provincial Government.

Provincial Intergovernmental Structures

Munimec meetings are attended as and when run.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.3 OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Every year formal opportunities are created in order to provide the public with opportunities to input into organizational objectives and the manner in which services need to be and are addressed. In addition, they are given opportunities to “interact” with information regarding service delivery, operational and financial performance (IDP and Budget meetings, SDBIP reporting, Performance and Annual Reports and the like). In this manner, a “people centered” organization is created – one in which the needs of the community are noted and plans are made to address these through processes of interaction and inclusion.

The IDP Process and Budget Plan are just a few of the structures that have been created in order to ensure that public participation occurs effectively—ensuring that the needs of the public are met.

2.3.1 Public Meetings Communication, Participation and Forums

Historically, it is noted that the Communication Plan and Strategy was adopted and implemented successfully.

Communication continues through Ward Committee meetings, radio talk shows and printed media. Additionally, the Presidential Hotline and the manual receipt of complaints are also being utilized in order to address all complaints received from communities and other stakeholders.

In an effort to heighten the success of customer care initiatives, the municipality has established a Customer Care Unit to deal with issues and/or complaints raised by communities. Mayoral outreaches provide a forum for community complaints and it is here that many community complaints are received. The Customer Relations Officer register the complaints in the Complaints Register, facilitating that this is then formally handled.

Efforts to improve public participation and communication have involved the extensive use of other communication media. These include:

2.3.1.1 Newspapers;

2.3.1.2 Broadcast media such as: These are used for media activities such as: advertising of Mayoral Outreaches and in order to communicate with the community generally.

2.3.1.3 IDP/Budget consultations occur in order to collect community needs and to report on needs. These meetings usually include ratepayers, community members, ward committees and other interest groups applicable to these wards.

Communications Forum

This forum meets quarterly in order to discuss issues relating to communications within the region. It consists of local municipal communicators, GCIS and local media representatives;

Ward Committees

As s73 structures (as per s73 of the Municipal Structures Act, Act 117 of 1998) these have been created in order to facilitate ward communication with Council.

COMPONENT D: CORPORATE GOVERNANCE

2.4 OVERVIEW OF CORPORATE GOVERNANCE

Corporate Governance is required to ensure that all legislative prescriptions are adhered to and in so doing to ensure that the rights of all stakeholders are protected.

Governance and compliance issues are required to be managed in the strictest sense. The administrative arm and related/designated human resources are required to ensure that all prescriptions (legal / policy prescriptions) are adhered to as prescribed, in order to ensure that the organization functions effectively and minimizes/eradicates all identified aspects of risk.

2.4.1 Risk Management

Section 62(i)(c) of the Municipal Finance Management Act prescribes that formal risk management is a matter of compliance. In terms of this, it is required that all municipalities develop and adopt an effective, efficient and transparent system of risk management.

It is acknowledged that the failure to identify and manage identified risks will impact negatively on the organisation (financially and operationally). Costs and the negative impact of failing to manager is and cannot be justified, particularly if the risk had been noted and no appropriate action was taken. The lack of appropriate action would reflect as poor business practice and poor management overall. The “fall out” in respect of this would include: extreme costs to the organisation, audit queries and possible audit qualifications.

2.4.2 Oversight on Risk

The Internal Audit Committee is required to provide oversight on matters of risk – especially in respect of the top five risks identified. This oversight is provided while evaluating the perceived and actual risk experienced. In a recognized manner, approved processes of measurement, reporting and control are undertaken in order to manage risk effectively.

2.4.3 By-Laws

The municipality has a number of by-laws that it needs to review but financial constraints have been experienced.

Comments on By-Laws

During 2018/2019 the municipality did not review any by-laws but there has been discussion to do so in the foreseeable future.

2.4.4 Municipal Website

The municipality has a functional website, but it requires regular updating for ease of information access and to market the municipality.

Comment Municipal Website Content and Access

The website was developed in order to improve communication with communities. The website needs to be revisited and perhaps redesigned and updated timeously for purposes of meaningful information dissemination.

MUNICIPAL WEBSITE: CONTENT AND CURRENCY OF MATERIAL	
Documents published on the Municipality's Website	Yes /No
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
All budget-related documents:	Yes
All budget-related policies	Yes
Annual report	Yes
The annual performance agreements for the municipal manager and other senior managers are placed on the website.	Yes
The date these agreements were posted on the website is shown	Yes
All service delivery agreements	Yes
All long-term borrowing contracts	No
All supply chain management contracts above R30 000	No
An information statement of capital assets that have been disposed	No
Contracts which impose a financial obligation on the municipality beyond 3 years	No
All quarterly reports tabled in council	Yes
Public invitations for formal price quotations	Yes
Public invitations for competitive bids	Yes
The number of quarterly reports tabled to council on the implementation of the budget	No
Oversight reports	Yes
Monthly budget statement	No
Mid-year budget and performance assessment	Yes
The IDP is placed on the website	Yes
The SDBIP is placed on the website	Yes
Strategy (LED)	No
Delegations	No
Internal Audit charter	No
Audit Committee charter	No
Risk Management Policy	No

2.4.5 Public Satisfaction on Municipal Services

In an effort to provide opportunities for Customers to rate municipality and/or to complain, address issues of concern the following tools/opportunities are provided:

- a) Complaint boxes have been installed at designated Community Halls within the municipal jurisdiction;

- b) The Customer Care section has further developed a Customer Complaints Register for all external complaints (including calls, walk-ins and anonymous complaints).
- c) The Presidential Hotline is provided to ease the resolution and reporting of complaints; and
- d) The public are encouraged within all public participation initiatives to use these opportunities to discuss and resolve issues. Notwithstanding these efforts, the suggestion boxes are not fully utilised as the communities prefer face-to-face interactions with staff members at the Customer Care Unit.

CHAPTER 3

SERVICE DELIVERY PERFORMANCE

COMPONENT A: BASIC SERVICES

3.1 WATER AND SANITATION

The Regulator for all Water and Sanitation Services is the Department of Water Affairs. Compliance monitoring and process control management oversight is done by this department.

Ndlambe Municipality is located within the Sarah Baartman District Municipality and is home to some 80 000 people. The Ndlambe Municipality (NM) is the legislated Water Services Authority for the area.

Ndlambe Municipality was appointed to act as both the Water Services Authority and Water Services Provider and fulfills both of these functions. However, the institutional arrangements profile consists of the following bulk & retail functions listed below.

Currently all the WSP functions and duties are conducted by either Water Services Providers, Water Services Support Service Agent or the Municipality itself and are as follows:

- Water Services Authority: Ndlambe Municipality, with Community Protection Services doing all water quality control monitoring operations.
- Water Services Provider: Ndlambe Municipality, with Infrastructural Development doing all water provision, with the exception of the following operations :
 - Alexandria Water Supply: P&S Consulting Engineers appointed to provide bulk water within a Water Services Support agreement
 - Kenton/Bushmans Water Supply: Amatola Water Board appointed to provide bulk water within a Water Services Provider agreement

All other Water Supply Systems are managed and operated by Ndlambe Municipality's Infrastructural Development Directorate, as the Water Services Provider. These include the following Water Supply Systems :

- Port Alfred Water Supply System
- Kleinemonde Water Supply System
- Bathurst Water Supply System

Ndlambe Municipality operates and maintains all water supply systems within both Water Services Authority and Water Services Provider functions, with the exception of the Amatola Water Board (previously Albany Coast Water Board) supply footprint, where bulk water is supplied by the Amatola Water Board.

There are six (6) local water supply schemes which service the main settlements within the area. Port Alfred, Seafield and Bathurst are all fed mainly from surface water schemes whilst Boesmansriviermond, Kenton on Sea, Alexandria, Boknestrand and Cannon Rocks are supplied from ground water schemes.

Boesmansriviermond and Kenton on Sea augment their groundwater supplies with desalinated water through the Reverse Osmosis plant situated at Boesmansriviermond. The towns of Cannon Rocks and Boknes receive Reverse Osmosis processed water from saline borehole sources.

Potable, treated water is piped to all formal urban communities within Ndlambe, and is available to the vast majority of households. However, some of the Bathurst and Trappes Valley communities still rely on rainwater and private boreholes. The latter are considered for municipal supply within the IDP.

Where informal settlements occur, such as on the Brakfontein Farm commonage on the periphery of Alexandria, tankers transport water to strategically placed tanks, which are accessible to those that need.

Ndlambe Municipality operates and maintains all sewerage systems within both Water Services Authority and Water Services Provider functions. Water-borne sewerage is available to the majority of households.

The Ndlambe Municipality Council has determined that water-borne sewerage be the minimum level of service to the consumer base. This decision, although well intended, places tremendous strain on the available water resources. Leaking toilets have been identified as a leading reason for water loss. Astute management practice is being instilled within the unit responsible for operation and maintenance of these systems.

There are five (5) waste water treatment works being fed from water-borne sewerage systems which service the following communities:

- 1 Wentzel Park, Alexandria and Kwanongobela
- 2 Marselle and Harmony Park
- 3 Ekuphumleni
- 4 Port Alfred and Nemato
- 5 Nolukhanyo

The provision of sewerage services excluding reticulation infrastructure includes a large proportion of the households in Ndlambe. Water-borne sanitation services are not available to several communities, who rely on conservancy tanks and septic tank sewerage systems. Ndlambe provides the service for the removal of sewerage using a fleet of sanitation vacuum tankers. These vehicles and their operational staff are under continuous pressure to deliver services. Breakdowns, due to an aged fleet, create backlogs and a dissatisfied consumer base.

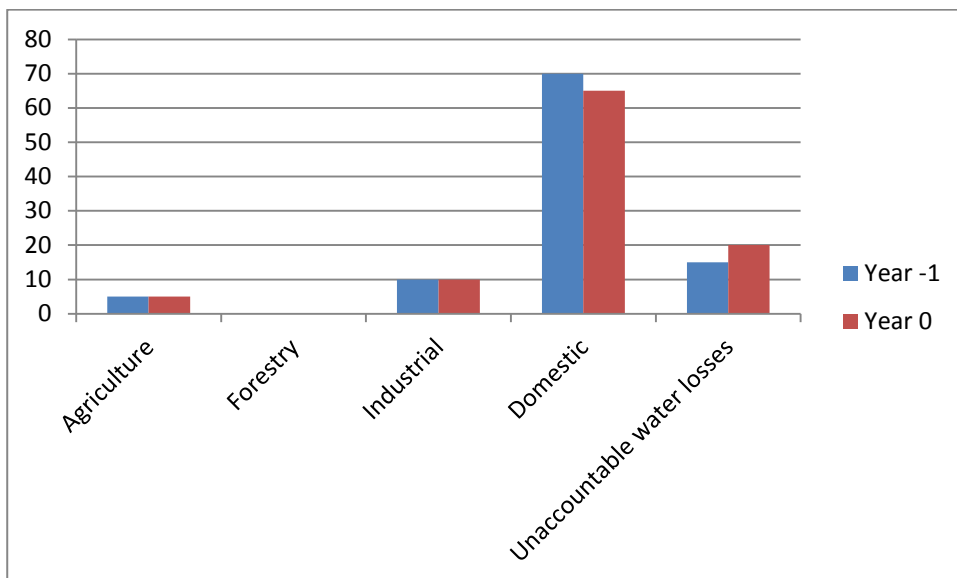
The following communities still rely either solely on septic tank / soakaway systems or conservancy tanks or to some lesser degree:

- 1 Cannon Rocks
- 2 Boknes
- 3 Boesmansriviermond
- 4 Riversbend
- 5 Kenton-On-Sea
- 6 Seafield
- 7 Bathurst
- 8 Port Alfred and Nelson Mandela Township

These households are serviced by a fleet of sanitation tankers, several of which are well beyond their expected operating lifespan. Financial constraints dictate that Ndlambe must make do with this fleet. . Ndambe Municipality has set aside a budget to purchase (2) two sanitation vacuum tankers in the financial year 2018/19.

All municipal toilet facilities, change rooms and other ablution facilities not connected to water-borne sewerage pipes are serviced by this fleet. Blockages are also attended to, often resulting from the inappropriate utilisation of the service. It is the objective of Council to achieve and sustain "Green Drop" status throughout all of Ndlambe. This is a compliance monitoring system which is managed and implemented by the Department of Water and Sanitation. This quality and service goal is being achieved by improving management performance, which should lead to acceptable discharge water quality.

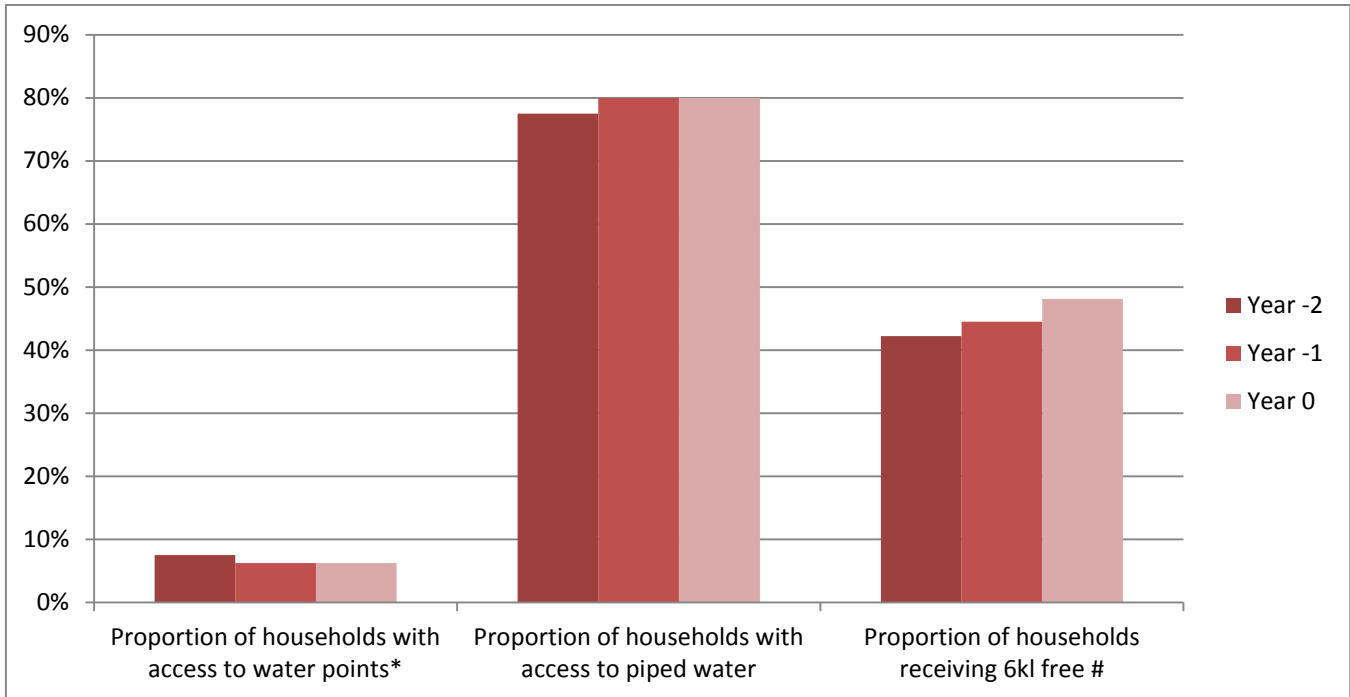
Total Estimated Proportional Use of Municipal Supplied Water by Sector					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
Year -1	5	0	10	70	15
Year 0	5	0	10	65	20



Water Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
Water: (above min level)				
Piped water inside dwelling	546	655	846	7432
Piped water outside yard (but not in dwelling)	865	456	486	9649
Using public tap (within 200m from dwelling)	486	465	546	1866
Other water supply (within 200m)				42
Minimum Service Level and above sub – total	1897	1576	1878	18989
Minimum Service Level and above percentage	80%	80%	76%	90%
Water: (below min level)				
Using public tap (more than 200m from dwelling)				560
Other water supply (more than 200m from dwelling)	486	486	486	757
No water supply				
Below Minimum Service Level sub-total	486	486	486	1317
Below Minimum Service Level Percentage	20%	20%	24%	26%
Total number of households*	2,476	2,384	2,062	1.876
*_ To include informal settlements				

Indigent Households – Water Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total Households	7696	8448	8905			9618
Households below minimum service level	0	0	0			0
Proportion of households below minimum service level	0	0	0			1866
Informal Settlements						
Estimated Total Households	1500	1000	1000			1000
Households below minimum service level	500	250	250			250
Proportion of households below minimum service level	33%	25%	25%			25%

Access to water



Water Service Policy Objectives Taken from the IDP

Service objectives	Outline Service Targets	Year 2		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target	Target	
		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
(i)	(ii)								
Service Objectives : To achieve Blue Drop status in all formal supplies within a sustainable, affordable and effective manner									
	Additional Households provided with minimum water supply during the year (Number of households (HHs) without supply at year end)	250 additional HHs (560 HHs outstanding) In Bathurst 304 H/H have been connected	284 additional HHs (560 HHs outstanding)	(200 HHs outstanding)	(100 HHs outstanding)	(837 HHs outstanding) 39 H/H were connected to the system	335 additional HHs (560 HHs outstanding) 19 H/H were connected to the system)	0 additional HHs (0 HHs outstanding)	0 additional HHs (0 HHs outstanding)
Improve reliability of water supply	Reduce the number of interruptions (Ints) in supply of one hour or more compared to the baseline of Year -1 (40 interruptions of one hour or more during the 18/19yr)	TO% (25Ints) Note : There are 6 water supply systems.	AO% (20Ints)	T1% (30Ints)	T1% (20Ints)	A1% (40Ints) There were 40 water supply Interruptions within the 6 water supply systems.	T2% (30Ints)	T5% (25Ints)	T5% (20Ints)
Improve water conservation	Reduce unaccountable water levels compared to the baseline of Year - 1 (xxx kilolitres (KI) unaccounted for during the yr)	TO% (1000 x 10 ³ KI)Note : Bulk Water Meter Audit underway to establish unaccountable water	AO% (xxxx KI)	T1% (1000 x 10 ³ KI)	T1% (1000 x 10 ³ KI)	A1% (2 009 x 10 ³ KI) New Bulk meters has been installed (Drought Relief Projects) in order to improve the NRW report. Therefore,	A1% (1000 x 10 ³ KI) Ndlambe Municipality has established a WCDM team that consist of plumbers and general workers from	T5% (xxxx KI)	T5% (xxxx KI)

						unaccountable should have a significant improvement.	internal staff		
Water Service Policy Objectives Taken from the IDP									
Service objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target	Target	
		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
(i)	(ii)								
Service Objectives : To achieve Blue Drop status in all formal supplies within a sustainable, affordable and effective manner									
Augmentation of municipal Water Supply	Number of households provided with established rainwater tanks, guttering and downpipes.		No water tanks provided for the households. (informal settlements) have been provided with standpipes within 200m.		Number of households provided with established rainwater tanks, guttering and downpipes	No water tanks provided for the households. Bulk water provision is being upgraded to meet the demand. All areas without water reticulation (informal settlements) have been provided with standpipes within 200m. No households in formal settlements are without water.			
Continuous supply of sufficient potable water that meet national compliance standards throughout Ndlambe	Water supplied as per DWA standards and guidelines		97%		Water supplied as per DWA standards and guidelines	95%			
Efficient utilisation of available resources	Reduction in accounted water and wasteful		Due to Bulk Water Meter Audit		Reduction in accounted water and	New Bulk meters has been installed (Drought Relief Projects) in order to			

	consumption within indigent households		underway to establish unaccountable water estimate is 10 – 15%		wasteful consumption within indigent households	improve the NRW report. Therefore, unaccountable water is estimated to be between 30-40%			
Increase investment in upgrading of existing infrastructure	Measured decrease in water supply shortfalls		Less than 10 days/annum		Measured decrease in water supply shortfalls	20 days/annum			
Increase investment in maintenance of existing infrastructure	Assets maintained to extend longevity of system with maintenance and repairs expenditure		21 Pump stations were maintained and other assets as per the need.		Assets maintained to extend longevity of system with maintenance and repairs expenditure	21 Pump stations were maintained and other assets as per the need. (All 21 pumps and other related infrastructure is maintained throughout the year)			

Sanitation Policy Objectives Taken from the IDP

Service objectives	Outline Service Targets	Year -1		Year 0		Year 1	Year 3		
		Target	Actual	Target	Actual	Target	Target		
Service Indicators		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
(i)	(ii)								
Service Objectives : Reticulated waterborne sewerage for all Ndlambe households to increase by 10% per annum									
Reticulated waterborne	Decrease in households using							2448	

sewerage for all Ndlambe households to increase by 10% per annum	septic tanks, pit latrines and conservancy tanks								
	Increase in investment in upgrading existing infrastructure by 10% per annum		No sewer project was implemented in financial year 2017/18			No sewer project was implemented in financial year 2018/19		Spent R 46 Million from Bucket eradication in Nemato and R17Million MIG allocation in Marselle	
Service Objectives: To achieve Green Drop status in all formal supplies within a sustainable, affordable and effective manner									
	Improvement in Green drop scorecard from previous evaluation	50-60%	The results have improved from average of 33% to 45.53%	50-60%	50-60%	No Recent audit has been done since 2014. Therefore the score remains the same although improvements has been made on site.	50-60%	33% to 45.53%	

Employees: Water Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	26	30	26	4	
4-6	31	34	31	3	
7-9	8	8	8	0	
10-12	1	2	1	1	
13-15	0	0	0	0	
16-18	3	3	3	0	
19-20	0	0	0	0	
Total	69	77	69	8	2%

COMMENT ON WATER AND SANITATION SERVICES PERFORMANCE OVERALL:

Performance of water services and the provision thereof has seen improvements on many fronts when one considers the IDP objectives and goals. Achieving targets are fund-related. Grants received are limited. Internal capital funds have not been available. The need exceeds the available funds, so the challenge has been to make as big a change as possible within the available resource base.

The Municipality is committed to improving water service provision in its region despite the recent water service challenges, which include the following challenges and remedial action:

- Insufficient supply quantity to meet the growing demand
 - Remedial actions include various Water Conservation projects. Ndlambe Municipality has established a WCDM team that consist of plumbers and general workers from internal staff that has started piloting the conservation of water in areas of Alexandria, Marselle and Kenton on Sea. Water conservation and demand management practices are continually being assessed and improved, as funds become available.
 - A drought relief project was implemented in the year 18/19 which aimed at dealing the refurbishment of existing water infrastructure such as Meter & Valve replacement, pump station refurbishment, Bulk pipeline replacement with leaks etc.
 - In addition, 6 external service providers with local plumbers were appointed to perform a water conservation project through the drought relief funding in order to deal with leaks within the indigent community members. Furthermore 12 casual plumbers were also employed to deal with leaks in Bathurst.
- Aged infrastructure operating within extreme environmental conditions
 - Remedial actions include that the entire infrastructural “as-built” within this sector is being assessed within a master plan.
- Poor quality of low cost house plumbing leads to leaks and subsequent loss.
 - Remedial actions include loss control and the addressing of leaks in indigent households. This has been done on a wide scale throughout Ndlambe.
 - Future low-cost house design will focus on the quality of all water and sanitation fittings included in the house construction.
- Source quality, where the main phenomena affecting the quality of the water in the region is the materialization (or salination) of the water in the main catchments due to the geology (marine origin) of the area.
 - Remedial actions include the establishment and operation of Reverse Osmosis Technology, which, although expensive, is effective in addressing salinity issues and is now operational in Cannon Rocks, Boknes, Kenton-On-Sea and Boesmansriviermond.
- Massive peaks in demand, due to the transient nature of this consumer base.
 - Bulk storage reservoirs have been prioritised within the Water Services Plan. Funding channels have been provided and prioritised projects have begun implementation.

It is the intention of the municipality to achieve and sustain “Blue Drop Status” within water services provision. This is a compliance monitoring system managed and implemented by the Department of Water and Sanitation, as the regulator. Ndlambe Municipality has, as a result of the above, identified a need for the development of an Infrastructure Master Plan for water services (water and sanitation). Funding has been allocated to the NM by the Development Bank of South Africa (DBSA). The objective of the project is to develop a water service infrastructure master plan with associated as built drawings of the existing infrastructure.

3.2 ELECTRICITY

Electrical supply, at a basic Level of Service, is achieved and continues to improve. Housing projects do not get the go-ahead for implementation until such time as bulk services are installed, which includes electricity supply. Escalating cost of supply is a worrying factor, as affordability and sustainability of supply is under pressure. The Ndlambe Municipal Electrical Network Audit Report was prepared and submitted, highlighting component requirements, backlogs and strategic planning for future supply provision parameters.

Ndlambe Municipality renders electrical services in the towns of Port Alfred and Alexandria. Eskom supplies electricity in bulk to both components. Port Alfred town has one 11-kilovolt-supply point and Alexandria has one 11-kilovolt-supply point. Eskom supplies electricity to the rural areas outside Ndlambe, also Boknes, Cannon Rocks, Bushmans River, Marselle, Bathurst, Nemato, Alexandria, Ekuphumleni, Station Hill and Kleinemonde.

Ndlambe Municipality buys electricity in bulk from Eskom and is responsible for the distribution thereof within its approved areas of supply, under license from the National Electricity Regulator. Electricity is taken from Eskom at two intake substations, i.e. Port Alfred and Alexandria, and redistributed to the end consumer through a series of cables, lines and substations.

The directorate is responsible, and employs a service provider, namely, Manelec Services (Pty) Ltd, for:

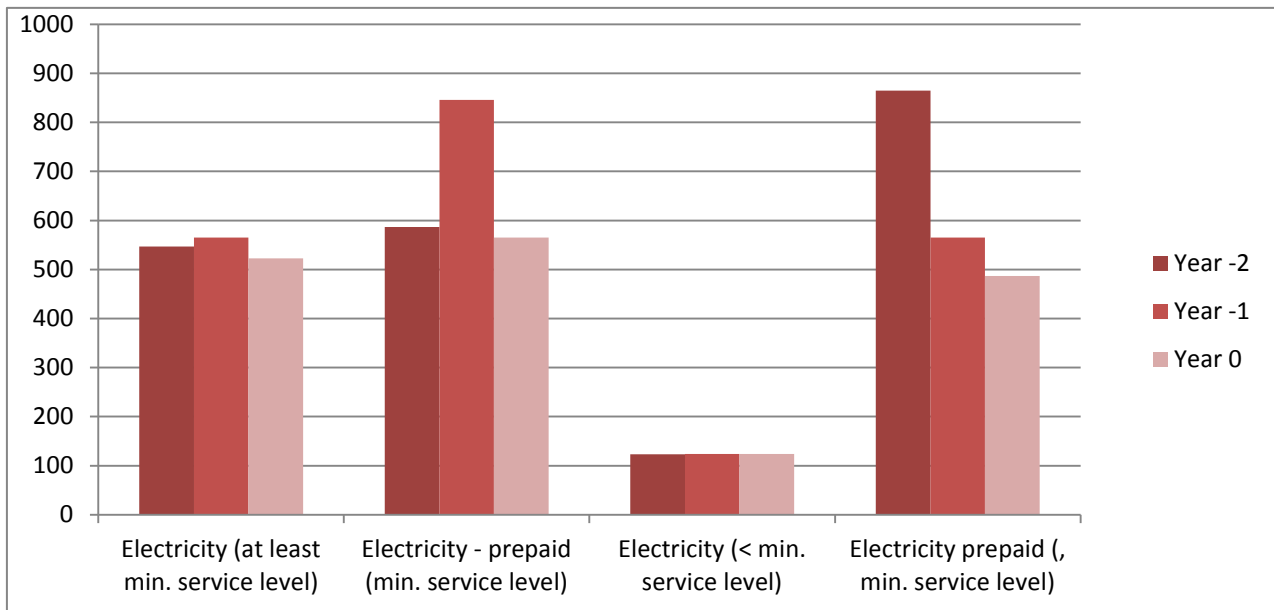
- The construction and maintenance of the distribution network as well as providing new infrastructure to ensure a reliable and affordable supply of electricity to all;
- The effective management of revenue by ensuring all electricity supplied is billed for and reducing losses in order to cover operating and capital expenses;
- The provision of a reliable and acceptable level of public lighting to improve the safety and living standards of residents, including street and public lighting for Boknes, Cannon Rocks, Bushmans River, Marselle, Bathurst, Nemato, Alexandria, Ekuphumleni, Station Hill and Kleinemonde.

The challenge experienced is a streetlight backlog in the areas that were formally under Eskom’s management. The Municipality is dealing with this. Management of public lighting, including high mast lights, is normally shopped out to an annual tender service provider.

INTRODUCTION TO ELECTRICITY

The distribution and reticulation areas, excluding provision of electricity by Eskom, covers Port Alfred and Alexandria. Each consumer is considered a customer and has got access to electricity supply. The electrical supply to Port Alfred is of a high standard. The electrical supply to Alexandria, inclusive of Wentzel Park, needs upgrading. In Port Alfred there are still numerous medium voltage feeders which were laid many years ago. These have now become inadequate to carry the required increasing load. This requires upgrading. The problem is not purely an overload one, but it also prevents safe management practice.

Due to a lack of funds we have not been able to upgrade these cables, which are now practically redundant. Alexandria is also at the stage where all MV cabling needs upgrading. Although the expansion of the town is not excessive, this should be considered in the near future. Funding should be prioritized to cater for the increasing loads.



Households – Electricity Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total Households	N/A	N/A	16684			N/A
Households below minimum service Level			1866			
Proportion of households below minimum service level						
Informal Settlements Only in Eskom Supply Area						
Total Households	To Be Established	To Be Established	To Be Established			To Be Established
Households ts below minimum service						
Proportion of households ts below minimum service level						

Electricity Service Policy Objectives Taken from the IDP

Service objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target	Target	
		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objectives : That the Ndlambe community has access to a reliable and consistent supply of electricity and street lights, as provided by Manelec and Eskom									
Provision of minimum supply of electricity	Additional households (HHs) provided with minimum supply during the year (Number of HHs below minimum supply level)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)	xxxxxx additional HHs (xxxxxx HHs below minimum)
4335	0	509	509	509	0	29	0	1000	0

Electricity Service Policy Objectives Taken from the IDP									
Service objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
Service Indicators		Target	Actual	Target		Actual	Target	Target	
(i)		(ii)	*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)
Service Objectives : That the Ndlambe community has access to a reliable and consistent supply of electricity and street lights, as provided by Manelec and ESKOM									
To provide free basic alternative energy to all indigent households with no electricity by 30 June 2015	All registered indigents		1261		All registered indigents	2636			

Employees: Electricity Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	1	2	1	1	
4-6					
7-9	0	1	0	1	
10-12	1	1	1	1	
13-15					
16-18					
19-20					
Total	2	4	2	3	

Financial Performance Year 0: Electricity Services (R'000)					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue	38 344 135	54 404 169	55 069 306	54 404 169	
Expenditure:	34 631 435	50 792 779		51 833 420	
Employees	378 570	471 720		118 028	
Repairs and Maintenance	3 334 130	1 672 520		729 349	
Other					
Total operational Expenditure	38 344 135	54 404 169		54 404 169	
Net Operational Expenditure					

Although there is an urgent need for capital expenditure there is presently no funds available to address this need.

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

The Ndlambe Municipality submitted an application to Eskom for a 2.4MVA increase in bulk supply to Port Alfred. This application has been approved by Eskom. Payment for this has been made by Ndlambe. We are now awaiting the energizing by Eskom.

Power supply characteristics in the areas supplied by Eskom are not ideal. Surges and spikes in power supply have a negative impact on equipment and machinery. Even though measures are taken to reduce the impact of the above, there is still regular damage to pumps and motors. This is due to being at the end of the Eskom supply line.

3.3 HOUSING

INTRODUCTION TO HOUSING

The Ndlambe Municipality's strategy for the provision of subsidised housing is to eliminate housing backlogs and to provide appropriate housing for those who cannot provide for themselves.

Intensive projects have been implemented in the past, although in Year 0 no new projects were initiated. These are dependent on the provision of basic services prior to top-structure and for which basic service projects are currently underway.

There are areas where subsidised housing backlogs are growing, due to several factors. Migratory trends have seen an influx of indigent people into the area. Disaggregation of families into more than one housing unit has also resulted in expanding backlogs.

The top 3 service delivery priorities for Council have been water, sanitation and road priorities. The impact of these projects has been that essential upgrades and improvements have taken place during Year 0 which will enable stalled subsidised housing projects to be revisited. These projects were stalled due to the lack of sufficient bulk services.

The Ndlambe Municipality identifies and responds to those communities that are living in poverty by providing land and certain essential services to decrease the deficiencies in basic service delivery.

There is a housing section within the Infrastructural Development Directorate, which has satellite offices in Alexandria, Kanton-on-Sea and Boesmansriviermond. The level and extent of service provision is as support to the Dept Human Settlement and to assist the indigent with the application process for a subsidised house.

Expanded housing requires expanded bulk services. The cost of renewing and upgrading core infrastructure to maintain the demand for housing is a continual challenge. This balance affects net demand in the municipality as project lists need to be prioritised for implementation. Ndlambe Municipality is responding well to the challenges created, by ensuring adequate bulk services are available and that indigent registers are maintained.

Expenditure on housing is done by the Dept Human Settlement and is facilitated by Ndlambe Municipality.

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
Year -3			
Year -2			
Year -1	21009	9009	43%
Year 0	21769	9009	41%

Housing Service Policy Objectives Taken from the IDP

Service objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target	Target	
		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objectives : Adequate shelter for all people throughout Ndlambe with specific emphasis on low income households.									
Provision for housing for all households	Additional houses provided during the year (Houses required at year end)	613 additional houses (Planned)	0 additional houses	0 additional houses	0 additional houses (Planned)	0 additional houses			
Kenton on Sea Housing project	455 New houses built	564		564	0	455			
Completion of Bushman 269	5 New Houses	29		29		5			
Nemato 120	0 (Slab/Foundation phase)	120		120		0 (Foundation)			

Employees: Housing Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3			2		
4-6					
7-9					
10-12	5	6	5	1	83%
13-15	1	1	1	0	0%
16-18	1	1	1	0	0%
19-20					
Total	7	8	9	1	15%

The funding for houses is directly from human settlement as stipulated in the constitution, Council only manages projects.

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

The trend towards disaggregation of families into more than one housing unit; and the cost of renewing and upgrading core infrastructure is a challenge, especially within the context of affordability.

Recent standards and norms in subsidised housing practice have tended towards Breaking New Ground Projects, such as has been implemented in Thornhill, Port Alfred.

This development could only go ahead once bulk services were installed and available. As a result, only 509 of 5000 houses were built in the first phase, awaiting bulk services for the balance of houses.

With the introduction of Amatola water the challenge of bulk will be temporary curbed as it was reported by Amatola water that 2900 housing units have been unlocked by the upgrades that took place in recent months. It was further reported that out of 2900 housing units that can be developed in Thorn hill only 600 units can be built at this stage due to bulk electricity shortage.

In Kenton on Sea the bulk is completed, we should have a contractor on site for internal reticulation very soon.

COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (stormwater drainage).

INTRODUCTION TO ROAD TRANSPORT

Ndlambe Municipality manages road alignments which are within the urban footprints of the Spatial Development Plan. Management includes operations, maintenance, upgrades and refurbishment. All other alignments are managed by other sector departments, including Department of Roads and SANRAL. These include both surfaced and gravel roads.

There is the Ndlambe Roads Forum, which meets on a regular basis and is well represented by stakeholder groups within the district.

The major alignment and road artery which runs through Ndlambe from east to west is the R72, the management of which falls under SANRA. This road is a vital link between the two development nodes of Coega outside Port Elizabeth and the IDZ on the outskirts of East London. The route contributes to the economy of the municipality and provides access to the heart of the Sunshine Coast, being Port Alfred and surrounds, thereby bringing tourists and visitors on an ever-increasing scale.

It is a well-known and measured fact that the road network servicing Ndlambe Municipality is in a poor state. A general shortage of maintenance staff, necessary to maintain in excess of 280km of surfaced and gravel roads, is a continual challenge. The table below indicates the extent of the road network in the various towns within Ndlambe.

In 2004 Ndlambe received a grant from the DBSA and commissioned Consulting Engineers, Stewart Scott Inc. to prepare a Roads Management Programme. The report, received in 2005, indicates that an amount in excess of R 400 million was required to address essential road maintenance backlogs. An additional sum was also determined for capital investment in order to upgrade the existing road network and to establish new alignments.

It was established in this study that an amount of approximately R10 million per annum was required for road maintenance. Given the lack of internal capital budget, the municipality is faced with a mammoth uphill task of maintaining the road network, with an escalating backlog but is doing the best it can to upgrade the roads

3.4 ROADS

INTRODUCTION TO ROADS

There is little doubt that Ndlambe Municipality faces numerous challenges when it comes to road maintenance services. However, intensive upgrades have recently been achieved within the Port Alfred CBD and surrounding areas, using labour intensive construction to construct concrete and block paving alignments. These have been welcomed by the public.

The majority of the existing road network was inherited when the demarcation process was formalised in 2001. This network was established by the former Town Councils, who did not adhere to general construction practice and standard road designs

The condition of the road network in Ndlambe is generally poor. This is due to several factors, including the following:

- Poor quality of available road building materials,
- The former Town Councils did not adhere to general construction practice and standard road designs
- inadequate or non-existent storm water control infrastructure,
- lack or complete absence of adequate plant and equipment and
- restricted financial resources.

Routine maintenance (day to day pothole repair, repair and unblocking of drains and blading of gravel roads) expenditure recommended by the 2004 Stewart Scott Inc. Road Management Programme for 2004/2005 was R 9.8 million. Escalating this by a conservative 7.5% per annum gives a figure of R16.3M for the current year in review (2011/12). The actual expenditure was R 9.65 million, a shortfall of almost 50%. The periodic maintenance (resealing of surfaced roads and regravelling of gravel roads) is recommended to have been in the order of R 5.5M for the current year in review and in the order of R30M to date since the recommended implementation of the road management programme. Due to budgetary constraints this scale of implementation has been impossible. The above figures would have been adequate just to maintain the status quo with regard to the condition of the road transportation network.

The capital expenditure recommended by the same Stewart Scott Inc. Road Management programme is R 24.7 Million for the year under review and to date it is recommended that R 96.4 million should have been invested in new and upgraded infrastructure by now. If we assume an average width of 6m for all roads then a replacement cost of R 2.5 million per km for surfaced roads and R 500 000 per km for gravel roads would not be unrealistic.

Based on these figures, our 172km of surfaced roads and 140km of gravel roads represent an asset on the ground with a replacement value in the order of R 500 million rand. Easily the single most valuable asset owned by the municipality. Given that the average design lifespan of a road is in the order of 10 – 25 years and given that this can be drawn out to 30 – 50 years with adequate and timeous remedial and maintenance actions, it is clear from the above that the single biggest challenge with regards to the road network is to secure adequate funding from internal or external sources. This will be to reverse the deterioration of the current network and to enable the

municipality to embark on a realistic upgrading programme for the social and economic benefit of all residents and visitors.

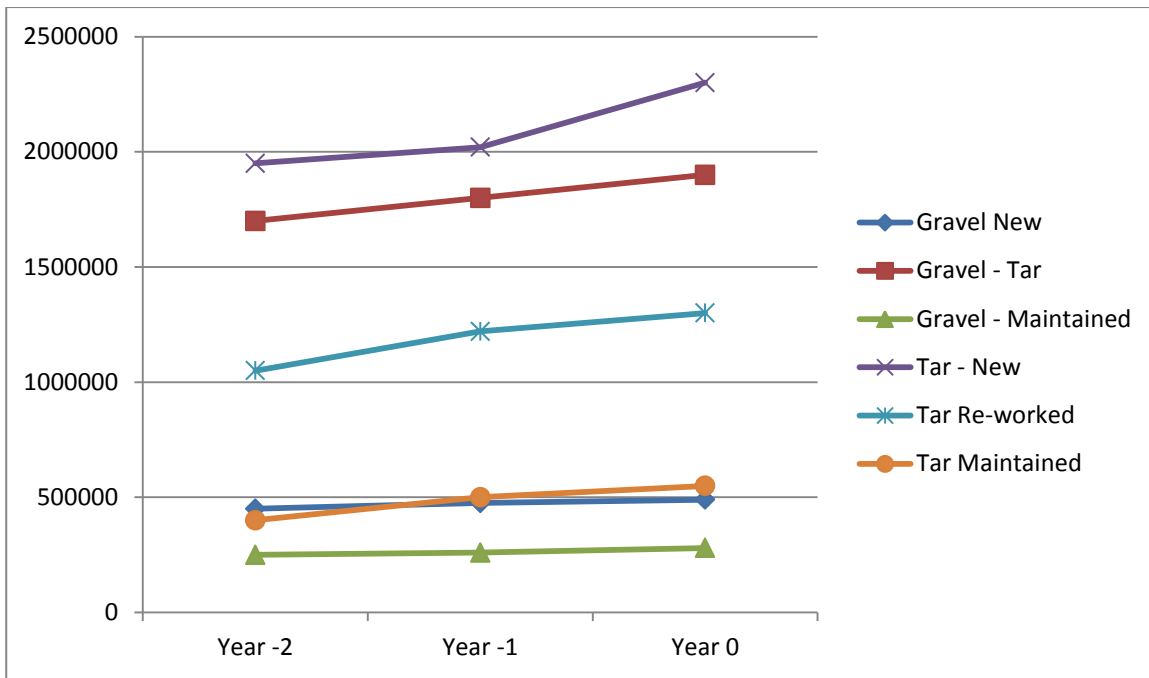
Recent periods of relatively heavy and sustained rainfall has impacted negatively on all road surfaces, mainly due to the poor or complete lack of stormwater drainage infrastructure. There has been a rapid deterioration in riding surfaces, as a result.

The municipality is also introduced a slurry sealing operation, where critical roads that always develops potholes are sealed to minimise the development of potholes on surfaced roads

Limited funding for roads rehabilitation and upgrading is a challenge for the municipality as the condition of our roads become worse as their life span is overdue.

Gravel Road Infrastructure (kilometres)				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar/ block paving	Gravel roads graded/maintained
Year -2	135.78	0	1.86	135.78km
Year -1	137,64	0	0	137,64km
Year 0	138,14	0	9	54.4km

Tarred Road Infrastructure					
	Total tarred roads	New tarred roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
Year -2	150.62	1.86	2.25	0	123km
Year -1	148,76	0	0	0	148,76km
Year 0	149,76	0	0	0	23.8 km



Road Service Policy Objectives Taken from the IDP

Service objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target	Target	
		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objectives : Community of Ndlambe has safe and efficient access to good quality roads, built according to applicable standards									
Elimination of gravel roads in townships	1 Kilometer of gravel road tarred	1,5 km gravel roads tarred	0 km gravel road tarred	1,5 km gravel road tarred	1 km gravel road tarred	1 km gravel road tarred			
Upgrading of municipal roads as required	0 kms of municipal roads developed	0,5 kms	0,5 kms	6 kms	5 kms	5 kms			
Compilation of Storm Water Master Plans for all towns	Approved Storm Water Master Plans	0	0	2	2	0			

Employees: Road Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts)
0-3	96	90	96	6	6.25%
4-6	18	18	18	0	
7-9	3	3	3	0	
10-12	2	2	2	0	
13-15					
16-18	2	2	2	0	
19-20					
Total	121	115	121	6	6.25%

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

The priority of the four largest capital projects was determined by traffic volume and level of disrepair. Due to the unavailability of internal capital funds, grants were solicited through the Expanded Public Works Programme. This programme rewards effective service delivery and the intention is to expand this programme to each urban footprint, thereby creating a spread of job opportunities and skills enablement.

The year 5 targets set out in the IDP schedule cannot be attained within approved budget provision due to the scope of backlog and scale of need. To rectify the matter, grant funders need to be convinced that the pilot projects are best practice and are effective in the delivery of suitable road surfaces.

Should the above be deemed effective, the programme will be unbundled and enlarged to include all townships in Ndlambe, which would result in a huge variation to any total approved project value (arising from year 0 and/or previous year actuals, or expected future variations).

No provincial roads have been delegated to the Ndlambe Municipality.

3.5 WASTE WATER (STORMWATER DRAINAGE)

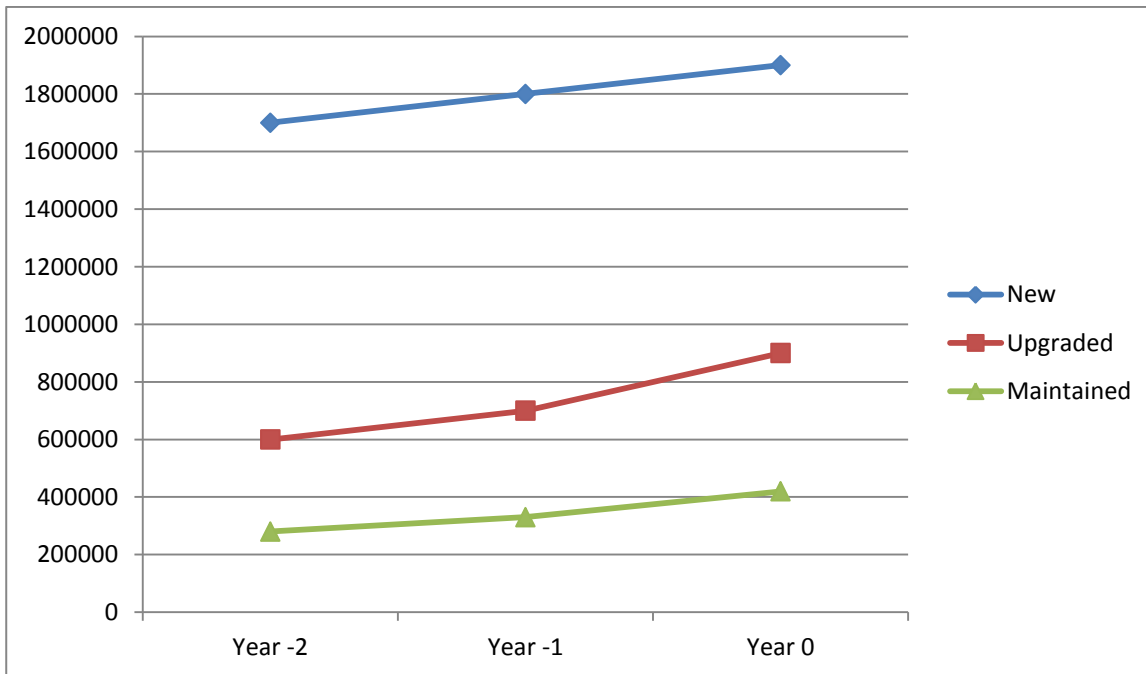
INTRODUCTION TO STORMWATER DRAINAGE

The floods which occurred in Oct of Year -1 highlighted the reality of how marginal and in places how completely absent storm water infrastructure is within the various urban footprints of Ndlambe Municipality. Township development practice did not always consider appropriate stormwater infrastructure, due to affordability and pressing need to house the homeless. This backlog is real and growing, due to the absence of funding required to address this situation. Existing infrastructure, especially underground reticulation, is mostly undersized or completely absent.

The municipality has a challenge of eroding gravel roads during heavy rains and stormwater pipes get blocked by the eroded material. The upgrading of these gravel roads will be a solution in order to control the stormwater with limited solids/ material to stormwater system, but again limited funding is a challenge to address this problem.

Stormwater Master Plans have been solicited and these will be prioritised and implemented as and when funding allows. These will be linked to dovetail with the planned road maintenance plan, as discussed previously.

Stormwater Infrastructure				
	Total Stormwater measures	New Stormwater measures	Stormwater measures upgrade	Stormwater measures maintained
Year -2	115,40	115,40	0	65,24
Year -1	125,56	125,56	10,16	75,17
Year 0	125,56	125,56	0	68.50
Cost of construction / maintenance				
	Stormwater Measures			
	New	Upgraded	Maintained	
Year -2				
Year -1				
Year 0	Included in roads, above	Included in roads, above	1 341 510	



Stormwater Policy Objectives Taken from the IDP

Service objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target	Target	
		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
Service Indicators									
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objectives : Community of Ndlambe has safe and efficient stormwater management, to minimise the risk of flooding and collateral damage.									
Development of fully integrated stormwater management systems including wetlands and natural water courses	Phasing in of systems	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Completion (Yes/No); x yrs remaining	Completion (Yes/No); x yrs remaining

Employees: Stormwater Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	16	26	16	10	63%
4-6					
7-9					
10-12	1	1	1		
13-15					
16-18					
19-20					
Total	17	27	17	10	63%

Financial Performance Year 0: Stormwater Services (R'000)					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue	1 050 870	1 341 510		1 341 510	
Expenditure:	672 790	838 280		838 280	
Employees	60 000	63 000		63 000	
Repairs and Maintenance	318 080	440 230		440 230	
Other					
Total operational Expenditure	1 050 870	1 341 510		1 341 510	
Net Operational Expenditure					

COMMENT ON THE PERFORMANCE OF STORMWATER DRAINAGE OVERALL:

Stormwater drainage performance does not achieve expectations due to various factors, which can be considered as follows:

Historically, town plans were developed by the respective Local Town Councils. These towns concentrated on developing the business areas as residential properties were seen as being holiday accommodation

- Sub-surface stormwater infrastructure is costly to install and was rarely considered in the urban development of communities within Ndlambe Municipality
- Former subsidised housing projects did not prioritise the establishment and implementation of stormwater systems and it is now with hindsight that this oversight is so glaring.
- Consecutive development has exacerbated the lack of stormwater drainage insufficiencies.
- Stormwater Master Plans were previously not considered within the urban development criteria.

3.6 FLEET MANAGEMENT

Municipal transport is provided strictly for official services only and is not to be used for private purposes. Council will provide transport to on-duty employees in accordance with its normal operational requirements, as well as in specific circumstances approved by the relevant director. The municipality has a shortage of fleet due to lack of internal capital budget. Furthermore, extended downtime of fleet when it is in the workshop is another hindrance to service delivery.

Fleet Management Policy Objectives Taken from the IDP

Service objectives	Outline Service Targets	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	Target	Target	
		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
Service Indicators									
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
Service Objectives : Ensure an effective fleet management system, to include maintenance, refurbishment, procurement and disposal of fleet related resources owned, managed and maintained by the Ndlambe municipal workshop									
Ensure an effective fleet management system, to include maintenance, refurbishment, procurement and disposal of fleet related resources owned, managed and maintained by the Ndlambe municipal workshop			There is an effective fleet management in place. The policy has been updated and will go to council for adoption			There is an effective fleet management in place. The policy has been updated and will go to council for adoption			

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development

INTRODUCTION TO PLANNING AND DEVELOPMENT

3.7 PLANNING

INTRODUCTION TO PLANNING

The revision of the planning legislation, specifically for Municipalities, started almost four years back with the promulgation of the Spatial Planning and Land Use Management Act (SPLUMA), Act 16 of 2013. Since then the Regulations for this Act was published. As part of the National Planning Legislation Revision, Ndlambe Municipality initiated a process of ensuring compliance with the new legislation by amongst other things establishing its Municipal Planning Tribunal; reviewing its respective old apartheid Zoning Schemes.

Employees: Planning Services					
Job Level	Year -1	Year 0			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	Nil	Nil	Nil	Nil	Nil
4-6	Nil	Nil	Nil	Nil	Nil
7-9	1	1	1	Nil	100%
10-12	1	1	Nil	1	0%
13-15	1	1	1	1	100%
16-18	1	1	1	Nil	100
19-20	Nil	Nil	Nil	Nil	Nil
Total	3	3	2	1	

SPATIAL DEVELOPMENT FRAMEWORK (SDF)

The Ndlambe Spatial Development Framework (SDF) sets out the long-term spatial development for the municipality which is informed and guided by the vision for the area. It guides land use and development and ensures that future public or private development is implemented in line with the vision and development objectives and strategies of the municipality as set out in the IDP. It therefore acts as a planning and land use management tool to assist the local authority to make informed decisions on a day to day basis and on strategic issues regarding the land use options, timing and phasing of development in the area.

The SDF also functions as a marketing tool to facilitate public and private partnerships in the implementation of projects and to assist to bring about economic and social regeneration of the various towns and settlements. It also:

- provides a long-term vision of the spatial development of the municipality
- aligns the municipality's spatial development goals, strategies and policies with relevant national and provincial spatial principles, strategies and policies;
- guides the proposals contained in the more detailed local plans which cover a shorter planning time frame and the preparation of Local Spatial Development Plans (LSDF's);
- helps to spatially coordinate, prioritise and align public investment in the municipality's five-year Integrated Development Plan (IDP);
- directs private investment by identifying areas that are suitable for urban development, areas where the impacts of development needs to be managed, and areas that are not suited for urban development;
- identifies strategies to prevent indiscriminate loss and degradation of critical biodiversity areas, and to ensure the necessary level of protection for the remaining areas;
- provides policy guidance to direct decision-making on the nature, form, scale and location of urban development, land use change, infrastructure development, disaster mitigation and environmental resource protection.

A Spatial Development Framework (SDF) is to a large extent influenced by the following legislation:

- The Local Government: Municipal Systems Act (Act No. 32 of 2000);
- The IDP and Performance Management Regulations (2001); and

- The Spatial Planning and Land Use Management Act (Act No. 16 of 2013).

The reviewed SDF will give effect to the development principles contained in the Spatial Planning & Land Use Management Act (Act No. 16) of 2013 including:-

- Spatial Justice;
- Spatial Sustainability;
- Efficiency;
- Spatial Resilience; and
- Good Administration

Review of the Ndlambe Spatial Development Framework (SDF)

The current Ndlambe Municipality's Spatial Development Framework (SDF) was approved by Ndlambe Council in 2013 in terms of the Municipal Systems Act (MSA). A service provider is in the process of being appointed to review the 2013 Ndlambe SDF and ensure that it is SPLUMA compliant and aligned with the IDP as required. The process to review the current SDF is underway, and the public participation and all other processes will be aligned with the IDP process.

SPATIAL PLANNING AND LAND USE MANAGEMENT ACT, 2013 (ACT NO. 16 OF 2013)

The Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013) (SPLUMA) was promulgated on 5 August 2013 and its Regulations to come into effect on 1 July 2015. The objects of the Act are the following:

- Provide for a uniform, effective and comprehensive system of spatial planning and land use management for the Republic;
- Ensure that the system of spatial planning and land use management promotes social and economic inclusion;
- Provide for development principles and norms and standards;
- Provide for the sustainable and efficient use of land;
- Provide for cooperative government and intergovernmental relations amongst the national, provincial and local spheres of government; and
- Redress the imbalances of the past and to ensure that there is equity in the application of spatial development planning and land use management systems.

SDF's form the basis of all future decisions in terms of SPLUMA and they will be taken by authorised officials or tribunals, which are non-political /technical bodies, established in terms of Section 35 of SPLUMA. It broadly determines that a municipality or municipalities jointly, must constitute a Planning Tribunal to consider all land use planning applications.

Ndlambe Municipality has adopted, and gazetted Municipal Planning By-Law (Spatial Planning and Land Use Management Bylaw) in 2016. The Bylaw determines the procedural and administrative aspects of land use planning and management, instead of the Provincial Regulations. One of the implications of the SPLUMA legislation and processes is that a municipality now becomes legally accountable for decisions, i.e. an applicant or aggrieved party will no longer sue the MEC and add the municipality as a respondent. Instead, the municipality will be sued and it must provide for the costs and administration of such litigation processes.

The Municipality has managed in 2018 to establish its Municipal Planning Tribunal and it is now fully functional. The following table represents the Municipalities Compliance with SPLUMA:

SPLUMA REQUIREMENTS	Compliance %	Ndlambe Status	Comments
Approved &Gazetted Bylaw	100%	Bylaws approved &Gazetted on 4 February 2016	Complied
Appointed Authorised Official	100%	Council Appointed Authorised Official Director Infrastructure	Complied
Land Use Applications Categorized	100%	Applications categorized according to the SPLUM Regs	Complied
Municipal Planning Tribunal (MPT) Established	100%	Ndlambe has established a Single MPT, trained the members, gazetted their names and the first meeting	Complied

		of the Planning Tribunal was in December 2018 and it has been having its meetings every second month.	
Appeal Authority Established	100%	Council confirmed that the Executive Committee will be the AA for Ndlambe as per SPLUMA.	EXCO to receive training and the appointment of internal Manager of Legal Services to assist with appeals.
Integrated Land Use Schemes	100%	SBDM has funded Ndlambe for the project and appointed Urban Dynamics Town Planners for the project. Public Participation process commenced in November 2018 and closing in January 2019. The ILUS was APPROVED & ADOPTED BY COUNCIL IN MARCH AND CAME INTO EFFECT ON THE 1 JUNE 2019.	APPROVED & ADOPTED BY COUNCIL IN MARCH AND CAME INTO EFFECT ON THE 1 JUNE 2019.
SPLUMA Compliant SDF	50%	Current SDF is due for a review and the service provider for the review will be appointed.	Municipality is funding this project from internal funding.
Town Planning Personnel Capacity	50%	2 Professional Town Planners 1 Administrative Assistant 1 Contract worker as Tribunal Administrator.	A lot of improvement has been made however; the staff component compared to the number of applications received is not in line.

INTEGRATED LAND USE SCHEME

In terms of Section 24 of the Spatial Planning and Land Use Management Act (Act 16 of 2013) all municipalities are required to adopt and approve a single Land Use Scheme for its entire area within five (5) years from the commencement of the Act.

The Ndlambe Integrated Land Use Scheme after intensive public participation was approved and adopted by full Council on the 27th of March 2019 and was thereafter gazetted in the Provincial gazette. The commencement of the new scheme has been the 1st of June 2019.

Policy Formulation

There has been an increasing need for policy formulation in the planning department, however due to capacity issues within the section it has been a challenge to ensure that policy formulation is prioritized as there needs to be proper SPLUMA compliant systems in place. The following policies are policies that the section envisages compiling and submitting to Council for approval, as soon as processes have been completed:

- Land Use Management Policy.
- Geographical Name Change Policy
- Cell Phone Tower Policy
- House Shop Policy
- Tavern Policy

Systems

Systems deal with the establishment of planning processes and procedures, these have been effectively instituted through strategies such as creating brochures with frequently asked town planning questions; established procedures for land use application submissions. The supporting electronic system namely GIS. The Municipality has outsourced this function to TGIS

and the system used is IMIS. The aim of the system is to have less paper and ensure that everything is done on the system. The Municipality has no GIS personnel to assist internally.

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

With the implementation of the new legislation and population growth came new challenges. The planning department has accepted the challenges and is creating an organised planning environment with documents, strategies, policies and ensuring to motivate the need of fully-fledged personnel component to promote effective planning, which will ensure that the targets set in the IDP can be reached. The development of the Spatial Development Framework and the new Zoning Scheme is crucial instruments used by planners to ensure vibrant growing towns which can ensure every citizen can reach his or her full potential. The service rendered to the community is of a high standard with development to stimulate the local economy and create job opportunities.

3.8 PROJECT MANAGEMENT UNIT

ROLES AND RESPONSIBILITIES PMU

Responsible for the implementation, monitoring, evaluation and reporting sequences of outcomes associated with programmes designed to accomplish key service delivery objectives with respect to town and spatial planning, and through the co-ordination of technical and administrative operations against departmental, statutory and audit guidelines in order to ensure that service delivery is strategically managed and maintained in accordance with laid legislated standards.

3.8.1 Municipal infrastructure Grant projects (PMU)

PROJECT PROGRESS REPORT

Allocations for the three year MTEF Cycle

No	Financial Year	Allocation	Remarks
1	2018/2019	R 26 809 000	Already committed
2	2019/2020	R 27 295 000	75% committed
3	2020/2021	R 28 645 000	Not yet committed

List of projects for 2018/2019 financial year

NO	Project Description	Ward	Sector	Budget	People Employed	No of SMME'S	Status
1	Augmentation of the Alexandria Bulk Water Supply Phase 1	1&2	Water	R 9 403 191.00	26	0	On halt due to EIA issues and will proceed in 2019/20FY. The remaining budget to be distributed on registered projects under MIG.
2	Refurbishment of Internal Water Reticulation in Nolukhanyo (Bathurst) Phase 1)	5	Water	R 2 600 000.00	25	0	The project completed successfully
3	Upgrading of Ndlambe Roads(Phase 3 Klipfontein)	3	Roads	R4 338 820.00	15	1	The project completed successfully

4	Upgrading of Ndlambe Roads(Phase 3 Kenton on Sea)	4	Roads	R 2 242 372.32	15	1	The project completed successfully
5	Upgrading of Bathurst Road	5	Roads	R3 527 392.81	70	0	The project completed successfully
6	Upgrading of Marselle Main Road Phase 2	3	Roads	R3 356 773.47	45	3	The project completed successfully
7	5% PMU		N/A	R1 340 450.00			The project completed successfully
	Total			R 26 809 000.00			

List of projects for 2019/2020 financial year

No	PROJECT NAME	WARD	Sector	TOTAL PROJECT COST	BUDGET
1	Augmentation of the Alexandria Bulk Water Supply Phase 2	1&2	Water	R 33 000 000	R 15 746 796.00
2	Upgrading of Klipfontein Sportsfield	3	Sportsfield	R 25 594 514.00	R 3 850 040.00
3	Upgrading of Marselle Main Road Phase 2	6	Water	R 23 000 000.00	R 6 000 000,00
4	Upgrading of Ndlambe Roads- Mangangaza	8	Roads	R 2 400 000	R 2 400 000,00
5	Upgrading of Ndlambe Roads(Phase 3 Kenton on Sea)	4	Roads	R 500 000.00	R 500 000.00
6	Upgrading of Ndlambe Roads(Phase 3 Klipfontein)	3	Roads	R 500 000,00	R 500 000,00
7	Upgrading of Internal Bulk Sewer reticulation Line and in Thornhill Phase 1(Planning Project)	6	Sewer	R 816 829.00	R 816 829.00
8	Upgrading of Internal Bulk Sewer reticulation in Marsele 500 houses (Planning Project)	3	Sewer	R 450 000	R 450 000
9	Upgrading of Internal Bulk Water reticulation in Marsele 500 houses (Planning Project)	3	Water	R 400 000.00	R 400 000.00
10	Upgrading of Internal Bulk water Reticulation in Thornhill Phase 1(Planning Project)	6	Water	R 666 586.00	R 666 586.00

11	5% PMU ADMIN.	N/A	n/a	R 1 364 750	R 1 364 750
	Total Allocation				R 27 295 000,00

List of proposed projects for 2020/2021 financial year

NO	PROJECT NAME	WARD	SECTOR	TOTAL PROJECT COST	BUDGET
1	Augmentation of the Alexandria Bulk Water Supply Phase 2	1&2	Water	R 33 000 000	R 5 500 071.00
2	Upgrading of Internal Bulk water Reticulation in Thornhill Phase 2	6	Water	R 21 708 879.00	R 21 708 879.00
	5% PMU			R 1 432 050,00	R 1 432 050,00
	Total Allocation				R 28 645 000,00

List of projects for 2018/2019 financial year EPWP

NO	Project Description	Ward	Sector	Budget	People Employed	No of SMME'S	Status
1	Upgrading of Diaz road	6	Roads	R 1 000 000,00	25	0	The project was completed Successfully

List of proposed projects for 2019/2020 financial year EPWP

NO	Project Description	Ward	Sector	Budget	Total Budget
1	Upgrading of Mangcangaza road phase 2	8	Roads	R 1 000 000,00	R 1 000 000.00

List of proposed projects for 2018/2019 financial year (OTP)

NO	Project Description	Ward	Sector	Budget	People Employed	No of SMME'S	Status
1	West Beach Drive	10	Roads	R5 713 880.00	38	2	The project was completed Successfully
2	Thornhill link services	6	Water	R5 236 644.25	0	0	Tendering Stage

List of proposed projects for 2019/2020 financial year (OTP)

NO	Project Description	Ward	Sector	Budget	People Employed	No of SMME'S	Status
1	Thornhill link services	6	Water	R5 236 644.25	0	0	Contractor Appointed

List of proposed projects for 2018/2019 financial year (Disaster)

NO	Project Description	Ward	Sector	Budget	People Employed	No of SMME'S	Status
1	Telemetry & Monitoring Meters & Valves, Retrofit plumbing of households, Leak Detection Equipment, Wentzel Park Bulk Water Pressure Booster	All Wards	Water	R7 907 901.19	27	3	The project was completed Successfully
2	Refurbishment of Port Alfred East bank Dunes Wells System	Port Alfred	Water	R4 828 684.19	0	0	The project was completed Successfully
3	Supply and Installation of standby Generator, Replacement of Seafield water main and R72 steel pipe (Includes SANRAL Approval) and Replacement of Domestic Water Meters in Ndlambe Municipality (Umfolozi, Nolutkhanyo	All Wards	Water	R9 710 171.96	101	0	The project was completed Successfully
4	Bulk Water Supply Augmentation from Sarel Hayward Dam	Port alfred	Water	R7 983 044.10	8	1	The project was completed Successfully
5	Trappes Valley Water Augmentation and Investigation in Central belt Wellfields	ALL Wards	Water	R2 379 235.40	10	1	The project was completed Successfully

3.9 LOCAL ECONOMIC DEVELOPMENT (KPA 3)

Local Economic Development (LED) has been identified as a key means of improving the economic prospects of South African citizens. The purpose of LED is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.

Ndlambe Municipality is land locked between four Municipalities namely Nelson Mandela Metro, Makana, Ngqushwa and Buffalo City Metro. Ndlambe Local Municipality is a predominantly rural area with agriculture and tourism dominating the economy. It encompasses the towns of Kenton-on-Sea, Boknes, Bathurst, Boesmansriviermond, Alexandria and Cannon Rocks.

The recently released population statistics by Stats SA indicates that Ndlambe has a population of 61 176 out of which youth unemployment is generally high especially in the townships. Unemployment is at 30.3% as per 2011 statistics. The Key economic sectors for the Ndlambe Municipal area are:

- Tourism
- Agriculture
- Services sector

The employment within Ndlambe is largely spread across the following economic sectors: government, agriculture and services industry. Government and the agricultural Industry has for quite some time been the contributors in employment. Agriculture is less diversified with key farming activities being Dairy Farming, Beef Farming, Chicory, and Pineapple Farming. Most of the farming activities within the area are pursued by white farmers with black communities being the mere providers of labour.

The Agricultural industry has in the past 10 years been in a state of decline the chicory industry has been the hardest hit with many farmers either shutting down operations or switching over to other commodities like beef farming. The decline in any of the key sectors always has a direct negative impact in the townships in terms of jobs losses and employment. Government has for the past few years started land acquisition initiatives by buying farms to settle groups of farmers or communities to take over some of the white owned farms. The land acquisitions through the Land Reform Programme have not been a great success, in many instances farms bought on behalf of communities and or farming groups started declining thus shedding more jobs with declining productivity. Government owned land and that owned by the municipality e.g. commonages is hardly commercialised or used productively to benefit local communities in a sustainable manner.

As part of a strategy to revive the contribution of the agricultural sector in the local economy, the municipality issued a call for proposals inviting service providers to tender for doing a land audit of state farm land within the municipality, propose strategies for scaling up production and alternative land use. The municipality further requested service providers to profile current performance of land reform farms and determine if there is scope for expansion, increased productivity, and value addition for maximum job creation opportunities.

COMMENT ON LOCAL JOB OPPORTUNITIES:

Port Alfred is the most sought-after holiday destination on Route 72 and is known for its wonderful temperate climate, endless pristine beaches, friendly village atmosphere, glorious surf, magnificent deep sea and river fishing and the laid-back lifestyle so beloved by all visitors, many of whom become permanent residents.

Alexandria is home to various heritage and tourism sites amongst them being the "Chungwa's Grave that lies in an area known as the Woody Cape, the Nongqawuse's Grave at the Fick's Farm Holding. It is also famous for its chicory farming industry and has been branded as the "Chicory Country" while Bathurst brings together the past and the present, being the hub of one of the largest pineapple growing areas in South Africa. It is host to what is believed to be the oldest Inn in South Africa, as well as the third oldest pub in South Africa. It is accepted that the natural environment provides the basis for the regional economy, especially the primary agriculture and tourism sectors.

Kenton on Sea, is a small coastal town on the Sunshine Coast. It is situated between the Bushman's River and the Kariega River. The area has many pristine beaches and green rolling hills, and a nature reserve along the shore ensures that no housing developments can spoil the coast.

Cannon Rocks is a village nestled in between the Boknes Village and the boundary of the Greater Addo Elephant Park it has the vast expanse of the warm Indian Ocean in front and rolling farmlands behind, making Cannon Rocks a small piece of paradise.

Livestock Farming

The livestock farmers in the Ndlambe Municipal area consist of a large number of small scale farmers who farms with very small herds of cattle, sheep and goats. At present the larger part of these farmers, who farms with cattle, only marketed their animals at an older age as C grade carcasses. The small size of the herds in this area is a contributing factor to this scenario. Farmers try to keep their cattle as long as possible before they market it so that the number of animals, and thus

the size of their wealth, can stay as large as possible. The slow capital return from cattle marketed as C grades creates cash flow problems for the black farmers in partnership.

The majority of the black livestock farmers farm with Nguni cattle. The land reform farms are not optimally stocked at the moment. The main marketing constraints faced by smallholder farmers in Ndlambe includes the poor condition of the livestock, the lack of marketing information, the unwillingness and inability to adopt livestock identification practices, the lack of infrastructure and poor production and marketing management.

Very little value-adding and processing of the product is taking place within the Eastern Cape. Although the Eastern Cape has registered abattoirs to slaughter cattle, most cattle leave the province as weaner calves for feedlots in other provinces where they are marketed. One of the main reasons is that it is more efficient to take store animals to the source of feed to be fattened than to transport the feed. The current production of feed for livestock is entered in the North West, Free State and Mpumalanga provinces where maize and soybeans are traditionally produced. The Eastern Cape currently imports 120,000 tons of feed for the livestock industry and would use more were it not for the high transport cost.

Another important phenomenon is that the abattoirs in the Eastern Cape, situated mainly in Nelson Mandela Bay, East London, Queenstown, Mthatha and Kokstad are generally running below their slaughter capacity. These abattoirs are dependent on animals that are brought to acceptable condition mainly during the summer on natural grazing. Apart from on farm fattening by commercial farmers, the communal and smallholder livestock owners are not in a position to round their animals off for marketing purposes. This in turn results in low off-take as well as poor prices being realized. The natural grazing in the communal areas thus becomes grossly overgrazed with low levels of income generated are by the resource.

However, beef cattle farming in the Ndlambe Municipal area have great potential that needs to be developed. Any interventions done should seek to change the picture in favour of black farmers be it those farming in commonages or in land reform farms.

There is a huge need to commercialise livestock farming in Commonages. If this is done there is an opportunity to create community wealth and more jobs.

Dairy Farming

The Dairy Industry is relatively stable with a positive cash flow, a concerted effort needs to be made to promote partnerships between established and emerging dairy farmers. Such a strategy will secure the long term sustainability of the industry. The Dairy Industry is highly mechanised and therefore not a massive job creator. It is a profitable venture to the few involved in it. Focus should be on improving productivity on existing farms through beefing up management capacity especially on the Land Reform Farms and those going under Partnerships based on milk sharing or equity schemes are the most pragmatic option for making the black/community owned Dairy Farms to be functional and productive.

Pineapple Production

The main producing areas of pineapples in South Africa are Northern KwaZulu Natal (Hluhluwe district) and the Eastern Cape. The Eastern Cape generally account for over three quarters of the pineapples produced in South Africa. As pineapples are indigenous to the tropics, the crop requires areas where the climate is warm, humid and free from extreme temperatures (25°C being optimal).

In determining which pineapple cultivar to plant, a producer should take the following into consideration:

- The global demand and the demand in specific markets.
- His or her (the producer's) current infrastructure in respect of being able to cope with pruning, spraying, picking, cold storage and packing of a particular cultivar.
- The availability of natural resources like water, soil types, cold units and slopes.
- The land should be prepared so as to control water runoff and thereby limit soil erosion, facilitate good drainage and prevent root and heart rot, facilitate uniform distribution of sunlight to all plants, and have roads allowing machinery easy access to the pineapple plants to expedite spraying and harvesting.

Pineapple production has been declining over the past five years. Production declined by 6% during the 2009/10 season when compared with the 2008/09 volume. The decrease in production has previously been associated with the cadmium contaminated zinc sulphate fertilizer that was used by the pineapple producers. A multi-national fertilizer distributor operating in the Eastern Cape Province sourced low cost zinc sulphate from China. This zinc sulphate contained high concentrations of cadmium and lead. The resulting effect on crops dosed with these fertilizers was contaminated fruit which has damaged the reputation for South African fruit globally. The continuous decline may be an indication that the industry is still struggling to pull itself out of the crisis. Ndlambe municipal area has been hardest hit by the impact of this catastrophe in the Pineapple industry.

Chicory Production

Chicory in South Africa is exclusively produced and processed in the Eastern Cape, Alexandria since 1895. This is an established industry which used to have 100 Chicory commercial farmers each employing 40 workers thus translating to 4000 jobs created at farm operation level. The central processing plant used to create 130 permanent jobs. 95% of roasted Chicory produced by the Industry supplies two major roasted Chicory users namely Nestle for Ricoffy and National Brands Limited for Frisco, Koffiehuis, Ace and Kloof etc.

The CHICORY industry has been given a massive financial and economic boost when it received a R2 million grant from the Department of Rural Development & Agrarian Reform to revitalise the local chicory production. The department, in collaboration with reputable and JSE listed giant Nestle' South Africa, signed a Memorandum of Understanding with local farmers to ensure production of chicory in Ndlambe that will meet the supply demand by Nestle' for products produced using locally produced chicory. The government has heard the farmers' outcry for the revitalisation of the local chicory industry and has implemented a long-term solution that will not only revitalise the industry but recreate various jobs lost in the closing down of the chicory industry in Ndlambe.

Developments in the Hospitality Industry

Royal St. Andrews Hotel

People come to Port Alfred for the sunshine, the clear blue Indian Ocean lapping onto its Blue Flag beach, adventures on the Kowie River, its unique boutique shops and artisan brewery, its people and to simply relax.

The hotel has a total of 60 rooms which are designed, equipped and furnished to add a new luxury dimension to the Sunshine Coast experience. 50 modern luxurious rooms, as well as conference facilities, have been skilfully crafted to complement the old-world charm of the much-loved original hotel, which was built in 1924. Located in Port Alfred, South Africa, the Royal St. Andrews Hotel has re-opened after an extensive 3 year renovation.

Royal St. Andrews Hotel is the perfect destination for avid golfers as the hotel is situated within walking distance of the Royal Port Alfred Golf Club, one of the oldest and well known golf courses in South Africa. In addition the Gary Player designed Fish River Sun Country Club, and the new Belmont Valley Country Club are within a 45 minute drive.

Cannon Rock Beach Suites

Cannon Rocks Beach Suites are newly developed Self Catering Units on the beach in Cannon Rocks, 15 minutes from Kenton on Sea. These are fully fitted accommodation units.

Each unit has a one or two bedrooms and a fully kitted kitchen, cutlery and crockery and top of the shelf electric appliances. Guests can relax in the living room or outside on the patio with a built in braai, dining table and outdoor shower. Fully equipped Conference Facility with a projector, screen and all the necessities for a successful corporate or social function are available on request. The Conference facility can accommodate 60-100 people depending on the seating plan.

Operation Phakisa

The Provincial Department of Public Works invited all District Municipalities and Local Municipalities who have coastal towns to participate in the Property Marketing Event held on the 27 - 28 June 2018. This marketing event was directed to all the Districts and Local Municipalities which have coastal towns and properties that could be developed to attract economic development and tourism in their towns.

The theme of the conference was “Attracting Investment in State Coastal Maritime Infrastructure and Properties, Expand Current Businesses and Create New Businesses, Create Employment Opportunities, Generate Revenue for the Municipalities, Stimulate Economic Growth and Ensure Economic Transformation”

The engagement with the province and coastal municipalities also sought to highlight the context of:

- Operation Phakisa:
- Oceans Economy:
- Small Harbours and State Coastal Property Development

The primary focus and objectives of the two day engagement was:

- To coordinate and integrate sector Department plans in Small Harbours in line with Operation Phakisa: Oceans Economy;
- Develop a Marine infrastructure development and maintenance Plan;
- Provide guidance in Property management including letting out;
- Develop a strategy to stimulate local economic development;
- To encourage job creation and SMME empowerment;
- To develop a revenue generation strategies
- To ensure radical socio-economic transformation.

From the Sarah Baartman District, four (4) coastal local municipalities were invited to present their investment plans and exhibit at the conference. These municipalities are: Koukamma, Kouga, Sundays River Valley and Ndlambe.

Koukamma and Sundays River Valley indicated that they were not ready to make a presentation and host an exhibition stand, however both Kouga and Ndlambe came prepared and made exceptional presentations, as confirmed by the District and various stakeholders that attended the Summit.

Building Inclusive Green Municipalities (BIGM)

The BIGM programme aims at improving the capacity of South African government to support effective service delivery, inclusive local green economic growth, asset management policies and practices and enhanced climate change mitigation and adaptation measures.

The programme is implemented over a period of 52 months on the municipalities that have been identified as beneficiaries in the Eastern Cape Province. The programme is focusing on three areas being:

- Climate change adaptation and mitigation
- Asset Management policies and practices
- Local Economic Development

The BIGM programme also regards the participation of vulnerable groups quite important within the programme and has requested that in the following meeting, women, young people and people with disabilities be invited, also the business formations available within the municipality.

Jobs created during Year 0 by LED initiatives (Excluding EPWP projects)				
Total jobs created / Top 3 initiatives	Jobs Created No.	Jobs lost / displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created / lost
Total (all initiatives)	9 initiatives			
Year -2	47	0		Type of entity
Year -1	33	(pineapple and chicory industries faced challenges)		Type of entity
Year 0	44	N/A		

Job Creation through EPWP projects					
Details	EPWP Projects No.		Jobs created through EPWP projects No.		
Year -1		3			91
Year 0					
Employees: Local Economic Development Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
7-9	1	1	1	0	0%
10-12	1	3	0	3	100%
13-15	1	1	1	0	0%
Total	3	5	2	3	60%

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

Ndlambe Municipality has a huge scope to increase and intensify cattle farming and goat farming as key focal farming enterprises to emerging farmers and commercial farmers.

Livestock farming based on commonages has to be commercialised and township based farmers have to be taken through a commercialisation path through a massive campaign, technical support, training and design of a programmes to support black farmers towards commercialisation of livestock farming out of the townships. Focus should be on improving productivity on existing farms through beefing up management capacity especially on the land reform farms and those going under.

Partnerships based on milk sharing or equity schemes is the most pragmatic option for making the black/community owned dairy farms to be functional and productive. The Dairy industry is relatively stable and cash flow positive, a concerted effort needs to be made to promote partnerships between established and emerging dairy farmers. Such a strategy will secure the long term sustainability of the industry. Unfortunately the Dairy industry is highly mechanised and therefore not a massive job creator. It is a profitable venture to the few involved in it.

The LED Forum was launched by the Deputy Minister of Economic Development Department, Honourable Mr Madala Masuku, honouring up what he had committed to during the LED Conference in Alexandria.

5 Cooperatives have been assisted for funding, machinery and equipment, these are mainly from Alexandria.

Project Name	Funding Agent
LLP Multi purpose	NYDA
Siphilise Ndlambe	Department of Agriculture Department of Rural Development
Jonga Cooperative	Department of Agriculture
Ex Offernders	NYDA
Siphamandla	NYDA

Ndlambe LED Unit through proposal submitted to the National Department of Tourism (NDT) received funding amounting to 10 million for Ndlambe Tourism Infrastructure. They have also appointed an Implementer for the project; Eastern Cape Tourism Agency (ECPTA) will be the project implementer.

COMPONENT D: COMMUNITY AND SOCIALSERVICES

3.10 INTRODUCTION TO LIBRARIES; ARCHIVES; COMMUNITY

Ndlambe Libraries are gradually progressing in terms of services and diversity of patrons, as we are in the process of launching a Mini-Lib which serves blind and partially blind patrons. The Libraries in Ndlambe Municipality have taken the role of promoting education by supporting schools improve their matric pass rate as they provide catering and transport for extra classes on Saturdays.

Library services have improved immensely as there are more newspapers offered than before, for example the libraries now have Sunday Times and City Press due to community request. Services also include Tablets in addition to computer; there is also Wifi available in libraries. This demonstrates improved technological progression in Ndlambe Libraries.

CIRCULATION OF LIBRARY MATERIALS

All Functional eight Ndlambe Municipal Libraries have migrated to Brocade Library System and some are still transferring their members and books that were on the manual system onto the Brocade Library System. Statistics for the Ndlambe Libraries for the whole year are as follows:

LIBRARIES	CIRCULATION	BOOK BLOCK LOAN
ALEXANDRIA	3932	Alexandria Christian Academy Day Care and Grade R
BUSHMANS	3544	Nompucuko Combined School
KENTON	8664	Kenton Primary School
EKUPHUMLENI	2527	
PORT ALFRED	11415	Port Alfred Social Welfare Freestone Library (Book Wagon)
BATHURST	2564	
FREESTONE	3124	Sizamele Educare Centre, Qhayiya Primary School and Port Alfred Library (Book Wagon)
DR. I. K. MABINDISA	3083	Alpha Lee Aftercare, Nonkqubela Community Project Port Alfred Library (Book Wagon)

LIBRARY STRUCTURES

Library Structures in the form of Book Clubs of any age and Library Committees are part of Ndlambe Municipal Libraries so that the community can be part of the needs analysis of the Libraries' services.

Julian Mike who is a Library Committee Member in Marselle Library represents Ndlambe Municipality in the Sarah Baartman District Committee and reports back to the municipality through Marselle Library.

LEARNER SUPPORT PROGRAM

Apart from the Saturday Classes that the Municipality initiated as school intervention program for improved matric passing rate, Ndlambe employed Ms Ncanywa as a Learner Support Assistant who specialises in teaching Nompucuko's Grade 11 and 12 learners in Mathematics and Physical Science.

SCHOOL INTERVENTION PROGRAM

As stated in the introduction, these are extra classes provided by the Municipality on weekends to improve the matric pass rate of Ndlambe Municipality. This initiative involved an agreement between the Municipality and the Nelson Mandela University where Third Year Level student tutor Ndlambe Municipal learner with subjects that need upgrading.

AWARENESS PROGRAMS

One way of Library Promotion and Marketing in through awareness programs or events where Ndlambe Municipal Library take services to the communities through outreach programs.

Outreach Programs include the following:

- South African Library Week: Celebrated in March of every year
- World Book Day: Celebrated in April of every year
- World Play Day: Celebrated in May
- Career Day: done in May
- Mandela Day: July
- Holiday Programs: During School Recess
- National Book Week: Celebrated in September
- Spelling Bee: Celebrated in October
- Youth Empowerment Event: Celebrated in December
- World Aids Day Event: Celebrated in December

The above Outreach programs exclude the individual awareness programs performed.

3.11 CEMETERIES AND CREMATORIUMS

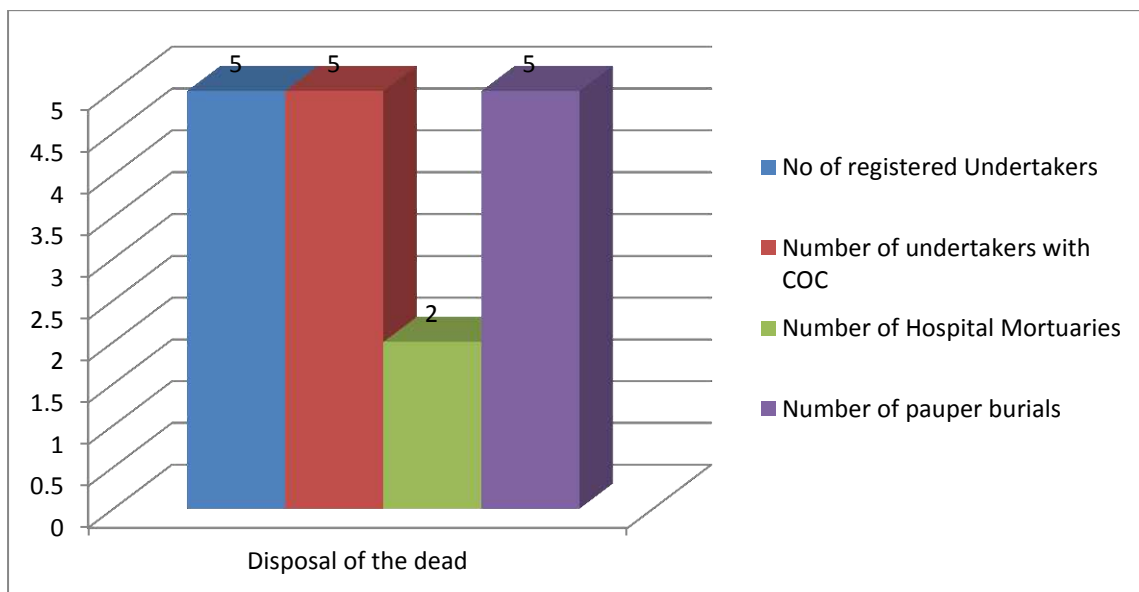
INTRODUCTION TO CEMETERIES

This service falls under Parks and Recreation Section. The municipality is currently under pressure due to unavailability of land for cemeteries. In terms of the revised SDF there is a need to identify new cemeteries but this will require environmental impact assessments and identification of land. All cemeteries throughout the municipality are cleaned on a regular basis as and when required. The cemeteries are reaching capacity and once the land disposal policy process is completed land needs to be identified for cemetery space and the necessary EIA and legislative requirements be followed. The municipality does not have its own crematorium facility and as such individuals utilise the services of funeral parlours.

Disposal of the Dead

All funeral parlours or undertakers are inspected to ascertain that the premises are in compliance with the applicable legislation, which is Regulation 363 relating to the management of human remains including any other regulations relating to applicable health standards.

Illustration of information relating to disposal of the dead.



COMMENT ON THE PERFORMANCE OF CEMETERIES & CREMATORIUMS OVERALL:

There is no staff specifically employed for “Cemeteries” – these employees fall under “Parks & Recreation”;

- *There are no posts in the Organogram allocated for “Cemeteries”;and*
- *There has been no capital budget for Cemeteries and Crematoria during the 2018/2019 financial year*

REFUSE REMOVAL NDLAMBE MUNICIPALITY – 2018/2019

16 061 HOUSEHOLDS PER WEEK SERVICED THROUGHOUT NDLAMBE

GREATER AREA	COMMUNITY	WARD	Nr of CEMETERIES
<i>Greater Alexandria</i>	<i>Town of Alexandria</i>	1	1
	<i>KwaNonkqubela</i>	1	1
	<i>Wentzel Park</i>	2	1
<i>Boknes / Canon Rocks</i>	<i>Boknes / Cannon Rocks</i>	2	0
<i>Kenton / Bushmans River</i>	<i>Marselle</i>	3	1
	<i>Town of Bushmans river</i>	3	1
	<i>Town of Kenton on Sea</i>	4	1
	<i>Ekhuphumleni</i>	4	2
<i>Greater Bathurst</i>	<i>Bathurst (Main rd)</i>	5	1
	<i>Nolukhanyo</i>	5	1
<i>Greater Port Alfred</i>	<i>Town of Port Alfred</i>	10	2
	<i>Nemato</i>	8	4
	<i>Station Hill</i>	6	1
<i>Seafield / Kleinemonde</i>	<i>Seafield / Kleinemonde</i>	6	0
TOTAL			<u>18</u>

GREATER AREA	COMMUNITY	WARD	No. of HOUSEHOLDS
Greater Port Alfred			
Monday	Town of Port Alfred	10	872
Tuesday	Nemato	7-9	709
	East Bank / Bottom West	10	861
Wednesday	Saltvlei / Station Hill	10, 6	1119
	Nemato	7-9	695
Thursday	Ndlovini	7-9	1595
	Thornhill	6	500
Thursday / Friday	Businesses in PA	10	*
TOTAL			<u>6351</u>
GREATER AREA	COMMUNITY	WARD	Nr of HOUSEHOLDS
Greater Alexandria	Town of Alexandria	1	273
	KwaNonquela	1	1987
	Wentzel Park	2	736
Boknes / Cannon Rocks	Boknes	2	350
	Cannon Rocks	2	250
Greater Bathurst	Town of Bathurst	5	205*
	Nolukhanyo	5	856
	Freestone	5	918
Seafiel / Kleinemonde	Seafiel / Kleinemonde	6	235
TOTAL			<u>5810</u>

GREATER AREA	COMMUNITY	WARD	Nr of HOUSEHOLDS
Bushman's River Mouth			
Mondays	Riversbend / Harmony Park	3	487
Tuesday	Old Bushmans (Town)	3	254
Wednesday	Half Marselle / River Rd	3	581
Thursday	Rest of Marselle	3	750
Friday	Businesses, Bins & Beach	3	35
Kenton-on-Sea			
Mondays	Kenton Businesses	4	36
Mondays	Kenton Town	4	146
Tuesday	Kenton Residence	4	387
Wednesday	Kenton Residence	4	375
Thursday	Ekuphumleni	4	920
Friday	Businesses, Bins & Beach	4	36
TOTAL			<u>3900</u>

COMPONENT E: ENVIRONMENTAL PROTECTION

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

3.12 POLLUTION CONTROL

- There is no staff employed for pollution control – the Environmental Health Practitioners are carrying out this function;
- There are no posts in the Organogram specifically for pollution control;
- There is no budget allocated specifically for pollution control.

3.13 BIO-DIVERSITY AND LANDSCAPE

ENVIRONMENTAL CONSERVATION

OUR MISSION

“Protection, Preservation and Sustainable Utilization of fauna, flora and our natural resources to benefit present and future generations”

KEY PERFORMANCE AREAS

- Blue Flag beach Management
- Beach Front and Infrastructure Management.
- Nature Reserve Management
- Environmental Education
- Environmental Compliance (Marine; Estuaries; Terrestrial)

BLUE FLAG BEACH MANAGEMENT

- Kariega Main Beach
- Kelly’s Beach
- Middle Beach K.O.S

STAFF

- Conservation Officer’s portfolio covers Blue Flag beaches; Beaches; local and private Nature Reserves, Public open spaces, commonages, rate payers in town and on farms complaints and queries.
- One permanent staff member in that of a Blue Flag beach attendant and one permanent staff member working every alternative weekend and public holidays at Kelly’s beach.
- Assistance from Working for the Coast with Ndlambe’s Blue Flag beaches.
 - Western side –Kariega and Middle
 - Port Alfred - Kelly’s beach
- Appointed 7 contractual lifeguards, 3 +(1) x Kelly’s Beach and 3 x Kariega Main Beach. (01 December 2017 – 1 May 2018)
- Appointed 17 short term lifeguards 2 of which left after a few days from boknes and 6 of which only started on the (18th Dec 2017 – 2 Jan 2018), 3 x Kleinemonde; 3 x Boknesstrand; 3 x East beach; 3 Fishriver and 3 Bushmans slipway (1 Dec 17 – 2 Jan 18)
- No lifeguards were to be placed at Cannon Rocks.
- West Beach was manned by 8 casuals beach marshals over December (1 Dec – 2 Jan 2018)
- No lifeguards were appointed over Easter weekend except for the blue flags where 4 at Kelly’s beach and 3 at Kariega where present.
- 17 Beach buddies casuals were given the chance to be employed over the December period at Kariega and Middle beach KOS where only 13 arrived. (15th Dec – 2 Jan)

BLUE FLAG STATUS BEACHES

- Ndlambe municipality applied for two full status beaches namely that of Kelly’s Blue Flag Beach (13th season in a row), Kariega Main Beach (9th season in a row), and Middle beach (5th season).
- At the National launch Ndlambe received two Blue Flags, namely that of Kelly’s Beach (Ward 10), Kariega Main Beach and a Pilot beach, Middle Beach (Ward 4).
- The Blue Flag season for the past financial year started on 1 December 2017 and ran up until 01 May 2018 for Kelly’s and Kariega beaches. KOS middle beach ran from the 5 December 2017 – 4 January 2018.
- During this period 1 unannounced visit were carried out by a Blue Flag South Africa Inspector.

- Applications for season 2018 2019 have been submitted in May 2018 to WESSA and National Jury sat on the 12th of June 2018 for evaluation. The results will be known on the 12th October 2018 at the launch.

Contractual / Casual staff:

1. WFTC and Casual at Kelly's Beach
2. WFTC at Kariega Beach – 1 supervisor and 4-5 workers. Covering Blue Flag period 1 Dec 2017 – 02 Jan 2018
3. WFTC and Casuals at Middle Beach – Covering Blue Flag period 1 Dec 2017 – 2 Jan 2018
4. Beach buddies x 15 and 2 from middle beach at Kariega Beach which some resigned to leave me with 13 people total. Period 15 Dec 2017 – 02 Jan 2018.
5. Casual Beach Marshall x 8 at West Beach. Period 15 December 2016 – 2 Jan 2017.
6. Casual at Fish river camp site x 8 for a period of 15 Dec 2017 to 2 Jan 2018
7. Casuals at little beach x 2 in Jan 2018
8. Blue Flag Beach stewards Project appointed through WESSA funded buy DEDEAT, as an EPWP initiative. Beneficiaries are from the local community, 3 Kleinemonde, 4 Kelly's beach, 4 Kariega beach and lastly 3 Middle beach KOS, all employed and supervised by Conservationist at each of the beaches.

The casuals over the festive season remain to be a problem with regards to attendance and sober habits.

- We ensured the Blue Flag area remained clean over festive period
- Also cleaned daily the beach area from Kariega to slipway along river, Eastbourne road from Kariega to slipway as well as roads leading off, up Kariega road to R72
- The casuals and permanent staff worked according to a pre-season plan were team came in through the night to maintain cleanliness
- We were able to put the Blue Flag up on time every day

Lifeguards on Blue Flag Beaches, pilots and slipways:

- Three (3)+(1) Lifeguards per Blue Flag Beach were appointed on a contractual basis from 1 December 2017 up until 1 May 2018 at Kelly's and Kariega beaches. An additional Lifeguard was appointed at Kelly's beach from (02 March 2018 – 1 May 2018)
- Two (3) Lifeguards were appointed on a contractual basis from 1 December 2017 up until 2 Jan 2018 at Kleinemonde.
- Three (3) Lifeguards were appointed on a contractual basis from 1 December 2017 up until 2 Jan 2018 at Boknesstrand pilot.
- Three (3) Lifeguards were appointed on a contractual basis from 18 December 2017 up until 2 Jan 2018 at Bushmans slipway beach.
- Three (3) Lifeguards were appointed on a contractual basis from 1 December 2017 up until 2 Jan 2018 at Port Alfred East beach
- Three (3) Lifeguards were appointed on a contractual basis from 18 December 2017 up until 2 Jan 2018 at Fish River beach

RESCUES LIFEGUARDS

	BOKNES	KLEINEMONDE	KELLY'S	KARIEGA	EAST
Drownings/Near Drownings	0	0	0	1	0
Helpouts/RTB	8	2	12	19	11
Board/ski	0	0	0	0	0
Boat/IRB	0	0	0	0	0
Resuscitation	0	0	0	0	0

FIRST AID

	BOKNES	KLEINEMONDE	KELLY'S	KARIEGA	EAST
Cuts and Abrasions	0	0	0	0	4
Sprains/fractures	0	0	0	0	1
Stings	15	8	25	32	6
Sunburn	0	0	0	0	0
Hospitalised	0	0	0	0	0

Drownings/Near drowning

There was 2 drownings on our beaches this year, one was at Little beach Port Alfred and the other in the Kariega estuary.

Rescues/Help outs

A number of rescues and help outs were done this year with torpedo buoys. This was partly due to some freak strong currents at the beaches but mostly due to alcohol and negligence of parents. Drinking at/on beaches is becoming a huge concern and stricter enforcement of the law is needed. It also becomes a safety risk for the lifeguards and municipal Officials when dealing with a drunk person in these situations and their lives are also at risk.

First Aid

There were quite a few bluebottle stings treated in the season when a predominantly easterly wind was blowing.

NATURE RESERVE MANAGEMENT

STAFF

- Conservation Officer
- 3 rangers and one lodge attendant that are permanent staff members in the reserve section.
- 1 ranger is paralyzed from waist down and is in a wheel chair. He is at work and has given him more of the admin duties as well as to run the nursery. Staff member has been booked off work from Nov 2017 to Aug 2018

RESERVE MANAGEMENT

- Local Authority reserves under Management of the Conservationist are namely :
 - Joan Muirhead Nature reserve
 - Kap River Nature Reserve

- Great Fish River Wetland Reserve
- Roundhill Oribi Reserve Nature reserve
- A monthly duty Plan was compiled for the Nature Reserves namely:
 - Kap River reserve
 - Roundhill Oribi Reserve
- Other two Reserves are not manned, however there are local communities that are in the area that keep an eye on any suspicious behavior and report to conservationist for further investigation, namely:
 - Great Fish River Wetland Reserve
 - Joan Muirhead Nature reserve
- Due to fencing on Roundhill, the conservationist had to eradicate several animals that came into the reserve from neighboring farms. The fencing on the reserves is in a bad state and will need to be replaced in the new fin year.
- The water level in the Kap River is extremely low, thus rendering the natural boundary not applicable as farm animals are coming through onto the reserve and reserve animals are crossing the dry water bed. A temporary fence needs to be put in place along the river to restrict animal movement and game loses to farm land.
- Poaching remains a major issue and will not be sorted out until the correct equipment purchased and rangers are employed.

ACCOMODATION (days / facilities booked):

Facilities that can generate income on the Reserves are:

- Guest Lodge; Fig tree campsites; Hiking trail; Fisherman Cottage; Oribi cottage; Bird Watching, orchard and picnic sites.

Lodges are under renovations and it should be up and running by November 2018. The main access road to the Kap reserve from the R72 has not been repaired to date however works have started. The main gate is open to the public, signage has being put in place to indicate that the road is still closed, the reasoning for opening the road is for safety of farmers that don't need to get out at night to open the gate. All these factors are having a huge effect on the occupancy of the facilities.

INFRASTRUCTURE

- Kap River- Orchard park home, fisherman cottage continue to be burgled. The side panel of building was damaged on entry to park home, main door window and burglar proofing taking out and the fisherman main window and burglar bars also broken. This has made the cottages inhabitable and no longer able to hire out to public. Recommendation is to break Orchard park home structure down and rebuild.
- The guest lodge and lodge have been refurbished, started date November 2016 and end date June 2018. Both lodges are still not operational awaiting furniture and curtains.

ACCESS CONTROL: FISH RIVER RESERVE

- The fish river camping ground were open to campers this year, this was due to the public protector instruction, the grounds are not up to standard however the main commodities where carried out before season, this being cleaning of ablutions , cutting the grass and placing porta loos. The site was kept clean by casuals and the Kap river rangers and lifeguards on the beach.

GAME COUNT LATEST STATISTICS (June 2018):

- Monthly game counts are carried out at both the Kap River and Roundhill nature reserves.

Kap Reserve - 26 June 2017
Method - Known location method

Mode - BAKKIE
 Weather- Windy, sun shine
 Results:

Zebra	50
Impala	78
Reedbuck	4
Giraffe	4
Blesbok	0
Red Hartebeest	10
Warthog	18
Bushbuck	12
Vervet monkeys	16
Nyala	0
Duiker	2
Waterbuck	0
Zebra	39
Impala	21
Reedbuck	0
Giraffe	2
Blesbok	0
Red Hartebeest	8
Warthog	9
Bushbuck	1
Vervet monkeys	6
Nyala	0
Duiker	1
Waterbuck	0

Roundhill Reserve - 8 June 2017

Method - Known location method

Mode - Foot

Weather- Cloudy

Results:

Zebra	33
Impala	0
Bontebok	14
Bushbuck	0
Vervet monkeys	0
Common Duiker	4
Springbok	19
Warthog	5

Kap Reserve - 29 June 2018
 Method - Known location method
 Mode - BAKKIE
 Weather- Sun shine
 Results:

Roundhill Reserve - 18 June 2018
 Method - Known

location method

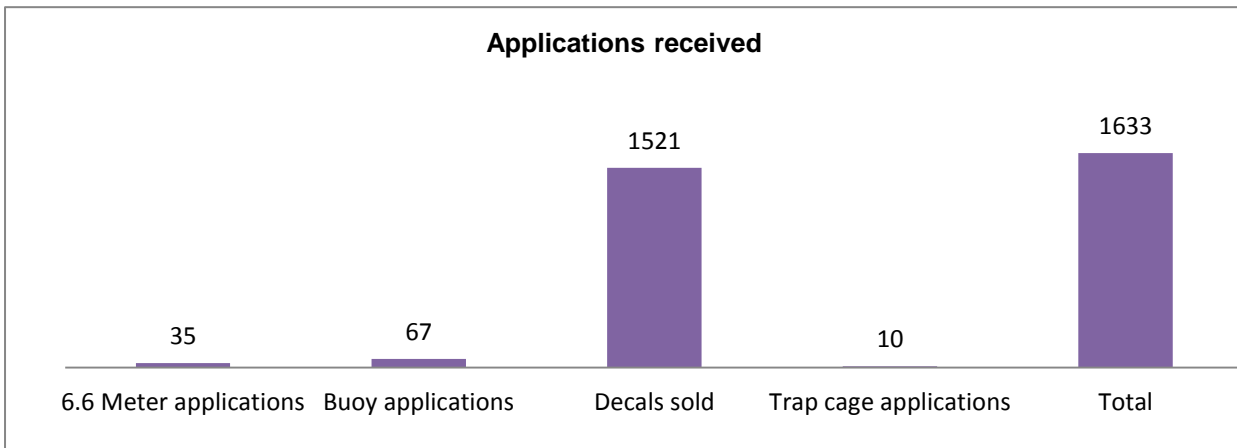
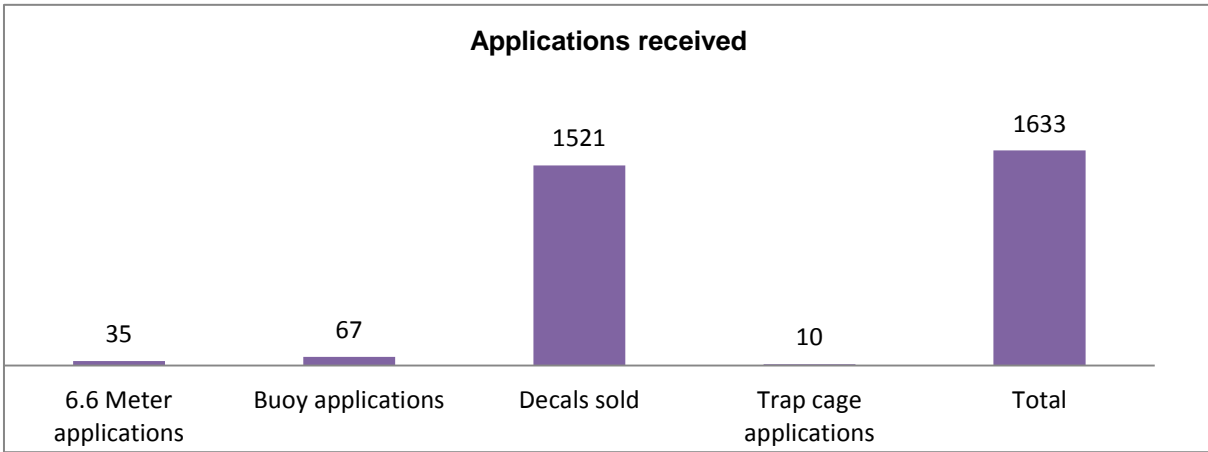
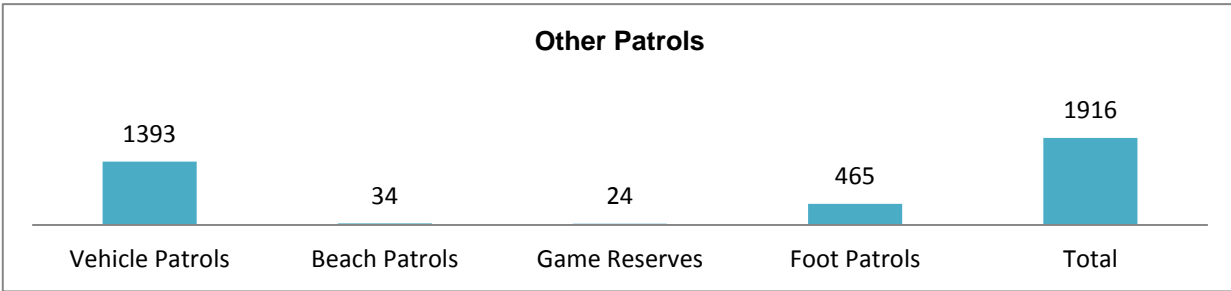
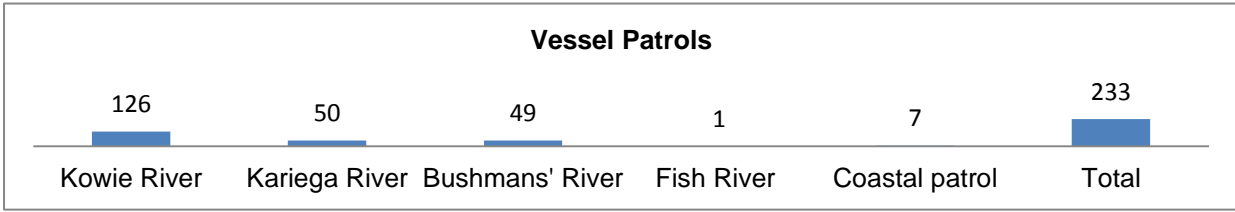
Mode - Foot

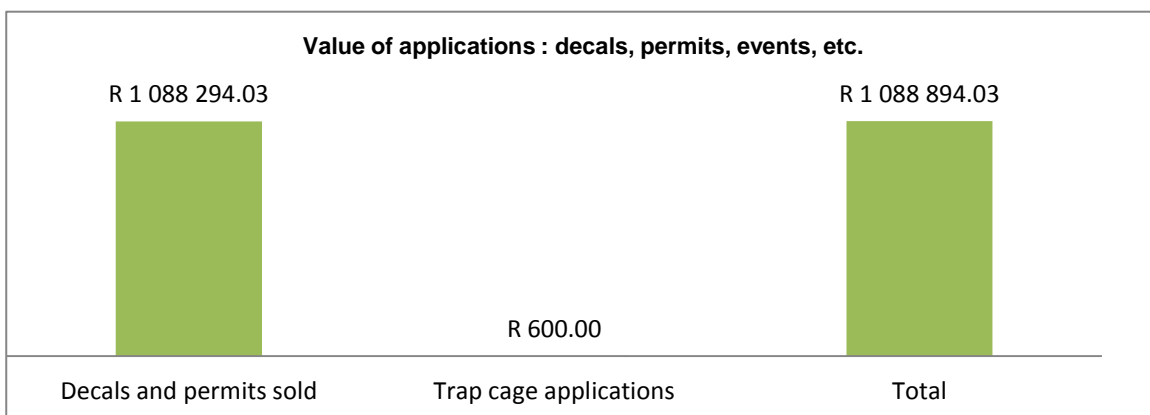
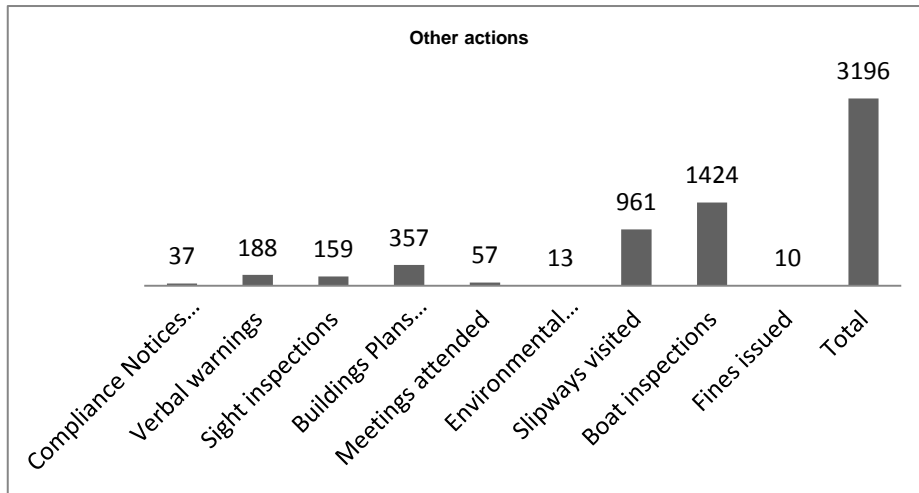
Weather- Cloudy

Results:

Zebra	37
Impala	0
Bontebok	11
Bushbuck	1
Vervet monkeys	0
Common Duiker	0
Springbok	15
Warthog	0

3.14 ENVIRONMENTAL COMPLIANCE

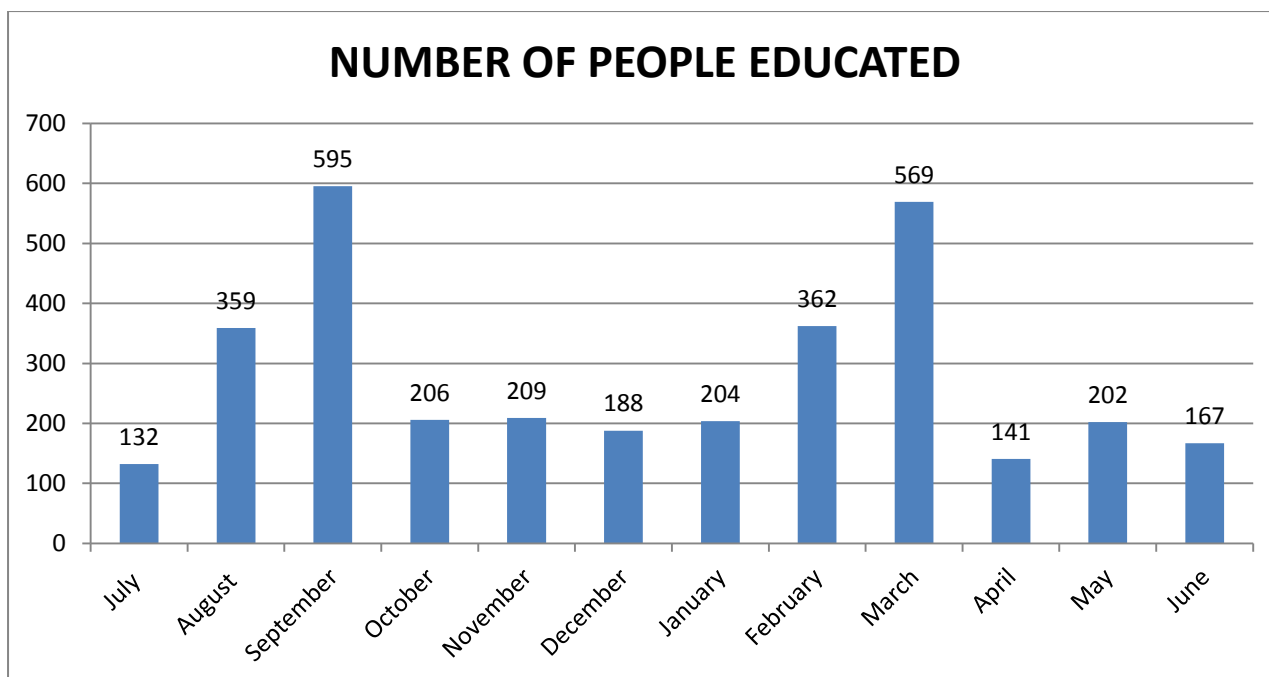




ENVIRONMENTAL EDUCATION

STAFF

- Conservationists Officer
- Environmental Education Officer



3.15 ENVIRONMENTAL HEALTH

1. Background

Environmental health services means the health services falling within the definition of Municipal Health Services as outlined in the National Health Act, 2004 (Section 3.12 or 2.12), also known as Municipal Health Services in respect of which the District Municipality has full legislative and executive authority in terms of section 84(1)(i) of the Municipal Structures Act.

Ndlambe Municipality has entered into a Service Level Agreement with Sarah Baartman District Municipality to render Municipal Health Services Function on behalf of the district municipality. In the service level agreement Sarah Baartman District Municipality commits that the district will provide a subsidy that transfer of payment quarterly will be undertaken by the district for the purposes of rendering the agreed Municipal Health Services.

It is recorded that the package of Municipal Health Services which the District Municipality request Local Municipality to perform as agreed in terms National Health Amendment Act, 2013 (Act No. 12 of 2013) that only a health officer who is registered with as an Environmental Health Practitioner in terms of the Health Professions Act, 1974 (Act No. 56 of 1974) may exercise any of the powers conferred under this section.

The definition of Municipal Health Services is provided in section 1 of the Act, and includes:

- Water quality monitoring;
- Food control;
- Waste management;
- Health surveillance of premises;
- Surveillance and prevention of communicable diseases, excluding immunisation;
- Vector control
- Environmental pollution control;
- Disposal of the dead; and
- Chemical safety.

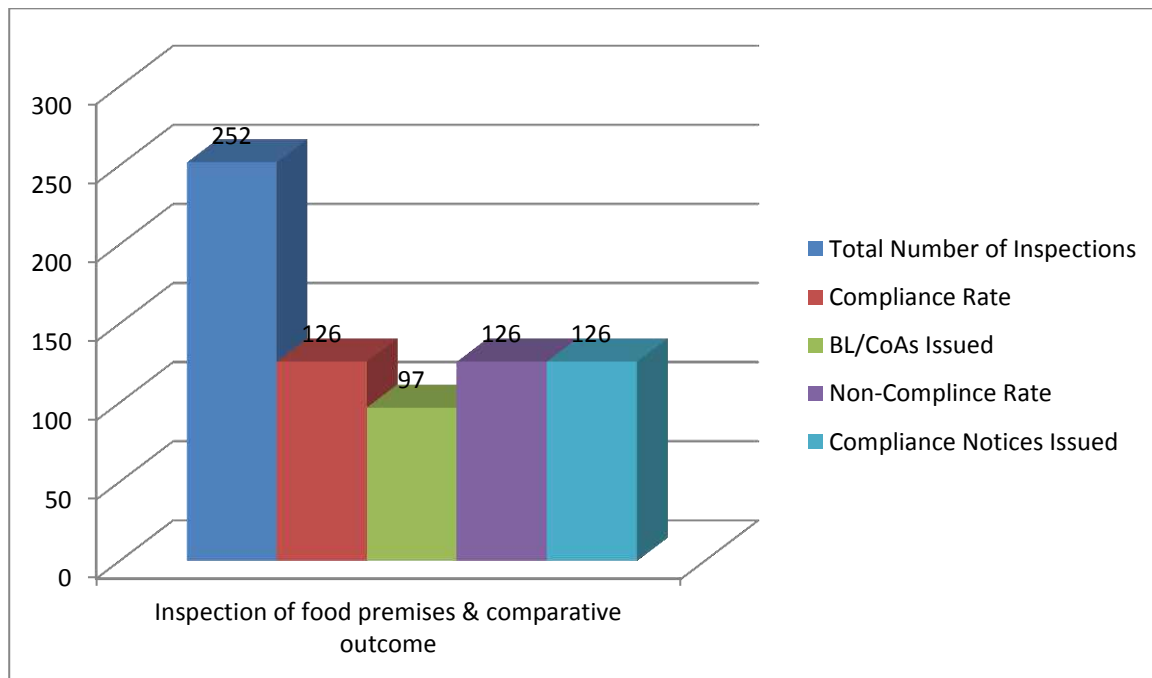
According to the National Norms and Standards for Environmental Health and the World Health Organisation (WHO) norm for staffing of Environmental Health Practitioners, the acceptable ratio is 1: 10 000 population in order to enable

Environmental Health Practitioners to render municipal health service effectively. Currently, Ndlambe Municipality with the latest 2011 Census population which is estimated around 61 176, with this population, Ndlambe Municipality is not adhering to the WHO and National Norms and Standards for Environmental Health. The norms and standards stipulate that for such population there should be 6 functional Environmental Health Practitioners instead of the current 3 Environmental Health Practitioners.

2. Food Quality Control – Inspection of Food Premises

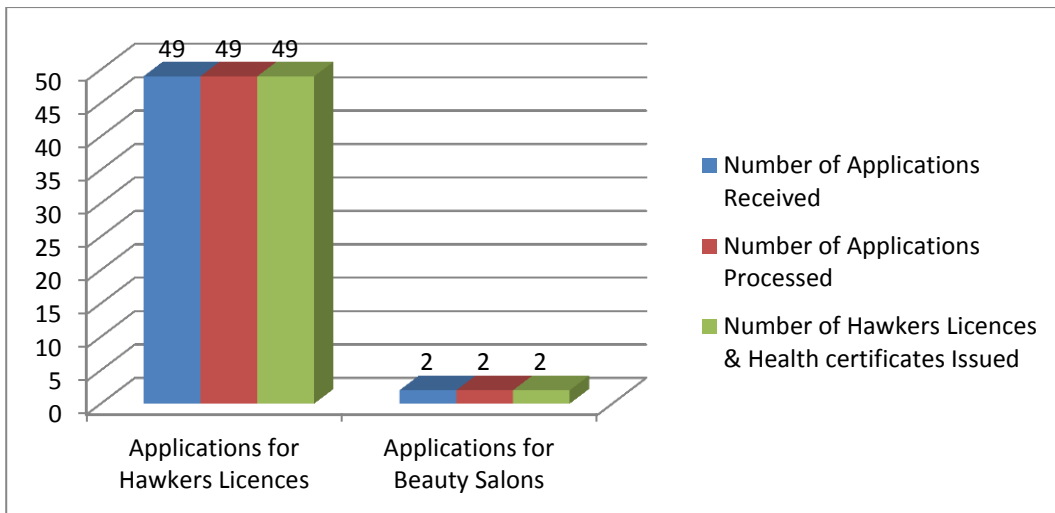
Inspection of food premises is one of the most important Key Performance Areas for Environmental Health Services (Municipal Health Services). Food Quality Control is also set out on the municipal IDP as one of the key performance areas for environmental health services. Regular unannounced inspections are conducted on food premises to make sure that food premises are compliant with food hygiene handling requirements as per legislative requirement by ensuring food safety in respect of acceptable microbiological and chemical standards, quality of all food for human consumption and optimal hygiene control throughout the food chain. Vigorous efforts are made to assist and encourage all food premises inspected to be compliant with the regulations governing general food hygiene handling where there are contraventions with the regulations.

Analysis of Inspections carried out.



Hawkers Licences / Street Trading Permits and Beauty Salons

The chart below illustrates the number of applications received for hawkers licence and for Beauty Salons, and the number of health certificates and number of hawkers licences issued.



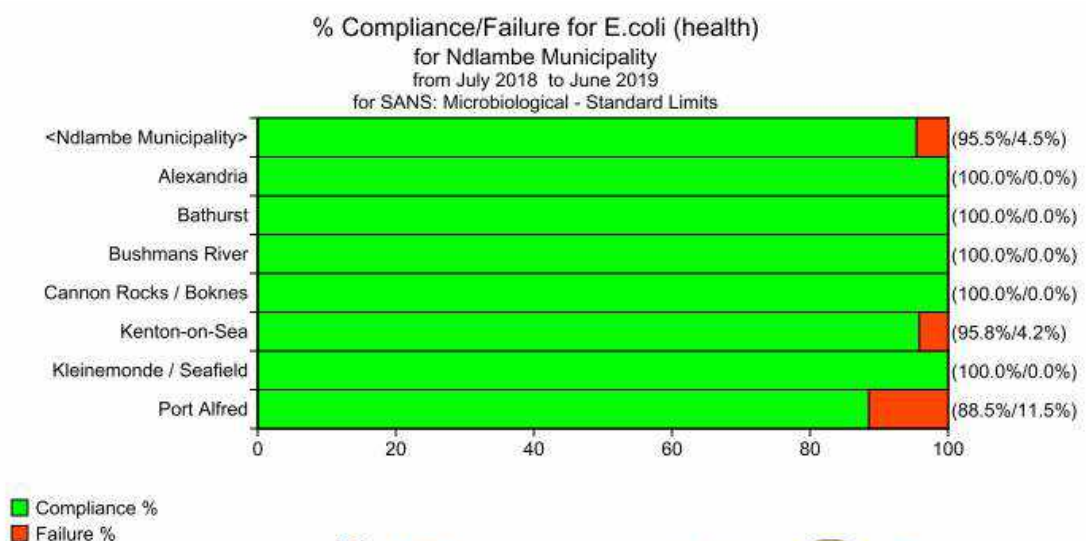
3. Water Quality Monitoring

Water quality monitoring is also the most important Key Performance Areas for Environmental Health Services (Municipal Health Services). Water Quality monitoring is also set out on the municipal IDP as one of the priority areas for basic service delivery. Regular drinking water samples are taken for bacteriological and chemical analysis as per legislative mandate (SANS 0241) to establish water safeness for human consumption.

The graph below indicates compliance/failure as a result of Escherichia coli (E. coli) which is an indicator of faecal pollution by warm blooded animals (often interpreted as human faecal pollution). E.coli is responsible for infectious diseases such as gastroenteritis, cholera, dysentery and typhoid fever after ingestion of contaminated water.

The graph is generated automatically based on water quality data loaded onto the electronic Water Quality Management System (eWQMS) and further provides summary information on key water quality results as required for legislative compliance.

Percentage Compliance/Failure Rate for E.coli (health).



- Failing samples indicates the number of samples failing **SANS: Microbiological - Standard Limits** vs. the total number of samples collected in an area.
- The percentage failure displayed is the percentage of all samples collected in the area falling outside **SANS: Microbiological - Standard Limits**

Water Quality Compliance Table: July 2018 – Dec 2018

E.coli (health) (count per 100 mL) for Ndlambe Municipality.

Area	July 2018		August 2018		September 2018		October 2018		November 2018		December 2018	
	Samples Complied	% Compliance	Samples Complied	% Compliance	Samples Complied	% Compliance	Samples Complied	% Compliance	Samples Complied	% Compliance	Samples Complied	% Compliance
Ndlambe Municipality	22 / 22	100.0%	16 / 22	72.7%	21 / 23	91.3%	22 / 22	100.0%	23 / 23	100.0%	21 / 22	95.5%
Alexandria	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%
Bathurst	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	4 / 4	100.0%	3 / 3	100.0%
Bushmans River	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%
Cannon Rocks / Boknes	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%
Kenton-on-Sea	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	1 / 2	50.0%
Kleinemond / Seafeld	1 / 1	100.0%	1 / 1	100.0%	1 / 1	100.0%	1 / 1	100.0%	1 / 1	100.0%	1 / 1	100.0%
Port Alfred	8 / 8	100.0%	2 / 8	25.0%	7 / 9	77.8%	8 / 8	100.0%	8 / 8	100.0%	8 / 8	100.0%

Water Quality Compliance Table: January 2019 – June 2019

E.coli (health) (count per 100 mL) for Ndlambe Municipality.

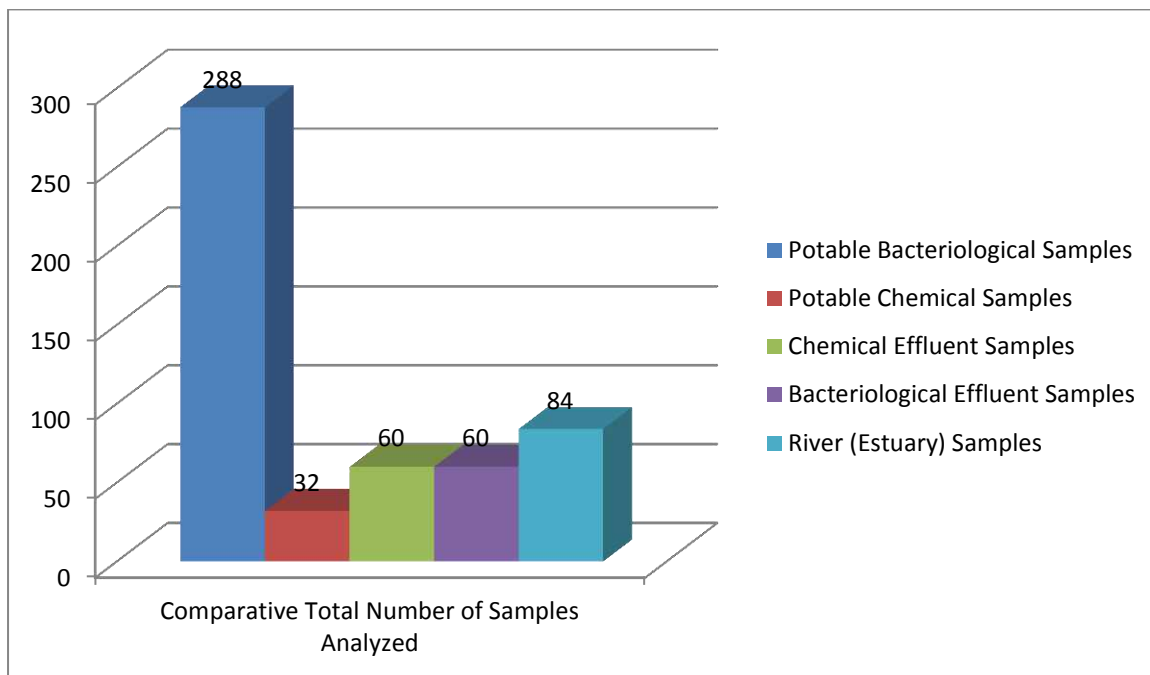
Area	January 2019		February 2019		March 2019		April 2019		May 2019		June 2019	
	Samples Complied	% Compliance	Samples Complied	% Compliance	Samples Complied	% Compliance	Samples Complied	% Compliance	Samples Complied	% Compliance	Samples Complied	% Compliance
Ndlambe Municipality	21 / 21	100.0%	21 / 22	95.5%	23 / 23	100.0%	21 / 22	95.5%	20 / 21	95.2%	21 / 21	100.0%
Alexandria	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%
Bathurst	2 / 2	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%

Bushman's River	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%	3 / 3	100.0%
Cannon Rocks / Boknes	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%
Kenton-on-Sea	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%	2 / 2	100.0%
Kleinemonde / Seafield	1 / 1	100.0%	1 / 1	100.0%	1 / 1	100.0%	1 / 1	100.0%	1 / 1	100.0%	1 / 1	100.0%
Port Alfred	8 / 8	100.0%	7 / 8	87.5%	9 / 9	100.0%	7 / 8	87.5%	6 / 7	85.7%	7 / 7	100.0%

- *Complying samples indicates the number of samples complying with SANS: Microbiological - Standard Limits vs. the total number of samples collected in an area.*
- *The percentage compliance displayed is the percentage of all samples collected in the area falling within SANS: Microbiological - Standard Limits.*

Drinking Water, Sewage Effluent and Rivers (Estuaries): (Comparative number of Samples)

Comparative total number of samples analyzed

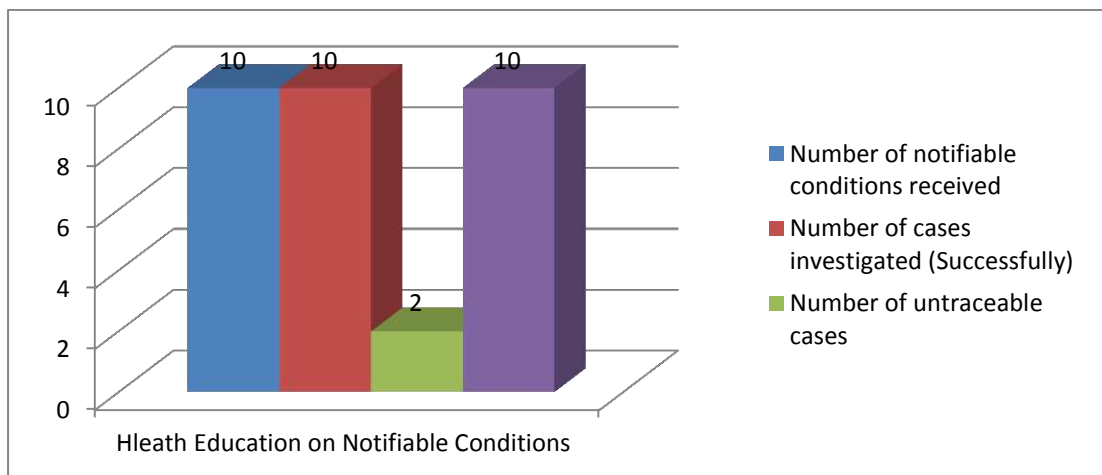


4. Communicable Disease (Notifiable Medical Conditions) Investigations

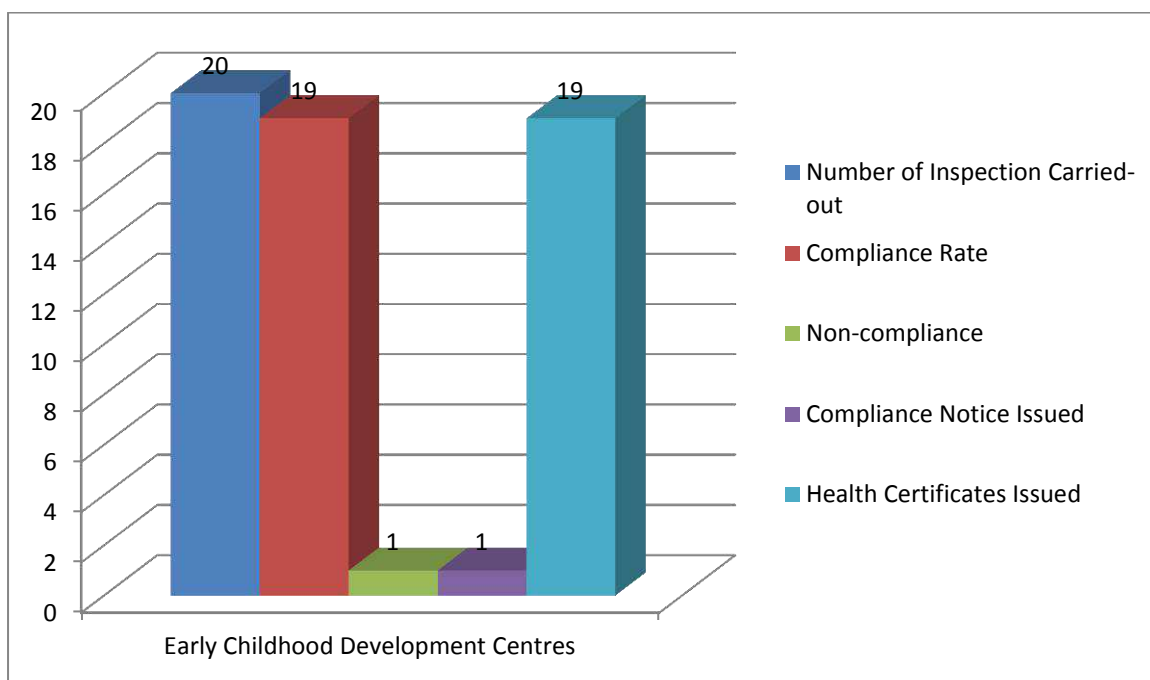
Communicable disease is also the most important Key Performance Areas for Environmental Health Services (Municipal Health Services) as also set out on the municipal IDP document. Education and Awareness campaigns were conducted in order to prevent conditions that would favour the spread of communicable diseases. Education and awareness campaigns are aimed at improving Communicable Disease Control and improving the quality of life of all Ndlambe

municipality residents and the visitors. The primary role of Environmental Health on the cases and types of communicable diseases and illnesses in the community is to identify trends and patterns in the population. Environmental Health Practitioners conduct investigations which include interviewing persons affected by communicable disease. In addition, Environmental Health Practitioners educate individuals and the general public regarding communicable diseases and how to prevent transmission, in order to minimize or halt the spread of illness.

Number of Suspected Rabies Cases (Notifiable Medical Conditions)



5. Inspection of Early Childhood Development Centres



6. Environmental Health Related Complaints

Environmental health is concerned with all aspects of natural and built environmental that may affect human health. Environmental health also contributes to the promotion of wellness and prevention of disease, primarily by controlling environmental factors that negatively impact on human health; it also encompasses the discipline of anticipating, recognizing, evaluating and controlling health hazards. Most of the complaints attended are the priority areas of the municipality as listed on the municipal IDP document.

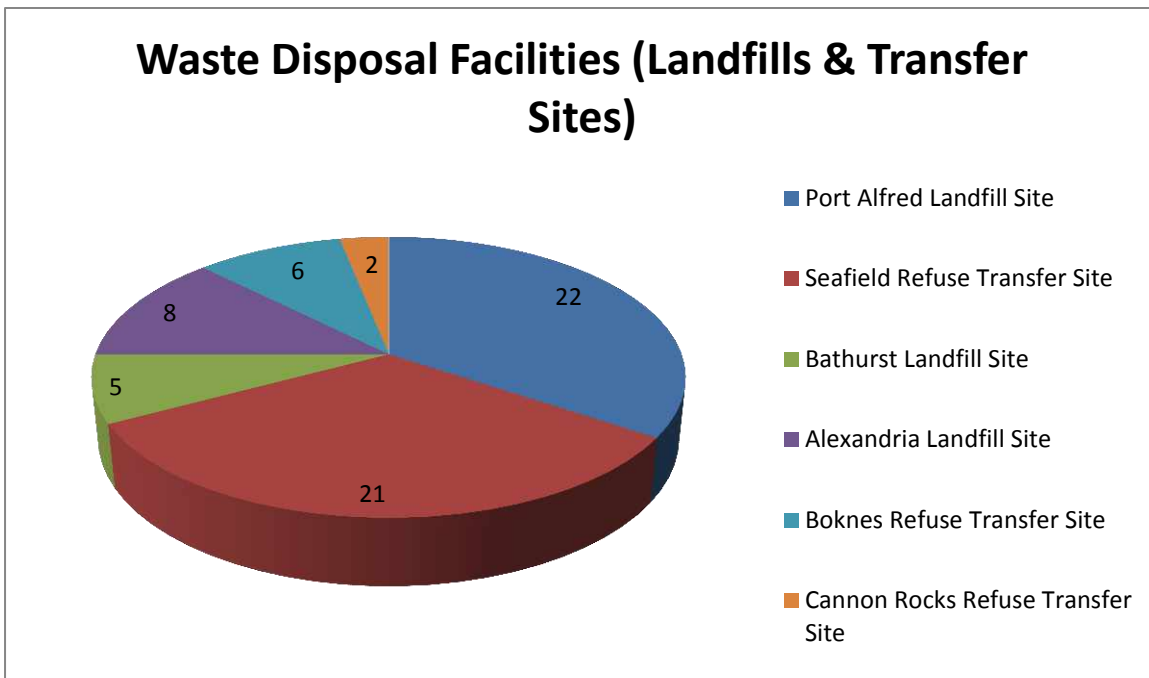
The tables below illustrate environmental health related complaints received during the 2018/2019 financial year. These environmental health complaints were attended to, and are as follows:

Months	Overgrown plots			Food Condemnations			Public Nuisances			Applications for Rituals		
	No.	Solved	Pending	No.	Solved	Pending	No.	Solved	Pending	No.	Solved	Pending
July	16	1	15	1	1	0	1	1	0	2	2	0
Aug	22	3	19	2	2	0	5	4	1	1	1	0
Sept	5	1	4							1	1	0
Oct	14	4	10	3	3	0	3	2	1			
Nov	3	0	3									
Dec							2	0	2	1	1	0
Jan	3	0	3	1	1	0	1	0	1			
Feb	4	2	2	1	1	0						
Marc	4	2	2	1	1	0						
Apr	3	0	3									
May	5	1	4	1	1	0						
June	4	0	4				1	1	0	2	2	0
Totals	83	14	69	10	10	0	13	8	5	7	7	0

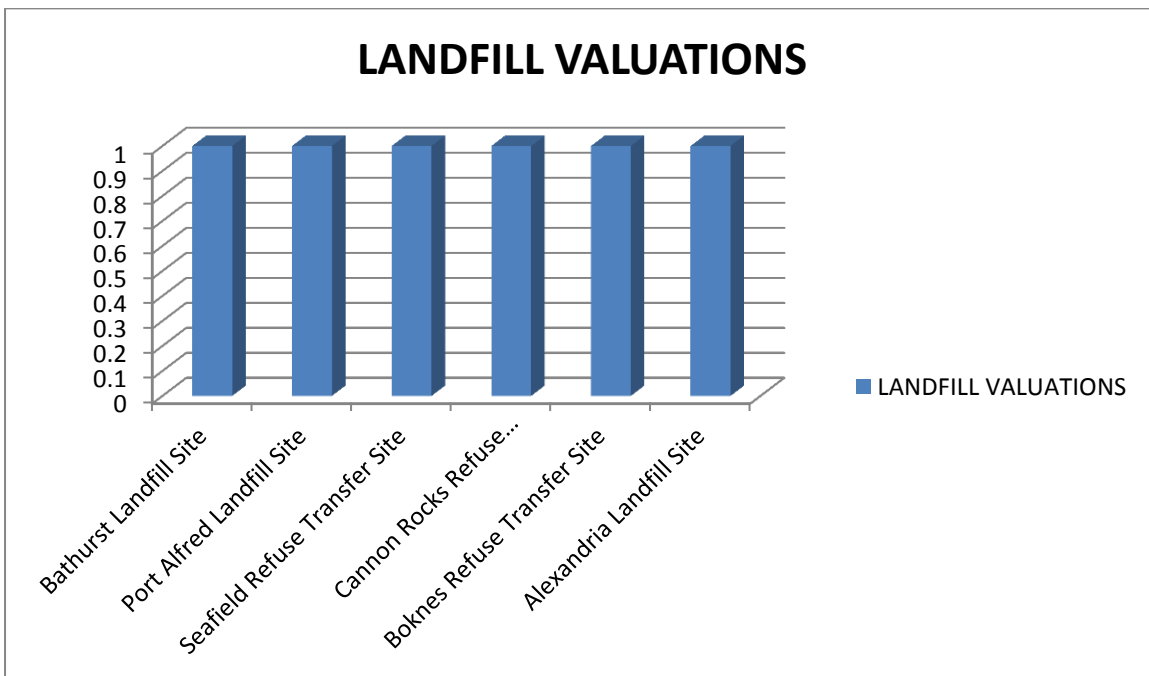
Months	Sewage Spillages			Food Sampling			Illegal Waste Dumping			Keeping of Animals		
	No.	Solved	Pending	No.	Solved	Pending	No.	Solved	Pending	No.	Solved	Pending
July	2	1	1									
Aug	1	1	0	1	1	0	2	2	0			
Sept										3	3	0
Oct												
Nov	2	1	1				2	1	1			
Dec	3	3	0									
Jan	2	2	0							1	1	0
Feb										1	1	0
Marc										5	2	3
Apr	1	1	0				1	0	1	3	3	0
May	3	2	1									
June	3	3	0				2	1	1	3	2	1
Totals	17	14	3	1	1	0	7	4	3	16	12	4

Months	Paupers Burial Applications			Chemical Safety			NMC Investigation			Waste Receptacle Areas		
	no	solve	pending	no	solve	pending	no	solve	pending	No.	Solved	Pending
July												
Aug												
Sept										2	1	1
Oct												
Nov										1	1	0
Dec												
Jan	2	2	0	1	1	0				2	2	0
Feb	1	1	0									
Marc												
Apr	1	1	0									
May	1	1	0				1	1	0			
June										1	0	1
Totals	5	5	0	1	1	0	1	1	0	6	4	2

7. Inspection of Landfill Sites



8. Annual Landfill Site: External Valuations



COMPONENT G: SECURITY AND SAFETY

3.16 SECURITY SERVICES

Places /Facilities patrolled

- Port Alfred workshop; Santa pump station; Horse shoe pump station; Port Alfred landfill site; Port Alfred waste water treatment plant; Bushmans river Mouth workshop; Ndlambe integrated emergency centre; Bushmans sewer ponds; Material Recovery Facility – Alexandria; Municipal pound; Alexandria workshop; Alexandria reservoirs; Community halls; Councillor’s offices; Port Alfred civic centre; Sea field workshop; Freestone library; Bathurst library; Centenary hall; Nkwenkwezi library; Port Alfred library; Ekuphumleni library; Kenton on Sea library; Kenton on Sea conservation office; Marselle library; Nonkqubela library; Alexandria library; Traffic department – Alexandria ; Port Alfred traffic department.
- **Total of patrols = 240**

Security sites inspected and guards visits

- Port Alfred workshop; Santa pump station; Port Alfred landfill site; Port Alfred waste water treatment plant; Bushmans river Mouth workshop; Bushmans sewer ponds; Material Recovery Centre – Alexandria; Municipal pound; Alexandria workshop.
- **Total no of security guards inspections = 210**

Suspects arrested by SAPS

60 = Protest action in Bathurst; 1 = Municipal employee for theft

Total = 61

Burglar proofing and security renovations on Municipal facilities

- Civic centre; Building inspectorate; Corporate services; Conservation office-Port Alfred; Kenton on Sea administration office; Alexandria offices; Traffic department – Port Alfred; Traffic department Alexandria; HR office; Mayor’s office; Customer service office; CPS (Sec coordinator’s office)
- **Total = 12**

Physical Security audits conducted:

- **Total =18**

Nature of security breaches committed

- Theft general; Theft of copper wire; Housebreaking and theft; Theft of copper cable; Malicious damage to property; Arson; Public violence; Robbery aggravated; Unarmed security alarms **Total = 8**
- Security related Complaints attended **Total = 71**

Criminal cases opened for investigation

Total = 32

1.Theft	Marselle soccer field	10-07-2018	Criminal case opened with SAPS Kenton on Sea CAS 26/07/2018	Copper cable stolen outside the caretaker's house .The value of the stolen items is R10.000.
2.Robbery aggravated	Santa Pump station	26-07-2018	Criminal case opened as per SAPS Nemato CAS 92/07/2018	A security guard was robbed .A cell phone and hi - Tec security uniform was stolen .A Hand radio was destroyed .Value is R15 000.00.
3.Crimen injuria	Port Alfred CBD	31-07-2018	Crimen Injuria SAPS Nemato CAS 115/07/2018	A municipal employee was verbally abused while on duty .
4.House breaking with intent unknown	Station hill Community Hall , Port Alfred	12-08-2018	Criminal case opened as per Port Alfred SAPS CAS 48/08/2018	Door was forced open to gain entry .Alarm went off and nothing was stolen R1000.00.
5.Malicious damage to Property	Port Alfred civic centre	12-08-2018	Criminal case opened as per Port Alfred SAPS CAS 63/08/2018	Signage on the front wall of the civic centre damaged and a door glass broken estimated damage is R4500.00.
6.Theft	Sea field workshop	21-08-2018	Theft CAS 13/08/2018 Sea field SAPS	Weed eater fleet 327 stolen value R5900.00.
7.Theft	Port Alfred landfill site	01-09-2018	Theft Nemato SAPS CAS 17/09/2019	Willard battery R3000.00 200 LITRES Diesel R2500 Total = R5500.00.The incident happened
8.Theft	Nemato grave site	22-09-2019	Theft Nemato SAPS CAS 28/09/2018	7 treated gum poles stolen R655.00
9.Theft	Port Alfred Workshop	06-09-2019	Theft of fuel from the workshop area Port Alfred SAPS CAS 29/09/2018	200 litres of Diesel R2500.00
10.House breaking and Theft	Alexandria admin unit office	2018-09-14 and 2018-09-17	Alexandria CAS 57/09/2018	Computers and electric cord R7500.00
11.Theft	Finance department Port Alfred	2018-10-16	Port Alfred CAS 63 /10/2018	Urn stolen R1000.00
12.Theft	Sea field workshop	2018-11-01	Sea field cas no 01/11/2018	Husqvarna stolen. Value of stolen property is R6000.00.Property recovered and handed back to the Municipality. An arrest has been made
13.Housebreaking and Theft	Kelly's beach	07 to 08/11/2018	Port Alfred SAPS CAS 29/11/2018	Binoculars , first aid kit stolen R3000.00
14.Theft Attempted housebreaking	Santa pump station	16-11-2018	Nemato cas 46/11/2018	A security guard was robbed of his cell phone Pump station main door has been damaged Damage is R8000.00
15.Protest action : Arson , Malicious damage to Property , Damage to infrastructure	Nolukhanyo roads , Ward 5 councillor's office, Bathurst workshop	20-22/11/ 2018	Bathurst cas 26/11/2018 Malicious damage to property and arson Damage to infrastructure Bathurst CAS no 27/11/2018	2 x Water tanks set alight , councillor's office set alight and gutted by fire , Bathurst workshop burned
16.Theft	Civic centre , Port Alfred	23 /11/2018	Port Alfred CAS 71/11/2018 Theft of	Copper cable stolen R 3500

			copper wires	
17.Theft	Station hill Community Hall , Port Alfred	25/11/2018	Port Alfred CAS 100/11/2018 Theft of a wooden door	Wooden door stolen R550.00
18.Theft	Civic Centre , Port Alfred	25/11/2018	Port Alfred CAS 97/12/2018 Theft of a geyser	A geyser stolen R3000.00
19.Theft	Port Alfred workshop	21/01/2019	Port Alfred CAS 103/01/2019	Radio and a battery stolen R1600.00
20.Malicious damage to property	Freestone library , Bathurst	29/01/2019	Bathurst CAS 49/01/2019	A window broken R500.00
21.Housebreaking and theft	Civic centre , Housing	11/02/2019	Port Alfred CAS 11/02/2019	A PC got stolen the value is approximately R9369.00
22.Arson/Malicious damage to property	Bathurst Supervisor 's residence	10/02/2019	Bathurst CAS 25/02/2019	A house and a municipal bakkie set on fire
23.Malicious damage to Property	2 Cause way , Port Alfred	Between 09 and 10 February 2019	Port Alfred CAS 40/02/2019	A board room window and the director's office windows smashed
24Malicious damage to Property	Biscay road , Port Alfred	Between 09 and 10 February 2019	Port Alfred CAS 43 /02/2019	A library and a kitchen window smashed and nothing was stolen R1300.00
25.Theft	Port Alfred workshop	04/03/2019 at 04h30	Port Alfred CAS 10/03/2019	Electric and welding cables had been stolen .A security guard on patrol saw someone running from the workshop .No arrest have been made.R1000.00
26.House breaking and Theft	Port Alfred workshop	Between 15 and 17/03/2019	Port Alfred CAS 77/03/2019	Battery charger and a jack stolen Total value of the damage is R18000.00
27.Malicious damage to Property	Freestone library Protest related	19/03/2019	Bathurst CAS 31/03/2019	Double door set alight and damaged by fire. The value is approximately R6000.00
28.Theft	Civic centre	Between 15 and 18/03/2019	Port Alfred CAS 76/03/2019	Air conditioner stripped R4000.00
29.Robbery and theft	Port Alfred waste water works	16/05/2019	Port Alfred CAS 16/05/2019	Copper cable and 2x cellphones R10.000
30.Malicious damage to property Theft	Round hill nature reserve	Between 2019/04/26 and 2019/05/10	Seafiel CAS 02/05/2019	Electrical wiring Copper pipes and fittings Shower heads Geysers Window pains Security gates Ceiling broken to reach wiring Brass tap fittings Garage door vandalised Estimated damage and value R87750.00
31.House breaking and theft	Alexandria Admin Office	Between 24 and 25 May2019	Alexandria cas 79/05/2019	Roof tiles damaged Four wooden doors damaged 2 Municipal jackets stolen R3320.00 Cash stolen out of

				Municipal safe R4000.00 cash belonging to the supervisor infrastructure Plasma screen 50 cm Dell vos laptop R12 732.00 Samsung 55inch R10133.00
32. House breaking and Theft	Civic centre , Printing room	Between 03 and 04 June 2019	Port Alfred CAS 23/06/2019	A screen – R9000.00

Recovered items

- 1x6 Meters of copper wire recovered in Marselle soccer field;
- 1x Husqvarna chain saw recovered in sea field;
- 3x 25 litres of hidden diesel recovered in the Port Alfred workshop area;
- 1x fire damaged two way hand radio
- **Total = 6**

Security guards/guarded facilities

- Community hall, Freestone library, Soccer field, Workshop, Water purification plant, Other strategic places, Waste water treatment plant, Santa pump station, Port Alfred workshop, BRM sewer ponds, BRM workshop, Alexandria workshop, Animal pound, Material recovery facility.
- **Total =14**

Protest Actions Monitored

- Bathurst /Nolukhanyo,
- Nemato various wards,
- Nonkqubela (informal settlement)
- **Total = 3**

Facilities and assets damaged during Protest action

Nolukhanyo councillors office, Nolukhanyo municipal building, Bathurst workshop, A municipal vehicle (Bathurst supervisor's) **Total = 4**

3.17 TRAFFIC SERVICES

Report financial year 2018/2019 - Motor Vehicle Licencing and Registration (MVRA)

Temporary permits issued	66	R6 930.00
Temporary permits (blank) issued	35	R36 750.00

Special permits issued	44	R3 564.00
Registration of vehicles	2523	R332 640.00
Duplicate registration certificates issued	190	R114 009.00
Licencing of vehicles	15319	R6 949 070.19
Allocated personal number plates	24	R5 184.00
TOTAL FEES COLLECTED BY RA		R8 032 428.52
TOTAL AGENCY FEES (NDLAMBE)		R1 832 023.05
TOTAL PROVINCIAL FEES		R5 616 199.63
RTMC FEES		R584 208.00

The Motor vehicle Licencing and Registration section collected a total **R1, 832 023.05** for the financial year 2018/19

Report financial year 2018/2019 - Driving Licence Testing Centre (DLTC)

Application for Learner Licences	797	R169 761.00
Application for PrDP	634	R68 472.00
Application for Heavy Motor Vehicle tests	1186	R409 170.00
Application for Light Motor Vehicle tests	266	R78 204.00
Duplicate Learner Licences issued	52	R9 360.00
Issued Driving Licences	3989	R754 272.00
Issued Learner Licences	565	R38 985.00
Issued Temporary Driving Licences	2090	R146 880.00

The Driving Licence Testing Centre section collected a total of **R1, 675 556.00** for the financial year 2018 / 2019.

Report financial year 2018/2019 - Law Enforcement (TCS)

Summonses issued	3278	R2 396 557.00
Warrants of Arrests served	11	R5 761.00
Income collected by TCS		R 539 626.00

The Law Enforcement section collected a total of **R539, 626.00** for the financial year 2018 / 2019.

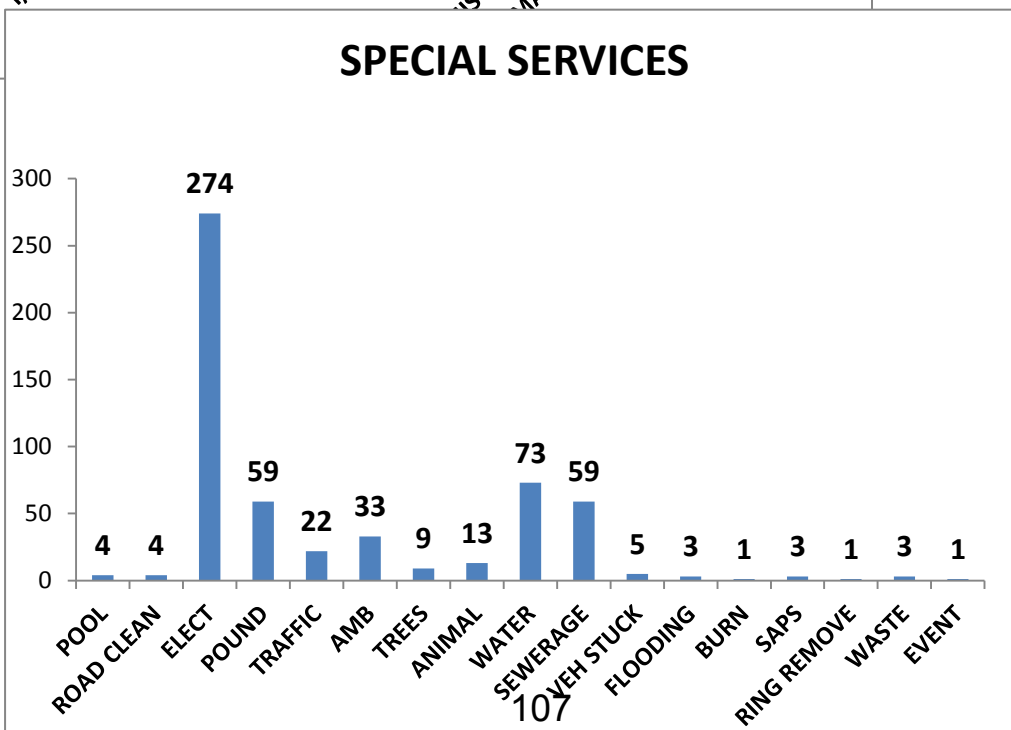
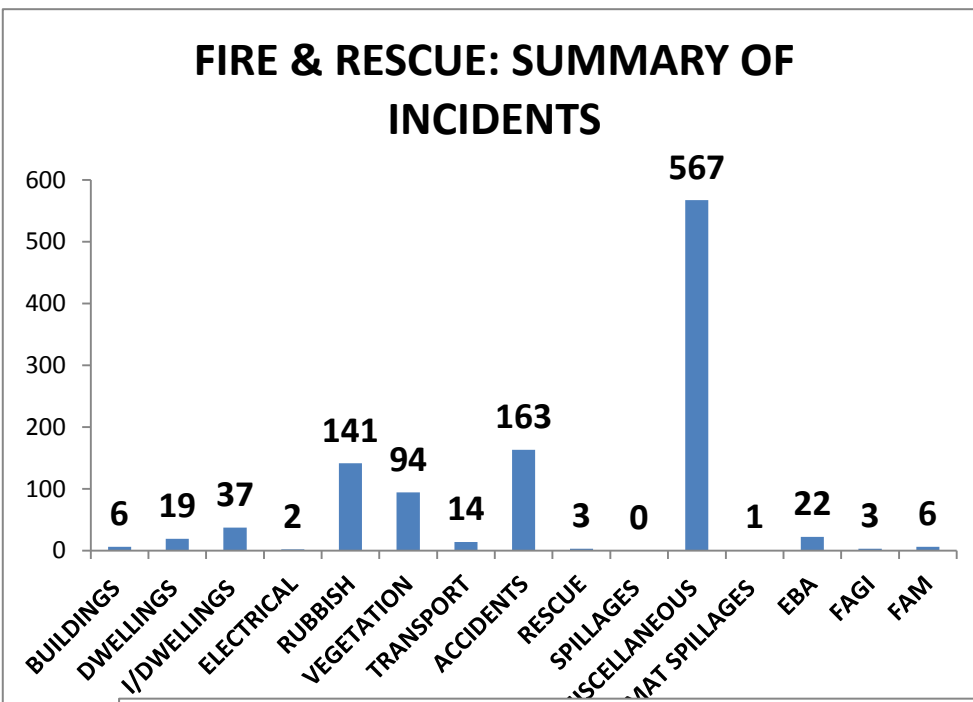
3.18 FIRE

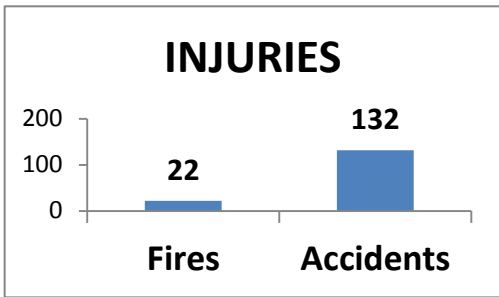
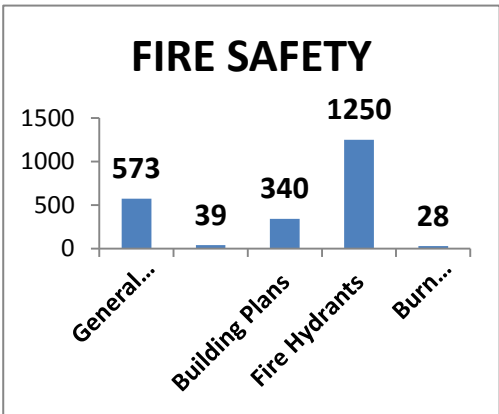
Background

The Fire and Emergency Service is mandated to protect the community of Ndlambe Municipality and visitors against fire and emergencies which may occur and the provision of fire prevention and awareness initiatives to reduce the risk and vulnerability of the community. The enablers for this mandate are Operational readiness and effectiveness, Fire prevention Initiatives, Training and capacity building of Staff and the Community. Currently two Fire Station situated in Port Alfred and Bushmans River Mouth service the Ndlambe Municipal area. Negatively impact on effective response to fires and other incident management initiatives due to delayed arrival times. The Fire Service legislative mandate is:

The SA Constitution, Schedule 4 Part B allocates Fire Fighting Services as a responsibility of local government. The Fire Brigade Services Act (FBSA), 1987 which provides for the establishment, maintenance, employment, coordination and standardization of fire brigade services and matters connected therewith. Currently there is a SLA in place with the District Municipality to assist in the delivery of the service.

Statistics





Challenges

1. Staff compliment is inadequate to render the service optimally.

2. The commissioning of Bushman's Centre with staff, equipment and vehicles will alleviate our response challenges.
3. Lack of Capital outlay for replacement equipment and vehicles.
4. Lack of Support admin staff for the Manager: Fire Service

3.19 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

- Disaster Management is a competency of Sarah Baartman District Municipality. A Disaster Co-Ordinator has been appointed by the District Municipality and he has a satellite office in Port Alfred;
- The Municipality is currently not carrying out the function of Animal Licensing. The control of animals and Public Nuisances is a shared function between Environmental Conservation and Environmental Health.

COMPONENT G: SPORT AND RECREATION

Employees: Sport and Recreation					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalent) No.	Vacancies (as a % of total posts) %

Financial Performance Year 0: Sports and Recreation (R'000)					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue					
Expenditure:					
Employees					
Repairs and Maintenance					
Other					
Total operational Expenditure					

CHAPTER 4

ORGANISATIONAL DEVELOPMENT

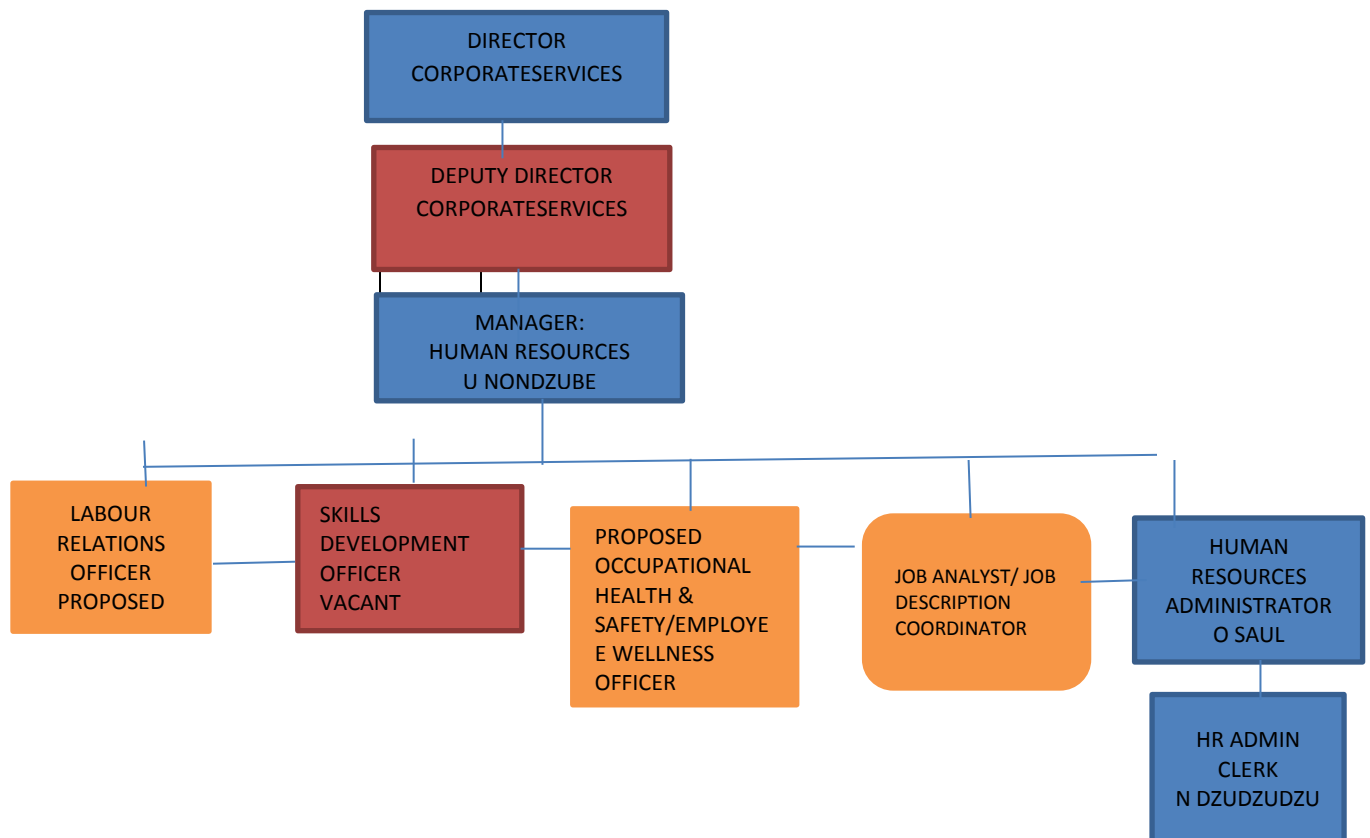
INTRODUCTION TO HUMAN RESOURCE SERVICES

Ndlambe Municipality employs approximately 486 people who currently account for more than 38% of the local municipality's overall budget. It should be understood that people are not only an organisation's most valuable assets, they are the organization. Without them nothing will happen. The staff should be seen and treated as the organisation's customers-it therefore becomes the duty of the municipality to work towards making them successful.

Critical to people management is management of their performance through not only goal setting but also regular performance reviews which is championed by the Office of the Municipal Manager. Of importance in Human Resource Management is the investment in the training of staff-the more staff know the more value will the Municipality be able to add to its customers.

Lastly the Municipality through the Human Resources has to develop mechanisms to measure, absenteeism and staff turnover so as to ensure that the people management process is working optimally through the PayDay System. The effective and strategic management of human resources therefore becomes the cornerstone of the wider transformation of the Local Government Service.

To survive and to remain a key player in sustainable development the municipality thus has to develop measures that will ensure a strategic human resource management approach. The Municipality has an adopted Organisational Structure.



4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees: Human Resources Services					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
Sec 56	1	1	1	0	0
Task Grade 6 – 16	3	4	3	1	

Employees					
Description	Year -1	Year 0			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water	20	23	20	3	
Waste water (sanitation)	37	38	37	1	
Electricity	2	4	2	2	
Waste Management	54	63	54	9	
Housing	8	8	8	0	
Waste Water (storm water drainage)	58	61	58	3	
Roads	56	59	56	3	
Transport	0	0	0	0	
Town Planning & Building Control	10	9	10	1	
Local Economic Development	2	6	2	4	
Planning (strategic and Regulatory)	0	0	0	0	
Community and Social Services	44	60	44	16	
Environmental Protection / Health	3	3	3	0	
Sport and Recreation	1	1	1	0	
Corporate Policy Offices and Other	141	168	141	27	
Totals	434				

Vacancy Rate: Year 2018/19			
Designations	Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0
CFO	1	0	0
Other S57 Managers (excluding Finance Post)	3	0	0
Other S57 Managers (Finance Post)	0	0	0
Fire Fighters	12	0	0
Senior Management levels 13 – 17 (excluding Finance Post)	17	0	0
Senior Management levels 13 – 17 (Finance Post)	3	0	0
Highly skilled supervision: levels 9 – 12 (excluding Finance posts)	20	0	0
Highly skilled supervision: levels 9 -12 (finance posts)	3	0	0
Internal Audit Staff : (Levels 9– 12)	2	0	0

COMMENT ON VACANCIES AND TURNOVER:

The critical positions mentioned in the above column are filled which positively reflect the stability of the Municipality and the functioning of the Retention Strategy of Ndlambe Municipality. However other terminations in lower positions are as a result of resignations, deaths, retirements and dismissals.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Council has reviewed and adopted policies including new policies have been developed. The process of policy development is on-going as the needs may arise with time. It must be noted that the engagement process in consultation with labour at the Local Labour Forum meetings and with the working session with the Councillors in policy development has led to the final adoption of the policies. Local Labour Forum sits on a monthly basis to discuss issues of mutual interest between the employer and organised labour. When the Local Labour Forum does not sit a memorandum of agreement is signed by the Employer and Organised Labour.

The next phase in the policy development is now to workshop staff in all administrative units and consolidate such into HR Municipal Employee Handbook.

4.2 POLICIES

No.	Policy	Last Reviewed & Adoption Date	Custodian(s) Responsible person
1	Allowances Policy	30 June 2017	Corporate Services
2	Bereavement Policy	30 June 2017	Corporate Services
3	Employee Wellness Policy	30 June 2017	Corporate Services
4	Labour Relations Policy	30 June 2017	Corporate Services
5	Leave Policy	30 June 2017	Corporate Services
6	Occupational Health & Safety Policy	07 December 2018	Corporate Services
7	Overtime Policy	30 June 2017	Corporate Services
8	Private Work (Code of Conduct) Policy	07 December 2018	Corporate Services
9	Remuneration Policy	30 June 2017	Corporate Services
10	Recruitment and Selection Policy	29 March 2018	Corporate Services
11	Essential User Car Scheme Policy	07 December 2018	Corporate Services
12	Study and Capacity Building Policy	30 June 2017	Corporate Services
13	New Policy Disciplinary Procedure Agreement	29 March 2018	Corporate Services
14	Motor Vehicle Allowance	29 March 2018	Corporate Services
15	Policy On Casual Or Contract Workers	17 November 2017	Corporate Service
16	Grievance Policy	27 May 2016	Corporate Services
17	Attendance and Punctuality Policy	27 May 2016	Corporate Services
18	Relocation Policy	27 May 2016	Corporate Services

19	Retention and scarce skills Policy	27 March 2019	Corporate Services
20	Smoking Policy	27 March 2019	Corporate Services
21	Substance abuse Policy	27 May 2016	Corporate Services
22	Job Evaluation Policy	29 August 2018	Corporate Services
23	Chronic illness Policy	27 May 2016	Corporate Services
24	Sexual Harassment Policy	27 March 2019	Corporate Services

4.3 INJURIES, SICKNESS AND SUSPENSIONS

COMMENT ON INJURY AND SICK LEAVE:

The use of injury on duty leave has been low as the injuries sustained during the year were not gross in nature. Six cases were reported to the Compensation Fund for injuries. Two employees were dismissed for serious misconduct. On the other hand the use of sick leave has proven to be high due to lifestyle diseases amongst other things. There are various reasons to this and they could be ill-health as there are chronic illnesses and also the abuse of sick leave. There has been no suspension of employees.

Financial Competency Development: Progress Report*

Description	A. Total Number of officials employed by municipality (Regulations 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial officials						
Accounting Officer	1	0	1	1	1	1
Chief Financial Officer	1	0	1	1	1	1
Senior Managers	4	0	4	4	4	4
Any other Officials	10	0	0	10	0	0
Supply Chain Management Officials	3	0	0	3	0	0
Heads of supply chain management units	1	0	0	1	0	0

Supply chain management senior managers	0	0	0	0	0	0
Total	20	0	6	20	6	6

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The municipality recognises the investment in human capital through capacitation of staff. Annually the Workplace Skills Plan is developed and submitted to the Local Government Seta. The plan contains the capacity building programmes for its Councillors and workforce.

TRAINING REPORT:

NAME & SURNAME	TYPE OF LEARNING PROGRAMME	NAME OF LEARNING PROGRAMME
1. Ntombekhongo Vicky Mfo Admin Officer	Bursary	National Diploma Public Administration Management
2. Nosiselo Xhasa Ward Councillor	Bursary	Local Government Law and Administration 2 nd Year
3. Thembekile Mbunge Ward Councillor	Bursary	Local Government Law and Administration 2 nd Year
4. Phil Yedwa Kani Ward Councillor	Bursary	Local Government Law and Administration 2 nd Year
5. Mfundo Nyama Library Assistant	Bursary	Bachelor Degree Information Science
6. Mbuleli Eric Njibana Councillor	Bursary	Diploma Marketing
7. Mkhululi Raco Councillor	Bursary	Diploma Business Management
8. Wanezile Futuse Cashier	Bursary	Higher Certificate Accounting Science
9. Aubrina Coltman Records Administrator	Bursary	Higher Certificate Records and Archives
10. Unathi Nondzube Human Resources Manager	Bursary	Practical Labour Law Programme NQF Level 7
11. Olwethu Saul Senior Personnel Officer	Bursary	Post Graduate Diploma Human Resources Management

12. Xolani Tyatya Superintendent Roads and General	Bursary	BTech Urban Civil Engineering
13. Siphokazi Mfanyana ISD Officer	Bursary	Diploma Fleet Management
14. Pumeza Kondile Library Assistant	Bursary	Higher Certificate In Records and Archives Management
15. Xoliswa Pase Cleaner - Library	Bursary	Higher Certificate In Records and Archives Management
16. Patrick Jokani Building Inspector	Bursary	Bachelor of Commerce

LGSETA DISCRETIONARY GRANT

NAME & SURNAME	TYPE OF LEARNING PROGRAMME	NAME OF LEARNING PROGRAMME
1. Ntomboxolo Ngxwashula	Bursary	MSc Built Environment (Property Economics and Evaluation)
2. Tandazwa Gcweka	Learnership	National Certificate: Water and WasteWater Treatment Process Control (NQF L 3)
3. Nosithembiso Mjuza	Learnership	National Certificate: Water and WasteWater Treatment Process Control (NQF L 3)
4. Phindile Gilbert Gula	Learnership	National Certificate: Water and WasteWater Treatment Process Control (NQF L 3)
5. Mzwandile Ngene	Learnership	National Certificate: Water and WasteWater Treatment Process Control (NQF L 3)
6. Sinethemba Mandara	Learnership	National Certificate: Water and WasteWater Treatment Process Control (NQF L 3)

EKURHULENI ARTISAN AND TRAINING

NAME & SURNAME	TYPE OF LEARNING PROGRAMME	UNIT
1. Lubabalo Kolele	Plumbing	Port Alfred
2. Wezo Njibana	Plumbing	Port Alfred
3. Themba Kiti	Plumbing	Port Alfred
4. Oupa Futa	Plumbing	Bathurst

5. Sakhekile Julius JamJam	Plumbing	Cannon Rocks
6. Luvuyo Stephen Kalipa	Plumbing	Port Alfred
7. Luyanda Ngqokoqwane	Plumbing	Port Alfred
8. Bonisile Wellington Moyikwa	Plumbing	Seafield
9. Luyanda Christopher Mbabela	Plumbing	Port Alfred
10. Sindile Mbele	Plumbing	Alexandria
11. Fundile Tontela	Plumbing	Kenton On Sea
12. Luyanda Ngqokoqwane	Plumbing	Port Alfred
13. Sifundo Eric Runeli	Electrician	Port Alfred
14. Mzwanele Goodman Mtatana	Mechanics	Port Alfred
15. Kwanele Isaac	Mechanics	Port Alfred
16. Mlandeli Bakaqana	Mechanics	Kenton on Sea
17. Xolani Ngeleza	Mechanics	Port Alfred
18. Mphilisi Ntandani	Roads & Civil	Port Alfred
19. Sabelo Mtyapha	Roads & Civil	Port Alfred
20. Mongezi Mazondwa	Roads & Civil	Kenton on Sea
21. Mnyamezeli Veto	Paving	Bathurst
22. Clayton Leander	Paving	Alexandria
23. Thomas Kiti	Paving	Port Alfred
24. Mlulami Gqirhana	Paving	Kenton On Sea
25. Phikile Dawete	Paving	Cannon Rocks

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

The expenditure on skills development is prioritised according to the needs of the organisation in order to enhance service delivery. All the Head of Departments have attended the financial competency regulations. The municipality also invests on its employees through formal education. The Finance Interns are also trained in the financial competency space through the MSIG.

4.4 CUSTOMER CARE UNIT

OBJECTIVES

- To use the Batho Pele Principles as a milestone for monitoring and providing feedback on quality of municipal service delivery;
- To use and entrench people centeredness and Batho Pele as a service delivery improvement tool for the municipality

The White Paper on Transformation of Public Services aims to provide people centred customer service. It calls for a shift away from inward looking systems, processes and attitudes to the issues and interests of the people or the public.

To deliver people centred services it is important for the municipality to embrace and institutionalize the Batho Pele principles. This is not only to ensure that the municipality complies with legislation but a people centred culture leads to improved service delivery.

1. PROPOSED PROCESS PLAN

- Conduct diagnostic analysis
- Develop tools for diagnostic analysis in a phased approach
- Develop and propose solutions
- Develop Customer Relations Framework/Strategy
- Integrated Service Delivery (a move away from silo mentality negative effect on service delivery)
- Surveys (CRM) internal and external
- Reporting Matrix for continuous improvement
- Understanding the importance of customer / customer retention

4.5 COMMITTEE SUPPORT

COUNCIL

INITIALS & SURNAME	CONTACT DETAILS	Political Party
Councillor N V Maphaphu (Speaker)	0837900232	African National Congress
Councillor K C Ncamiso (Mayor)	0682588862	African National Congress
Councillor N Gamlashe	0733749106	African National Congress

Councillor T M Mbunge	0794509779	African National Congress
Councillor C B James	0721509667	African National Congress
Councillor A Ngqosha	0648608009	African National Congress
Councillor A L Marasi	0734282952	African National Congress
Councillor M Raco	0836909634	African National Congress
Councillor M W Yali	0783619802	African National Congress
Councillor T Mazana	0837900242	African National Congress
Councillor M E Njibana	0789740452	African National Congress
Councillor R L Schenk	0835583195	Democratic Alliance
Councillor M Mateti	0837900248	African National Congress
Councillor N Xhasa	0815451556	African National Congress
Councillor K Daweti	0794935247	Democratic Alliance
Councillor J P Guest	0785391910	Democratic Alliance
Councillor Y P Kani	0733608113	Democratic Alliance
Councillor S Venene	0837900252	Democratic Alliance
Councillor X Runeli	0736400624	Economic Freedom Fighters
Councillor T D Mbekela	0734908838	Democratic Alliance

EXECUTIVE COMMITTEE (EXCO)

Councillor K C Ncamiso	Mayor, Chairperson & Portfolio Head: Corporate Services	African National Congress
Councillor T Mazana	Portfolio Head: Infrastructural Development	African National Congress
Councillor R Schenk	Portfolio Head: Finance	Democratic Alliance
Councillor N Xhasa	Portfolio Head: Community and Protection Services	African National Congress

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

Councillor T Mbunge	Chairperson	African National Congress
Councillor K Daweti	Member	Democratic Alliance
Councillor M Mateti	Member	African National Congress
Councillor T Mbekela	Member	Democratic Alliance

RULES AND ETHICS COMMITTEE

Councillor N Maphaphu	Chairperson	African National Congress
Councillor K Daweti	Member	Democratic Alliance
Councillor M Njibana	Member	African National Congress
Councillor N Gamlashe	Member	African National Congress

INTERGOVERNMENTAL RELATIONS (IGR)

Initials & Surname	Political Party
Councillor K C Ncamiso (Mayor)	African National Congress
Councillor N V Maphaphu (Speaker)	African National Congress
Councillor N Gamlashe	African National Congress
Councillor T M Mbunge	African National Congress
Councillor C B James	African National Congress
Councillor A Ngqosha	African National Congress
Councillor A L Marasi	African National Congress
Councillor M Raco	African National Congress
Councillor M W Yali	African National Congress
Councillor T Mazana	African National Congress
Councillor M E Njibana	African National Congress
Councillor M Mateti	African National Congress
Councillor N Xhasa	African National Congress
Councillor R L Schenk	Democratic Alliance

Councillor J P Guest	Democratic Alliance
Councillor Y P Kani	Democratic Alliance
Councillor S Venene	Democratic Alliance
Councillor K Daweti	Democratic Alliance
Councillor T D Mbekela	Democratic Alliance
Councillor X Runeli	Economic Freedom Fighters

CHAPTER 5

ORGANISATIONAL SCORECARD

5.1 INTRODUCTION

At this level the performance of the municipality will be measured and managed against the progress made in achieving the strategic objectives as set out in the Integrated Development Plan (IDP) of the municipality. This will be done on the basis of Key Performance Indicators and targets set for each of the IDP objectives of the municipality. Given the fact that the IDP has a five-year time span, the measures set at this level will be of a strategic and mostly long-term nature with an outcome and impact focus. The measures set for the Municipality at an organisational level are captured in an organisational scorecard below.

5.2 Process and scoring

Performance is reviewed on a quarterly basis within two weeks after completion of the evaluation of a department or section to which the employee belongs. The employer will keep a record of the mid-year review and annual assessment meetings. The performance plan includes a Personal Development Plan, in order to address any weaknesses or skills gaps which may have been identified.

In summary, the annual performance appraisal will involve an assessment of results as outlined in the performance plan.

KPA assessment

1. Each KPA will be assessed according to whether performance indicators have been met
2. An indicative rating on a 5-point scale will be provided for each KPA

The scoring system suggested by the Regulations is captured in the table below.

Table 5: Scoring suggested by the Regulations (2006)

Level	Terminology	Description	Proposed revised definitions or performance against indicators
5	Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the Employee has achieved above fully effective results against all performance criteria and indicators as specified in the PA and Performance plan and maintained this in all areas of responsibility throughout the year.	Individual has performed exceptionally on these indicators and has very significantly surpassed expectations.
4	Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the Employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.	Individual has performed well and has gone slightly above expectations.
3	Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the Employee has fully achieved effective results against all significant performance criteria and indicators as specified in the PA and Performance Plan.	Individual has met the expectations associated with these indicators.
2	Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the PA and Performance Plan.	Performance is below the standard required for the job in key areas.
1	Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the PA and Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.	Individual has performed poorly on these indicators – significantly below the standard required

5.3 Evaluators

For the first and third quarter, Managers reporting directly to the Municipal Manager are assessed on a one-on-one basis by the Municipal Manager and in turn the Municipal Manager is assessed by the Mayor on a one-on-one basis.

For purposes of evaluating the mid-year and annual performance of the Municipal Manager, an evaluation panel constitutes of the following persons:

- Mayor;
- Chairperson of the audit and performance committee;
- Member of the Executive Committee; (In the Municipal Manager's case it is the Mayor)
- Mayor and/or municipal manager from another municipality;
- Councillor from the opposition party;
- Chief Internal Auditor; and
- IDP/PMS Manager

For purposes of evaluating the mid-year and annual performance of managers directly accountable to the municipal managers, an evaluation panel constitutes of the following persons:

- Municipal Manager;
- Chairperson of the audit and performance committee;
- Member of the Executive Committee;
- Municipal manager from another municipality.
- Councillor from the opposition party;
- Chief Internal Auditor; and
- IDP/PMS Manager

Department	Strategic Objective	Strategy	Key Performance Indicator (KPI)	Planned	Months 2017/18	Actual Results		Score	Achievable Achievement	Actual Achievement	Means of Verification	Bureaucratic Action	Means of Verification	Comments
						2017/2018	Actual 2017/18							
Financial Services	1. Improve financial stability of the Municipality	Increase budget provision for social projects and investments	Percentage of budgeted capital projects allocated to social projects and investments	Targeted Amount, Maintenance of Budget, Maintenance of Office Buildings, Maintenance of Public Services and Facilities, Social and Welfare Services, Maintenance of Urban Infrastructure, Maintenance of Urban Infrastructure, Maintenance of Urban Infrastructure	9.45	1%	1%	4	Actual	For the financial year under review the Municipality increased the Budget Provisions for social projects and investments budget by 4.7% from R12.7% to R17.4%.	Chief Financial Officer	Chief Financial Officer	Chief Financial Officer	
Financial Services	2. Improve financial stability of the Municipality	Improve budget provision	Customer Rate	Revenue Collection	87%	95%	95%	8	Achieved	Customer Rate increased from 87% to 95%.	Chief Financial Officer	Chief Financial Officer	Chief Financial Officer	
Financial Services	3. Improve financial stability of the Municipality	Decrease net debt	Net Debt Ratio	Debt	Net Debt Ratio	30	30	4	Not Achieved	Net Debt Ratio increased from 30 to 32.	Chief Financial Officer	Chief Financial Officer	Chief Financial Officer	
Financial Services	4. Improve financial stability of the Municipality	Improve net coverage	Net Coverage Ratio	Net Coverage	Net Coverage	110%	100%	3	Achieved	Net Coverage Ratio increased from 100% to 110%.	Chief Financial Officer	Chief Financial Officer	Chief Financial Officer	
Financial Services	5. Improve financial stability of the Municipality	Improve net coverage	Net Coverage Ratio	Net Coverage	Net Coverage	100%	100%	3	Achieved	Net Coverage Ratio increased from 100% to 100%.	Chief Financial Officer	Chief Financial Officer	Chief Financial Officer	
KEY PERFORMANCE INDICATORS - GOVERNANCE AND PUBLIC PARTICIPATION														
Department	Strategic Objective	Strategy	Key Performance Indicator (KPI)	Planned	Months 2017/18	Actual 2017/18	Actual 2017/18	Score	Achieved Achievement	Actual Achievement	Means of Verification	Means of Verification	Comments	
Community Services	1. Improve the efficiency of service delivery and the responsiveness of the Municipality	Improve service delivery and responsiveness	Percentage of service delivery projects completed within the allocated budget	Targeted Percentage of Service Delivery Projects Completed Within Budget	90%	90%	90%	3	Achieved	90%	90%	90%	90%	90%

ANNEXURE A

NDLAMBE ORGANOGRAM

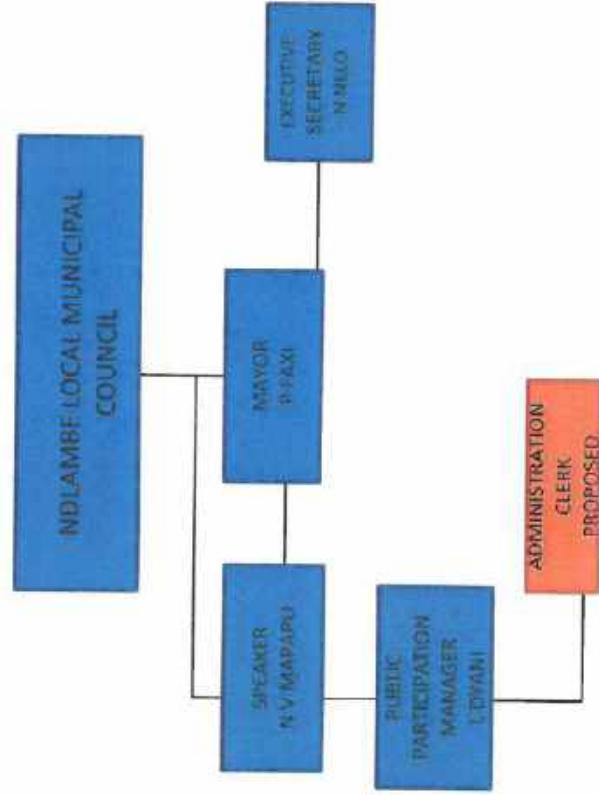


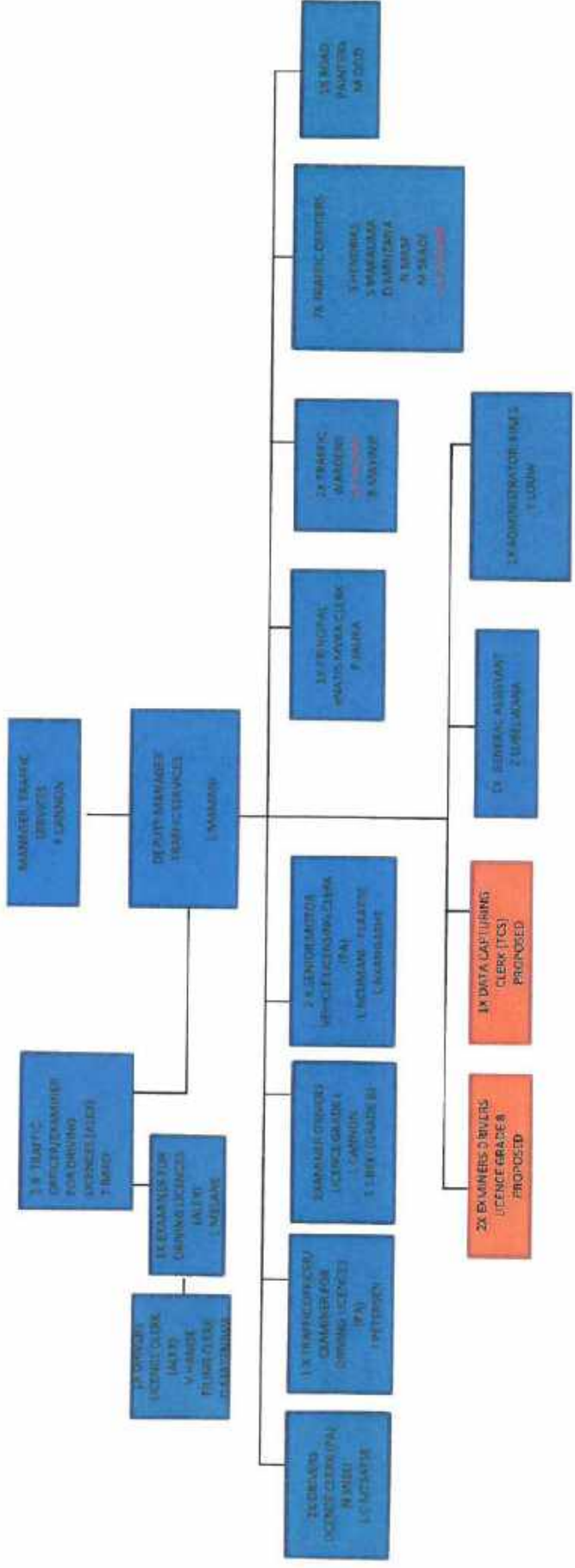
NDLAMBE LOCAL MUNICIPALITY EC 105

ORGANISATIONAL STRUCTURE

OFFICE OF THE MAYOR AND SPEAKER

- ILLED
- PROPOSE
- VACANT
- FROZEN





**REFUSE AND CLEANSING
PORT ALFRED UNIT**

GRAND DIRECTOR
ALFRED

ANNEXURE B

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2019**



Ndlambe Local Municipality
Annual Financial Statements
for the year ended 30 June 2019

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Ndlambe Municipality (EC 105) is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
Executive committee	
Mayor	Councillor PP Faxi - Corporate Services Portfolio
Speaker	Councillor NV Maphaphu
Executive Councillors	Councillor T Mazana - Infrastructure Portfolio Councillor N Xhasa - Community Protection Portfolio Councillor LR Schenk - Finance Portfolio
Councillors	Councillor TM Mbunge - MPAC Chair Councillor AL Marasi - Chief Whip Councillor N Ngamlashe Councillor A Ngqosha Councillor CB James Councillor M Raco Councillor JP Guest Councillor MW Yali Councillor ME Njibana Councillor M Mateti Councillor K Daweti Councillor PY Kani Councillor S Venene Councillor TD Mbekela Councillor X Runeli replacing Councillor L Shahzad *
Accounting Officer	R Dumezweni
Business address	47 Campbell Street Port Alfred 6170
Postal address	P O Box 13 Port Alfred 6170
Bankers	First National Bank
Auditors	Auditor General
Jurisdiction	The Ndlambe Local Municipality includes the following areas: Port Alfred Bathurst Alexandria Kenton-on-Sea Cannon - Rocks Seafield Marselle

-* effective 5 February 2019

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Index

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

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DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
DESRAC	Department of Sport Recreation, Arts and Culture
DME	Department of Minerals and Energy
DWAF	Department of Water and Forestry
ACIP	Accelerated Capital Infrastructure Project
DoRA	Division of Revenue Act

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

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 he 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 year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

R Dumezweni
Accounting Officer

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	3	1 153 324	674 199
Receivables from non-exchange transactions	4	22 139 639	10 500 935
Receivables from exchange transactions	5	9 418 488	14 692 767
Cash and cash equivalents	6	45 325 049	64 263 364
Operating lease asset	7	609 752	371 317
		78 646 252	90 502 582
Non-Current Assets			
Investment property	8	185 229 772	186 405 896
Property, plant and equipment	9	941 716 853	914 839 053
Intangible assets	10	604 544	1 120 018
Heritage assets	11	16	16
Other financial assets	12	59 389	147 626
		1 127 610 574	1 102 512 609
Total Assets		1 206 256 826	1 193 015 191
Liabilities			
Current Liabilities			
Consumer deposits	14	2 130 231	1 999 159
Payables from exchange transactions	15	38 492 575	58 928 488
Unspent conditional grants and receipts	16	1 738 982	3 239 793
VAT payable	17	4 638 097	5 319 307
Financial liabilities - DBSA	18	2 169 244	1 931 498
Operating lease liability	7	15 125	29 726
Employee benefit obligation	19	3 596 681	3 038 705
Provisions	20	12 268 947	11 672 575
		65 049 882	86 159 251
Non-Current Liabilities			
Financial liabilities - DBSA	18	8 103 375	10 266 132
Employee benefit obligation	19	62 555 657	65 539 181
Provisions	20	27 886 468	22 499 623
		98 545 500	98 304 936
Total Liabilities		163 595 382	184 464 187
Net Assets		1 042 661 444	1 008 551 004
Accumulated surplus		1 042 661 442	1 008 551 012

* See Note 41

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	127 069 229	116 852 828
Burial services		343 948	237 937
Rental of facilities and equipment		374 505	811 545
Licences and permits		3 859 335	4 358 794
Housing debtor income		2 087 700	1 202 456
Other income	23	2 933 675	2 446 703
Interest received - investment	24	4 818 048	4 327 640
Interest received - Trade and other receivables		8 447 839	7 510 127
Total revenue from exchange transactions		149 934 279	137 748 030
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	101 277 220	90 227 756
Environmental levies		5 267 299	3 771 048
Transfer revenue			
Government grants & subsidies	26	166 716 112	128 448 435
Public contributions and donations	27	3 430 468	8 740 832
Fines, Penalties and Forfeits		609 830	434 970
Total revenue from non-exchange transactions		277 300 929	231 623 041
Total revenue	21	427 235 208	369 371 071
Expenditure			
Employee related costs	28	(128 140 675)	(120 897 738)
Remuneration of councillors	29	(7 280 050)	(6 868 825)
Depreciation and amortisation	30	(43 565 721)	(43 312 787)
Finance costs	31	(6 207 342)	(3 505 590)
Lease rentals on operating lease		(1 747 974)	(2 012 034)
Debt Impairment	32	(27 331 566)	(28 484 691)
Bulk purchases	33	(59 185 522)	(55 456 438)
Renewable Energy Programmes		(832 280)	(2 097 486)
Contracted services		(51 675 734)	(37 135 499)
Transfers and Subsidies		(3 286 036)	(1 895 176)
General Expenses	34	(56 402 509)	(46 524 369)
Total expenditure		(385 655 409)	(348 190 633)
Operating surplus		41 579 799	21 180 438
Loss on disposal of assets and liabilities		(4 815 128)	(1 443 804)
Fair value adjustments	35	(2 654 235)	(5 144 912)
		(7 469 363)	(6 588 716)
Surplus for the year		34 110 436	14 591 722

* See Note 41

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	686 648 386	686 648 386
Adjustments		
Correction of errors	Note 41 307 310 904	307 310 904
Balance at 01 July 2017 as restated*	993 959 290	993 959 290
Changes in net assets		
Surplus for the year	14 591 722	14 591 722
Total changes	14 591 722	14 591 722
Restated* Balance at 01 July 2018	1 008 551 006	1 008 551 006
Changes in net assets		
Surplus for the year	34 110 436	34 110 436
Total changes	34 110 436	34 110 436
Balance at 30 June 2019	1 042 661 442	1 042 661 442
Note(s)		

* See Note 41

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Rates and services		203 814 335	187 516 245
Government Grants and Subsidies		166 716 112	128 448 435
Interest income		13 265 887	11 837 766
Other receipts		5 631 205	4 084 129
		<u>389 427 539</u>	<u>331 886 575</u>
Payments			
Employee costs		(135 420 725)	(127 766 563)
Suppliers		(194 676 253)	(145 873 976)
Finance costs		(6 207 342)	(3 505 590)
		<u>(336 304 320)</u>	<u>(277 146 129)</u>
Net cash flows from operating activities	37	<u>53 123 219</u>	<u>54 740 446</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(70 154 372)	(37 887 882)
Proceeds from sale of property, plant and equipment	9	21 212	450 679
Purchase of other intangible assets	10	(3 363)	(169 786)
		<u>(70 136 523)</u>	<u>(37 606 989)</u>
Net cash flows from investing activities		<u>(70 136 523)</u>	<u>(37 606 989)</u>
Cash flows from financing activities			
Repayment of financial liabilities - DBSA		(1 925 011)	(1 717 178)
		<u>(1 925 011)</u>	<u>(1 717 178)</u>
Net cash flows from financing activities		<u>(1 925 011)</u>	<u>(1 717 178)</u>
Net increase/(decrease) in cash and cash equivalents		(18 938 315)	15 416 279
Cash and cash equivalents at the beginning of the year		64 263 364	48 847 085
Cash and cash equivalents at the end of the year	6	<u>45 325 049</u>	<u>64 263 364</u>

* See Note 41

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	108 980 508	1 280 000	110 260 508	127 069 229	16 808 721	47.1
Rendering of services	230 368	-	230 368	343 948	113 580	47.2
Rental of facilities and equipment	265 341	-	265 341	374 505	109 164	47.3
Interest received - Trade and other receivables	7 899 973	-	7 899 973	8 447 839	547 866	47.4
Licences and permits	9 284 083	-	9 284 083	3 859 335	(5 424 748)	47.5
Housing debtor income	4 019 598	-	4 019 598	2 087 700	(1 931 898)	47.6
Other income	3 950 343	-	3 950 343	2 933 675	(1 016 668)	47.7
Interest received - investment	2 712 098	-	2 712 098	4 818 048	2 105 950	47.8
Dividends received	35 904	-	35 904	-	(35 904)	47.9
Total revenue from exchange transactions	137 378 216	1 280 000	138 658 216	149 934 279	11 276 063	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	103 976 211	-	103 976 211	101 277 220	(2 698 991)	47.10
Environmental levies	1 318 178	-	1 318 178	5 267 299	3 949 121	47.11
Transfer revenue						
Government grants & subsidies	123 659 019	47 739 525	171 398 544	166 716 112	(4 682 432)	47.12
Public contributions and donations	-	-	-	3 430 468	3 430 468	47.13
Fines, Penalties and Forfeits	3 168 320	-	3 168 320	609 830	(2 558 490)	47.14
Total revenue from non-exchange transactions	232 121 728	47 739 525	279 861 253	277 300 929	(2 560 324)	
Total revenue	369 499 944	49 019 525	418 519 469	427 235 208	8 715 739	
Expenditure						
Personnel	(144 401 687)	1 475 981	(142 925 706)	(128 140 675)	14 785 031	47.15
Remuneration of councillors	(7 576 585)	-	(7 576 585)	(7 280 050)	296 535	47.16
Depreciation and amortisation	(8 089 216)	-	(8 089 216)	(43 565 721)	(35 476 505)	47.17
Finance costs	(1 419 111)	-	(1 419 111)	(6 207 342)	(4 788 231)	47.18
Lease rentals on operating lease	(2 153 128)	(442 648)	(2 595 776)	(1 747 974)	847 802	47.19
Debt Impairment	(22 779 024)	-	(22 779 024)	(27 331 566)	(4 552 542)	47.20
Collection costs	-	-	-	(832 280)	(832 280)	
Bulk purchases	(48 500 000)	1 074 322	(47 425 678)	(59 185 522)	(11 759 844)	47.21
Contracted Services	(51 000 016)	(3 980 007)	(54 980 023)	(51 675 734)	3 304 289	47.22
Transfers and Subsidies	(2 196 000)	(730 671)	(2 926 671)	(3 286 036)	(359 365)	47.23
General Expenses	(55 456 238)	(321 366)	(55 777 604)	(56 402 509)	(624 905)	47.24
Total expenditure	(343 571 005)	(2 924 389)	(346 495 394)	(385 655 409)	(39 160 015)	
Operating surplus	25 928 939	46 095 136	72 024 075	41 579 799	(30 444 276)	
Loss on disposal of assets and liabilities	-	-	-	(4 815 128)	(4 815 128)	47.25
Fair value adjustments	-	-	-	(2 654 235)	(2 654 235)	47.26

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	25 928 939	46 095 136	72 024 075	34 110 436	(37 913 639)	

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	20 000	20 000	1 153 324	1 133 324	47.27
Operating lease asset	-	-	-	609 752	609 752	47.27
Receivables from non-exchange transactions	4 385 953	-	4 385 953	22 139 639	17 753 686	47.27
Receivables from exchange transactions	(72 494 814)	640 000	(71 854 814)	9 418 488	81 273 302	47.27
Cash and cash equivalents	71 331 569	(3 661 770)	67 669 799	45 325 049	(22 344 750)	47.27
	3 222 708	(3 001 770)	220 938	78 646 252	78 425 314	
Non-Current Assets						
Investment property	-	-	-	185 229 772	185 229 772	47.27
Property, plant and equipment	44 679 739	49 471 406	94 151 145	941 716 853	847 565 708	47.27
Intangible assets	841 491	(399 500)	441 991	604 544	162 553	47.27
Heritage assets	-	-	-	16	16	47.27
Other financial assets	-	-	-	59 389	59 389	47.27
	45 521 230	49 071 906	94 593 136	1 127 610 574	1 033 017 438	
Total Assets	48 743 938	46 070 136	94 814 074	1 206 256 826	1 111 442 752	
Liabilities						
Current Liabilities						
Financial liabilities - DBSA	-	-	-	2 169 244	2 169 244	47.27
Operating lease liability	-	-	-	15 125	15 125	47.27
Payables from exchange transactions	22 815 000	-	22 815 000	38 492 575	15 677 575	47.27
VAT payable	-	-	-	4 638 097	4 638 097	47.27
Consumer deposits	-	-	-	2 130 231	2 130 231	47.27
Employee benefit obligation	-	-	-	3 596 681	3 596 681	47.27
Unspent conditional grants and receipts	-	-	-	1 738 982	1 738 982	47.27
Provisions	-	-	-	12 268 947	12 268 947	47.27
	22 815 000	-	22 815 000	65 049 882	42 234 882	
Non-Current Liabilities						
Financial liabilities - DBSA	-	-	-	8 103 375	8 103 375	47.27
Employee benefit obligation	-	-	-	62 555 657	62 555 657	47.27
Provisions	-	-	-	27 886 468	27 886 468	47.27
	-	-	-	98 545 500	98 545 500	
Total Liabilities	22 815 000	-	22 815 000	163 595 382	140 780 382	
Net Assets	25 928 938	46 070 136	71 999 074	1 042 661 444	970 662 370	
Net Assets						
Accumulated surplus	25 928 938	46 070 136	71 999 074	1 042 661 444	970 662 370	47.27

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Rates and services	-	-	-	203 018 988	203 018 988	47.28
Sale of goods and services	-	-	-	166 716 112	166 716 112	47.28
Interest income	-	-	-	13 265 887	13 265 887	47.28
Other receipts	-	-	-	5 631 205	5 631 205	47.28
	-	-	-	388 632 192	388 632 192	
Payments						
Employee costs	-	-	-	(140 760 037)	(140 760 037)	47.28
Suppliers	-	-	-	(193 446 353)	(193 446 353)	47.28
Finance costs	-	-	-	(1 302 583)	(1 302 583)	47.28
	-	-	-	(335 508 973)	(335 508 973)	
Net cash flows from operating activities	-	-	-	53 123 219	53 123 219	
Cash flows from investing activities						
Purchase of property, plant and equipment	-	-	-	(70 154 371)	(70 154 371)	47.28
Proceeds from sale of property, plant and equipment	-	-	-	21 211	21 211	47.28
Purchase of other intangible assets	-	-	-	(3 363)	(3 363)	47.28
Net cash flows from investing activities	-	-	-	(70 136 523)	(70 136 523)	
Cash flows from financing activities						
Repayment of financial liabilities - DBSA	-	-	-	(1 925 011)	(1 925 011)	47.28
Net increase/(decrease) in cash and cash equivalents	-	-	-	(18 938 315)	(18 938 315)	47.28
Cash and cash equivalents at the beginning of the year	-	-	-	64 263 364	64 263 364	47.28
Cash and cash equivalents at the end of the year	-	-	-	45 325 049	45 325 049	
Reconciliation						

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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 & Rounding

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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, held to maturity investments and loans and 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.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

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 20 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

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.

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.

Cost model

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

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

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

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

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 8).

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.

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 are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any 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	50 Years
Plant and machinery	Straight line	15 Years

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Accounting Policies

1.5 Property, plant and equipment (continued)

Motor vehicles	Straight line	5 - 15 Years
Office equipment	Straight line	3 - 5 Years
IT equipment	Straight line	3 - 5 Years
Community	Straight line	10 - 30 Years
Electricity Network	Straight line	20 - 30 Years
Roads	Straight line	20 Years
Wastewater Network	Straight line	20 Years
Water Network	Straight line	20 Years

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.

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

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.

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Accounting Policies

1.6 Intangible assets (continued)

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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	3 Years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

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.

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.

Ndlambe Local Municipality

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Accounting Policies

1.7 Heritage assets (continued)

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

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.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

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

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.

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Accounting Policies

1.8 Financial instruments (continued)

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.

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.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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 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.

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.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.8 Financial instruments (continued)

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.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Ndlambe Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

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	Category
Consumer Debtors	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	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	Category
Payables	Financial liability measured at amortised cost
DBSA Loans	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets 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.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Ndlambe Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity assess 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.

Ndlambe Local Municipality

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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.

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

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

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

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

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

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

Financial liabilities

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

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

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Accounting Policies

1.8 Financial instruments (continued)

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).

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.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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Accounting Policies

1.10 Inventories (continued)

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 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.

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

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Accounting Policies

1.11 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.

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.12 Impairment of non-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.

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

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 managed 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 service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

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 made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

Ndlambe Local Municipality

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Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

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.

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.

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Accounting Policies

1.13 Employee benefits (continued)

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 measure 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.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

Ndlambe Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Ndlambe Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

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.

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 (deficit).

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.

Ndlambe Local Municipality

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Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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.

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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

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.

Ndlambe Local Municipality

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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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

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 an 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.

Ndlambe Local Municipality

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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, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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 or 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.

Ndlambe Local Municipality

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Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

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

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

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.17 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 year.

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

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

1.22 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.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

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

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.23 Budget information (continued)

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 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.26 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of the financial period the municipality determined commitments in respect of capital expenditure in terms of GRAP 17 that has been approved and contracted for.

Ndlambe Local Municipality

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Accounting Policies

1.27 Material Losses (Water and Electricity)

Water and electricity losses are required to be disclosed as part of the material loss disclosure of the MFMA Section 125. Losses are calculated on the following basis -

Nr of units of lost supply, being the difference between what was supplied and what has been sold at the per unit tariff rate.

The unit tariff rate, in the case of electricity being the lower rate of Kwh as charged per council and the case of water the lowest rate per Kl (incl VAT).

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact of the is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact of the is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	The impact of the is not material.
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the is not material.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The impact of the is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

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2. New standards and interpretations (continued)

• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

3. Inventories

Game	57 000	57 000
Water	117 933	116 272
Stores, materials and fuels	978 391	500 927
	1 153 324	674 199

No Inventories were written down to net realisable value.

Game is held for recreational purposes in the form of viewing of game at the reserves by the public. These animals are held for the enjoyment of the public and not for resale. It is not the intention of the municipality to trade in wildlife and as such these animals have not been recognised as Biological assets. Game is measured at the lower of cost or current replacement cost.

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4. Receivables from non-exchange transactions		
Consumer debtors - Rates	45 902 521	40 885 028
Environmental Levies	5 178 172	4 272 214
Deposits	85 500	85 500
Housing Sundry	125 061	125 061
Staff taxes to SARS refundable	281 121	281 121
Recoverable legal expenses	326 494	326 494
Provision for Doubtful debts - Receivables from Non-Exchange Transactions	(29 759 230)	(35 474 483)
	22 139 639	10 500 935

Rates

Current (0 -30 days)	7 983 524	7 160 258
31 - 60 days	3 256 848	2 804 406
61 - 90 days	1 905 645	1 628 052
91 - 120 days	1 524 233	1 355 813
121 - 365 days	6 936 175	6 598 860
> 365 days	24 296 095	21 332 512
	45 902 520	40 879 901

Environmental levies

Current (0 -30 days)	599 014	349 561
31 - 60 days	203 546	176 593
61 - 90 days	154 226	134 870
91 - 120 days	138 229	123 445
121 - 365 days	775 182	718 249
> 365 days	3 307 975	2 769 496
	5 178 172	4 272 214

The deposits are made up of an amount of R58 000 paid to Eskom for street lighting, R15 000 relating to fuel deposit card and R12 500 paid to Kenton on Sea Garage for a petrol deposit.

Fruitless and wasteful expenditure comprises of an amount refundable from NG Ngesi, former Municipal Manager, for the acknowledgement of debt made by him for laptops paid for by the municipality but never delivered.

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are past due are not considered to be impaired as at 30 June 2019, R 4 944 357 (2018: R 2 512 362)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(35 474 484)	(29 273 136)
Provision for impairment	2 479 122	(7 889 841)
Amounts written off as uncollectible	3 236 132	1 688 493
	(29 759 230)	(35 474 484)

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Figures in Rand	2019	2018
5. Receivables from exchange transactions		
Gross balances		
Electricity	17 773 788	16 524 871
Water	31 050 587	28 955 132
Waste water	12 316 798	12 928 942
Refuse	15 492 974	13 759 994
Prepaid electricity sales	304 030	744 002
Housing rental	1 033 988	911 393
Service charges and other	12 087 118	11 205 388
	90 059 283	85 029 722
Less: Allowance for impairment		
Provision for Doubtful debts - Receivables from Exchange Transactions	(80 640 795)	(70 336 955)
	9 418 488	14 692 767
Net balance		
Included in above is receivables from consumer debtors		
Electricity	17 773 788	16 524 871
Water	31 050 587	28 955 132
Waste water	12 316 798	12 928 942
Refuse	15 492 974	13 759 994
Prepaid electricity sales	304 030	744 002
Housing rental	1 033 988	911 393
Service charges and other	12 087 118	11 205 388
Provision for doubtful debts - Receivables from exchange transactions	(80 579 145)	(70 336 955)
	9 480 138	14 692 767
	9 480 138	14 692 767
Electricity		
Current (0 -30 days)	6 940 375	6 124 855
31 - 60 days	1 695 212	1 641 875
61 - 90 days	909 893	602 230
91 - 120 days	543 730	485 419
121 - 365 days	2 128 654	2 044 989
> 365 days	5 555 924	5 625 503
	17 773 788	16 524 871
Water		
Current (0 -30 days)	4 706 925	4 622 428
31 - 60 days	1 518 329	1 284 725
61 - 90 days	982 652	968 368
91 - 120 days	912 669	835 124
121 - 365 days	4 808 853	4 309 991
> 365 days	18 121 159	16 935 725
	31 050 587	28 956 361

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5. Receivables from exchange transactions (continued)		
Waste water		
Current (0 -30 days)	989 380	916 505
31 - 60 days	483 542	439 806
61 - 90 days	402 118	368 315
91 - 120 days	338 609	304 164
121 - 365 days	1 809 661	1 825 666
> 365 days	8 293 488	9 074 486
	12 316 798	12 928 942
Refuse		
Current (0 -30 days)	1 305 745	1 185 208
31 - 60 days	643 286	570 601
61 - 90 days	487 816	436 727
91 - 120 days	428 257	391 602
121 - 365 days	2 408 796	2 196 973
> 365 days	10 219 074	8 978 883
	15 492 974	13 759 994
Prepaid electricity sales		
Current (0 -30 days)	304 030	744 002
Housing rental		
Current (0 -30 days)	67 162	71 616
31 - 60 days	43 200	37 840
61 - 90 days	46 722	37 437
91 - 120 days	41 187	35 458
121 - 365 days	231 372	207 797
> 365 days	604 345	521 245
	1 033 988	911 393
Service Charges and other		
Current (0 -30 days)	336 621	252 633
31 - 60 days	199 421	170 800
61 - 90 days	185 332	175 970
91 - 120 days	195 163	163 981
121 - 365 days	1 229 246	1 099 498
> 365 days	9 941 335	9 342 506
	12 087 118	11 205 388
Reconciliation of allowance for impairment		
Balance at beginning of the year	(70 336 955)	(61 488 373)
Contributions to allowance	(29 810 687)	(20 594 851)
Debt impairment written off against allowance	19 506 847	11 746 269
	(80 640 795)	(70 336 955)
Consumer debtors past due but not impaired		
Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 6 434 000 (2018: R 3 465 019) were past due but not impaired.		

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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5. Receivables from exchange transactions (continued)

Consumer debtors impairment process:

The municipality has adopted a policy for the determination of the provision for doubtful debts based on the national treasury principals. These principals are used to rate debtors based on various risk criteria associated with the type and status of their accounts. Furthermore an analysis is undertaken to accumulate the risk associated with the long outstanding nature of each account. These factors produce an overall risk factor which is utilised to prepare an impaired amount. The collectable cashflow is therefore determined and present valued based on the average days outstanding on each account. The overall impairment is thereafter pro-rata'ed per non-exchange and exchange portions of each debtors' account. Lastly this is accumulated to produce the provision for impairment as raised at year end. Refer to the municipal policy for full details.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 111	5 111
Bank balances	4 166 617	19 698 312
Short-term deposits	41 153 321	44 559 941
	45 325 049	64 263 364

Ndlambe Municipality also holds four bank accounts with the New Republic Bank Limited. These accounts related to bank investments made by Port Alfred TLC. New Republic Bank Limited went into liquidation in 1999. These accounts do not show any withdrawable funds/balances, but are still active on bank confirmation searches.

Cash and cash equivalents pledged as collateral

Total financial assets ceded to DBSA	1 300 000	1 300 000
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There is a cession recorded against the account (FNB-71078484865) to this value.
Refer to note regarding DBSA loans.

Ndlambe Local Municipality

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6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FIRST NATIONAL BANK General Account-Current	1 319 214	15 221 653	5 385 990	1 265 550	15 502 854	5 725 507
FIRST NATIONAL BANK Current Account-Housing	2 005 467	3 360 906	3 259 025	2 005 467	3 360 906	3 259 025
FIRST NATIONAL BANK Current Account - Revolving	900 047	846 787	370 302	900 047	834 554	370 302
	29 793 930	25 237 291	15 433 603	29 793 930	25 237 291	15 433 603
FIRST NATIONAL BANK CRR Call Accounts	23 529 898	18 973 259	9 169 571	23 529 898	18 973 259	9 169 571
FIRST NATIONAL BANK Fixed Deposit Account DBSA	3 124 438	3 124 438	3 124 438	3 124 438	3 124 438	3 124 438
FIRST NATIONAL BANK Call Account - Eskom	3 139 594	3 139 594	3 139 594	3 139 594	3 139 594	3 139 594
	7 449 702	13 487 721	13 563 249	7 449 702	13 487 721	13 563 249
STANDARD BANK Notice Bank	-	169 590	163 510	-	169 590	163 510
STANDARD BANK Notice Bank - Alex	176 778	-	-	176 778	-	-
STANDARD BANK Call Account - 004	-	-	41	-	-	41
STANDARD BANK Call Account - 003	163 676	7 709	431 308	163 676	7 709	431 308
STANDARD BANK Call Account - 006	-	-	331 026	-	-	331 026
STANDARD BANK Call Account - 007	-	2 011	4 433	-	2 011	4 433
STANDARD BANK Call Account - Fire Officer 008	99 006	454 612	278 971	99 006	454 612	278 971
STANDARD BANK Upgrade road 009	968 894	100 851	106 504	968 894	100 851	106 504
STANDARD BANK Bathurts Water 010	-	10 866	-	-	10 866	-
STANDARD BANK Bathurts Water 011	6 405	8 146	6 154	6 405	8 146	6 154
STANDARD BANK PMU 012	138 641	124 187	65	138 641	124 187	65
STANDARD BANK INEG 014	-	-	240 147	-	-	240 147
STANDARD BANK Upgrade Roads 015	129 010	136 811	11 820 713	129 010	136 811	11 820 713
STANDARD BANK LED Mobile 016	14 266	180 954	180 377	14 266	180 954	180 377
STANDARD BANK Equitable Share Councillors 017	2 281 563	1 522 253	-	2 281 563	1 522 253	-
STANDARD BANK Revolving Account 018	491 000	10 769 731	-	491 000	10 769 731	-
STANDARD BANK DEDEA West Beach 020	-	-	-	-	-	-
STANDARD BANK Drought Relief 021	2 980 463	-	-	2 980 463	-	-

Ndlambe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019			2018		
6. Cash and cash equivalents (continued)	3 921 216	5 832 645	10 490 189	3 921 216	5 832 645	10 490 189
INVESTEC BANK	-	-	5 574 874	-	-	5 574 874
Call Account - Intern 502	-	489 348	-	-	489 348	-
INVESTEC BANK	-	80 367	175 420	-	80 367	175 420
Call Account - FMG 503	-	-	-	-	-	-
INVESTEC BANK	55 555	132 523	447 619	55 555	132 523	447 619
Call account - Essential Oil 504	-	-	13 818	-	-	13 818
INVESTEC BANK	-	-	-	-	-	-
Call Account-IDP Process 510	1 992 200	2 314 324	2 766 919	1 992 200	2 314 324	2 766 919
INVESTEC BANK	678	183 181	179 777	678	183 181	179 777
Call Account-EC Sports 511	-	-	-	-	-	-
INVESTEC BANK	114 741	-	158 361	114 741	-	158 361
Call Account -LG Seta 512	-	-	528	-	-	528
INVESTEC BANK	-	-	-	-	-	-
EPWP 514	-	-	-	-	-	-
INVESTEC BANK	1 430 265	1 105 805	707 348	1 430 265	1 105 805	707 348
LED Sec Ass 515	-	-	-	-	-	-
INVESTEC BANK	19 975	19 971	44 629	19 975	19 971	44 629
Call Account-PrepwaterMete523	-	-	-	-	-	-
INVESTEC BANK	105 430	422 699	420 896	105 430	422 699	420 896
Call Account-LED Initia 524	-	-	-	-	-	-
INVESTEC BANK	129 468	129 442	-	129 468	129 442	-
Call Account-Retention 526	-	-	-	-	-	-
INVESTEC BANK	35 811	954 985	-	35 811	954 985	-
Call Account-DME 509	-	-	-	-	-	-
INVESTEC BANK	37 093	-	-	37 093	-	-
Call Account-Disaster relief 529	-	-	-	-	-	-
INVESTEC BANK	-	-	-	-	-	-
Call Acc-MIG Water Ret. 530	-	-	-	-	-	-
Total	45 389 576	63 987 003	48 502 358	45 335 912	64 255 971	48 841 875

7. Operating lease asset & liabilities

Current assets	609 752	371 317
Current liabilities	(15 125)	(29 726)
	594 627	341 591

Operating lease liabilities result from operating leases where the municipality is the lessee and have straight lined the rental expenditure over the period of the lease in accordance with GRAP 13.

Operating lease assets result from operating leases where the municipality is the lessor and have straight lined the rental income over the period of the lease in accordance with GRAP 13. Refer to note 38 for disclosure in terms of GRAP 13 future minimum cashflows.

8. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	190 818 903	(5 589 131)	185 229 772	190 818 903	(4 413 007)	186 405 896

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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8. Investment property (continued)

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Land	156 571 000	-	156 571 000
Buildings	29 834 896	(1 176 124)	28 658 772
	186 405 896	(1 176 124)	185 229 772

Reconciliation of investment property - 2018

	Opening balance	Disposals	Depreciation	Total
Land	156 597 000	(26 000)	-	156 571 000
Buildings	31 011 291	-	(1 176 395)	29 834 896
	187 608 291	(26 000)	(1 176 395)	186 405 896

Pledged as security

No Investment Property has been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

- None

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

- None

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Amounts recognised in surplus or deficit

Ndlambe Local Municipality

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9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	82 260 691	-	82 260 691	82 260 691	-	82 260 691
Buildings	121 044 585	(14 866 013)	106 178 572	123 009 521	(19 823 364)	103 186 157
Plant and machinery	9 115 583	(5 238 413)	3 877 170	8 610 584	(4 440 772)	4 169 812
Motor vehicles	33 988 742	(18 142 536)	15 846 206	28 113 587	(14 848 042)	13 265 545
Office equipment	8 926 669	(5 588 785)	3 337 884	8 726 777	(4 698 308)	4 028 469
IT equipment	5 458 563	(3 299 197)	2 159 366	5 261 722	(2 846 448)	2 415 274
Electricity network	145 478 277	(42 058 129)	103 420 148	145 478 277	(37 633 066)	107 845 211
Work in Progress	32 491 302	-	32 491 302	19 359 885	-	19 359 885
Roads	448 632 753	(117 520 979)	331 111 774	431 975 292	(104 727 465)	327 247 827
Wastewater network	180 522 884	(34 497 178)	146 025 706	180 837 194	(29 510 773)	151 326 421
Water network	203 021 411	(88 013 377)	115 008 034	181 275 321	(81 541 560)	99 733 761
Total	1 270 941 460	(329 224 607)	941 716 853	1 214 908 851	(300 069 798)	914 839 053

Ndlambe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	82 260 691	-	-	-	-	82 260 691
Buildings	103 186 157	3 422 640	(237 271)	3 591 999	(3 784 953)	106 178 572
Plant and machinery	4 169 812	510 803	(2 988)	-	(800 457)	3 877 170
Motor vehicles	13 265 545	5 874 998	-	-	(3 294 337)	15 846 206
Office equipment	4 028 469	240 736	(11 834)	-	(919 487)	3 337 884
IT equipment	2 415 274	367 411	(37 953)	-	(585 366)	2 159 366
Electrical network	107 845 211	-	-	-	(4 425 063)	103 420 148
Work in progress	19 359 885	17 958 857	-	(4 827 440)	-	32 491 302
Roads	327 247 827	16 324 701	(501 900)	1 235 441	(13 194 295)	331 111 774
Wastewater network	151 326 421	-	(136 988)	-	(5 163 727)	146 025 706
Water network	99 733 761	28 884 694	(3 907 400)	-	(9 703 021)	115 008 034
	914 839 053	73 584 840	(4 836 334)	-	(41 870 706)	941 716 853

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	82 260 691	-	-	-	-	82 260 691
Buildings	96 355 350	9 276 616	(668 134)	1 805 461	(3 583 136)	103 186 157
Plant and machinery	4 772 966	222 074	(46 949)	-	(778 279)	4 169 812
Motor vehicles	14 467 338	2 364 586	(699 694)	-	(2 866 685)	13 265 545
Office equipment	4 370 841	492 119	-	-	(834 491)	4 028 469
IT equipment	2 693 200	253 762	-	-	(531 688)	2 415 274
Electrical Network	111 017 192	1 226 313	-	-	(4 398 294)	107 845 211
Work in Progress	5 307 378	19 083 570	-	(5 031 063)	-	19 359 885
Roads	323 693 048	13 709 674	(454 737)	3 225 602	(12 925 760)	327 247 827
Wastewater network	156 472 213	-	-	-	(5 145 792)	151 326 421
Water network	109 436 455	-	-	-	(9 702 694)	99 733 761
	910 846 672	46 628 714	(1 869 514)	-	(40 766 819)	914 839 053

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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9. Property, plant and equipment (continued)

Pledged as security

No assets have been pledged as security.

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Building of Library at TT Jonas Centre Project has not been implemented beyond the design phase.	146 094	-
Netball Court - Kenton-on-Sea Project has not been implemented beyond the design phase and will not be implemented.	73 527	-
	219 621	-

Reconciliation of Work-in-Progress 2019

	Included within Buildings	Included within Roads	Included within Water network	Included within Sewerage network	Total
Opening balance	3 811 620	1 235 440	14 312 824	-	19 359 884
Additions/capital expenditure	-	2 872 455	10 532 799	4 553 603	17 958 857
Transferred to completed items	(3 591 999)	(1 235 440)	-	-	(4 827 439)
	219 621	2 872 455	24 845 623	4 553 603	32 491 302

Reconciliation of Work-in-Progress 2018

	Included within Buildings	Included within Roads	Included within Water network	Total
Opening balance	2 025 082	3 282 296	-	5 307 378
Additions/capital expenditure	3 591 999	1 178 746	14 312 824	19 083 569
Transferred to completed items	(1 805 461)	(3 225 602)	-	(5 031 063)
	3 811 620	1 235 440	14 312 824	19 359 884

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	10 180 914	9 625 051
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ndlambe Local Municipality

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10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 436 018	(2 831 474)	604 544	3 490 339	(2 370 321)	1 120 018

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 120 018	3 363	(518 837)	604 544

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 319 806	169 786	(1 369 574)	1 120 018

11. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16	-	16	16	-	16

Reconciliation of heritage assets 2019

	Opening balance	Total
Conservation areas	16	16

Reconciliation of heritage assets 2018

	Opening balance	Total
Conservation areas	16	16

Age and/or condition of heritage assets

The following information relating to age and/or condition of heritage assets is provided for better appreciation: Heritage assets all are of considerable age as they mostly relate to remains of old infrastructure, such as the pier, mooring posts and parts of ship wrecks. These have ages between 60 - 150 years.

Ndlambe Local Municipality

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Figures in Rand 2019 2018

11. Heritage assets (continued)

Restrictions on heritage assets

The heritage assets, disclosed below have restrictions in terms of their disposal due to the fact that they are registered with the National Heritage Council and therefore cannot and will not be disposed of in the course of operations of the municipality.

Carrying value of heritage assets with restrictions:

Conservation areas	16	16
Disposal restrictions due to registration at National Heritage Council		

12. Other financial assets

Designated at fair value

Listed shares	59 389	147 626
Old Mutual shares held at fair value determined at the quoted market value.		

Non-current assets

Designated at fair value	59 389	147 626
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13. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	22 139 639	22 139 639
Receivables from exchange transactions	-	9 418 488	9 418 488
Cash and cash equivalents	-	45 325 049	45 325 049
Other financial assets	59 389	-	59 389
	59 389	76 883 176	76 942 565

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	38 492 575	38 492 575
Financial Liabilities - DBSA	10 272 619	10 272 619
	48 765 194	48 765 194

2018

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	10 500 935	10 500 935
Receivables from exchange transactions	-	14 692 767	14 692 767
Cash and cash equivalents	-	64 263 366	64 263 366
Other financial assets	147 626	-	147 626
	147 626	89 457 068	89 604 694

Ndlambe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
13. Financial instruments disclosure (continued)		
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	58 928 488	58 928 488
Financial Liabilities - DBSA	12 197 630	12 197 630
	71 126 118	71 126 118
14. Consumer deposits		
Electricity	1 635 650	1 602 105
Water	474 131	397 054
Housing rental	20 450	-
	2 130 231	1 999 159
15. Payables from exchange transactions		
Trade payables	3 236 707	6 929 338
Payments received in advanced	6 208 549	7 771 680
Accrued leave pay	6 457 898	5 829 749
Accrued bonus	3 041 668	2 874 021
Accrued expense	10 106 331	11 454 173
Deposits received	797 994	805 556
Other payables	20 339	20 339
Unidentified Direct Deposits	3 393 839	2 407 047
Retention monies	2 134 848	2 450 897
SALA Pension Fund	281 133	1 284 494
Human Settlements	2 005 468	3 360 906
SAMWU Pension Fund	-	13 095 910
Overtime Accrual	807 801	644 378
	38 492 575	58 928 488
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
IDC Chicory	29 310	112 623
MIG	-	-
MSIG	41	41
Municipal Disaster Grant	4 777	919 159
EC Sports, Arts and Culture	1 548 512	1 783 788
LG SETA	49 735	49 735
SBDM: Fire Officers	27 424	328 931
DME	2 967	2 967
EPWP	656	3 264
FMG	1 550	221
SBDM LED Grants	39 064	39 064
EC Greenest Town	34 946	-
Water Services Infrastructure Grant	-	-
	1 738 982	3 239 793

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
16. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	3 239 793	14 929 359
Additions during the year	66 295 995	32 885 000
Income recognition during the year	(67 796 806)	(44 574 566)
	1 738 982	3 239 793

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

17. VAT payable

Tax refunds payables	4 638 097	5 319 307
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18. Financial liabilities - DBSA

At amortised cost

DBSA Loan 101161/2 20 Years @ 10.89%	4 417 155	4 891 445
DBSA Loan 13478/101 20 Years @ 17%	1 166 918	1 800 499
DBSA Loan 102557/1 15 Years @ 8.81%	4 688 546	5 505 686
	10 272 619	12 197 630

Total other financial liabilities

10 272 619 **12 197 630**

Non-current liabilities

At amortised cost	8 103 375	10 266 132
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Current liabilities

At amortised cost	2 169 244	1 931 498
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19. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

19. Employee benefit obligations (continued)

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(62 299 488)	(60 823 620)
Benefits paid during the year	2 351 016	2 335 495
Current service costs	(3 207 018)	(3 236 055)
Interest Costs	(5 865 484)	(6 401 589)
Actuarial Gain/(Loss)	9 849 516	5 826 281
	(59 171 458)	(62 299 488)
Non-current liabilities	(56 748 099)	(59 971 688)
Current liabilities	(2 423 359)	(2 327 800)
	(59 171 458)	(62 299 488)

The municipality's best estimate of the contributions expected to be paid to the plan after reporting date is -
2019: R 2 423 359 (2018: R 2 327 800)

Net expense recognised in the statement of financial performance

Current service cost	3 207 018	3 236 055
Interest cost	5 865 484	6 401 589
Actuarial (gains) / losses	(9 849 516)	(5 826 281)
Benefits paid during the year	(2 351 016)	(2 338 495)
	(3 128 030)	1 472 868

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.39 %	9.59 %
Expected rate of return on assets (Net discount rate)	2.38 %	2.05 %
Expected rate of return on reimbursement rights	6.85 %	7.39 %
Actual return on reimbursement rights	2.38 %	2.05 %
Average retirement age (Years)	62	63

Ndlambe Local Municipality

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Figures in Rand 2019 2018

19. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation - movement in health care inflation	68 550 000	51 589 000
Effect on Interest Costs	6 815 800	5 091 700
Effect on Services costs	3 964 500	2 615 800

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

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	(59 171 458)	(62 299 488)	(60 823 620)	(60 848 841)	(49 365 000)

Long service Awards

Ndlambe Municipality offers long service bonus awards to active employees, the amount of which is dependent on the annual salary of the individual employee. Councillors are not eligible for this benefit and were not taken into account. The award comprises of a percentage of their annual salaries as well as additional leave days to employees at the end of the specified time period.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(6 278 398)	(6 266 372)
Benefits paid during the year	322 153	371 689
Current service costs	(711 555)	(635 756)
Interest Costs	(486 417)	(499 437)
Actuarial Gain/(Loss)	173 337	751 478
	(6 980 880)	(6 278 398)
Non-current liabilities	(5 807 558)	(5 567 493)
Current liabilities	(1 173 322)	(710 905)
	(6 980 880)	(6 278 398)

The municipality's best estimate of the contributions expected to be paid to the plan after reporting date is -
2019: R1 173 322 (2018: R 710 905)

Net expense recognised in the statement of financial performance

Current service cost	711 555	635 756
Interest cost	486 417	499 437
Actuarial (gains) / losses	(173 337)	(751 478)
Benefits paid during the year	(322 153)	(371 689)
	702 482	12 026

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.96 %	8.28 %
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Ndlambe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
19. Employee benefit obligations (continued)		
General earnings inflation rate (long term)	5.44 %	5.98 %
Net discount rate	2.39 %	2.17 %
Average retirement age (Years)	62	63

Other assumptions

Assumed inflation & discount trends have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed inflation & discount rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on Long service Award - discount rate	7 374 000	6 623 000
Effect on Interest Costs	515 600	459 700
Effect on Current Services costs	759 500	668 100

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

	2019 R	2018 R	2017 R	2016 R	2015 R
Long Service Awards	(6 980 880)	(6 278 398)	(6 266 372)	(5 545 291)	(5 529 000)

20. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Fair Value Adjustment	Interest costs/unwinding of Interest	Total
Environmental rehabilitation	34 172 198	2 565 998	3 417 219	40 155 415

Reconciliation of provisions - 2018

	Opening Balance	Fair Value Adjustment	Interest costs/unwinding of Interest	Total
Environmental rehabilitation	28 998 840	2 128 479	3 044 879	34 172 198
Non-current liabilities			27 886 468	22 499 623
Current liabilities			12 268 947	11 672 575
			40 155 415	34 172 198

Ndlambe Municipality operates 10 landfill sites which by law will have to be permitted and closed in accordance with the "Minimum Requirements" and in accordance with the Environment Conservation Act. (Act no.73 of 1989) Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management.

Closure of the landfill sites are dependant on a number of external factors, such as amongst others, waste minimisation and population changes. During the prior year there has been a court order to affect the closure of the Bushmen's landfill site, thereby directly affecting the provision estimation as the closure is now projected within the timeframes set out by the court ruling.

Ndlambe Local Municipality

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Figures in Rand	2019	2018
21. Revenue		
Burial services	343 948	237 937
Service charges	127 069 229	116 852 828
Rental of facilities and equipment	374 505	811 545
Interest received - trade and other receivables	8 447 839	7 510 127
Licences and permits	3 859 335	4 358 794
Housing debtor income	2 087 700	1 202 456
Other income	2 933 675	2 446 703
Interest received - investment	4 818 048	4 327 640
Property rates	101 277 220	90 227 756
Environmental levies	5 267 299	3 771 048
Government grants & subsidies	166 716 112	128 448 435
Public contributions and donations	3 430 468	8 740 832
Fines, Penalties and Forfeits	609 830	434 970
	427 235 208	369 371 071
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	127 069 229	116 852 828
Rendering of services	343 948	237 937
Rental of facilities and equipment	374 505	811 545
Interest received - trade and other receivables	8 447 839	7 510 127
Licences and permits	3 859 335	4 358 794
Housing debtor income	2 087 700	1 202 456
Other income	2 933 675	2 446 703
Interest received - investment	4 818 048	4 327 640
	149 934 279	137 748 030
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	101 277 220	90 227 756
Environmental levies	5 267 299	3 771 048
Transfer revenue		
Government grants & subsidies	166 716 112	128 448 435
Public contributions and donations	3 430 468	8 740 832
Fines, Penalties and Forfeits	609 830	434 970
	277 300 929	231 623 041
22. Service charges		
Sale of electricity	65 428 323	60 177 881
Sale of water	36 842 033	33 391 478
Solid waste	13 969 944	13 095 245
Sewerage and sanitation charges	10 828 929	10 188 224
	127 069 229	116 852 828

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
23. Other income		
Building plan fees	1 404 186	1 327 331
Encroachments	2 237	1 558
Insurance claim refund	577 505	406 982
Refuse bag sales	-	7 553
Subdivisions	13 779	3 499
Sundry income	565 087	344 808
Valuation rolls	2 209	8 071
Town planning income	55 821	20 064
Camping fees	312 851	326 837
	2 933 675	2 446 703
24. Investment revenue		
Interest revenue		
Bank	4 818 048	4 327 640
25. Property rates		
Rates received		
Property rates	101 277 220	90 227 756
Valuations		
All	12 747 034 830	12 978 387 519

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis.

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
26. Government grants and subsidies		
Operating grants		
Unconditional: Equitable share	84 115 000	78 151 000
Unconditional: Equitable share: Cllrs & Ward Contribution	4 126 000	3 927 000
Unconditional: LG SETA Grants	240 506	183 233
Unconditional: SBM Grant Revenue	558 757	300 000
Unconditional: Environmental Health Subsidy	1 292 150	1 312 633
Financial Management Grant	1 968 670	1 901 439
Chicory Grants	114 513	367 566
EC Greenest Town	265 054	-
Sarah Baartman District Mun(SBDM) Fire Grants	654 635	-
Municipal Infrastructure Grant	1 235 587	-
Library Grant (DESRAC)	2 985 276	3 047 470
Sarah Baartman District Municipality (SBDM) LED Grants	-	190 242
Disaster Management Grant	914 382	30 841
Department of Environmental Affairs	-	210 858
	98 470 530	89 622 282
Capital grants		
Unconditional: OTP Grant	8 555 693	-
Sarah Baartman District Mun(SBDM) Fire Grants(Capital)	304 868	294 140
Water Services Infrastructure Grant (Capital)	32 809 000	-
Municipal Infrastructure Grant (Capital)	25 573 413	36 432 013
Integrated National Elect Grant (INEG)(Capital)	-	1 100 000
Expanded Public Works Prog Grant (EPWP) (Capital)	1 002 608	1 000 000
	68 245 582	38 826 153
	166 716 112	128 448 435
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	66 295 995	32 885 000
Unconditional grants received	98 919 306	83 873 866
	165 215 301	116 758 866
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
IDC Chicory - LED		
Balance unspent at beginning of year	112 623	360 188
Current-year receipts	-	120 000
Conditions met - transferred to revenue	(83 313)	(367 565)
	29 310	112 623
Conditions still to be met - remain liabilities (see note 16).		
MIG		
Balance unspent at beginning of year	-	11 717 012
Current-year receipts	26 809 000	24 715 000
Conditions met - transferred to revenue	(26 809 000)	(36 432 012)
	-	-

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
26. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 16).		
MSIG		
Balance unspent at beginning of year	41	41
Conditions still to be met - remain liabilities (see note 16).		
Department of Environmental Affairs		
Balance unspent at beginning of year	-	210 858
Conditions met - transferred to revenue	-	(210 858)
	-	-
Conditions still to be met - remain liabilities (see note 16).		
Disaster Management Grant		
Balance unspent at beginning of year	919 159	-
Current-year receipts	-	950 000
Conditions met - transferred to revenue	(914 382)	(30 841)
	4 777	919 159
Conditions still to be met - remain liabilities (see note 16).		
EC Sports/Arts and Culture		
Balance unspent at beginning of year	1 783 788	2 081 257
Current-year receipts	2 750 000	2 750 000
Conditions met - transferred to revenue	(2 985 276)	(3 047 469)
	1 548 512	1 783 788
Conditions still to be met - remain liabilities (see note 16).		
LG SETA		
Balance unspent at beginning of year	49 735	49 735
Conditions still to be met - remain liabilities (see note 16).		
SBDM: Fire Officers		
Balance unspent at beginning of year	328 931	273 071
Current-year receipts	657 995	350 000
Conditions met - transferred to revenue	(959 502)	(294 140)
	27 424	328 931
Conditions still to be met - remain liabilities (see note 16).		

Ndlambe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
26. Government grants and subsidies (continued)		
DME		
Balance unspent at beginning of year	2 967	2 967
Current-year receipts	-	1 100 000
Conditions met - transferred to revenue	-	(1 100 000)
	2 967	2 967
Conditions still to be met - remain liabilities (see note 16).		
EPWP: Public Works		
Balance unspent at beginning of year	3 264	3 264
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 002 608)	(1 000 000)
	656	3 264
Conditions still to be met - remain liabilities (see note 16).		
FMG		
Balance unspent at beginning of year	221	1 660
Current-year receipts	1 970 000	1 900 000
Conditions met - transferred to revenue	(1 968 671)	(1 901 439)
	1 550	221
Conditions still to be met - remain liabilities (see note 16).		
SBDM LED Grants		
Balance unspent at beginning of year	39 064	229 306
Conditions met - transferred to revenue	-	(190 242)
	39 064	39 064
Conditions still to be met - remain liabilities (see note 16).		
The disclosure of SBDM LED Grants have been combined in line with their nature - this was previously disclosed LED Kapriver, LED:Initiative, SBDM: IDP Dev Support and SBDM: LED Mobile Project.		
EC Greenest Town		
Current-year receipts	300 000	-
Conditions met - transferred to revenue	(265 054)	-
	34 946	-
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
Water Services Infrastructure Grant		
Current-year receipts	32 809 000	-
Conditions met - transferred to revenue	(32 809 000)	-
	-	-

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
26. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 16).		
Provide explanations of conditions still to be met and other relevant information.		
27. Public contributions and donations		
Standard Bank - donation	-	19 900
DSRAC - Laptops	-	50 834
Sarah Baartman District Municipality - PPE	3 430 468	8 670 098
	3 430 468	8 740 832

Sarah Baartman District Municipality donated the following assets during the current financial yeas -

Buildings to the value of:	R 3 000 000
Office equipment to the value of:	R 92 750
Plant and Machinery to the value of:	R 13 150
Vehicles to the value of:	R 324 468

During the previous financial year, Standard Bank donated R19 900 in cash towards groceries for the elderly, DSRAC donated laptops in-kind to the value of R50 834 for library use and Sarah Baartman District Municipality donated a Emergency centre worth R8 670 098.

Ndlambe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
28. Employee related costs		
Basic	76 542 777	69 365 781
Bonus	6 054 298	5 477 217
Allowances	3 830 398	3 217 066
Post-employment benefits	11 398 254	14 908 683
Medical aid - employer contributions	9 497 662	8 865 354
UIF	801 056	752 255
Leave pay provision charge	377 755	214 651
Overtime payments	9 728 601	9 124 894
Car allowance	2 536 756	2 180 803
Housing benefits and allowances	796 950	869 950
Group Insurance	209 547	217 870
Industrial levy	50 278	47 392
	121 824 332	115 241 916
Remuneration of Municipal Manager		
Annual Remuneration	875 651	876 122
Car Allowance	175 986	175 985
Performance Bonuses	26 777	38 196
Contributions to UIF, Medical and Pension Funds	196 161	189 466
Telephone allowance	15 535	15 535
13th Cheque	72 738	71 489
Leave pay	61 811	80 326
	1 424 659	1 447 119
Remuneration of Chief Finance Officer		
Annual Remuneration	718 963	597 657
Car Allowance	180 000	165 000
Performance Bonuses	20 922	-
Contributions to UIF, Medical and Pension Funds	163 761	140 305
Telephone allowance	24 000	22 000
13th Cheque	53 680	20 630
Leave pay	74 176	32 664
	1 235 502	978 256
Remuneration of Director Infrastructural Development		
Annual Remuneration	755 760	707 664
Car Allowance	204 000	204 000
Performance Bonuses	31 383	29 635
Contributions to UIF, Medical and Pension Funds	52 077	31 922
Telephone Allowance	36 000	36 000
13th Cheque	55 719	50 403
Leave pay	64 269	-
	1 199 208	1 059 624
Remuneration of Director Corporate Services		
Annual Remuneration	841 524	784 158
Car Allowance	144 000	132 000
Performance Bonuses	42 844	19 756
Contributions to UIF, Medical and Pension Funds	128 066	62 117
Telephone Allowance	12 000	11 000
13th Cheque	60 199	27 013

Ndlambe Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
28. Employee related costs (continued)		
Leave pay	63 260	27 577
	1 291 893	1 063 621
Remuneration of Director Community Protection Services		
Annual Remuneration	680 735	644 751
Car Allowance	180 000	180 000
Performance Bonuses	20 922	29 635
Contributions to UIF, Medical and Pension Funds	162 985	152 670
Telephone Allowance	24 000	24 000
13th Cheque	53 680	37 037
Leave pay	42 759	39 109
	1 165 081	1 107 202
29. Remuneration of councillors		
Mayor	860 274	828 500
Speaker	696 294	508 476
Executive Members	1 150 894	1 089 350
Councillors	4 572 588	4 442 499
	7 280 050	6 868 825
Councillors - Existing Council		
Mayor	860 274	828 500
Speaker	696 294	506 853
Executive Member: T Mazana	383 663	370 548
Executive Member: N Xhasa	383 568	370 244
Executive Member: LR Schenk	383 663	370 548
MPAC Chair - T.M Mbunge	373 500	360 476
Chief Whip - A.L Marasi	299 876	289 680
N. Ngamlashe	299 919	289 723
A. Ngqosha	300 069	290 168
C.B James	300 001	290 121
M. Raco	300 001	289 158
J.P Guest	300 069	290 168
M.W Yali	300 001	289 941
M.E Njibana	299 919	289 723
M. Mateti	299 919	289 723
K. Daweti	298 992	290 001
P.Y Kani	300 069	290 168
L. Shahzad	178 613	290 168
S. Venene	300 069	290 168
T. Mbekela	300 001	290 001
X. Runeli	121 570	-
	7 280 050	6 866 080

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
30. Depreciation and amortisation		
Property, plant and equipment	41 870 700	40 766 818
Investment property	1 176 124	1 176 395
Intangible assets	518 897	1 369 574
	43 565 721	43 312 787
31. Finance costs		
Non-current borrowings	1 302 291	1 507 849
SAMWU - interest accrued	1 487 539	1 997 741
Late payment of tax	292	-
Landfill Rehabilitation - Interest Cost	3 417 220	-
	6 207 342	3 505 590
32. Debt impairment		
Contribution to debt impairment provision	27 331 566	28 484 691
33. Bulk purchases		
Electricity - Eskom	47 639 466	45 119 510
Water	11 546 056	10 336 928
	59 185 522	55 456 438
34. General expenses		
Advertising	547 136	493 189
Auditors remuneration	4 813 909	4 219 731
Bank charges	722 777	414 030
Commission paid	2 355 460	1 393 289
Consulting and professional fees	318 495	1 822 596
Delivery expenses	12 266	13 595
Electricity	9 957 197	4 917 854
Entertainment	2 102	11 600
Hire	5 042 833	2 813 640
Insurance	2 035 471	1 911 048
IT expenses	3 980 420	3 144 311
Levies	1 257 808	1 019 118
Fuel and oil	4 882 227	4 417 716
Postage and courier	1 193 338	1 029 040
Printing and stationery	77 911	263 215
Protective clothing	1 273 398	1 106 735
Subscriptions and membership fees	1 460 180	1 280 691
Telephone and fax	3 521 548	3 458 381
Transport and freight	579 393	243 855
Training	-	24 508
Travel - local	2 984 655	2 465 530
Title deed search fees	164 928	8 822
Other materials	7 201 399	7 056 229
Other expenses	2 017 658	2 995 646
	56 402 509	46 524 369

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
35. Fair value adjustments		
Other financial assets		
• Old Mutual Shares	(88 237)	28 445
• FV Adjustment of Landfill rehabilitation provision	(2 565 998)	(5 173 357)
	(2 654 235)	(5 144 912)
36. Auditors' remuneration		
Fees	4 813 909	4 219 731
37. Cash generated from operations		
Surplus	34 110 436	14 591 722
Adjustments for:		
Depreciation and amortisation	43 565 721	43 312 787
Gain on sale of assets and liabilities	4 815 128	1 443 804
Fair value adjustments	2 654 235	5 144 912
Debt impairment	27 331 566	28 484 691
Movements in operating lease assets and accruals	(14 601)	(43 923)
Movements in retirement benefit assets and liabilities	(2 425 548)	1 487 894
Movements in provisions	3 328 982	28 446
Receipts of assets - Non-Exchange	(3 430 468)	(8 740 832)
Changes in working capital:		
Inventories	(479 181)	(130 376)
Receivables from exchange transactions	(24 536 408)	(34 602 413)
Receivables from non-exchange transactions	(9 159 583)	(1 304 956)
Other receivables	(150 198)	(84 428)
Payables from exchange transactions	(20 435 913)	9 563 620
VAT	(681 210)	7 163 706
Unspent conditional grants and receipts	(1 500 811)	(11 689 566)
Consumer deposits	131 072	115 358
	53 123 219	54 740 446

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	24 248 680	8 169 897
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Total capital commitments

Already contracted for but not provided for	24 248 680	8 169 897
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	203 861	325 883
- in second to fifth year inclusive	209 836	78 360
	413 697	404 243

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	216 630	280 485
- in second to fifth year inclusive	465 470	658 254
- later than five years	16 005	21 222
	698 105	959 961

Certain of the municipality's equipment is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 20 years. There are no contingent rents receivable.

39. Contingencies

Campbell and Shelton vs Ndlambe LM- The claimant has instituted proceedings to suspend all approvals for building development on wetland area in Port Alfred. The financial effect of this cannot be determined.

KOSRA, Bushmans Kariega Estuary Care Management Forum & Natures Landing Homeowners Association vs Ndlambe LM - Legal proceedings have been instituted against the municipality regarding the state of the landfill site at Bushmans and to put measures in place to rectify the state of the landfill. The financial effect of this cannot be estimated as the financial claim has not been made.

Agri EC vs Ndlambe Municipality & others - Agric EC has taken Ndlambe Municipality to court to force the municipality to apply its by-laws. This matter is ongoing, but as a financial claim was not made, the financial effect cannot be estimated.

Litigation is in the process against the municipality relating to various matters. The total estimated potential liability to the municipality at 30 June 2019 & 30 June 2018 cannot be determined reliably.

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
40. Related parties		
Related party balances		
Receivables		
Department of Roads and Public Works	1 365 300	197 183
National Department of Roads and Public Works	1 601 558	1 254 534
Department of Health	196 546	127 540
Department of Rural Development and Agrarian reform	8 685	12 113
Department of Education	221 659	142 474
Department of Rural Development and Land reform	494 689	606 418

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

41. Prior period errors & reclassification

The correction of the error(s) results in adjustments as follows:

2018 Closing balance / 2019 Opening balances:

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
Receivables from Exchange Transactions	13 948 764	744 003	14 692 767	1
Intangible assets	2 489 592	(1 369 574)	1 120 018	2
Property, plant and Equipment	606 583 794	308 255 259	914 839 053	3
Payables	(49 628 477)	(9 300 011)	(58 928 488)	4
VAT Payable	(10 520 128)	5 200 821	(5 319 307)	5
Accumulated surplus	(705 020 509)	(303 530 498)	(1 008 551 007)	6
	(142 146 964)	-	(142 146 964)	-

1 - Receivables from exchange transactions - Statement of Financial Position

Previously reported 2018 balance	13 948 764
Correction of prepaid electricity sales not yet receipted	744 003
Restated 2018 Closing balance	14 692 767

2- Intangible assets - Statement of Financial Position

Previously reported 2018 balance	2 489 592
Recording of depreciation not raised in 2018	(1 369 574)
Restated 2018 Closing Balance	1 120 018

3 - Payables - Statement of Financial Position

Previously reported 2018 balance	(49 628 477)
Correction of prior period accruals	(398 518)
Correction of SALA Liability	(958 529)
Correction of SAMWU Liability - Pre 2018 Interest	(6 552 607)
Correction of SAMWU Liability - 2018 Interest	(1 997 741)
Correction of DWAF - ACIP	607 384
Restated 2018 Closing Balance	(58 928 488)

4 - Property, plant and equipment- Statement of Financial Position

Previously reported 2018 balance	606 583 794
Disposal of Roads - adjusted loss due to changes in useful lives	(365 083)
Disposal of Buildings - adjusted loss due to changes in useful lives	(69 342)
Disposal of Obsolete Motor vehicles during 2018	(699 694)
Disposal of obsolete Machinery and Equipment 2018	(46 949)
Correction of useful lives PPE - prior 2018	309 013 835
Correction of depreciation due to change in useful lives of PPE - 2018	(8 247 602)
Recognition of Emergency centre in the correct period	8 670 098
Restated 2018 Closing balance	914 839 057

5 - VAT Payable - Statement of Financial Position

Previously reported 2018 balance	(10 520 128)
Correction of Prior period VAT due to VAT claimed not journalised	5 200 821
Restated 2018 Closing balance	(5 319 307)

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
41. Prior period errors & reclassification (continued)		
6 - Accumulated Surplus - Statement of Financial Position		
Previously reported 2018 Opening balance		(686 648 386)
Effect of opening balance corrections relating to -		(307 310 904)
Correction of Prior period VAT due to VAT claimed not journalised		(5 200 821)
Correction of SALA Liability		958 529
Correction of SAMWU Liability - Pre 2018 Interest		6 552 607
Correction of DWAF - ACIP		(607 384)
Correction of useful lives PPE - prior to 2018		(309 013 835)
RESTATED 2017/18 OPENING BALANCE		(993 959 290)
		-
RESTATED 2017/18 (Surplus)/Deficit		(14 591 722)
Previously reported Surplus		(18 372 123)
Net corrections as per 2017/18 Statement of Financial Performance (see below)		3 780 401
		-
RESTATED 2017/18 CLOSING BALANCE		(1 008 551 012)

Statement of Financial Performance	2018 Comparative restatements			Reference
	Previously reported	Adjustment DT/(CT)	As restated	
REVENUE				
Service Charges	119 879 874	3 027 046	116 852 828	i
Environmental levies	-	(3 771 048)	3 771 048	ii
Public Contributions and donations	70 734	(8 670 098)	8 740 832	iii
EXPENDITURE				
Employee related costs	(126 759 680)	(5 861 942)	(120 897 738)	iv
Depreciation and Amortisation	(33 695 611)	9 617 176	(43 312 787)	v
Finance Costs	(1 507 849)	1 997 741	(3 505 590)	vi
Repairs and Maintenance	(15 199 853)	(15 199 853)	-	vii
Renewable Energy Programme	(2 741 463)	(643 977)	(2 097 486)	viii
Contracted services	(20 845 807)	16 289 692	(37 135 499)	ix
Transfers and subsidies	(1 197 767)	697 409	(1 895 176)	x
General expenses	(41 407 184)	5 117 185	(46 524 369)	xi
Gain/Loss on Disposal	(262 734)	1 181 070	(1 443 804)	xii
	(123 667 340)	3 780 401	(127 447 741)	

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
41. Prior period errors & reclassification (continued)		
i) Service Charges - Statement of Financial Performance		
As previously reported		119 879 874
Correction of classification of Environmental levies as Non-exchange revenue		(3 771 048)
Correction of prepaid electricity sales not yet receipted		744 003
		116 852 829
ii) Environmental Levies - Statement of Financial Performance		
Correction of classification of Environmental levies as Non-exchange revenue		3 771 048
		3 771 048
iii) Public Contributions and Donations - Statement of Financial Performance		
As previously reported		70 734
Donation of Emergency centre recognised in the correct period		8 670 098
		8 740 832
iv) Employee Related costs - Statement of Financial Performance		
As previously reported		(126 759 680)
Reclassification of Casual workers as Contracted Services		4 373 858
Reclassification of Skills Development Levy as General expenditure		1 019 217
Reclassification of Workmen's Compensation as General expenditure - other expenditure		490 337
Additional Accrued Expenditure raised 2018		(21 444)
		(120 897 712)
v) Depreciation - Statement of Financial Performance		
As previously reported		(33 695 611)
Recording of depreciation not raised in 2018 - Intangible assets		(1 369 574)
Correction of depreciation due to change in useful lives of PPE - 2018		(8 247 602)
		(43 312 787)
vi) Finance Costs - Statement of Financial Performance		
As previously reported		(1 507 849)
Correction of SAMWU interest not charged		(1 997 741)
		(3 505 590)
vii) Repairs and Maintenance - Statement of Financial Performance		
As previously reported		(15 199 853)
Reclassification of contractor expenditure to Contracted services		8 790 674
Reclassification of Other Materials to General expenditure		6 409 179
		-
viii) Renewable Energy Programmes - Statement of Financial Performance		
As previously reported		(2 741 463)
Reclassification of Gel stoves to Bulk purchases		2 097 486
Reclassification of Materials used to General expenditure		643 977
		-

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
41. Prior period errors & reclassification (continued)		
ix) Contracted Services - Statement of Financial Performance		
As previously reported		(20 845 807)
Reclassification of Casual workers as Contracted Services		(4 373 858)
Reclassification of contractor expenditure from Repairs and Maintenance		(8 790 674)
Classification from General exp - Security and legal		(4 625 691)
Classification to General exp - Business consultants		1 822 808
Additional Accrued Expenditure raised 2018		(322 281)
		(37 135 503)
x) Transfers and Subsidies - Statement of Financial Performance		
As previously reported		(1 197 767)
Reclassification of General expenditure to Transfers and Subsidies		(721 918)
Reclassification of Transfers and Subsidies to General expenditure		24 509
		(1 895 176)
xi) General Expenses - Statement of Financial Performance		
As previously reported		(41 407 184)
Reclassification of General expenditure to Transfers and Subsidies		721 918
Reclassification to Contracted services - Security and legal		4 625 691
Reclassification of Skills Development Levy as General expenditure		(1 019 217)
Reclassification of Workmen's Compensation as General expenditure - other expenditure		(490 337)
Reclassification of Other Materials to General expenditure		(6 409 179)
Reclassification of Materials used to General expenditure		(643 977)
Classification to Gen exp from Contracted services -Business consultants		(1 822 808)
Reclassification of Transfers and Subsidies to General expenditure		(24 509)
Additional Accrued Expenditure raised 2018		(54 792)
		(46 524 394)
xii) Loss on disposal of assets- Statement of Financial Performance		
As previously reported		(262 734)
Disposal of Obsolete Motor vehicles during 2018		(699 694)
Disposal of obsolete Machinery and Equipment 2018		(46 949)
Disposal of Roads - adjusted loss due to changes in useful lives		(365 083)
Disposal of Buildings - adjusted loss due to changes in useful lives		(69 342)
		(1 443 802)

The above reclassifications were affected to achieve better alignment with the MSCOA which aims to align classification across all local government. The reclassification was done in accordance with GRAP 1 and GRAP 3 in that after a review of the financial statements, the new classification and presentation is considered to be more appropriate having regard to the criteria for the selection and application of accounting policies. Accounting policies were not amended, however the principal of reporting expenditure by nature was better and more reliably adhered to.

Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
42. Unauthorised expenditure		
Opening balance as previously reported	166 445 669	121 150 743
Correction of prior period error	12 029 913	-
Opening balance as restated	178 475 582	121 150 743
Add: Unauthorised Expenditure - prior period	-	57 324 839
Add: Unauthorised Expenditure - current	58 833 132	-
Closing balance	237 308 714	178 475 582

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	42 530 341	43 752 391
Cash	16 302 791	13 572 448
	58 833 132	57 324 839

Unauthorised expenditure: Budget overspending – per municipal department

Executive and Council	-	6 341
Finance Budget and Treasury	704 413	11 087 890
Corporate Services	-	4 388 489
Waste Management	5 649 009	6 068 216
Electricity	16 972 534	14 047 896
Water	15 462 471	3 814 511
Waste Water Management	7 203 983	4 628 620
Technical	12 840 722	13 282 876
	58 833 132	57 324 839

43. Fruitless and wasteful expenditure

Opening balance as previously reported	382 028	367 808
Correction of prior period error - SAMWU Interest	9 152 477	7 154 736
Opening balance as restated	9 534 505	7 522 544
Add: Fruitless and wasteful expenditure	1 509 657	14 220
Add: Prior Year correction - SAMWU	-	1 997 741
Closing balance	11 044 162	9 534 505

44. Irregular expenditure

Opening balance as previously reported	441 048 932	368 591 883
Correction of prior period error	30 456 544	(410 581)
Opening balance as restated	471 505 476	368 181 302
Add: Irregular Expenditure - prior period -restated	-	103 324 174
Add: Irregular expenditure - current	92 248 723	-
Closing balance	563 754 199	471 505 476

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
- Supply Chain Management Regulation and/or Policy deviations	Items have been referred to MPAC for investigation and the need for criminal proceedings to be determined	92 248 723
- Lack of supporting information	Goods and/or services were received in all instances	
- Deviations not in accordance with S36 of SCM regulations	and none of the payments were made in vain.	

Ndlambe Local Municipality

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45. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	1 329 074	1 351 297
Current year subscription / fee	1 615 358	1 362 801
Amount paid - current year	(1 464 505)	(1 385 024)
	1 479 927	1 329 074
Audit fees		
Opening balance	28 029	26 842
Current year expenditure	4 933 926	4 820 912
Amount paid - current year	(4 946 943)	(4 810 515)
Credit note	(15 012)	(9 210)
	-	28 029
PAYE and UIF		
Amount paid - current year	15 734 601	13 379 542
Pension and Medical Aid Deductions		
Amount paid - current year	22 722 255	20 293 365
VAT		
VAT payable	4 638 097	5 319 307

VAT output payables and VAT input receivables are shown in note 17.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ME Njibana	699	800	1 499

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ME Njibana	719	201	920
Councillor T Mazana	680	430	1 110
Councillor N Ngamlashe	1 098	3 283	4 381
Councillor AL Marasi	482	1 390	1 872
Councillor A Ngqosha	1 477	24 283	25 760
	4 456	29 587	34 043

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

S36(1)(a)(i) - Emergency	3 957 840	4 166 715
S36(1)(a)(ii) - Sole supplier	1 695 590	696 485
S36(1)(a)(v) - Impractical / Impossible (other)	58 918 624	30 955 618
	64 572 054	35 818 818

46. Water and electricity losses

Material Losses

Water	27 094 112	23 138 494
Electricity	6 342 292	5 225 742
	33 436 404	28 364 237

Water Losses

In 2019 the water reticulation losses were 53 % (3 793 860 kl supplied and 1 783 911 kl sold) (2018: 49.9% (3 785 606 kl supplied and 1 898 290 kl sold). In both years these losses are predominantly due to physical losses from leaks, burst pipes and reservoir overflows. Furthermore apparent losses are realised due to metering inefficiencies, meter faults, unauthorised and unmetered consumption.

Electricity Losses

In 2019, the energy losses were 13.57% (2018: 11.99%). Electricity purchased was 44 513 651 kWh and 38 473 372 kWh was sold (2018: 44 458 957 kWh purchased and 39 126 568 kWh sold). These losses are predominantly due to MV and LV losses in switchgear, overheadlines, obsolete aluminium lines, underground cables and transformers. Furthermore losses are attributed to metering and meter reading losses and losses due to tampering.

47. Budget differences

Material differences between budget and actual amounts

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47. Budget differences (continued)

The Variances are considered to be material for the GRAP 24 variance disclosure where it exceeds 10%. Below are details of the relevant material variances as per the Statement of Budget versus Actual Comparison:

47.1) Service Charges:

The variance is due to an underbudgeting of the revenue from service charges as not all households were considered when determination of projected services charges were made.

47.2) Rendering of Services

The nature of burial fees is such that it is not easily forecast. The demand for plots and burial fees were however higher than expected which resulted in the variance.

47.3) Rental of Facilities and Equipment:

The variance is due to inadequate budgeting which is based on incremental budgeting that have resulted in the overstatement of the projected income from the rental of housing and other building rentals. This is further compounded by the effect of straight-lining of leases not being taken into account.

47.4) Interest received - Trade and other receivables: Immaterial variance

47.5) Licences and permits:

The budgeting process relating to the forecast of licences and permits was flawed as there was an overestimate of the revenue and the figure budgeted for more closely relates to overall collections from motor vehicle licences and permits. This is mainly due to the cycle of licences and permits not being constant on a month to month basis; the forecast thereof is therefore not linear.

47.6) Housing debtor income:

The variance is due to inadequate budgeting processes based on incremental budgeting. This has resulted in the overstatement of the projected income from the rental of housing. The budget process does not include a zero based budgeting approach.

47.7) Other income :

The nature of other income is such that revenue from auxiliary services is classified as Other income, such as building plan fees. The nature of these services, even based on past trends make it difficult to forecast.

47.8) Interest received - Investments :

Grant income along with cash holdings were spent later during the financial year. This has resulted in more interest being earned on investments. Additional interest income (over and above budgeted amounts) was realised on the grant investments due to timing delays in the spending of grant funding.

47.9) Dividends received

No dividends were received on the investments held

47.10) Property Rates: Immaterial variance

47.11) Environmental Levies:

The variance is due to an underbudgeting of the revenue from Environmental Levies as not all households were considered when determination of the budget was made.

47.12) Government grants and subsidies : Immaterial variance

47.13) Public contributions and donations:

The donations amount was not budgeted for as donations by its nature is gratuitous and were transferred as in-kind donations and there was not expectation to receive donations during the year.

47.14) Fines, penalties and forfeits:

The budget for fines, penalties and forfeits were prepared, with the expectation that the traffic vehicles would be in a functioning condition. The vehicles however remain unserviceable. This matter affected the prior period and was still relevant for 2016/17. This impacted on the amount of fines levied during the period.

47.15) Personnel: The variance of the budget versus actual is a result of unfunded positions within the municipality remaining

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47. Budget differences (continued)

unfunded. The variance is however below 10%.

47.16) Remuneration of councillors: Immaterial variance

47.17) Depreciation and Amortisation:

During the budget process the depreciation budget was drastically reduced to in turn reduce the impact to ratepayers and consumers as a result of increased rates. The depreciation budget is seen as a non-cash budget item where there will not be a reduction to an actual revenue flow to the municipality if the budget is reduced.

47.18) Finance Costs: Immaterial variance

The finance costs budget was based on the expected reduction of capital relating to the DBSA loans instead of the interest portion which accrued during the year. Furthermore, the budget does not include the interest accrual on the landfill rehabilitation. This resulted in the variance as identified.

47.19) Lease rentals on operating leases:

The variance is due to inadequate budgeting processes based on incremental budgeting that have resulted in the overstatement of the projected expenditure relating to operating leases. The budget process does not include a zero based budgeting approach on these leases.

47.20) Debt Impairment

A budget estimation was based on the actual write-off of doubtful debts during the current year. However due to increase in debtors and slow collections the increase in the provision in for doubtful debts was higher than anticipated, resulting in the expenditure exceeding the budget.

47.21) Bulk Purchases:

The variance between budget and actual expenditure is mainly due to underbudgeting. The Eskom increases were also approved in excess of budget parameters.

47.22) Contracted Services:

Contracted services is dependant largely on the requirement for specialist based on the specific criteria relating to repairs and maintenance requirements of the municipality. The variance is however not considered material.

47.23) Transfers and subsidies

The budget was adjusted with the omission of certain transfers and subsidies paid.

47.24) General expenses: Immaterial variances

47.25) Loss on disposal of assets:

The disposals of movable & immovable assets based on the derecognition of obsolete assets resulted in unbudgeted losses which contributed towards the variance between budget actual expenditure.

47.26) Fair value adjustments:

At the time of the budget a nominal budget is provided for fair value adjustments. As such budget is not provided to the extent of the actual fair value losses incurred as this would have to be funded with revenue through rate increases.

47.27) Statement of Financial Position:

The Approved budget does not included opening balances and this accounts for the large variances between actual and budgeted figures. This is due to the systems' software providers not being able to accommodate the balance sheet that verifies to the data strings as required by the National Treasury. This will be addressed in the 2019/20 financial year.

47.28) Cashflow Statement

The variances are due to no cashflow statement being budgeted for. This is due to the systems' software providers not being able to accommodate the cashflow that verifies to the data strings as required by the National Treasury. This will be addressed in the 2019/20 financial year

Ndlambe Local Municipality

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48. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to 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 customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Receivables from non-exchange transactions	22 139 639	10 500 935
Receivables from exchange transactions	9 418 488	14 692 767
Cash and cash equivalents	45 325 049	64 263 364
Other financial assets	59 389	147 626

The municipality holds deposits of R 2 130 231 (2018: R 1 999 159) from consumer deposits. No guarantees of collateral was provided to third parties.

Market risk

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48. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates which means that the municipality is not exposed to interest rate risk, as any change in interest rates will not affect the repayment terms of the long term liabilities. During 2019 and 2018, the municipality had no borrowings at variable rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other payables		38 492 575	-	-	-	-
Financial liabilities - DBSA Loans	8.8 % - 17%	3 198 595	3 198 595	3 198 595	3 198 595	420 738

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the consolidated statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

49. Going concern

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.

50. Events after the reporting date

No adjusting events after the reporting date have been identified.

ANNEXURE C

AUDITOR GENERAL AUDIT REPORT 2018/2019

Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on Ndlambe Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Ndlambe Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the 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, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Ndlambe Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (DORA).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not recognise property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Work in progress was released to infrastructure assets prematurely as these assets were not complete at year end and land was not completely recognised. Consequently, property plant and equipment, as disclosed in note 9 to the financial statements, and accumulated surplus are understated by R6,7 million (2018: R7,8 million) and R7,2 million (2018: R5,5 million) respectively; and depreciation, as disclosed in note 30 to the financial statements, is understated by R509 454 (2018: R1,6 million overstatement). Within note 9 to the financial statements, work in progress is understated by R7,7 million with a corresponding overstatement in roads assets.
4. In addition, I was unable to obtain sufficient appropriate audit evidence to address the duplicate assets recorded under property, plant and equipment as disclosed in the statement of financial position and in note 9 to the financial statements. I was unable to obtain the evidence required by alternative means. As a result, I was unable to determine whether any adjustments to property, plant and equipment of R941,7 million (2018: R941,8 million) were required.

Payables from exchange transactions

5. The municipality did not have a system in place to accurately record payables from exchange transactions as disclosed in the statement of financial position and note 15 to the financial statements. Incorrect amounts were recorded as trade payables, retention monies and accrued expenses. Consequently, payables from exchange transactions and general expenses are both overstated by R2,8 million. Furthermore, I was unable to obtain sufficient

appropriate audit evidence for deposits due to the deficient status of accounting records. I was unable to obtain the evidence required by alternative means. As a result, I was unable to determine whether any adjustments to the payables from exchange transaction of R38,5 million disclosed in the statement of financial position and note 15 to the financial statements were required.

Revenue from exchange transactions

6. I was unable to obtain sufficient appropriate evidence that the municipality recognised all revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality did not have adequate internal controls to confirm the indigent status of the customers who were not billed for service charges. I was unable to confirm the revenue from service charges by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the service charges revenue from exchange transactions of R127,1 million and the related receivables from exchange transactions of R9,4 million as disclosed in notes 22 and 5 to the financial statements, respectively.

Irregular expenditure

7. The municipality did not have proper systems in place to identify and record all current year irregular expenditure disclosed in note 44 to the financial statements, as required by section 125(2)(d) of the MFMA. This expenditure resulted from payments made in contravention of the supply chain management (SCM) requirements. I was unable to confirm the amount of current year irregular expenditure incurred by alternative means and it was impracticable to determine the full extent of the understatement of irregular expenditure disclosed at R563,8 million in the financial statements.

Supply chain management regulations

8. The municipality did not have proper systems in place to identify and disclose all deviations from the Supply Chain Management (SCM) policy in note 45 to the financial statements, as required by section 36(2) of the SCM regulations. I was unable to confirm the amount of deviations by alternative means and it was impracticable to determine the full extent of the understatement of deviations. Consequently, I was unable to determine whether any adjustments were necessary to the deviations disclosed at R64,8 million in the financial statements.

Context for the opinion

9. 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.
10. I am independent of the municipality in accordance with sections 290 and 291 of the *International Ethics Standards Board for Accountants' Code of ethics for professional accountants* and, parts 1 and 3 of the *International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards)* (IESBA codes) as well as 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 codes.

11. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Restatement of corresponding figures

13. As disclosed in note 41 to the financial statements, the corresponding figures for the 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Material losses and impairments

14. As disclosed in note 46 to the financial statements, material water losses of R27,1 million (2018: R23,1 million) were incurred, which represents 53% (2018: 48.9%) of total water purchased. The losses are predominantly due to physical losses from leaks, burst pipes and reservoir overflows. Furthermore, apparent losses are realised due to metering inefficiencies, meter faults, unauthorised and unmetered consumption.

15. As disclosed in note 46 to the financial statements, material electricity losses of R6,3 million (2018: R5,2 million) were incurred, which represents 13,57% (2018: 11,99%) of total electricity purchased. The losses are predominantly due to losses in switchgear, overhead lines, obsolete aluminium lines, underground cables and transformers. Furthermore, losses are attributed to metering, tampering and meter-reading losses.

16. As disclosed in note 32 to the financial statements, material losses of R27,3 million (2018: R28,5 million) were incurred as a result of a movement in the debt impairment provision and a write-off of irrecoverable trade debtors.

Unauthorised expenditure

17. As disclosed in note 42 to the financial statements, unauthorised expenditure to the amount of R58,8 million was incurred due to overspending of cash and non-cash items in various municipal departments.

Fruitless and wasteful expenditure

18. As disclosed in note 43 to the financial statements, fruitless and wasteful expenditure to the amount of R11 million was incurred in the current and prior year (restated) due to interest incurred on late payments and interest charged on a court order for the South African Municipal Workers Union (SAMWU) pension fund.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of accounting officer for the financial statements

21. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
22. In preparing the financial statements, the accounting officer is responsible for assessing the Ndlambe Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the 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

23. 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.
24. 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

25. 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 objective presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
26. I was engaged to evaluate 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 objective presented in the annual performance report of the municipality for the year ended 30 June 2019:

Objective	Pages in the annual performance report
Key performance area (KPA) 1 – Basic service delivery	x – x

27. 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.

28. The material findings in respect of the usefulness and reliability of the selected objective are as follows:

KPA 1 – Basic service delivery

Indicator: Percentage of non-revenue water

29. The target approved in the service delivery and budget implementation plan (SDBIP) was 39%. However, the target reported in the annual performance report was 80%.

Indicator: Compliance to SANS 241

30. The strategic objective approved in the SDBIP was "provide sustainable, efficient, cost effective, adequate and affordable services to all our citizens". However, the strategic objective reported in the annual performance report was "create a safe and secure living environment".

Various indicators

31. The targets approved in SDBIP are tabled below. However, the targets reported in the annual performance report (APR) are not consistent with the targets as per the SDBIP, as tabled below.

Indicator	Target as per SDBIP	Actual achievement as per APR
1. Number of households with access to refuse removal and cleansing services as per schedule	20000	Refuse has been collected in 20 000 households 1 x per week, i.e. 4 x per month - skips are being placed for use in informal settlements
3. Percentage compliance with the required attendance time for firefighting incidents (in accordance with SANS 10090)	100%	Ndlambe LM is served by 2 x Fire Stations, i.e. Port Alfred & Bushmans' Rivermouth. This has resulted in a response time of under 30 minutes
5. Percentage implementation of maintenance plan for all Sports fields, parks & cemeteries	100%	A maintenance plan is in place for all sports fields, parks & cemeteries
8. Percentage construction of bulk water infrastructure	100%	No reported achievement in the APR
11. Percentage of non-revenue water	60%	Out of 100 670kl (248 927-148 257) baseline to be reduced in non-revenue water, 80 536kl have been approved
12. Percentage of households with access to electricity	100%	The targeted 20818 H/H has been maintain/serviced to ensure access to electricity

Indicator	Target as per SDBIP	Actual achievement as per APR
13. Percentage households with access to free basic electricity	100%	The targeted 1312 of Ndlambe indigent households have been improved with electricity debt impairment.
14. Compliance to SANS241	100%	Part of compliance with SANS241, all monitoring points are being tested monthly by a registered lab

32. I was unable to obtain sufficient appropriate audit evidence to support the reported achievements of the indicators tabled below. This was due to a lack of technical indicator descriptions and formal standard operating procedures or documented system descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of these indicators by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of these indicators as reported in the annual performance report.

Indicator
1. Number of households with access to refuse removal and cleansing services as per schedule
3. Percentage compliance with the required attendance time for firefighting incidents (in accordance with SANS 10090)
4. Number of enforcements patrols carried out on estuaries, coastline and nature reserves
5. Percentage implementation of maintenance plan for all Sports fields, parks & cemeteries
6. Percentage construction of bulk water infrastructure
7. Percentage construction of bulk water infrastructure
8. Percentage construction of bulk water infrastructure
9. Percentage of households with access to basic sanitation
10. Percentage of households with access to water supply
11. Percentage of non-revenue water
12. Percentage of households with access to electricity
13. Percentage households with access to free basic electricity
14. Compliance to SANS241

Indicator: Number of km constructed

33. The achievement for number of kilometres (km) constructed reported in the annual performance report was 7,2km. However, the supporting evidence provided did not agree to the reported achievement and indicated an achievement of 6,5km.

Indicator: Percentage households having access to free basic services

34. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the percentage households having access to free basic services. This was due to a valid list of indigents not being available for audit purposes. The listing provided included invalid indigent debtors as a result of a system error. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 99,41% as reported in the annual performance report.

Other matters

35. I draw attention to the matters below.

Achievement of planned targets

36. Refer to the annual performance report on pages ... to ... 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 29 to 34 of this report.

Adjustment of material misstatements

37. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 1 – Basic service delivery. 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

38. 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.

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

Annual financial statements, annual performance report and annual report

40. 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 and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected or the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Consequence management

41. Unauthorised, irregular as well as fruitless and wasteful 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) and (b) of the MFMA.

Strategic planning and performance management

42. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote as required by section 1 of the MFMA.
43. The performance management system and related controls were inadequate as it did not describe how the performance measurement, review and reporting processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

44. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by supply chain management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
45. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the prior year.
46. Awards were made to providers who were in the service of other state institutions in contravention of section 112(j) MFMA and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).
47. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board, 2000 (Act No 38 of 2000) (CIDB Act) and CIDB regulations 17 and 25(7A). Similar non-compliance was also reported in the prior year.
48. Some of the 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). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the supply of fire service uniforms.

49. Awards were made to providers who were in the service of the municipality in contravention of section 112(j) of the MFMA and SCM regulation 44. Furthermore, the provider failed to declare that he / she was in the service of the municipality, as required by SCM regulation 13(c).
50. Persons in the service of the municipality who had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e).

Asset management

51. An effective system of internal control for assets was not in place, as required by section 96(2)(b) of the MFMA.

Liability management

52. An effective system of internal control for liabilities was not in place, as required by section 96(2)(b) of the MFMA.

Expenditure management

53. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
54. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliances with SCM regulations.
55. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R1,5 million, as disclosed in note 43 to the financial statements, in contravention of section 62(1)(d) of the MFMA. This was due to penalties and interest charged on late payments.
56. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R58,8 million, as disclosed in note 42 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The unauthorised expenditure was incurred due to overspending of the operational and capital budget.

Other information

57. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objective presented in the annual performance report that have been specifically reported in this auditor's report.
58. 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.
59. 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 objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

60. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and, 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

61. 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 qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
62. Leadership did not adequately discharge its oversight of the implementation and monitoring of internal controls to ensure sound financial and performance management and compliance with legislation. Consequently, the correct tone was not set to ensure that all municipal officials were held accountable for their actions through consequence management. Furthermore, leadership had developed a plan to address external audit findings but significant shortcomings on this plan contributed to the modified financial opinion, the material performance matters and the repeat findings on compliance.
63. The municipality did not have a review process to monitor compliance with all applicable legislation within the municipality. Consequently, non-compliance with applicable legislation was not effectively identified and prevented. In addition, the municipality did not adhere to its SCM policy. There is no plan of action or a formal consequence management strategy to ensure compliance with the SCM policy and these transgressions were not responded to appropriately as no investigations were held in this regard.
64. Management does not have adequate controls over the daily and monthly processing and reconciling of transactions, which resulted in an over-reliance on reconciliations, journals and corrections only after year end. This has contributed to the material misstatements in the annual financial statements and performance information.
65. Record keeping within the municipality remains a challenge. The regular process of collecting and reporting on credible information was not always implemented, most notably relating to the collation, collection and verification, storage and reporting of information to support the actual performance as reported in the annual performance report.
66. The municipality did not have a proper risk management process in place as there were no processes to identify risks and to develop mitigating controls. In addition, the internal audit unit did not review internal controls and compliance with laws and regulations. This was due to a lack of capacity, skills and resources in the internal audit unit and a failure to follow up on issues reported to management. The impaired functioning of the internal audit unit has greatly affected the effectiveness of the audit committee.

Other report

67. I draw attention to the following engagement conducted by a party that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
68. One investigation was conducted and finalised in the current year. This related to the fraudulent issuing of driver's licences.

Auditor - General

East London

30 November 2019



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 objective 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 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 D

NDLAMBE SCHEDULE OF MEETINGS 2018/2019

NDLAMBE MUNICIPALITY



NDLAMBE SCHEDULE OF MEETINGS – 2018/2019 FINANCIAL YEAR

DATE	COMMITTEE	VENUE	TIME	SUBMISSION DATE	DELIVERY DATE
JULY 2018					
02 July 2018	Training Committee	Council Chambers	10H00	18 July 2018	25 July 2018
03 July 2018	Municipal Managers' Forum	SBDM	10H00		
04 July 2018	Council Meeting	SBDM	12H00		
05 July 2018	Consultation with Local Municipalities	SBDM	10H30		
17 July 2018	Municipal Public Accounts Committee	SBDM	11H00		
19 July 2018	Municipal Public Accounts Committee	Council Chamber	10H00	03 July 2018	12 July 2018
23 July 2018	Ward 1	Council Chambers, Alex	10H00	03 July 2018	12 July 2018
23 July 2018	Ward 2	Council Chambers, Alex	12H00	03 July 2018	12 July 2018
24 July 2018	Ward 3	MarselleCommunity Hall	14H00	03 July 2018	12 July 2018
24 July 2018	Ward 4	Council Chambers KOS	10H00	03 July 2018	12 July 2018

23 July 2018	Ward 5		Solomon Mahlangu Community Hall	17H00	03 July 2018	12 July 2018
24 July 2018	Ward 6		Titijonus Multi - Purpose Centre	17H00	03 July 2018	12 July 2018
25 July 2018	Ward 7		Kuyasa Combined School	17H00	05 July 2018	16 July 2018
26 July 2018	Ward 8		Jauka Community Hall	17H00	06 July 2018	17 July 2018
30 July 2018	Ward 9		Jauka Community Hall	17H00	10 July 2018	19 July 2018
26 July 2018	Ward 10		Council Chambers	10H00	06 July 2018	17 July 2018
25 July 2018	Local Labour Forum		Council Chambers	10H00	06 July 2018	16 July 2018
31 July 2018	Special Council Meeting Annual Financial Statement End Year		Council Chambers	10H00	17 July 2018	24 July 2018
AUGUST 2018						
08 August 2018	Budget Steering Committee		Council Chambers	10H00	25 July 2018	01 August 2018
15 August 2018	Mayors' Forum		SBDM	10H00		
16 August 2018	Audit & Performance Committee		Council Chambers	10H00	26 July 2018	06 August 2018
17 August 2018	Executive Committee		Council Chambers	10H00	27 July 2018	07 August 2018
22 August 2018	Council Meeting		SBDM	12H00		
23 August 2018	IGR Meeting		Council Chambers, Port Alfred	11H00	02 August 2018	14 August 2018
27 August 2018	Local Labour Forum		Council Chambers	10H00	13 August 2018	20 August 2018
29 August 2018	Ndlambe Full Council meeting		Council Chambers	10H00	08 August 2018	20 August 2018

SEPTEMBER 2018						
12 September 2018	Mayors' Forum	SBDM	10H00			
13 September 2018	IT Steering Committee	Council Chambers	10H00	30 August 2018	06 August 2018	
19 September 2018	District Communicators Forum	SBDM	11H00			
20 September 2018	District Aids Council	SBDM	10H00			
25 September 2018	District Wide Infrastructure Forum	SBDM	10H00			
26 September 2018	Local Labour Forum	Council Chambers	10H00	12 September 2018	19 September 2018	
27 September 2018	MSCOA Steering Committee	Council Chambers	10H00	13 September 2018	20 September 2018	
OCTOBER 2018						
02 October 2018	Municipal Public Accounts Committee	SBDM	11H00			
03 October 2018	Training Committee	Council Chambers	10H00	19 September 2018	26 September 2018	
04 October 2018	Chief Financial Officers' Forum	SBDM	10H00			
08 October 2018	Budget Steering Committee	Council Chamber	10H00	21 September 2018	01 October 2018	
10 October 2018	Council Meeting	SBDM	12H00			
12 October 2018	Audit & Performance Committee	Council Chambers	10H00	28 September 2018	05 October 2018	
18 October 2018	Municipal Public Accounts Committee	Council Chamber	10H00	04 October 2018	11 October 2018	
24 October 2018	Local Labour Forum	Council Chambers	10H00	10 October 2018	17 October 2018	

24 October 2018	Municipal Managers' Forum	SBDM	10H00	
26 October 2018	Consultation with Local Municipalities	SBDM	10H30	
31 October 2018	Ndlambe Full Council	Council Chambers	14H00	11 October 2018 22 October 2018
NOVEMBER 2018				
12 November 2018	Ward 1	Council Chamber, Alex	10H00	23 October 2018 01 November 2018
12 November 2018	Ward 2	Council Chamber, Alex	12H00	23 October 2018 01 November 2018
13 November 2018	Ward 3	Marselle Community Hall	14H00	23 October 2018 01 November 2018
13 November 2018	Ward 4	Council Chambers KOS	10H00	23 October 2018 01 November 2018
12 November 2018	Ward 5	Solomon Mahlangu Community Hall	17H00	23 October 2018 01 November 2018
13 November 2018	Ward 6	TitiJonus Multi - Purpose Centre	17H00	23 October 2018 01 November 2018
14 November 2018	Ward 7	Kuyasa Combined School	17H00	25 October 2018 05 November 2018
15 November 2018	Ward 8	Jauka Community Hall	17H00	26 October 2018 06 November 2018
19 November 2018	Ward 9	Jauka Community Hall	17H00	30 October 2018 08 November 2018
15 November 2018	Ward 10	Council Chambers	17H00	26 October 2018 06 November 2018
13 November 2018	District Wide Infrastructure Forum	SBDM	10H00	
14 November 2018	Mayors' Forum	SBDM	10H00	
15 November 2018	Rates and Valuation Committee	Council Chambers	10H00	01 November 2018 08 November 2018

20 November 2018	District Wide Infrastructure Forum	SBDM	10H00	
21 November 2018	District Aids Council	SBDM	10H00	
23 November 2018	IGR Meeting	Council Chambers	10H00	05 November 2018
27 November 2018	IT Steering Committee	Council Chambers	10H00	13 November 2018
28 November 2018	MSCOA Steering Committee	Council Chambers	10H00	14 November 2018
28 November 2018	Council Meeting	SBDM	12H00	
29 November 2018	Local Labour Forum	Council Chambers	10H00	15 November 2018
DECEMBER 2018				
03 December 2018	Budget Steering Committee	Council Chambers	10H00	19 November 2018
07 December 2018	Ndlambe Full Council Meeting	Venue to be Confirmed	10H00	19 November 2018
10 December 2018	Executive Committee	Council Chambers	10H00	20 November 2018
12 December 2018	Recess Committee	Council Chambers	10H00	
JANUARY 2019				
10 January 2019	Chief Financial Officers' Forum	SBDM	10H00	
16 January 2019	Municipal Managers' Forum	SBDM	10H00	
14 January 2019	Training Committee	Council Chambers	10H00	31 December 2018
22 January 2019	Municipal Public Accounts Committee	SBDM	11H00	

23 January 2019	Council Meeting	SBDM	12H00	
28 January 2019	Local Labour Forum	Council Chambers	10H00	21 January 2019
31 January 2019	Full Ndlambe Council	Council Chambers	10H00	22 January 2019
FEBRUARY 2019				
11 February 2019	Ward 1	Council Chamber, Alex	10H00	31 January 2019
11 February 2019	Ward 2	Council Chamber, Alex	12H00	31 January 2019
12 February 2019	Ward 3	Marselle Housing Office	14H00	31 January 2019
12 February 2019	Ward 4	Council Chambers, KOS	10H00	31 January 2019
11 February 2019	Ward 5	Solomon Mahlangu Community Hall	17H00	31 January 2019
12 February 2019	Ward 6	TitiJonus Multi - Purpose Centre	17H00	31 January 2019
06 February 2019	Municipal Public Accounts Committee	SBDM	11H00	
13 February 2019	Ward 7	Kuyasa Combined School	17H00	04 February 2019
14 February 2019	Ward 8	Jauka Community Hall	17H00	05 February 2019
07 February 2019	Mayors' Forum	SBDM	10H00	
18 February 2019	Ward 9	Jauka Community Hall	17H00	06 February 2019
14 February 2019	Ward 10	Council Chambers, PA	10H00	05 February 2019
19 February 2019	District Wide Infrastructure Forum	SBDM	10H00	

20 February 2019	IT Steering Committee	Council Chambers	10H00	06 February 2019	13 February 2019
21 February 2019	Audit & Performance Committee	Council Chambers	10H00	07 February 2019	14 February 2019
22 February 2019	Municipal Public Accounts Committee	Council Chambers	10H00	08 February 2019	15 February 2019
25 February 2019	Local Labour Forum	Council Chambers	10H00	11 February 2019	18 February 2019
26 February 2019	Special Council Meeting Adjustment Budget	Council Chambers	10H00	12 February 2019	19 February 2019
27 February 2019	MSCOA Steering Committee	Council Chambers	10H00	13 February 2019	20 February 2019
28 February 2019	Chief Financial Officers' Forum	SBDM	10H00		
MARCH 2019					
05 March 2019	Municipal Public Accounts Committee (Special)	SBDM	11H00		
04 March 2019	Executive Committee Meeting	Council Chambers	10H00	12 February 2019	21 February 2019
08 March 2019	IGR Meeting	Council Chambers	10H00	18 February 2019	27 February 2019
12 March 2018	Budget Steering Committee	Council Chambers	10H00	26 February 2019	05 March 2019
14 March 2019	Municipal Public Accounts Committee	SBDM	11H00		
20 March 2019	Rates and Valuation Committee	Council Chambers	10H00	06 March 2019	13 March 2019
26 March 2019	District AIDS Council	SBDM	10H00		
27 March 2019	Council Meeting	SBDM	12H00		

28 March 2019	Local Labour Forum	Council Chambers	10H00	14 March 2019	21 March 2019
29 March 2019	Ndlambe Full Council	Council Chambers	10H00	15 March 2019	22 March 2019
APRIL 2019					
02 April 2019	Municipal Public Accounts Committee	SBDM	11H00		
17 April 2019	Municipal Managers' Forum	SBDM	10H00		
23 April 2019	District Wide Infrastructure Forum	SBDM	10H00		
25 April 2019	Training Committee	Council Chambers	10H00	11 April 2019	18 April 2019
29 April 2019	Local Labour Forum	Council Chambers	10H00	15 April 2018	22 April 2019
30 April 2019	District Communicators' Forum	SBDM	11H00		
MAY 2019					
06 May 2019	Ward 1	Council Chamber, Alex	10H00	16 April 2019	25 April 2019
06 May 2019	Ward 2	Council Chamber, Alex	12H00	16 April 2019	25 April 2019
07 May 2019	Ward 3	Marselle Community Hall	14H00	16 April 2019	25 April 2019
07 May 2019	Ward 4	Council Chambers KOS	10H00	16 April 2019	25 April 2019
06 May 2019	Ward 5	Solomon MahlanguCommunity Hall	17H00	16 April 2019	25 April 2019
07 May 2019	Ward 6	Titijonus Multi - Purpose Centre	17H00	16 April 2019	25 April 2019
08 May 2019	Ward 7	Kuyasa Combined School	17H00	17 April 2019	26 April 2019

09 May 2019	Ward 8	Jauka Community Hall	17H00	19 April 2019	30 April 2019
13 May 2019	Ward 9	Jauka Hall	17H00	23 April 2019	02 May 2019
09 May 2019	Ward 10	Council Chambers , PA	10H00	19 April 2019	30 April 2019
14 May 2019	Audit & Performance Committee	Council Chambers	10H00	30 April 2019	07 May 2019
15 May 2019	Mayors' Forum	SBDM	10H00		
15 May 2019	District Aids Council	SBDM	11H00		
20 May 2019	Municipal Public Accounts Committee	Council Chambers	10H00	06 May 2019	13 May 2019
22 May 2019	Council Meeting	SBDM	12H00		
23 May 2019	Chief Financial Officers' Forum	SBDM	10H00		
24 May 2019	Executive Committee Meeting	Council Chambers	10H00	06 May 2019	15 May 2019
27 May 2019	Local Labour Forum	Council Chambers	10H00	13 May 2019	20 May 2019
30 May 2019	Ndlambe Full Council Meeting	Council Chambers	10H00	10 May 2019	21 May 2019
JUNE 2019					
04 June 2019	Municipal Public Accounts Committee	SBDM	11H00		
06 June 2019	MSCOA Steering Committee	Council Chambers	10H00	13 June 2019	20 June 2019
12 June 2019	IT Steering Committee	Council Chambers	10H00	29 May 2019	05 June 2019
18 June 2019	District Wide Infrastructure Forum	SBDM	10H00		

19 June 2019	IGR Meeting	Council Chambers	10H00	30 May 2019	10 June 2019
20 June 2019	Special Council Meeting Adoption of the Final Budget	Council Chambers	10H00	06 June 2019	13 June 2019
27 June 2019	Local Labour Forum	Council Chambers	10H00	13 June 2019	20 June 2019

ANNEXURE E

**AUDIT AND PERFORMANCE COMMITTEE ANNUAL
REPORT FOR THE YEAR ENDED 30 JUNE 2019**

AUDIT AND PERFORMANCE COMMITTEE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

We hereunder present our report for the financial year ended 30th June, 2019.

Membership

The Audit and Performance committee consisted of FOUR members during the year. It should meet at least four times per annum as per its approved terms of reference. However during the year it had two ordinary meetings and three special meetings aside from attending to ad hoc assignments like MPAC strategic sessions and presenting to the council.

Names of members	Position	Meeting attended	Appointed
Mr WS Mbalekwa	Chairperson	5/5	31/05/2017
Mr SR Tandani	Member	5/5	31/05/2017
Adv. S Gugwini- Peter	Member	4/5	31/05/2017
Ms R Shaw	Member	5/5	31/05/2017

Audit and performance committee responsibilities

The audit and performance committee is an independent body which must –

- a) Advise the council, the political office bearers, the accounting officer and the management staff on matters relating to-
 - 1) Internal financial control and internal audits
 - 2) Risk management
 - 3) Accounting policies
 - 4) The adequacy, reliability and accuracy of financial reporting and information
 - 5) Performance management
 - 6) Effective governance
 - 7) Compliance with all applicable legislation
 - 8) Performance evaluation
 - 9) Attend to any other issues referred to it by the municipal council
- b) Review the annual financial statements to provide the council with an authoritative and credible view of the financial position
- c) To respond to the council on any issues raised by the Auditor General in the audit report
- d) Carry out such investigations into the financial affairs of the municipality as it may request
- e) Perform such other functions as may be prescribed.

Effectiveness of internal control

The system of internal control applied by the municipality over financial risk and risk management must be effective, efficient and adequate.

In line with MFMA and King IV Report on corporate governance requirements, Management, internal audit and audit committee provide assurance to the municipality that the system of internal controls is appropriate and effective. This is achieved through a risk management process, and Identification of corrective measures including enhancement of controls and processes.

From the various reports of the Internal Audit function, the Auditor General's Audit report on the financial statements, both any qualification and/or emphasis of matter and the management report, it is noted that there was some reported noncompliance with prescribed policies and procedures.

Accordingly, the audit committee can report that the system of internal controls was NOT effective and efficient for the period under report.

Management

Judging by the nature and number of issues raised by the Auditor General, it is clear that Management is falling short of expectations. A practical turnaround plan has to be put in place and **must** be implemented as soon as possible.

Internal Audit

Although internal audit tries to review and test the adequacy and reliability of the system of internal control, internal controls have been found wanting and inadequate by the Auditor General. We remain hopeful that the internal audit function will continue to fulfil its role effectively and independently.

Audit committee

Although the Audit Committee tried to perform its statutory responsibilities, the issues raised by the Auditor General indicate inadequacy of its oversight role. Enough financial resources have to be availed in order to enhance the functioning of the audit committee in providing a credible and authoritative view of the financial reporting to the council. Frequency of meetings and subsequent reporting, coupled with ease of access to the municipal records and reports, have to be improved.

Evaluation of financial statements

The audit committee confirms that –

- a) It reviewed the unaudited financial statements, included in the annual report, prior to submission to the office of the Auditor General.
- b) The Auditor General's report has been presented to the Audit and Performance Committee.

Annual Audit

The annual audit of the Ndlambe Local Municipality by the Auditor General has been finalised and has been presented to the Audit Committee.

Gleaning from the report, the Audit Committee is of the view that the issues raised therein, read together with the Audited Annual Financial statements, should be accepted.

Submitted for inclusion in the annual report by:

Sabatha Mbalekwa- Chairperson

For and on behalf of the Audit and Performance Committee.