

THABAZIMBI LOCAL MUNICIPALITY

2015



ANNUAL REPORT

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CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

MAYOR'S FOREWORD

Thabazimbi Local Municipality (TLM) earmarks to be the leading Municipality offering quality services in the most economic, affordable, equitable and sustainable manner. The format and content of the Annual Report is largely prescribed by Section 46 of the Local Government: Municipal Systems Act (No: 32 of 2000) and Sections 121 and 127 (2) of the Local Government: Municipal Finance Management Act (No: 56 of 2003). The above legislation compels the Municipality to prepare an Annual Report for each financial year and the Mayor to table such a report in Council within seven months after the end of each financial year.

It is always a daunting task to provide a complete account on the responsibilities conferred upon us by the electorate. Most significantly, we do so being quite conscious of the fact that the general public deserves its rightful place at the apex of the 'accountability chain'. In presenting this Annual Report, Thabazimbi Local Municipality sets out the performance highlights and financial management for the 2014/15 financial year.

We owe this timely reporting to our colleagues in government, the people of Thabazimbi and all those who live, work and play in our municipal area by providing them with an insight into our approach to governance and service delivery. This Annual Report is a culmination of the implementation of the Council's adopted Integrated Development Plan (IDP), Budget and Service Delivery and Budget Implementation Plan for the 2014/15 financial year. In essence, the report is an account of Thabazimbi Municipality's achievements in the year under review, and as with any rigorous instrument it also assists in identifying our successes and failures. This report is therefore intended to attest to the collective efforts of the administrative and political arms of the Municipality to progressively address the expectations of our people.

It will of course remain true for some time to come that the challenges of poverty, underdevelopment and the historical legacy of inequality will remain with us beyond the term of office of any elected political office-bearer or top management official. This clearly qualifies the fact that 'development is not an event but a process' which requires multiple resources and effective leadership.

There are several positive highlights that were recorded during this financial year, e.g. the commencement of construction of the FET college in Regorogile, the awarding of a R10 million Library facility to Thabazimbi Municipality and the subsequent commencement of construction thereon.

I have no doubt that this will be a useful document for Councillors, Staff and Stakeholders as we strive to continuously improve our services to the people of Thabazimbi. I remain committed to working together with my Mayoral Committee, the whole Council and the Municipal Administration in realizing our vision and making it a practical reality. We are positive that Thabazimbi Municipality's future holds the promise of a better managed and financially viable institution which delivers excellent services to the communities. I trust that every reader who studies this report from a balanced and fair perspective will concur with this impression.

Honourable Mayor Cllr P.A Mosito
Thabazimbi Local Municipality

1.1. MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

The year 2014/15 commenced on very difficult circumstances which saw the Municipal Council sending the Accounting Officer and the Chief Financial Officer on special leave pending an investigation on several financial misconduct issues. The two were temporarily replaced by incumbents who were appointed to act in those positions on a temporary basis.

Key to the efforts to resuscitate the Municipality rests on proper planning and cohesion of all the efforts of employees, Council and the responsible sector departments where help and assistance continued to be sought during the financial year.

The Municipality prepared and undertook an alignment of services to IDP (Integrated Development Plan) indicators and Council priorities, this was a cumbersome exercise which involved the presence of sector departments that were invited to assist in ensuring that there is adequate alignment for ease of implementation and reaching the goals and targets for local governance.

The municipality is experiencing service delivery performance challenges mainly due to inadequate revenue collection and huge financial commitments that were entered into in the past financial years. The municipality owes critical bulk suppliers for services delivered such as Eskom and Magalies Water Board. In addition various Municipal Infrastructure Projects have since come to a complete halt due to poor management of the whole MIG (Municipal Infrastructure Grant) programme and lack of capacity in the Project Management Unit.

The Municipality is not financially sustainable as clearly depicted by the financial health ratios. This is mainly due to significant financial commitments that were entered into that the Municipality cannot afford. The municipality entered into several contractual arrangements which cannot be serviced through the revenue collections. The municipal liquidity position is not healthy and therefore critical financial obligations are not being honoured.

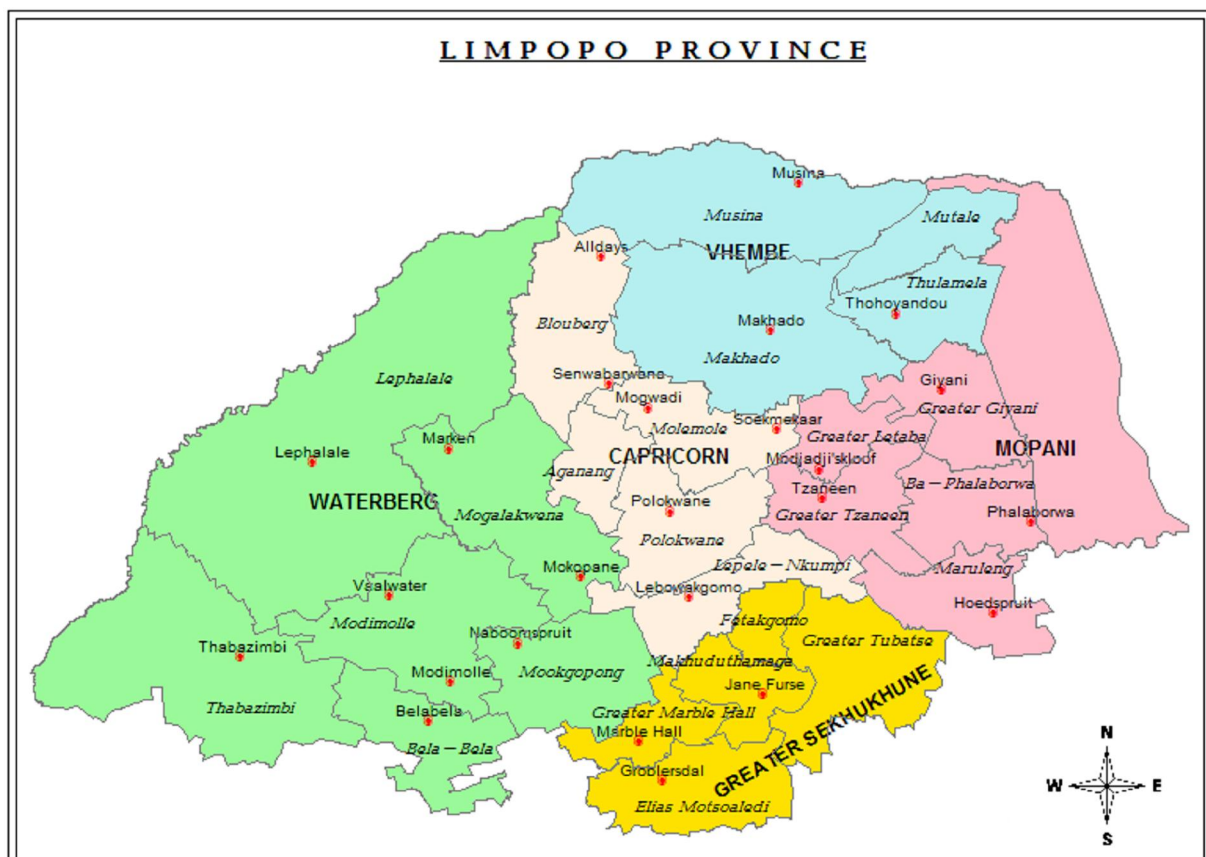
To respond to all this the MEC of Coghsta has seconded an Acting Accounting Office and a Financial Specialist, Messrs Mashamba and Khunou respectively, to try and rescue the financial situation and the overall performance of the Municipality. A Financial Recovery Plan is currently being finalised and implementation thereof should ensure that the Municipality improves service delivery.

T 1.1.1

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

Thabazimbi Local Municipality is largely a mining town surrounded by vast tracts of farming land, the population of which appears below. The geographical view and position of Thabazimbi Local Municipality is best depicted within the Limpopo Province map below;



T 1.2.1

Thabazimbi Municipality is located in the South-western part of the Limpopo Province and has Botswana as its international neighbour and a mere two (2) hour drive from Tshwane. Thabazimbi is known as “mountain of iron” which is the Tswana name for this peaceful productive town, referring to the highly lucrative iron ore reef first discovered in the Municipality in 1919. The Municipality has Marakele National Park, which is a subsidiary of National Parks Board, and in the same standard as the Kruger National Park and Mapungube. The game lodges scattered around the area help to promote the issue of environmental sustainability.

It was mined since the 1930's when iron and steel production started. The town was proclaimed in 1953. Till its closure Iscor Steelworks in Tshwane still drew much of their raw material from the recently closed Thabazimbi Kumba Resources (Iron Ore mine). Apart from Iron Ore the Thabazimbi Municipality is surrounded by Platinum producing areas such as: Northam Platinum mine, Anglo, i.e. Amandelbult and Swartklip mines. Other minerals produced in the area include Andalusite, which is mined by Rhino Mine and limestone for the production of cement by Pretoria Portland Cement (PPC). Thabazimbi Municipality incorporates Thabazimbi, Northam, Leeupoort, Rooiberg and Dwaalboom. The Municipal area falls within the Waterberg District Municipal, a very peaceful place to live in and a malaria free Municipality. The size of the Municipal area is 986 264, 85 ha. Thabazimbi Municipality has shown tremendous growth which should continue for the foreseeable future. The mining sector has huge potential to absorb lots of skills within the municipality. There is also a need to establish mining opportunities in the small scale mining sector. We believe however, that in partnership with relevant stakeholders, we can leverage our society to tap into this major sector of the economy.

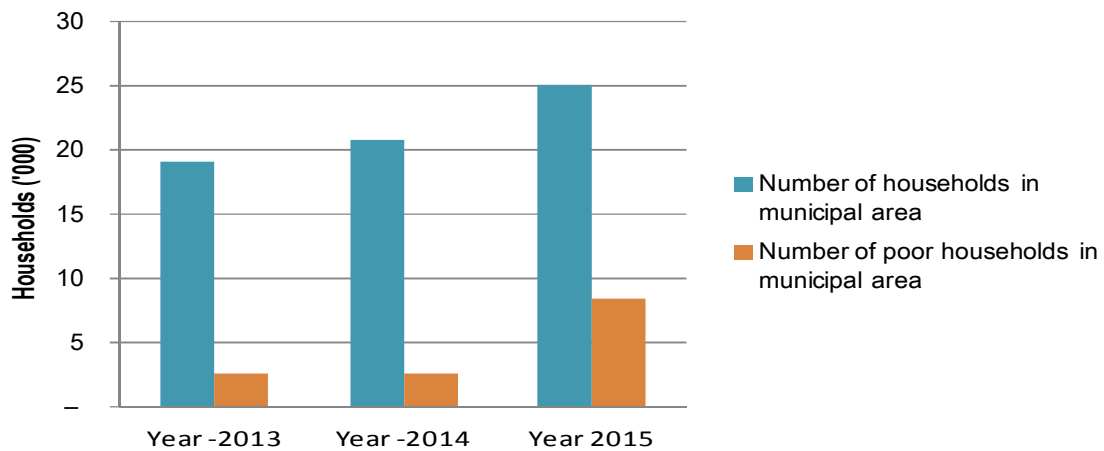
Thabazimbi is definitely one of the country's most sought-after tourist destinations. Agriculture has also proven, in addition to mining, to be a strong economic sector in our municipality. We are growing our economy not in isolation as our goals are seamlessly aligned within those of the Limpopo Economic Growth and Development Plan. The alignment ensures that our growth trajectory bears fruits and that we address the objective of poverty eradication through job creation and business opportunity stimulation.

With regard to public participation, Thabazimbi Municipality has made significant progress in terms of the development of the organs of participatory democracy such as Ward Committees and IDP forums. Another positive aspect is the increasing representation of women on various structures e.g. 50% of female Councillors.

Population Details									
Age	Year 1996			Year 2001			Year 2011		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Age: 0 - 4	2438	2325	4763	3359	3515	6874	4004	4058	8062
Age: 5 - 9	2450	2414	4864	2720	2682	5402	2693	2607	5300
Age: 10 - 19	4319	4109	8428	4860	4834	9694	4859	4768	9627
Age: 20 - 29	6469	4273	10742	6320	6588	12908	12687	8239	20926
Age: 30 - 39	9743	4138	13881	7031	6286	13317	11259	6534	17793
Age: 40 - 49	6070	2462	8532	6206	3902	10108	7265	4768	12033
Age: 50 - 59	2621	1248	3869	2819	1624	4443	4967	2660	7627
Age: 60 - 69	1053	768	1821	1089	715	1804	1273	1027	2300
Age: 70+			0			0			0
Source: Statistics SA									T 1.2.2

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Indigent Households

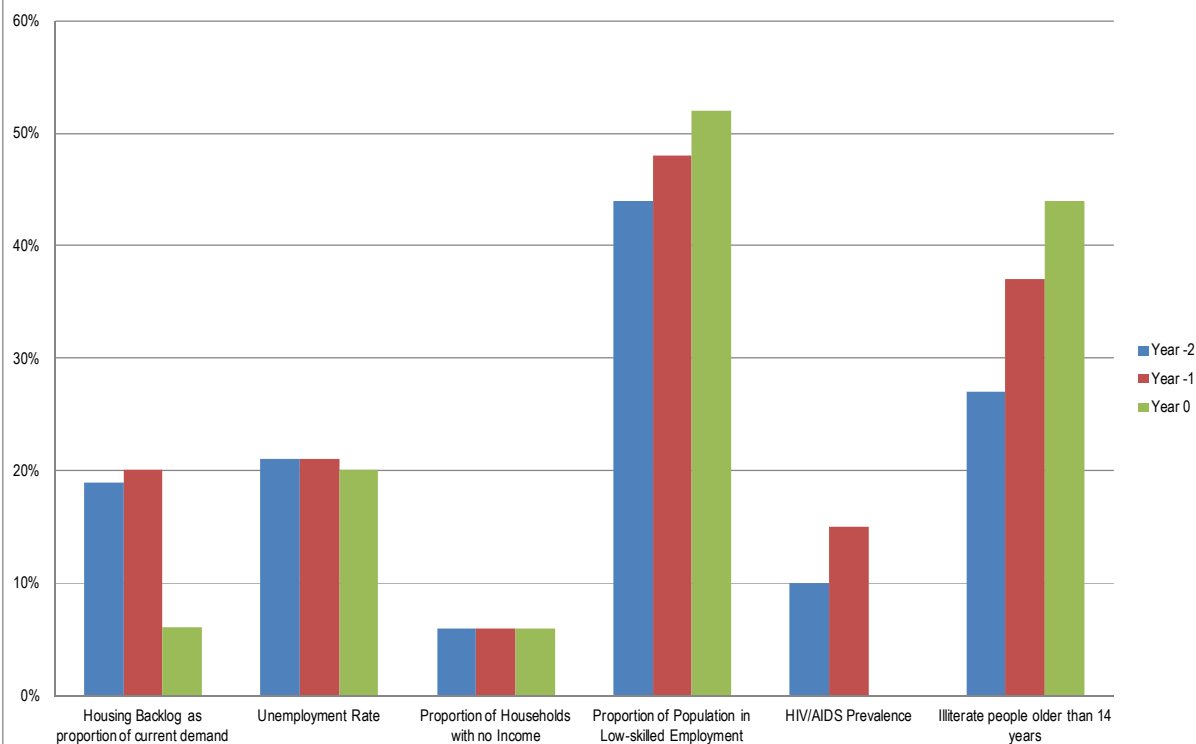


T1.2.3

Socio Economic Status						
Year	Housing Backlog as proportion of current demand	Unemployment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
Year -2	19%	21%	6%	44%	10%	27%
Year -2014	20%	21%	6%	48%	15%	37%
Year 2015	6%	20%	6%	52%		44%

T1.2.4

Socio Economic Status



T 1.2.5

Settlement Name	Classification	Estimated Pop 2011
Amandelbult	Rural	1 874
Dwaalboom	Urban	618
Farms Thabazimbi LM	Rural	22 487
Kromdraai Plots	Rural	1 990
Kwaggaslaagte (Kwaggasvlakte) Smallholdings	Rural	281
Leeupoort	Urban	2 500
Middeldrift	Rural	1 503
Northam	Urban	11 244
Raphuti	Rural	379

Regorogile	Urban	13117
Rooiberg	Urban	2155
Sentrum	Rural	75
Setaria	Rural	56
Smashblock	Rural	11,244
Spitskop Plots	Rural	296
Swartklip	Rural	3358
Swartkop (Zwartkop)	Rural	116
Thabazimbi	Urban	11 244
Total		84 536

Natural Resources	
Major Natural Resource	Relevance to Community
Marekele national park	creates employment
Kumba Resources	creates employment
Goldfields	creates opportunity
	<i>T 1.2.7</i>

1.3. SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

Capital Projects

The municipal capital projects are funded through the Municipal Infrastructure Grant (MIG) and by contributions from the local mines. For the 2013/14 and 2014/15 financial years, the Municipality could not commit the MIG allocation hence the budget was adjusted downwards by R12.7m and R19,7m respectively. It has been confirmed that the Municipality has been utilising the MIG grant to pay salaries and as such contractors have abandoned sites due to non-payment on services rendered. The municipality made arrangements with Treasury for the funds to be recovered by deducting R4,2m quarterly from the equitable share allocation.

Water and Sanitation Services Provision

Thabazimbi Local Municipality is a WSA (Water Services Authority) and WSP (Water Service Provider). The Water Services Development Plan is in place but require review in preparation for the new term of Local Government. The main source of surface water is the Vaalkop dam (9 MI/day) augmented by 14 boreholes (5.1MI/day). The Pilanesberg bulk water supply will provide an additional water (domestic use only) supply to the municipal area (13 MI/day) at a cost of R250 million funded by the Regional Bulk Infrastructure Grant (DWS) and Magalies Water. Magalies Water capital investment towards the scheme will be recouped from the municipality through the bulk water tariff increments.

In terms of sanitation services; Thabazimbi town, Rooiberg, Leeupoort, Raphuthi and Regorogile use water-borne sewer system. Northam is 98% water borne and 2% septic tanks. Both the Thabazimbi and Northam sewer plants require urgent upgrading as they are currently operating beyond design capacity.

Basic services backlogs with regard to water and sanitation:

- 15% of households do not have access to portable water within the minimum level of service.
- 20% of households do not have access to sanitation within the minimum level of service.

Electricity Services Provision

The municipality has a distribution license covering portions of Warmbad-Pienaarsrivier and Greater Northam, the whole of Thabazimbi town and Rooiberg. ESKOM distributes to Northam, Regorogile extensions 2 and 4, farms and mining areas. The 9 informal settlements are also supplied by ESKOM. It should be noted that the electricity infrastructure in Thabazimbi is ageing and would need to be overhauled urgently.

Basic services backlogs with regard to electricity services:

- 10% of households do not have access to electricity for lighting.

Roads and Storm Water Services

Access roads are in a fairly good condition. However, internal roads are mainly filled with potholes, no road markings and signs. Residents of Raphuthi are without accessible roads. Storm water channels including bridges have not been maintained and exacerbate flooding.

-Basic services backlogs with regard to roads and storm water:

-63km's of internal roads and 56km's of storm water require maintenance and rehabilitation

Waste Management

The municipality has a draft Waste Management Plan in place but there is no free basic waste policy. The municipality provides waste collection from informal to formal settlements and manage 4 land fill sites. Collection is done at informal settlements, Thabazimbi, Northam, Leeupoort and Roosters towns. The Rooiberg Land fill site has not been formalised and needs to be rehabilitated. The Northam land fill site is full and there is a need to engage with the farmers for provision of land for the establishment of a new land fill site. A new waste disposal site is to be provided in Schilpadnest/Kromdraai area.

The waste management challenges in the municipality include:

- Illegal dumping
- No adequate fleet to service the whole Municipality
- Old municipal waste equipment
- Existing landfill site almost full

Basic services backlogs with regard to waste management:

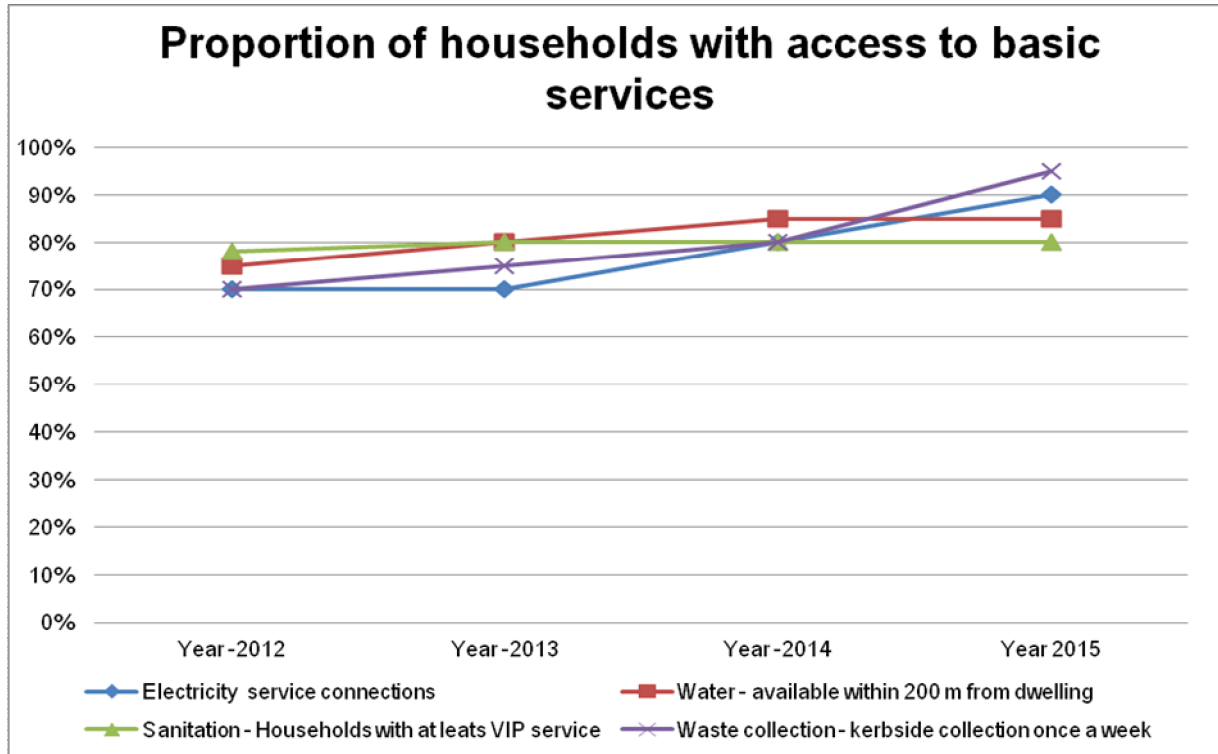
- 5.5% of households (1 381) do not have access to waste removal.

Project Management Unit (PMU)

MIG Project Management Unit (PMU) is a function within a Municipality, and under normal circumstances, existing personnel within the municipality should be utilised for this purpose. The duties that need to be performed relates to the planning, organising, coordinating, controlling and directing of the activities of projects funded through MIG. The Municipality may utilise up to 5% of its MIG allocation to ensure a sustained project management function to support the implementation of the MIG programme.

However, the Municipality had outsourced the PMU function since 2005. The performance and expenditure on MIG remains very poor and the municipality is among the worst performing in the Province. The PMU function will remain with Waterberg District Municipality for the 2015/16 FY

A tabular presentation of the position of Basic Services Delivery status at the Municipality is as shown below;



T 1.3.2

1.4. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The municipality is facing significant financial stress that commenced in the 2011 financial year. The profitability ratio shows us that the municipality is failing to break even on its main operations which are selling of electricity and water and other essential services.

The liquidity and solvency position of the municipality is also hugely stressed as the financial commitments entered into by the municipality are beyond the municipal capacity to service them. The municipality will evaluate all the contracts entered into and find ways of terminating non-essential ones. These challenges have further affected the municipality's ability to adequately provide quality service delivery to the community.

Tables below and Chapter 5 on the Audited Financial Statements provides further evidence of the issues mentioned above..

T 1.4.1

Financial Overview: Year 2015			
			R' 000
Details	Original budget	Adjustment Budget	Actual
Income:			
Grants	102,018	133,118	82,073
Taxes, Levies and tariffs	189,425	206,891	159,140
Other	8,872	9,103	1,657
Sub Total	300,315	349,112	242,870
Less: Expenditure	230,272	236,053	280,105
Net Total*	70,043	113,059	-37,235
* Note: surplus/(defecit)			T 1.4.2

Operating Ratios	
Detail	%
Employee Cost	32%
Repairs & Maintenance	2%
Finance Charges & Impairment	16%
	T 1.4.3

COMMENT ON OPERATING RATIOS:

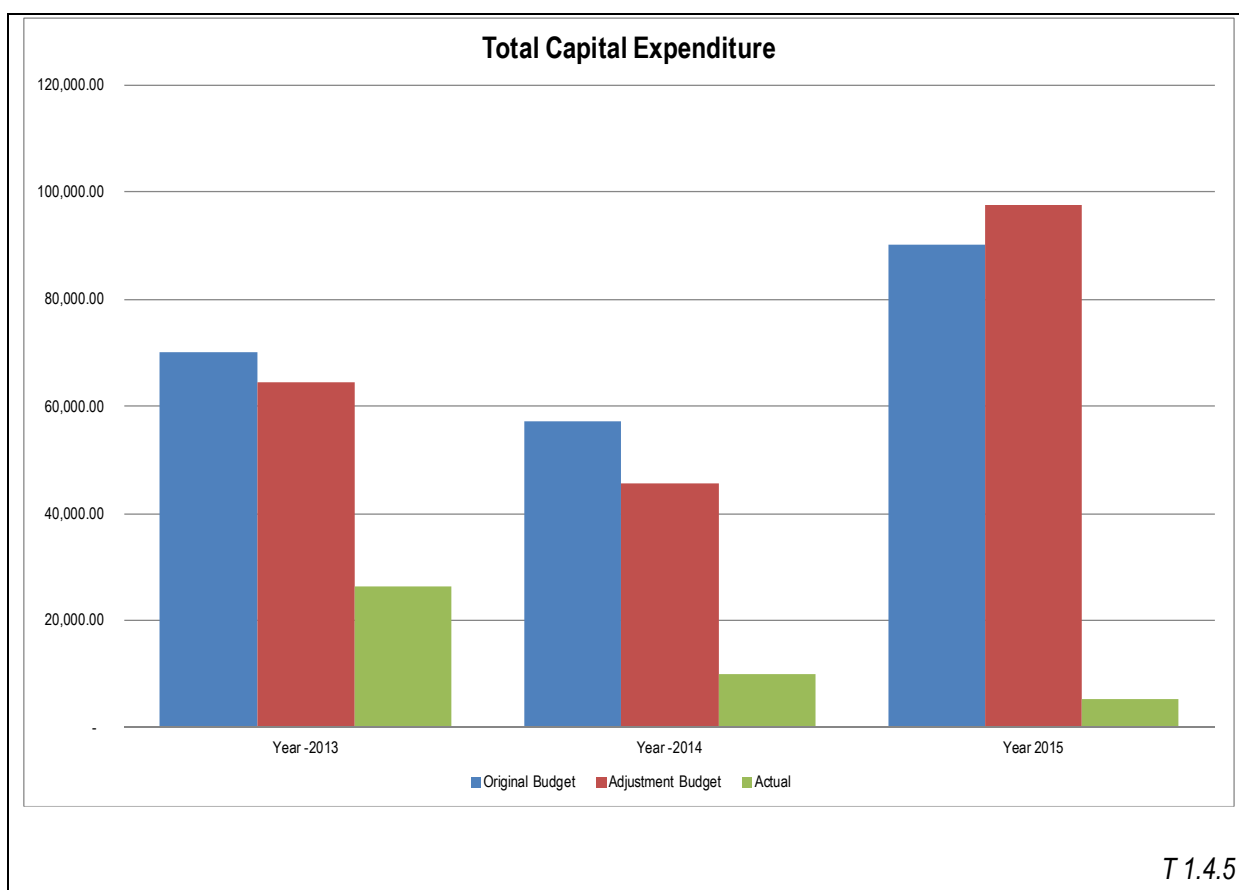
The municipal salary bill is huge for the size of the Municipality and ways must be found of ensuring that the labour cost is more efficient and effective to the operations of the Municipality. The ratio of repairs and maintenance is too low considering the age of the municipal distribution infrastructure and this certainly points towards lack of adequate efforts to ensure that the municipal assets remain in an efficient state. The norm is usually 10% of operating expenditure, the non existence of repairs and maintenance plan and the lack of funds may eventually lead to immense water and electricity losses.

Finance charges and impairment losses are too high for Thabazimbi and the critical reasons behind this are the fact that the Municipality has a very huge creditors book which has been long outstanding, most of these creditors are charging significant interests and penalties for their unpaid invoices.

Impairment points towards an increase in doubtful debts. As the debts remain unpaid over time the recoverability becomes slim. Debt campaigns will be carried out and debt collection strategies will be implemented.

T 1.4.3

Total Capital Expenditure: Year -2013 to Year 2015			
			R'000
Detail	Year -2013	Year -2014	Year 2015
Original Budget	69,996.00	57,029.00	90,187.00
Adjustment Budget	64,637.00	45,459.00	97,669.00
Actual	26,448.00	9,920.00	5,300.00
			<i>T 1.4.4</i>



COMMENT ON CAPITAL EXPENDITURE:

There was only a single capital project implemented during 2014/15 financial year which is the Regorogile Ext 5 paving of internal streets. A number of the municipality's major capital projects i.e. the Waste Water Treatment Works in Thabazimbi and Northam remains uncompleted during the financial year.

However, the implementation of the Municipal Infrastructure Programme had to be temporarily transferred to the Waterberg District Municipality for 2015/16 financial year citing inconsistencies in spending and certainty of the proper management of the grant.

During the year Thabazimbi Local Municipality lost a total of R19 million of the allocated MIG funds to National Treasury as the funds were withheld due non registration of capital projects at the commencement of the year (May 2014).

T 1.4.5.1

1.5. AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT: YEAR 2015 (CURRENT YEAR)

Thabazimbi Local Municipality received a disclaimer of opinion from the Auditor General for 2014/15 financial year.

The following are some of the audit findings currently raised by office of the Auditor General:

- Limitation of scope- Information not submitted for audit purposes
- Payables incorrectly disclosed as contingent
- Corresponding amount not disclosed
- Amount disclosed as contingent liability is not accurate
- Completeness of the litigation disclosed
- No supporting documents for the Work In Progress recognized
- Incorrect recognition of profit on sale of assets
- Existence of assets could not be verified
- Interest on consumer debtors per the schedule does not agree to the annual financial statements and charged at an incorrect rate
- Difference between useful life on the assets register and accounting policy
- No evidence of approval obtained from MEC CoGHSTA for Acting positions
- No performance agreements with employees other than managers and divisional heads
- Competency assessments not conducted.

STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year Performance Report to Internal Audit and Auditor-General	
6	Audit/Performance committee considers draft Annual Performance Report of municipality	August
8	Mayor tables the unaudited Annual Report	

9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Performance Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	January
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	January
T 1.7.1		

CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

The Thabazimbi Local Municipality is constituted by the following Governance structures namely:

- The Council
- Executive Committee
- Section 79 Council Committees
- Rules Committee
- Ward Committees
- Audit Committee (AC)

Political Decisions are the competency of the Municipal Council.

Council Ordinarily meets twelve (12) times a year.

In terms of Section 160(2) of the Constitution of the Republic of South Africa Act 108 of 1996 the following functions of the Municipal Council may not be delegated to any Council Committee:

1. Passing of by-laws
2. Approval of budgets
3. Imposition of rates taxes, levies and duties, and
4. Raising of loans

The Thabazimbi Municipal Council has the following rights and duties in terms of Local Government: Municipal Systems Act 32 of 2000 (Chapter 2, Section 4),

- (a) Govern the local government affairs of the local community,
- (b) Exercise the municipality's executive and legislative authority
- (c) Finance the affairs of the municipality by:
 - (i) Charging fees for services and
 - (ii) Imposing surcharges on fees, rates on property and other taxes, levies and duties.

The Council should further:

- Exercise the municipality's executive and legislative authority and use the resources of the municipality in the best interests of the local community.
- Provide democratic and accountable government.
- Encourage the involvement of the local community.
- Strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner.
- Consult the local community about
 - The level, quality' range and impact of municipal services provided by the municipality, either directly or through another service provider; and
 - The available options for service delivery.
- Give members of the local community equitable access to the municipal services entitled to them.

- Promote and undertake development in the municipality.
- Promote gender equity in the exercise of the municipality's executive and legislative authority.
- Promote a safe and healthy environment in the municipality.
- Contribute, together with other organs of state, to the progressive realisation of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the constitution

In addition, the municipality must in the exercise of its executive and legislative authority respect the rights of citizens and those of other persons protected by the Bill of Rights.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Municipality has reconstituted its Committees in terms of Section 79 of the Local Government: Municipal Structures Act of 1998, as amended, to perform its functions effectively and efficiently.

The Audit Committee is composed of external professionals who are not in the employment of the municipality. The Municipal Public Accounts Committee consists of non-executive councillors as per the guidelines for establishment of Municipal Public Accounts Committees published by the Limpopo Department of Co-operative, Governance Human Settlements and Traditional Affairs (COGHSTA).

The Rules Committee is composed of the Speaker and three non-executive councillors. The Thabazimbi Local Municipality's Council consists/comprises of 23 Councillors, 12 of whom are Ward Councillors and the remaining 11 are Proportional Councillors (PR).

The Council has three (3) full-time Councillors holding the position of the Mayor, Speaker and the Chief Whip.

2.1 ADMINISTRATIVE GOVERNANCE

The Following Values and Principles govern the Municipal Administration:

- A high standard of professional ethics
- Efficient, economic and effective use of resources
- A development orientation
- Impartial, fair, equitable and unbiased services provision
- Responsiveness
- Public participation in policy making
- Accountability
- Transparency by providing the public with timely, accessible and accurate information
- Good human resource management and career development practices to maximize human potential.
- Legislation requires of the administration to be responsive to the needs of the local community.
- Facilitate a culture of public service and accountability amongst staff.
- Take measures to prevent corruption
- Establish clear relationship and facilitate co-operation and communication between it and the local community
- Give members of the local community full and accurate information about the level and standard of municipal services they are entitled to receive and;
- Inform the local community how the municipality is managed, the cost involved and the persons in charge.

A municipal administration must enable it to:

- Deliver services to the community
- Facilitate a culture of public service and accountability amongst staff
- Be performance orientated
- Focus on the object and development duties of local government as set out in the constitution
- Align the roles and responsibilities of its political structures, political office bearers, managers, and other employees with the priorities and objectives set out in the municipality's integrated development plan.
- Assign clear responsibilities for the management and co-ordination of administrative units and mechanism.
- Hold the Municipal Manager accountable for the overall performance of the administration.
- Implement the lawful policies, resolutions and bylaws of the municipal council and the policies and laws of other spheres of government.
- Give advice to the council and its structures, administrating the affairs of the municipality

<i>Photo</i>	TOP ADMINISTRATIVE STRUCTURE
	ACTING MUNICIPAL MANAGER (Mashamba NS)
<i>Photo Executive Directors</i>	ACTING CHIEF FINANCIAL OFFICER (Mr S. Chaitezvi)
<i>Optional</i>	EXECUTIVE DIRECTOR: TECHNICAL SERVICES Mr C.G Booysen
	EXECUTIVE DIRECTOR: CORPORATE SERVICES MR J. Mogale
	EXECUTIVE DIRECTOR: PLANNING AND LOCAL ECONOMIC DEVELOPMENT Mrs M .S Mabitsela
	ACTING EXECUTIVE DIRECTOR : COMMUNITY & SOCIAL SERVICES Mr J Nkoana
	EXECUTIVE DIRECTOR: PUBLIC SAFETY Mr J. Motaung
	T2.2.2

The Municipality has five departments which are the following:

- Budget and Treasury
- Corporate Services
- Technical Services
- Community and Social Services
- Planning and Economic Development

Functions of the Municipal Manager:

- Advises the structures and functionaries of the Municipality
- Carries out the decision of the structures and functionaries of the Municipality
- Administers and implements the Municipality's by-laws, resolutions and policies
- Ensures that the Municipality complies with applicable Municipal Finance Management Legislation
- Implements National and Provincial legislation applicable to the Local Municipality

Functions of the Chief Financial Officer

- Manages Revenue Collections
- Manages Expenditure Controls
- Prepares the Budget as per MBRR (Municipal Budget Reporting Regulations)
- Manages Supply Chain
- Asset Management

Functions of Corporate Services

- Render HR Management
- Provide legal advisory services
- Manage and maintain municipal administration
- Manage public participation
- Provide support to political office bearers
- Provide communication to the municipality
- Provide secretariat service to council and its committees

Functions of the Technical Services

- Ensure adherence to Council Engineering standards
- Render Waste Management Services
- Provide Projected Management for implementation of infrastructure development
- Water and Waste Management
- Electro technical Management

Functions of Social and Community Services

- Renders environmental health services to the community.
- Renders social services including Library, Sport, Art and Recreation, Disaster Management, Parks and Cemeteries.
- Traffic Protection Services

Functions of IDP and LED (Local Economic Development)

- Render Strategic Support Services
- Manage annual IDP reviews
- Institutionalize, manage, and monitor PMS (Performance Management System)
- Manage maintain and co-ordinate IGR (Intergovernmental Relations)
- Compile, manage and monitor SDBIP (Service Delivery and Budget Implementation Plan)
- Co-ordinates all reports relating to the above functions
- Render LED service
- Render land use and Town Planning Services and GIS (Geographic Information System)

Running of Municipal Council

Council meets as per the approved schedule of meetings

Exco and portfolio committee meet regularly and are effective

By laws are approved by council but financial constraints causes delays in promulgating them.

Public Participation, Ward Committees

12 Wards

Ward committees launched and functional

8 CDW's (Community Development Workers) are appointed .

Issues dealt with by Ward Committees: Immediate community needs

Support provided to Office of the Speaker: Administrative and logistical support.

Corporate Governance

Communication strategy is in place

Communication unit is in place but the challenge is that it has only two personnel i.e. Communication Officer.

The municipal Information Technology as well as the website needs to be upgraded

Fraud and Anti - Corruption policy is in place

Risk Management policy is in place

Risk Management Strategy is in place.

MPAC (Municipal Public Accounts Committee) established but needs further support to make it efficient.

Risk Management Challenges

Not achieving goals and objectives

Unable to identify risks

Inappropriate controls may be used and negatively impact on the achievement of organizations goals

Not utilizing the resources efficiently, effectively and economically.

Other Departments submit insufficient and unverified reports, which are not in line with SDBIP

Quarterly and other reports on Internal Audit findings are not submitted according to submission deadline.

Failure to implement or the implementation of incorrect and low standard, corrective measures to remedy risk findings.

SPECIAL PROGRAMME

In recognition of the need to integrate marginalised communities, a Special Programme Unit for the facilitation of the integration and mainstreaming process has been introduced and a focal person has been appointed. Much work was done on an ad hoc basis in this regard but was more focused on campaigns rather than economic development programmes.

As Statistics South Africa confirms, young people constitute the majority of the population of the Thabazimbi Municipality. Men account for 52% of the municipality's population. In spite of the above reality, young people and women have not been the key beneficiaries in the economic mainstream of the district. A Youth Plan and its implementation plan must be developed.

Whilst there are organizations representing disabled people, the reality that faces the municipality is that disabled people are not integrated into the municipality's implementation plan. This has led to low economic development opportunities for disabled people. A survey must be conducted by the municipality to develop the Disability Plan. The Thabazimbi Local Municipality needs to facilitate this process through the implementation of the Disability Plan for the purposes of moving faster in resolving problems faced by disabled people.

Children in the municipality also bear the brunt of disorganization. The Thabazimbi Local Municipality should embark on a process of establishing a junior council which will be the pace-setter for the development of a children's development framework that will promote the participation and consultation of children.

As a sector plan, the Special Programmes Strategy sets the framework for the integration and mainstreaming of all the designated groups and needs to be developed. Funding needs to be availed for the implementation of the strategy through the integration of programmes and projects of all clusters and sector plans of the Thabazimbi Local Municipality.

CHALLENGES OF GOOD GOVERNANCE

- Limited interest of sector departments on IDP processes.
- No Public Participation Plan for allowing qualitative inputs into the design of the budget.
- No Ward Based Plan for designing mechanisms to improve community participation and the governance of the municipality
- No HIV/AIDS Plan
- No Poverty Alleviation and Gender Equity Plan
- Understaffed in IDP and Communication units.
- No GIS for information planning.
- Lack of alignment of IDP activities with IGR to adhere to IDP Process Plan timelines.
- Poor attendance of IDP meetings by sector departments.
- Poor handling of IDP procurement requests.

PUBLIC MEETINGS

The Public participation unit acts as the custodian of public meetings. The municipality has numerous types of public meetings, which includes Mayoral Izimbizo, IDP consultations meetings, State of local municipal address, etc. that give effects to good and practical inter-government relations.

DISTRICT INTERGOVERNMENTAL STRUCTURES

The municipality sends representatives to the District Intergovernmental structures on a regular basis.

WARD COMMITTEES

Thabazimbi Local Municipality has 12 wards and each has elected ward committee members to assist with organisation and coordination of tasks and Municipal Outreach programmes.

T 2.4.2

2.2 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	yes
Does the IDP have priorities, objectives, KPIs (Key Performance Indicators), development strategies?	yes
Does the IDP have multi-year targets?	yes
Are the above aligned and can they calculate into a score?	yes
Does the budget align directly to the KPIs in the strategic plan?	yes
Do the IDP KPIs align to the Section 57 Managers	yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	yes
Were the indicators communicated to the public?	yes
Were the four quarter aligned reports submitted within stipulated timeframes?	yes
* Section 26 Municipal Systems Act 2000	
T 2.5.1	

COMPONENT D: CORPORATE GOVERNANCE

2.3 RISK MANAGEMENT

RISK MANAGEMENT

The Municipality has appointed a Risk Officer and a risk register is updated annually with the assistance of all the directors in the respective KPA (Key Performance Area). Sector departments are also invited to these sessions. The risk register will then be used to draft the internal audit plan for the year.

A risk committee is also set up and is chaired by an external individual to ensure transparency and objectivity.

T 2.6.1

2.4 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

Thabazimbi Council approves an anti-fraud and corruption strategy annually, however these strategies and policies ought to be publicized and employees and the public be constantly reminded of their duty to assist with reporting and curbing such activities.

T 2.7.1

2.5 SUPPLY CHAIN MANAGEMENT

OVERVIEW OF SUPPLY CHAIN MANAGEMENT

As highlighted in the past three audit reports of the Auditor General, the Municipal Supply Chain Management Unit has seen personnel suspended and a number of investigations have been conducted in that regard. Documents retention, irregular appointments have been the major challenges in the unit.

There is a need to capacitate the unit and ensure consistent compliance with laws and regulations.

T 2.8.1

2.7 BY-LAWS

COMMENT ON BY-LAWS

The municipality managed to perform a successful public Participation exercise on the below listed by-laws, however these are not yet promulgated due to financial constraints.

- Credit control and debt management by-law
- Property Rates By-law
- Tuck shop by-law

T 2.9.1.1

2.8 WEBSITES

Municipal Website: Content and Currency of Material	
Documents published on the Municipality's / Entity's Website	Yes / No
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (Year -1)	Yes
The annual report (Year 0) published/to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes
All service delivery agreements (Year 0)	Yes
All long-term borrowing contracts (Year 0)	Yes
All supply chain management contracts above a prescribed value (give value) for Year 0	No
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in Year 0	No
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	Yes

COMMENT ON MUNICIPAL WEBSITE CONTENT AND ACCESS:

Thabazimbi Local Municipality's website is hosted by SITA, the municipality does not have a website of its own. However all the legislative requirements are being adhered to despite the challenges of delays on uploading of documents and the general upkeep of the site, which is behind schedule.

T 2.10.1.1

T 2.11.2.1

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART 2015)

Please refer to the Audited Performance - APPENDIX 1

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART)

The responsibility of this unit is to ensure that all HR policies and plans are adhered to as well as employee wellness in order to create a conducive working environment for all employees

Taking into account the context of the organizational structure, it puts an obligation on the Thabazimbi Municipality to be performance-orientated and to focus on the objectives of local government. A structure that is operational and effective is needed to mandate the new boundaries of our municipality.

T 4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	Year -1	Year 0			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water	55	55	55	55	%
Waste Water (Sanitation)	35	35	35	40	%
Electricity	23	23	23	40	%
Waste Management	103	103	103	109	%
Housing	–	–	–	–	%
Waste Water (Stormwater Drainage)	–	–	–	–	%
Roads	32	32	32	55	%
Transport	0				%
Planning	13	13	13	20	%
Local Economic Development	10	10	10	15	%
Planning (Strategic & Regulatory)	0	0	0	0	%
Local Economic Development	0	0	0	0	%
Community & Social Services	30	30	30	40	%
Environmental Protection	30	30	30	50	%
Health	0	0	0	0	%
Security and Safety	0	0	0	0	%
Sport and Recreation	0	0	0	0	%
Corporate Policy Offices and Other	40	40	40	45	%
Totals	371	371	371	469	–

Vacancy Rate: Year 2015			
Designations	Approved Posts (Critical Areas)	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	1	100.00
CFO	1	1	100.00
Other S57 Managers (excluding Finance Posts)	4	1	25.00
Fire fighters	15	3	20.00
Senior management: Levels 13-15 (excluding Finance Posts)	25	5	20.00
Senior management: Levels 13-15 (Finance posts)	4	2	50.00
Highly skilled supervision: levels 9-12 (excluding Finance posts)	35	8	22.86
Highly skilled supervision: levels 9-12 (Finance posts)	8	1	12.50
Total	108	26	24.07

VACANCIES AND TURNOVER:

Thabazimbi Local Municipality advertised 2 vacant Section 57 Management posts, Manager: Social and Community Services and the Chief Financial Officer.

Contract of the Manager: Social and Community Services expired, but the post has not yet been filled. The position of the Accounting Officer is vacant since the termination of the services of Mr. M.E Ntsoane.

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

ALIGNMENT OF ORGANOGRAM AND POWERS & FUNCTIONS

DEPARTMENT	SUB- FUNCTION	POWERS & FUNCTIONS
Technical Services	<ul style="list-style-type: none">• Water and Sanitation Services• Service Delivery• Public Works• Electricity and Workshop	<ul style="list-style-type: none">• Electricity Reticulation• Storm Water• Water (Potable)• Sanitation• Bulk Supply of Electricity• Bulk Water Supply• Bulk sewage purification and main sewage disposal• Municipal roads• Municipal Public Works
Community Services	<ul style="list-style-type: none">• Community Services• Protection Services• Solid Waste	<ul style="list-style-type: none">• Trading Regulations• Billboards and the display of advertisements in public places• Control of public nuisance• Control of undertakings that sell liquor to the public• Fencing and fences• Noise Pollution• Street Trading• Traffic and Parking• Cemeteries and Crematoria• Fire-Fighting Services• Safety and Security• Municipal Transport Planning
Budget & Treasury	<ul style="list-style-type: none">• Budget and Reporting• Income• Expenditure• Supply Chain and Asset Management	<ul style="list-style-type: none">• The imposition and collection of taxes, levies and duties as relate to the above functions or as may be assigned to the district municipality in terms of national legislation
Corporate Support & Shared	<ul style="list-style-type: none">• Human Resource	<ul style="list-style-type: none">• By- Laws

Services	<ul style="list-style-type: none"> • Fleet Management • Information Technology • Administration and Council Support • Legal Services 	<ul style="list-style-type: none"> • Building the capacity of local municipalities in its area to perform their functions and exercise their powers where such capacity is lacking.
Development and Planning	<ul style="list-style-type: none"> • Building Control • Town Planning • Local Economic Development 	<ul style="list-style-type: none"> • Building Regulations • Local Economic Development • Municipal Planning

Skills Development

- A workplace skills development plan was developed and submitted to LGSETA. Skills audit remains a challenge
- S57 managers have PDP's (Performance Development Plans) in place

BASIC SERVICES DELIVERY	LED	FINANCIAL VIABILITY	GOVERNANCE AND PUBLIC PARTICIPATIO	TRANSFORMATI ON AND ORGANISATION AL DEVELOPMENT
<ul style="list-style-type: none"> ✚ Testing and monitoring condition of potable water ✚ Plumbing ✚ Supervisory Project management ✚ Electrical ✚ Water and sanitation reticulation ✚ Refuse management ✚ Substations Course ✚ Management and Leadership 	<ul style="list-style-type: none"> ✚ Learnership on Nature guiding NQF 4 	<ul style="list-style-type: none"> ✚ Debtors Collection management ✚ Meter Reading ✚ Asset management and reporting ✚ Cost and management ✚ Accounting ✚ Customer care 	<ul style="list-style-type: none"> ✚ Learnership 	<ul style="list-style-type: none"> ✚ Microsoft project – Building Inspector ✚ CAD ✚ Performance Management ✚ Payday-Pension ✚ Peer Education ✚ Employment Equity ✚ Records Management ✚ Community Development training ✚ Traffic management ✚ Drivers Licensing ✚ Advance Clerical management

Performance Management System

- PMS framework in place and performance agreements signed by the S57 Managers.
- Quarterly assessments conducted

CHALLENGES OF MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

- No HR Strategy to respond to the long term development plans of the municipality
- Inadequate staffing of IDP and Communication units
- Records department does not comply with Archives Act. Limited space within Records Department.
- Lack of control and misuse of municipal fleet.
- Await reply from Council in respect of comments received from the Community. Insufficient funds for promulgation of By-Laws.
- Replacing old computers with new computers. Increasing of end users. Budget constraints.
- Lack of effective network monitoring tool.
- GIS services acquired externally.
- Old and unstable servers for Payday and Orbit.
- Non compliance to the Occupational Health and Safety (OHS) Act. Budget constraints in supplying department with necessary Property Plant and Equipment (PPE), Signs and First Aid Boxes.
- Accredited Service Providers.
- Information sessions are held on a regular basis but employees do not attend the sessions and therefore they lack important knowledge.
- Employees do not realize the real need for Medical examinations and are reluctant to undergo same. Late payment of service provider delaying the process.
- Non-compliance to Employment Equity Act 55 of 1998.
- Scarce skills impact on organogram.
- Leave pre-approval versus actual capturing.
- Finalization of job evaluation and wage curve.
- Late reporting of incidents and accidents.
- Occupational Health and Safety Plan not in place.
- Inadequate basic Information Technology (IT) skills by end users.
- Non-submission of documents to record department.
- Council Portfolio Committees not functional except Finance Portfolio.
- Late submission of items for packaging to Corporate Services.
- Quarterly reports are not compiled according to the SDBIP.
- Performance Management System Service Provider, provides poor service.
- Lack of skill in PMS
- Inconsistent Performance Management System on Managers and Service Providers.

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT FOR SEC 57 :

The former Municipal Manager and Chief Financial Officer (CFO) Mr M.E Ntsoane and Mr L.C Malema who was put by council on special leave on the 02nd of July 2014 for a period of six months and subsequently suspended pending an investigation and Disciplinary Charges.

The CFO subsequently resigned before the disciplinary process started, whilst the services of the Municipal Manager were terminated following the completion of a disciplinary process.

T 4.3.7

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

- ✓ Performing skills audit that should be conducted annually to close skills gaps
- ✓ Ensuring training needs implemented as per our workplace skills to develop MLM HR capacity
- ✓ Ensure that courses offered are accredited (unit standard aligned)
- ✓ Challenges insufficient training budget

5 SKILLS DEVELOPMENT AND TRAINING

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

Most of the employees within the Finance Department do not meet the financial competency levels as per the regulations. There is need for the Municipality to do a comprehensive competency assessment of all the affected positions and ensure that critical positions are filled by competent officials who are able to deliver on the allocated responsibilities.

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

T 5.0.1

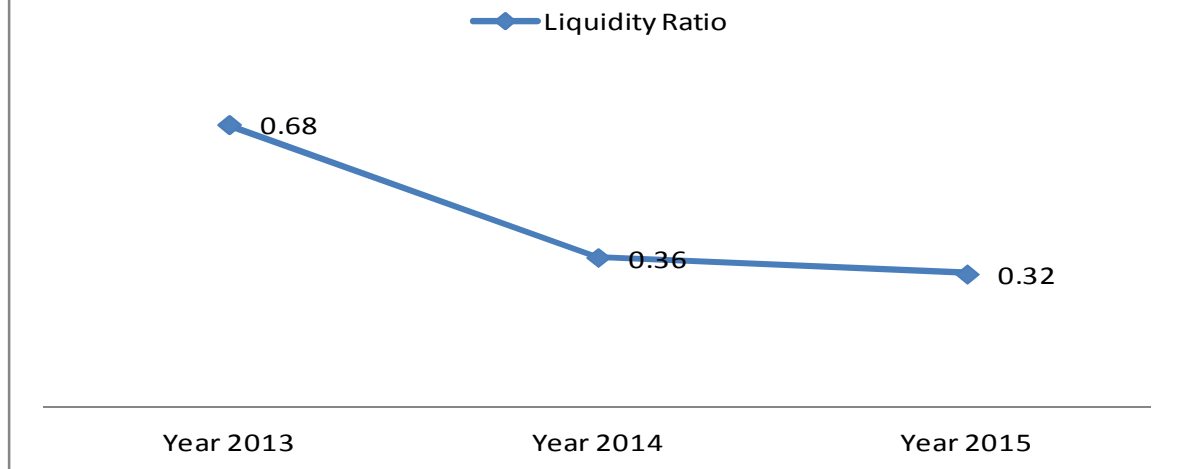
Repair and Maintenance Expenditure: Year 0				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	22,300.00	22,300.00	7,956.00	64%
<i>T 5.3.4</i>				

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

The table above shows a total variance of 64%. The municipality is not able to fully spend as per budget due to collection challenges. This is one of the major reasons for the very high losses being recorded on both water and electricity.

5.1 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

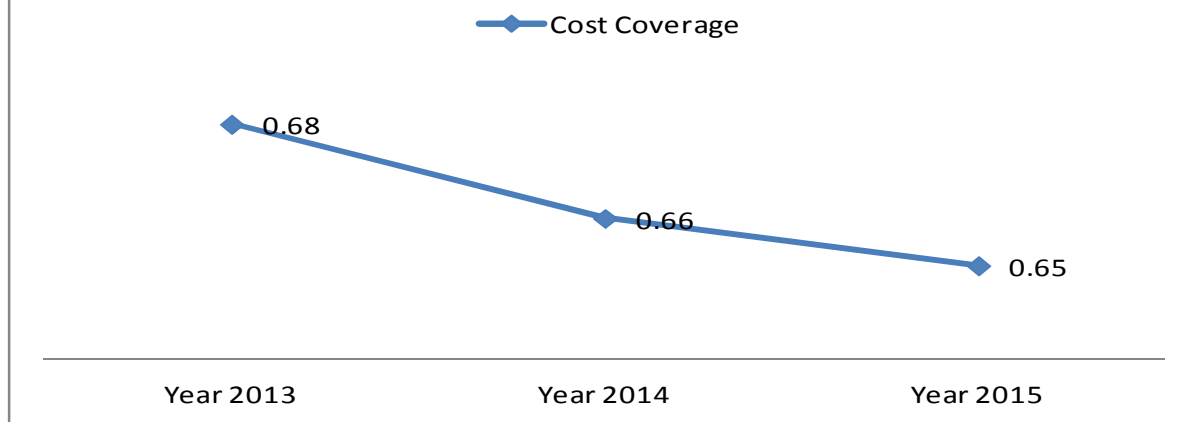
Liquidity Ratio



T 5.4.1

The Liquidity Ratio measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio is better. In the case of the Municipality the ability to pay its financial obligations has been declining sharply from 2013 to date. The Trend shows that this has been the case for a number of years now.

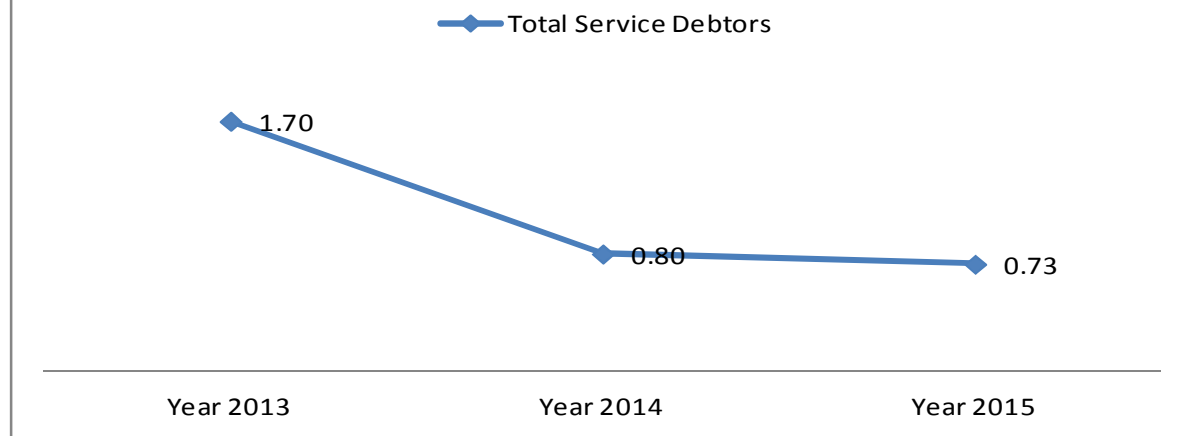
Cost Coverage



T 5.4.2

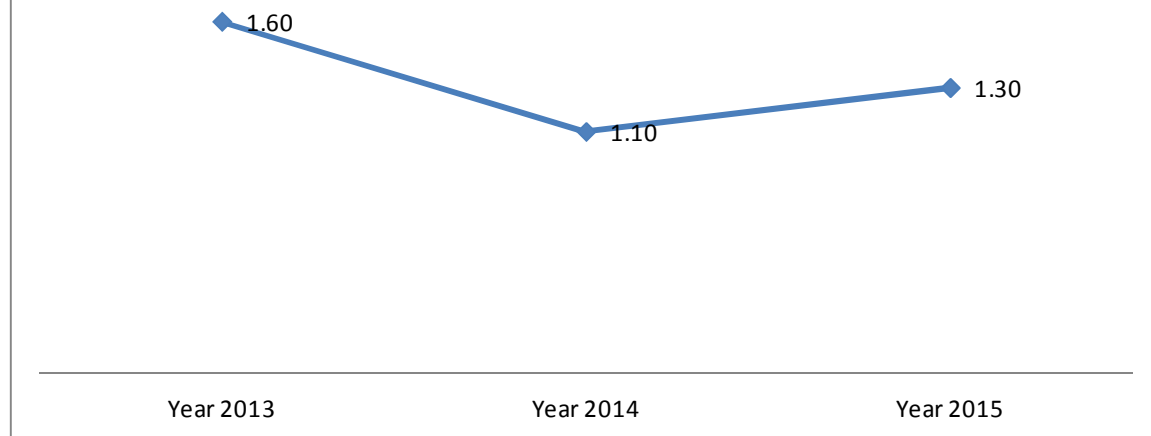
Cost coverage shows the ability of the municipality to cover its costs from the monthly revenues billed. It is clearly shown by the table that the municipal financial muscle has been declining sharply from the past financial years to date and this is mainly due to the metering challenges that also has a direct knock-on effect on the billing and collection of revenue.

Total Service Debtors



T 5.4.4

Employee Costs Efficiency



T 5.4.7

The employee cost efficiency shows the efficiency of the wage bill against the municipal revenues or income of the municipality. Clearly during 2012/2013 this ratio was better and declined sharply in 2013/2014 due to the placement process which was implemented. It slightly improved towards 2014/15 as there were no further major

employee promotions or upward placement done during that period. The gradual improvement depicts more the improvement in revenue rather than reduction in Employee costs.

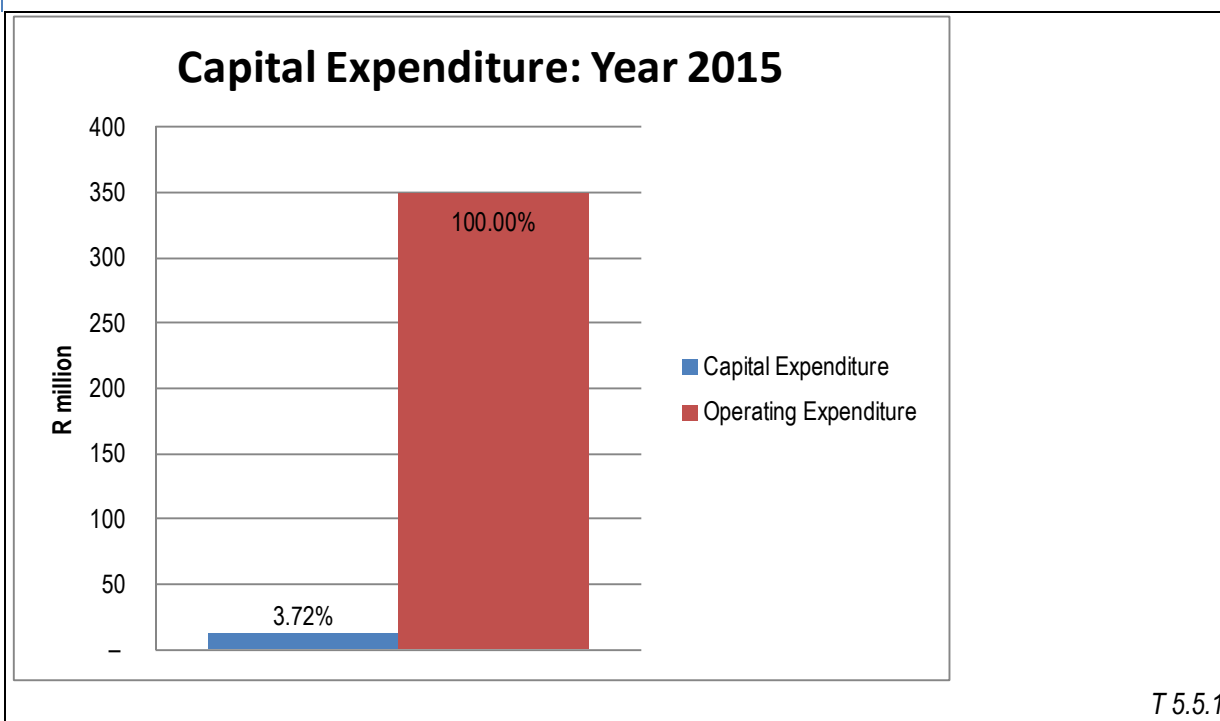
T 5.4.8

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

T 5.5.0

5.2 CAPITAL EXPENDITURE



5.3 SOURCES OF FINANCE

COMMENT ON SOURCES OF FUNDING:

Capital Expenditure is partly funded by the National Government through National Treasury and partly from the Municipal own sources. The Municipal Infrastructure Grant is one of the critical programmes that the government uses to fund capital projects to Municipalities. During the 2014/15 financial year Thabazimbi Local Municipality was allocated a total of R29 million for MIG projects. However, R19m of these funds were withheld by National Treasury and CoGTA due to non-registration of projects and low spending on the conditional funds.

The Actual spending for the year is as shown above with the remaining balance to be returned to the National Treasury. During the financial year 2014/15 the Municipality repaid a total of R12.6m back to National Treasury due to non compliances on spending during 2012/13 and 2013/14 financial years.

The MIG programme for the 2015/16 financial year will be administered by Waterberg District Municipality to try and resuscitate the programme and also to ensure adequate spending of the grant for the intended purposes.

T 5.6.1.1

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The municipality has a small balance of investments with ABSA and Sanlam remaining from prior years. The Cash management strategies in place at the municipality need to be significantly improved as the finances have completely collapsed with conditional grants being used for purposes other than intended.

5.4 CASH FLOW

Cash Flow Outcomes				
Description	Year -2014	Current: Year 2015		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	18,500	148,276	185,749	149,450
Government - operating	72,470	69,092	69,092	69,092
Government - capital	27,250	32,926	32,926	32,926
Interest	1,513	3,664	4,030	4,433
Payments				
Suppliers and employees	(155,412)	(212,550)	(222,432)	(222,432)
Finance charges				
NET CASH FROM/(USED) OPERATING ACTIVITIES	(35,679)	41,408	69,365	33,469
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	300	–	–	–
Decrease (Increase) in non-current debtors	(213)	–	–	–
Decrease (increase) other non-current receivables	–	2,400	2,400	2,400
Payments				
Capital assets	(31,097)	(45,251)	(72,251)	(33,212)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(31,010)	(42,851)	(69,851)	(30,812)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments				
Repayment of borrowing	(1,000)	(950)	(950)	(650)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,000)	(950)	(950)	(650)
NET INCREASE/ (DECREASE) IN CASH HELD	(67,689)	(2,393)	(1,436)	2,007
Cash/cash equivalents at the year begin:				–
Cash/cash equivalents at the year end:		(2,393)	(1,436)	2,007
Source: MBRR A7				T 5.9.1

COMMENT ON CASH FLOW OUTCOMES:

The municipality is facing cash flow challenges and this has seen the municipality failing to honour most of its financial obligations to Eskom and Magalies for a number of years. The revenue collection of the Municipality and billing has also been going down throughout the years mainly due to the condition of the municipal water and electrical meters in and around the Municipality.

More debt collection strategies must be pursued to ensure that the municipality improves its collections and sustainability.

5.5 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

The municipality obtained long term loans from the Development bank of South Africa (DBSA) for a number of capital projects ranging from Electrification to Roads projects in 1998. Please see schedule below for the remaining balance of the loans.

T 5.10.1

Actual Borrowings: Year -2013 to Year 2015			
			R' 000
Instrument	Year 2013	Year 2014	Year 2015
Municipality			
Long-Term Loans (annuity/reducing balance)	6,121,466.04	5,606,327.00	5,255,586.86
Long-Term Loans (non-annuity)			
Financial derivatives			
Municipality Total	6,121,466	5,606,327	5,255,587

COMMENT ON BORROWING AND INVESTMENTS:

The Municipality has struggled to service the Long Term loan from DBSA and negotiations are at an advanced stage to rearrange payment terms.

T 5.10.5

5.6 PUBLIC PRIVATE PARTNERSHIPS

PUBLIC PRIVATE PARTNERSHIPS (PPPs)

The municipality did not enter into any PPP during the year in question.

COMPONENT D: OTHER FINANCIAL MATTERS

5.7 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Municipality has established a Supply Chain Management (SCM) Unit in terms of the Municipal Finance Management Act (MFMA) and the unit has a total of four employees working directly under the unit. The position of the Manager Supply Chain Management is vacant with an official seconded from the internal audit to assist in the department.

Most of the employees currently in the SCM do not meet the minimum competency levels required for SCM officials. However, training programmes including the MFIP have commenced and the officials will see themselves registered and trained.

T 5.12.1

5.8 GRAP COMPLIANCE

GRAP COMPLIANCE

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

T 5.13.1

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. Section 45 of the Municipal Systems Act states that the results of performance measurement must be audited annually by the Auditor-General.

Thabazimbi Local Municipality has critical positions that were vacant in the Budget and Treasury Office with appointed Acting personnel carrying out the responsibilities. The compilation of the Annual Financial Statements (AFS) for 2014/2015 financial year was therefore outsourced to Arms Audit and Risk Management Solutions Pty Ltd.

The Audit Outcome for the year is a disclaimer of opinion and the details are as shown in the Appendices on the Auditors Report. An audit action plan was prepared and would need the Accounting Officer's commitment to ensure that it is monitored and that adequate corrective measures are taken.

T 6.0.1

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR -1

6.1AUDITOR GENERAL REPORTS

Auditor-General Report on Financial Performance: Year -2014	
Audit Report Status*:	Disclaimer
Non-Compliance Issues	Remedial Action Taken
Asset Register not Grap Compliant	Seeked external assistance in the form of service provider to construct the register and prepare a credible AFS.
SCM non compliances, irregular Expenditure, Unauthorised and Fruitless and Wasteful	Seconded an internal Auditor to assist in the department.
Contract Management	Implement an effective contract management system to ensure adequate document retention.
Completeness of Litigations/contingent Liabilities	Adopt a system to manage litigations and claims of the Municipality.

AUDITOR GENERAL REPORT AND THE FINANCIAL STATEMENTS 2014/2015

Attached Report as an **APPENDIX 3**

T 6.2.3

The municipality prepared an Audit Action Plan to respond and correct the issues raised in the Auditor General Report of 2014/2015.

Attached Report as an **APPENDIX 4**

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

T 6.2.5

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual budget of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General performance indicators	Key After consultation with MEC (Member of Executive Committee) for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “ <i>what we use to do the work</i> ”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Plan Set out municipal goals and development plans.

National performance areas	<ul style="list-style-type: none"> É Service delivery & infrastructure É Economic development É Municipal transformation and institutional development É Financial viability and management É Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as:

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| | <p>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</p> <p>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</p> |
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