



MANGAUNG
METRO MUNICIPALITY
METRO MUNISIPALITEIT
LEKGOTLA LA MOTSE

DIRECTORATE
OFFICE OF THE
CITY MANAGER

PO Box 3704, Bloemfontein, 9300
2nd Floor, Bram Fischer Building, De Villiers Street, Bloemfontein
Tel: +27(0)51 405 8621, Fax: +27(0)51 405 8108

Speaker
Councilor M Siyonzana
Council item

REPORT FOR COUNCIL CONDONMENT OF UNAUTHORISED EXPENDITURE

1. PURPOSE

To table the unauthorized Expenditure for consideration and approval.

Council to discuss and approve condonment of the Unauthorised, Expenditure as disclosed in the Financial Statements covering the years 2011/12; 2013/14; 2014/15; 2015/16 and 2016/17.

2. BACKGROUND

The Council of Mangaung Metropolitan Municipality had previously resolved that its oversight committee, Municipal Public Accounts Committee must investigate and make the necessary recommendations on the submitted Unauthorized Expenditure Report and report back to Council.

3. DELIBERATIONS

In terms of Section 32 of MFMA, Unauthorised, irregular or fruitless and wasteful expenditure is defined as follows, namely, that without limiting liability in terms of the common law or other legislation –

- a. a political office-bearer of a municipality is liable for Unauthorised expenditure if that office-bearer knowingly or after having been advised by the accounting officer of the municipality that the expenditure is likely to result in Unauthorised expenditure, instructed an official of the municipality to incur the expenditure;
- b. the accounting officer is liable for Unauthorised expenditure deliberately or negligently incurred by the accounting officer, subject to subsection (3);
- c. any political office-bearer or official of a municipality who deliberately or negligently committed, made or authorised an irregular expenditure, is liable for that expenditure; or
- d. any political office-bearer or official of a municipality who deliberately or negligently made or authorised a fruitless and wasteful expenditure is liable for that expenditure.

Furthermore, Section 32 (2) of the same Act, compels a Municipality to recover Unauthorised, irregular and wasteful expenditure from person liable for the expenditure unless the expenditure-

- a) In the case of Unauthorised expenditure is-
 - i. Authorized in an adjustment budget; or
 - ii. certified by the Municipal Council, after investigation by a Council Committee, as irrecoverable and written off by the Council; and,
- b) In the case of irregular or fruitless and wasteful expenditure, is, after investigation by a Council Committee, certified by the Council as irrecoverable and written off by Council.

The Act places further other responsibilities and in Section 32 (6) stipulates that the accounting officer must report to the South African Police Service all cases of alleged-

- a) Irregular expenditure that constitute a criminal offence; and
- b) Theft and fraud that occurred I the Municipality.

Section 74 of the mentioned the Local Government: Municipal Finance Management Act: Municipal Budget and Reporting Regulations outlines the following four critical factors that must be borne in mind by a Committee of Council processing a report dealing with fruitless, unauthorised, irregular ad wasteful expenditure.

- a) The measures already taken to recover such expenditure,
- b) The cost of the measures already taken to recover such expenditure,
- c) The estimated cost and likely benefit of further measures that can be taken to recover such expenditure,
- d) Submit a motivation explaining its recommendation to the Municipal Council for a final decision.

In line with the above provisions and after submission before MPAC, the process of investigations was conducted. The details and recommendations are contained in the attached annexure A.

4. RECCOMENDATIONS

It is recommended that:

- 1) Council approves the report.
- 2) Council approves the condonment of the investigated cases of the Unauthorised Expenditure as submitted.


Adv. Tankiso Mea
City Manager

Date: 22/10/2018

REPORT TO MPAC:

ITEMS ADDRESSED IN THIS REPORT:

1. UNAUTHORISED EXPENDITURE BALANCES REFERRED BY MPAC FOR FURTHER INVESTIGATION
2. UNAUTHORISED EXPENDITURE BALANCES – NON-CASH ITEMS
3. UNAUTHORISED EXPENDITURE BALANCES – ADMINISTRATIVE MATTERS
4. UNAUTHORISED EXPENDITURE BALANCES REPORTED FOR 2017 FINANCIAL YEAR

1. UNAUTHORISED EXPENDITURE BALANCES REFERRED TO MPAC FOR FURTHER INVESTIGATION:

1.1 Capital expenditure

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
Cemetery land purchase	2016	24 220 513	Human Settlement	<ul style="list-style-type: none"> • The Council approved at its meeting 39A.1 – 25/02/2016 the transaction the for procurement of burial land for R35 000 000 based on the motivation and recommendations contained in management's submission to Council. • One of the recommendations approved by Council (No. (d)) was that the City Manager, through the Chief Financial Officer be mandated to source further funding for acquisition. The available budgeted funds earmarked for acquisition of burial land was by then R400 000 which was adjusted to zero during the adjustment process. Therefore, 	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				<p>this meant that there was no available budget to cover the acquisition of R35 000 000, hence the Council's resolution to mandate the City Manager to source further funding for this acquisition. The Directorate went ahead and procured the land without a budget being available for this procurement transaction. The reason being that the City is running out of the burial space. This then amounted to unauthorised expenditure.</p> <ul style="list-style-type: none"> • The review further revealed that the land was transferred in the name of the Municipality by the owner's attorney and paid for in two equal payments totalling R35 148 984.70, which represent unauthorised expenditure for this transaction. • The land was transferred into the Municipality's name without having been paid for. • The transaction was indeed unauthorised as no budget existed to fund the procurement of the transaction. Besides, the Council resolution regarding the sourcing of further funding for this acquisition by the City Manager through the CFO could not be achieved because of non-availability of additional funds. The deed of sale was therefore concluded without money having been allocated for this transaction. • This transaction was financed after the garnishee order was issued directly against the Municipality's bank account. • However, during 2016/17 financial year, provision was made in the budget for the purchase price. 	

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
Hand-held metering devices	2016	428 285	Finance	<ul style="list-style-type: none"> • The conclusion the expenditure incurred was in line with the objectives of Council, that is, to acquire burial land for the Municipality. • This matter led to fruitless and wasteful expenditure in respect of interest charged of R 2 447 910 and will be dealt with under the submission for fruitless and wasteful expenditure. 	
				<ul style="list-style-type: none"> • The procurement of the hand-held devices during the year under review was done by means of the request for approval of deviation from the normal SCM processes by Finance citing that the service provider was the sole supplier of the hand-held metering devices to be procured. The transaction was approved as such by the former City Manager. • Further review of the documents supporting procurement transaction reveals the following: <ul style="list-style-type: none"> ○ The procurement transaction was initialised during the 2014/15 financial year on 3 June 2015 and approved on 24 June 2015. In 2014/15 there was a budget allocation of R1 656 847, however, the transaction was not processed during that financial year as the goods were not yet delivered. It was processed during the 2015/16 financial year in which year there was also no budget for this transaction. ○ The goods were received on 21 August 2015 according to the supplier's delivery note and processed in the financial records accordingly. 	That Council to write off the related expenditure from the register of unauthorised expenditure.

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
Waaihoek Precinct	2016	1 535 723	Strategic Projects	<ul style="list-style-type: none"> The conclusion is that there was no financial loss and the expenditure incurred was in line with the objectives of the Municipality of enhancing the billing system of the Municipality to ensure that all meters are read on time to ensure timely and accurate billing of customers in order to enhance revenue of the Municipality. 	That Council to write off the related expenditure from the register.
				<ul style="list-style-type: none"> The Waaihoek Precinct is a multi-year project. There was no over-expenditure on the project for the year under review. The original budget was R20m as per DORA. However, during the course of the financial year, an additional amount of R33m was allocated after the adjustment budget processes have been concluded. The total spent for the year was R21.5m inclusive of the original allocated R20m and a portion of the additional allocation of R33m. Therefore, the project had the funds available for spending including the R1 535 723 that is reflected as unauthorised expenditure which was in fact spent as part of the R33m additional allocation and therefore there was no over-expenditure on the project. The conclusion is that there was no financial loss as the expenditure was incurred in accordance with conditions and objectives of the grant allocation. 	
Budget movements	2011	2 945 233 of the total amount of	Water	<p>Virement:</p> <ul style="list-style-type: none"> The approved Capital budget for water services at the beginning of the year was R53 660 000. During the 	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
		14 165 233 as reported in the financial statements		<p>adjustment budget as approved by council, the budget was reduced to R8 185 996 (A reduction of R45 474 004).</p> <ul style="list-style-type: none"> • However due to an administrative error the budget as uploaded onto the financial system indicated an incorrect amount of R 16 046 996 instead of the approved amount of R 8 185 996. • The total amount spent was R 22.3 million compared to the approved budget of R 8 185 996. This resulted in unauthorised expenditure of R 14 165 233. • Of the total of R 14 165 233, R 11 220 000 relates to prepaid water meters purchased (refer to matter dealt with below) and the remaining balance of R 2 945 233 for other water services. • The conclusion is that there was no financial loss as the expenditure incurred was in accordance with the objectives of the municipality of providing water services to the community. 	
Budget movements	2011	11 220 000 of the total amount of 14 165 233 as reported in the financial statements	Water	<p>Prepaid water meters:</p> <ul style="list-style-type: none"> • The Municipality procured pre-paid water meters from Lesira Teq. However, the pre-paid meters were discovered to be faulty after the installation. • The Municipality then instituted legal action against Lesira Teq. The actual spending exceeded the budgeted amount on the Water vote due largely to the procurement of prepaid water meters without a budget. • This matter has also been reported as irregular expenditure and can only be concluded on after the investigation and court matter has been dealt with. 	Council notes the ongoing court case on this matter.
TOTAL		40 349 754			

1.2 Operating Expenditure

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
IPTN	2016	58 351 818	Office of the CM	<ul style="list-style-type: none"> The City appointed a service provider through SCM processes in July 2015 to liaise with National Department of Transport (NDoT) and to prepare operational plan for the funding of IPTN. After the submission of the draft operational plan to NDoT, an allocation of R48m was made to the City in March 2016. However, the R48m allocation and the subsequent over-expenditure of R58m were not included in the 2015/16 budget. This is because the R48m allocation was transferred to the City in March 2016 after the budget adjustment. The total amount spent by IPTN during 2015/16 was recovered from the DORA allocation for 2016/17. The budget for 2016/17 was inclusive of the over-expenditure and the DORA allocations to the City and therefore there was no over-expenditure on the project. The conclusion is that there was no financial loss and the expenditure incurred was in line with the objectives of the municipality of developing a safe, cheaper and reliable transport system under the auspices of the Integrated Public Transport Network (IPTN). 	That Council to write off the related expenditure from the register.
Interest on external loans	2016	15 828 439	Infrastructural Services	<ul style="list-style-type: none"> The over-expenditure was beyond the control of the City because repo rate is determined independently by the South African Reserve Bank and everyone and institution who must repay a loan are compelled to have their interest adjusted as per the repo rate which may be favourable if it goes down or unfavourable if it goes up. In this case it was unfavourable. 	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
Overtime	2016	8 718 871	Waste and Fleet Management	<ul style="list-style-type: none"> Also, MMM received on Standard bank loan, an additional R173m and additional interest was charged on the additional money. The conclusion is that there was no financial loss. Individual suspicious cases are being investigated with intention to institute disciplinary actions where warranted. In order to reduce the high overtime expenditure needed for operational requirements, management has taken remedial actions which include: <ul style="list-style-type: none"> Limiting overtime to 60 hours per month. HODs are now required to submit motivation for pre-approval for overtime. 	Council notes the ongoing investigations on individual cases.
Overtime	2013	19 535 661	Infrastructure	<ul style="list-style-type: none"> Individual suspicious cases are being investigated with intention to institute disciplinary actions where warranted. In order to reduce the high overtime expenditure needed for operational requirements, management has taken remedial actions which include: <ul style="list-style-type: none"> Limiting overtime to 60 hours per month. HODs are now required to submit motivation for pre-approval for overtime. 	Council notes the ongoing investigations on individual cases.
Water purchases	2012	1 623 331	Water	<p>Water purchases exceeding budget</p> <ul style="list-style-type: none"> The budget was based on an average account of R22.8m per month and came in at R274m for the year. This was deemed sufficient as it represented a reasonable increase compared to the actuals of 2010/11 financial year (R250m). The budget is calculated on estimations which are informed by a number of factors like population growth, expansions in the consumer base, tariffs, network losses and can therefore 	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				<p>be quite volatile. Sometimes our forecasts can be spot-on like in most other years with the exception of a few.</p> <ul style="list-style-type: none"> This particular line item is the biggest in our department by far, making it almost impossible to top up the budget vote from other line items during the course of the year. The conclusion is that there was no financial loss as the expenditure was in line with the objective of the Municipality to provide basic services to the community. 	
Water purchases	2011	23 353 983	Water	<p>Water purchases exceeding budget</p> <ul style="list-style-type: none"> The budget was based on an average account of R20.3m per month and came in at R205m for the year. This was deemed sufficient as it represented a reasonable increase compared to the actuals of 2009/10 Financial year (R184 million). The budget is calculated on estimations which are informed by a number of factors like population growth, expansions in the consumer base, tariffs, network losses and can therefore be quite volatile. Sometimes our forecasts can be spot-on like in most other years with the exception of a few. This particular line item is the biggest in our department by far, making it almost impossible to top up the budget vote from other line items during the course of the year. The conclusion is that there was no financial loss as the expenditure was in line with the objective of the Municipality to provide basic services to the community. 	That Council to write off the related expenditure from the register.
Bank charges	2012	2 084 438	Finance	<ul style="list-style-type: none"> The bank charges are estimates based on past trends. However, when the actual bank charges are incurred, they are based on actual transaction levels on the bank account. 	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				<p>Therefore, the increased transactions will result in increased charges.</p> <ul style="list-style-type: none"> • The over expenditure is therefore not due to any negligence of any individual and cannot be recovered. • The expenditure was incurred in line with the legitimate business of the Municipality. 	
TOTAL		129 496 541			

2. UNAUTHORISED EXPENDITURE: NON-CASH ITEMS

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
Depreciation	2016	342 992 390	Engineering Services	<p>GRAP 17 defines "depreciation" as the systematic allocation of the depreciable amount of an asset over its useful life.</p> <p>The calculation of depreciation is in fact an estimate that is performed at year end after taking into account factors such as:</p> <ul style="list-style-type: none"> a) The total capital projects that have been completed at year end. b) Capital projects from previous years that have been completed during the year; c) The total cost to complete capital projects; d) The average useful lives of the assets of the City; e) Determination of the remaining useful lives of the assets of the City; f) Repairs & maintenance done to assets of the City; etc. <ul style="list-style-type: none"> • Due to the nature of depreciation, the estimate performed during the preparation of the budget can change significantly to the final calculation of depreciation for a specific period. As the City has also invested significantly in the capital infrastructure over the last 5 years, as well as updating its asset registers, it has become more difficult to estimate depreciation when the budget is prepared due to the changes in the factors as listed above. 	<p>That Council to write off the related expenditure from the register.</p>
Depreciation	2015	339 660 499	Engineering Services		
Depreciation	2014	249 251 333	Engineering Services		
Depreciation	2012	159 247 863	Regional Operations		

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				<ul style="list-style-type: none"> The estimates for depreciation included in the budget over the years were performed based on the best available information at the time. The over expenditure on depreciation was non cash in nature and therefore there was no cash outflow and therefore is not recoverable. It is also impractical to authorise the expenditure through an adjustment budget at this stage. The conclusion is that there was no financial loss. 	
Debt impairment	2016	122 986 754	Miscellaneous services	In terms of GRAP, the City needs to make a provision for the impairment of debt where there is evidence that debtors may be impaired. The City therefore makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The data may include items such as:	That Council to write off the related expenditure from the register as it is not recoverable.
Debt impairment	2016	20 632 468	Engineering services		
Debt impairment	2016	42 036 752	Water services		
Debt impairment	2015	420 797 937	Miscellaneous services	<ul style="list-style-type: none"> Past payment trends of the specific individual debtor. Past payment trends of a portfolio of debtors. The significance of the debtor in relation to other debtors. Financial reorganization of debtors such as sequestration. Changes in national or local economic conditions that are in line with non-payments in a portfolio such as increased unemployment rates, increase in inflation, etc. 	
Debt impairment	2014	324 571 205	Miscellaneous services		
Debt impairment	2012	44 318 396	Miscellaneous services		
Debt impairment	2011	29 774 764	Miscellaneous services		

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				<ul style="list-style-type: none"> This provision is therefore based on estimates and can change between the time that the budget is prepared and the estimate calculation is performed with the preparation of the AFS. The estimates for debt impairment included in the budget over the years were performed based on the best available information at the time. The over expenditure on provision on debt impairment was non cash in nature and therefore is not recoverable. It is also impractical to authorise the expenditure through an adjustment budget at this stage. The conclusion is that there was no financial loss. 	
Free basic services	2015	136 649 587	Engineering Services	<ul style="list-style-type: none"> Guidance has been issued by National Treasury on the way the costs of providing Free Basic Services such as water are accounted for by the Municipality. This basically influenced the classification of the cost of Free Basic Services as expenditure in the AFS. 	That Council to write off the related expenditure from the register.
Free basic services	2014	86 297 486	Engineering Services	<ul style="list-style-type: none"> Based on the reclassification to expenditure, the City reported an expenditure which was not included in the budget. These were not in fact actual additional expenditure, but only related to how the lost/foregone revenue should be classified (as a reduction in revenue). 	
Free basic services	2014	6 503 968	Engineering Services	<ul style="list-style-type: none"> The expenditure or otherwise "foregone revenue" is not in fact actual expenditure by the City and cannot be recovered from any individual. 	

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
Defined benefit liability movement	2015	41 660 054	Miscellaneous services	<ul style="list-style-type: none"> In terms of GRAP, the City has a liability towards employees in terms of the conditions of employment relating to pension, medical aid and long service benefits. These are termed Defined Benefit Obligations. The calculation of the defined benefit obligation is performed annually by actuaries taking various factors into account. The movement in the liability is not cash based, but changes in the estimates made by the actuaries. When the budget is prepared, management can only base its estimates on the balance and movements of the previous liability balance as determined by the actuaries. As the actuarial valuation is performed at year end, the final valuation can vary significantly from the budget estimates performed by management. The estimates for the movement in the defined benefit obligation included in the budget over the years were performed based on the best available information at the time. The over expenditure on the movement was non cash in nature and therefore is not recoverable. It is also impractical to authorise the expenditure through an adjustment budget at this stage. The conclusion is that there was no financial loss. 	That Council to write off the related expenditure from the register.
Defined benefit liability movement	2012	9 969 000	Finance		
Deferred lease movements	2012	22 967 448	Finance	<ul style="list-style-type: none"> In terms of GRAP the revenue and expenses relating to operating rentals should be straight lined over the term of the rental agreement and not recognised 	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				<p>based on the cash flows of the rental agreements. In 2012 when management corrected its application of the standard of GRAP relating to Leases, its adjustment resulted in an over expenditure based on the straight lining. The adjustment was therefore to comply with the standard of GRAP and was not cash related.</p> <ul style="list-style-type: none"> The adjustment was made to comply with GRAP and it is therefore impractical to recover the amount as there was no expenditure. It is also impractical to authorize the expenditure in an adjustment budget and should therefore be considered for write off by Council. The conclusion is that there was no financial loss. 	
TOTAL		2 400 317 905			

3. UNAUTHORISED EXPENDITURE – ADMINISTRATIVE ITEMS

Items	FY	Amount (R)	Vote	Comments and conclusions	Status
Centlec seconded employees	2016	16 977 994	Miscellaneous Services	<ul style="list-style-type: none"> Since the establishment of Centlec, Municipal employees have been seconded to Centlec to perform electricity functions. These individuals remained the legal employees of Mangaung until the transfer process has been completed. Mangaung therefore paid their employee costs and then charges Centlec a management fee based on the actual employee costs of these seconded individuals. The ultimate cost of these employees therefore remains with Centlec. Since 2014, it was expected that the transfer process for these individuals would be completed by the start of the new financial year and therefore these costs were not included in the budget. The Municipality already recovered these costs from Centlec as it charged Centlec a management fee based on the actual employee costs incurred on a separate income allocation. The conclusion is that there was no financial loss as the transactions were done in line with the sale of business agreement. 	That Council to write off the related expenditure from the register.
Centlec seconded employees	2015	32 291 312	Miscellaneous Services		That Council to write off the related expenditure from the register.
Capital expenditure not qualifying to be capitalised	2015	16 073 144	Water Services	<ul style="list-style-type: none"> In terms of GRAP 17, expenditure needs to comply with certain criteria before it may be capitalised to the asset register of the City. It therefore happens that although a project may be categorized as capital in 	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Status
Capital expenditure not qualifying to be capitalised	2012	37 317 682	Corporate Services	<p>nature, certain processes or items that forms part of the project, may not necessarily qualify to be capitalised and included in the City's asset registers.</p> <ul style="list-style-type: none"> When the asset registers are prepared and the AFS compiled, items are noted that do not qualify to be capitalised and are therefore expensed as operating expenditure. These items in fact budgeted for and procured within the capital budget. These items were included in the budget of the City and the projects remained within their allocated budget, although the classification was incorrect. The conclusion is that there was no financial loss. 	That Council to write off the related expenditure from the register.
Correction of errors	2014	6 472 972	N/a	<ul style="list-style-type: none"> During the 2013/14 financial year, the expenditure on Finance vote was incorrectly allocated to a "Rates" vote on the Unauthorised expenditure register. Through inspection of the budget and adjustments budget for the 2013/14 financial year it was found that the sub-category of Rates is in fact part of the Finance vote and not a vote on its own. The expenditure was therefore incorrectly allocated. With the correction of the expenditure to the appropriate vote, the expenditure is not unauthorised, but forms part of the Finance budget which was not overspent for the applicable year. The conclusion is that there was no financial loss. 	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Status
Correction of errors	2016	107 214	N/a	<ul style="list-style-type: none"> An administrative error occurred with the inclusion of Centlec expenditure amounting to R107 214 in the register. The amount does not relate to any expenditure incurred. The conclusion is that there was no financial loss. 	That Council to write off the related expenditure from the register.
Internal vehicle labour charges	2012	29 551 033	Infrastructural Services	<ul style="list-style-type: none"> Internal departmental charges occur where certain votes render services to other votes. It is therefore budgeted for accordingly. Where these charges do not occur, or these are over charged, it results in over expenditure for the relevant votes. These items are only internal between departments and are therefore administrative in nature. It is also impractical to recover it from an individual or authorize it in terms of an adjustment budget at this stage. The conclusion is that there was no financial loss. 	That Council to write off the related expenditure from the register.
Internal rates charges	2012	177 295	Fresh Produce Market		That Council to write off the related expenditure from the register.
Internal electricity charges	2011	417 912	Fresh Produce Market		That Council to write off the related expenditure from the register.
TOTAL		139 386 561			

4. UNAUTHORISED EXPENDITURE BALANCES REPORTED FOR 2017 FINANCIAL YEAR

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
Depreciation	2017	2 737 721	Corporate Services	GRAP 17 defines "depreciation" as the systematic allocation of the depreciable amount of an asset over its useful life.	That Council to write off the related expenditure from the register.
Depreciation	2017	316 587 756	Engineering Services	<p>The calculation of depreciation is in fact an estimate that is performed at year end after taking into account factors such as:</p> <ul style="list-style-type: none"> g) The total capital projects that have been completed at year end. h) Capital projects from previous years that have been completed during the year; i) The total cost to complete capital projects; j) The average useful lives of the assets of the City; k) Determination of the remaining useful lives of the assets of the City; l) Repairs & maintenance done to assets of the City; etc. <ul style="list-style-type: none"> • Due to the nature of depreciation, the estimate performed during the preparation of the budget can change significantly to the final calculation of depreciation for a specific period. As the City has also invested significantly in the capital infrastructure over the last 5 years, as well as updating its asset registers, it has become more difficult to estimate depreciation when the budget is prepared due to the changes in the factors as listed above. 	That Council to write off the related expenditure from the register.

Bad debts written off and impairment for bad debts	2017	118 635 515	Water Services	<ul style="list-style-type: none"> The estimates for depreciation included in the budget over the years were performed based on the best available information at the time. The over expenditure on depreciation was non cash in nature and therefore there was no cash outflow and therefore is not recoverable. It is also impractical to authorise the expenditure through an adjustment budget at this stage. The conclusion is that there was no financial loss. 	
				<p>In terms of GRAP, the City needs to make a provision for the impairment of debt where there is evidence that debtors may be impaired. The City therefore makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The data may include items such as:</p> <ul style="list-style-type: none"> Past payment trends of the specific individual debtor. Past payment trends of a portfolio of debtors. The significance of the debtor in relation to other debtors. Financial reorganization of debtors such as sequestration. Changes in national or local economic conditions that are in line with non-payments in a portfolio such as increased unemployment rates, increase in inflation, etc. This provision is therefore based on estimates and can change between the time that the budget is 	That Council to write off the related expenditure from the register.

Repairs on Water network	2017	43 759 086	Water Services	<p>prepared and the estimate calculation is performed with the preparation of the AFS.</p> <ul style="list-style-type: none"> • The estimates for debt impairment included in the budget over the years were performed based on the best available information at the time. • The over expenditure on debt impairment is not due to negligence and can therefore not be recovered from any specific individual and it is classified as non-cash item. It is also impractical to authorise the expenditure through an adjustment budget at this stage. • The conclusion is that there was no financial loss. 	
				<ul style="list-style-type: none"> • In terms of GRAP 17, expenditure needs to comply with certain criteria before it may be capitalised to the asset register of the City. It therefore happens that although a project may be categorized as capital in nature, certain processes or items that forms part of the project, may not necessarily qualify to be capitalised and included in the City's asset registers. • When the asset registers are prepared and the AFS compiled, items are noted that do not qualify to be capitalised and are therefore expensed as operating expenditure. These items in fact budgeted for and procured within the capital budget. • These items were included in the budget of the City and the projects remained within their allocated budget, although the classification was incorrect. • The conclusion is that there was no financial loss. 	That Council to write off the related expenditure from the register.

<p>Bad debts written off and impairment for bad debts</p>	<p>2017</p>	<p>240 474 090</p>	<p>Miscellaneous Services</p>	<p>In terms of GRAP, the City needs to make a provision for the impairment of debt where there is evidence that debtors may be impaired. The City therefore makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The data may include items such as:</p> <ul style="list-style-type: none"> • Past payment trends of the specific individual debtor. • Past payment trends of a portfolio of debtors. • The significance of the debtor in relation to other debtors. • Financial reorganization of debtors such as sequestration. • Changes in national or local economic conditions that are in line with non-payments in a portfolio such as increased unemployment rates, increase in inflation, etc. • This provision is therefore based on estimates and can change between the time that the budget is prepared and the estimate calculation is performed with the preparation of the AFS. • The estimates for debt impairment included in the budget over the years were performed based on the best available information at the time. • The over expenditure on provision on debt impairment was non cash in nature and therefore is not recoverable. It is also impractical to authorise the expenditure through an adjustment budget at this stage. 	<p>That Council to write off the related expenditure from the register.</p>
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