



CENTLEC (SOC) Ltd
ANNUAL REPORT
2018/19

THE ENTITY OF
MANGAUNG METROPOLITAN MUNICIPALITY

Registered name of the public entity	CENTLEC (SOC) Ltd
Company registration number	2003/011612/30
Country of incorporation and domicile	South Africa
Nature of business and principal activities	Electricity distribution
Chief Executive Officer (CEO)	Mr AN Mgoqi
Chief Finance Officer (CFO)	Mr MM Matsimela
Directors	Mr N Mokhesi (Chairperson) Ms DC Myeni (Deputy Chairperson) Mr KM Moroka Mr CAK Choeu Mr MP Mohale
Registered office	30 Rhodes Avenue Oranjesig Bloemfontein 9301
Business address	30 Rhodes Avenue Oranjesig Bloemfontein 9301
Postal address	Private Bag X14 Brandhof Free State 9324
Contact telephone numbers	+27(51) 412 2613
E-mail address	ceo@centlec.co.za michael.matsimela@centlec.co.za

Website address	www.centlec.co.za
Controlling entity	Mangaung Metropolitan Municipality
Bankers	ABSA
Auditors	Auditor-General of South Africa (AGSA)
Company Secretary	Mr Thabo Malgas
Attorneys	Phatsoane Henney Incorporated Ashira Consultant Malebogo Maeyane Attorneys GL Tshangana Attorneys

COMPANY SECRETARY'S CERTIFICATE TO THE SHAREHOLDER OF CENTLEC (SOC) LTD

In accordance with the provisions of the Companies Act (Act 71 of 2008), the Company Secretary of CENTLEC (SOC) Ltd, hereby certify that:

In respect of the reporting period ended 30 June 2019, the Company has lodged with the Commissioner of the Companies and Intellectual Property Commission (CIPC), all returns and notices prescribed by the Act and that all such returns and notices are true, correct and up to date.

T Malgas

COMPANY SECRETARY CENTLEC (SOC) Ltd

Date: 29 November 2019

CHIEF EXECUTIVE OFFICER'S QUALITY CERTIFICATION

I, AN Mgoqi, Chief Executive Officer of CENTLEC (SOC) Ltd, hereby certify that:

The Annual Report for the 2018/2019 financial year has been prepared in accordance with the Municipal Systems Act (Act 32 of 2000) and the Municipal Finance Management Act (Act 56 of 2003) and regulations made under these Acts.

AN Mgoqi

CHIEF EXECUTIVE OFFICER

Date: 29 November 2019

Legislation covering financial and administrative management:

- 1) The Constitution of the Republic of South Africa 1996 (Act 108 of 1996).
- 2) Basic Conditions of Employment Act (Act 15 of 1997 and regulations thereto).
- 3) Labour Relations Act (Act 66 of 1995).
- 4) South African Bargaining Council Main Collective Agreement 2015/2020.
- 5) Occupational Health and Safety Act (Act 85 of 1993 and regulations thereto).
- 6) Companies Act (Act 71 of 2008, Chapter 8 and regulations thereto).
- 7) Municipal Finance Management Act (Act 56 of 2003 and regulations thereto).
- 8) Municipal Systems Act (Act 32 of 2000 and regulations thereto)
- 9) Value Added Tax Act (Act 84 of 1991).
- 10) Electricity Regulations Act (Act 4 of 2006).
- 11) National Energy Regulator Act (Act 40 of 2004).
- 12) *King III Code of Corporate Governance* (until April 2017).
- 13) *King IV Report on Corporate Governance for South Africa, 2016* (effective from April 2017).
- 14) NRS048 – 2:2003, *second edition, Electricity Supply – Quality of Supply*.
- 15) NRS047 – 1:2005, *third edition, Electricity Supply – Quality of Service*.
- 16) *Supply Chain Management: A Guide for Accounting Officers of Municipalities and Municipal Entities*, October 2005.
- 17) National Key Point Act (Act 102 of 1980 and regulations thereto).
- 18) Employment Equity Act (Act 55 of 1998 and regulations thereto).
- 19) Municipal Structures Act (Act 117 of 1998 and regulations thereto).
- 20) Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993 and regulations thereto).
- 21) Unemployment Insurance Act, (Act 63 of 2001 and regulations thereto).
- 22) Promotion of Administrative Justice Act, (Act 3 of 2000).
- 23) Skills Development Act, (Act 97 of 1998 and regulations thereto).
- 24) Broad-based Black Economic Empowerment Act, (Act 53 of 2003).
- 25) Cross-boundary Municipalities Laws Repeal and Related Matters Act, (Act 23 of 2005).
- 26) Municipal Fiscal Powers and Functions Act, (Act 12 of 2007).
- 27) Intergovernmental Fiscal Relations Act (Act 97 of 1997).
- 28) Intergovernmental Fiscal Regulations Framework.

Abbreviations/Acronyms:

1)	AFS	Annual Financial Statements
2)	AGSA	Auditor-General South Africa
3)	CEO	Chief Executive Officer
4)	CFO	Chief Financial Officer
5)	CIPC	Companies and Intellectual Property Commission
6)	DEA	Department of Environmental Affairs
7)	EDI	Electricity Distribution Industry
8)	EM	Executive Manager
9)	EPMDS	Employee Performance Management and Development System
10)	EME	Emerging Micro Enterprise
11)	EXCO	Executive Committee
12)	EWDs	Employees with Disabilities
13)	GM	General Manager
14)	GRAP	Generally Recognised Accounting Practices
15)	HDI	Historically Disadvantaged Individuals
16)	ICT	Information and Communication Technology
17)	IDP	Integrated Development Plan
18)	INEP	Integrated National Electrification Programme
19)	KPA	Key Performance Area
20)	KPI	Key Performance Indicator
21)	KRA	Key Result Area
22)	MEC	Member of the Executive Council
23)	MFMA	Municipal Finance Management Act
24)	MFP	Municipal Finance Planning
25)	MMM	Mangaung Metropolitan Municipality
26)	MTREF	Medium-Term Revenue and Expenditure Framework
27)	NERSA	National Energy Regulator of South Africa
28)	PMR	Professional Marketing Research
29)	PMS	Performance Management System
30)	POE	Portfolio of Evidence
31)	PwC	PricewaterhouseCoopers
32)	RED	Regional Electricity Distributor
33)	REMCO	Human Resources and Remuneration Committee
34)	SALGA	South African Local Government Association
35)	SAWMU	South African Municipal Workers Union
36)	SCM	Supply Chain Management
37)	SDBIP	Service Delivery and Budget Implementation Plan

- | | | |
|-----|-------|---|
| 38) | SHREQ | Safety, Health, Risk, Environment and Quality |
| 39) | SMME | Small, Medium and Micro Enterprise |
| 40) | SOC | State-Owned Company |
| 41) | WSP | Workplace Skills Plan |

Glossary:

- | | |
|------------------------------|--|
| 1) Accessibility indicators: | Explore whether the intended beneficiaries are able to access services or outputs. |
| 2) 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 (1996). These include plans, budgets, in-year and Annual Reports. |
| 3) 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> . |
| 4) Adequacy indicators: | The quantity of input or output relative to the need or demand. |
| 5) 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 (MFMA, 2003). Such a report must include annual financial statements as submitted to, and approved by, the Auditor-General. |
| 6) Approved budget: | The Annual Financial Statements (AFS) of a municipality as audited by the Auditor-General and approved by council or a provincial or national executive. |
| 7) 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. |
| 8) 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 public health and safety or the environment. |
| 9) Budget year: | The financial year for which an annual budget is to be approved – means a year ending on 30 June. |
| 10) Cost indicators: | The overall cost or expenditure of producing a specified quantity of outputs. |

- 11) Distribution indicators: The distribution of capacity to deliver services.
- 12) 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.
- 13) General Key Performance Indicators (KPIs): After consultation with Member of the Executive Council (MECs) for local government, the Minister may prescribe general KPIs that are appropriate and applicable to local government generally.
- 14) Impact: The results of achieving specific outcomes, such as reducing poverty and creating jobs.
- 15) Inputs: All the resources that contribute to the production and delivery of outputs. Inputs are *"what we use to do the work"*. They include finances, personnel, equipment and buildings.
- 16) Integrated Development Plan (IDP): Sets out municipal goals and development plans.
- 17) National Key Performance Areas (KPA's):
 - Service delivery and infrastructure.
 - Economic development.
 - Municipal transformation and institutional development.
 - Financial viability and management.
 - Good governance and community participation.
- 18) 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"*.
- 19) 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 immunisation, or a service such as processing an application) that contributes to the achievement of a Key Result Area (KRA).

- 20) **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).
- 21) **Performance information:** Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with 'performance measure'.
- 22) **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 Employee Performance Management and Development System (EPMDS), performance standards are divided into indicators and the time factor.
- 23) **Performance targets:** The level of performance that municipalities and their 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.
- 24) **Service delivery and 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.

25) 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 (2003) defines a “vote” as:

- 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*
- b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.*

Table of contents

Legislation covering financial and administrative management:	5
Abbreviations/Acronyms:	6
Glossary:	8
CHAPTER 1: FOREWORD AND EXECUTIVE SUMMARY	16
1.1 Overview by the Chairperson	16
1.2 Overview by the Chief Executive Officer	19
1.3 Vision	21
1.4 Mission	21
1.5 Values	21
1.6 Organisational structure	22
1.7 Legal requirements	23
1.8 Purpose of an Annual Report	23
1.9 Scope of report	23
1.10 Functions, population and service delivery overview	23
1.11 Financial health overview	26
CHAPTER 2: GOVERNANCE	29
2.1. Intergovernmental relations recipients	29
2.1.1. Introduction to co-operative governance and intergovernmental relations	29
2.2. Public accountability and participation	30
2.2.1. Overview	30
2.2.2. Public meetings	30
2.3. Ethical leadership	31
2.4. Political governance: Board of Directors	31
2.4.1. Board Members as at 30 June 2019	33
2.4.2. Board meetings	34
2.4.3. Board meeting attendance	34
2.4.4. Board Committees	35
2.4.4.1 Audit and Risk Committee	35
2.4.4.2 Finance Committee	36
2.4.4.3. Human Resources and Remuneration Committee	37

2.4.4.4. Social Responsibility and Ethics Committee	37
2.4.4.5. Information Technology Governance Committee	38
2.4.4.6. Engineering Committee	38
2.4.4.7. Meetings of Board Committees	39
2.4.4.8. Board decision-making	39
2.5. Administrative governance	40
2.5.1 The Executive Management	40
2.5.2 Remuneration	42
2.5.3 Corporate Governance	43
2.5.4 Corporate citizenship	43
2.5.5 Compliance with laws, rules, codes and standards	44
2.6. Internal Audit and Risk Management	44
2.6.1 Risk Management	44
2.6.2 Audit Tracking	45
2.6.3 Anti-corruption and Fraud Strategy	48
2.7 Supply Chain Management	49
2.8 The following bids were awarded during the year:	50
2.9 Policies	50
2.10 By-laws	50
2.11 Public participation in drafting of by-laws	51
2.12 Website	51
2.13 Public satisfaction with municipal services	53
CHAPTER 3: SERVICE DELIVERY PERFORMANCE	55
3.1. Objectives and strategies	55
3.2. Pre-determined objectives	55
3.2.1. The annual performance summary of executive managers	55
3.2.2. Office of the Chief Executive Officer	57
3.2.3. Human Resources Directorate	58
3.2.4. Finance Directorate	61
3.2.5. Engineering Wires Directorate	64
3.2.6. Engineering Retail Directorate	68
3.2.7. Compliance & Performance Directorate	70
CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE	76
4.1 Introduction	76

4.2	Workforce profile (including people with disabilities).....	76
4.3	Employees with Disabilities only	77
4.4	Workforce movement.....	77
4.4.1	Recruitment.....	77
4.4.2	Promotions (including people with disabilities)	78
4.4.3	Terminations.....	78
4.4.4	Human Resource policies	79
4.4.5	Health and Safety and Environmental Issues.	79
4.4.6	Training Costs	80
4.4.7	Financial competency development.....	81
CHAPTER 5: FINANCIAL PERFORMANCE.....		82
5.1	Revenue.....	82
5.2	Expenditure.....	82
5.3	Surplus	83
5.4	Financial position	83
5.5	Budget	83
CHAPTER 6: AUDITOR-GENERAL'S FINDINGS ON PRIOR YEAR ISSUES		82
6.1.	Purpose of the report.....	84
6.2.	Introduction and background	84
6.3.	Executive summary: Implementation of Audit Action Plan	85
6.3.1.	Improvements to the internal control environment.....	85
6.3.2.	Progress on matters reported in the audit report.....	85
6.3.2.1.	Interactions with stakeholders responsible for oversight and governance	86
6.3.2.2	Material impairment of consumer receivables	86
6.3.2.3.	Material distribution losses	87
6.3.2.4.	Irregular expenditure management	88
6.3.2.5	Audit of predetermined objectives - performance management framework and.....	89
6.3.2.6.	Incorrect Interpretation of reporting framework	90
6.3.2.7.	Inadequate controls over ensuring that payments are made within 30 days	91
6.3.2.7	Vacancies in senior management positions	92
7	APPENDICES.....	95
7.1	APPENDIX A: BOARD MEMBERS; COMMITTEE ALLOCATION AND ATTENDANCE	95

7.2	APPENDIX B: COMMITTEES AND COMMITTEE PURPOSES	95
7.3	APPENDIX C: THIRD TIER ADMINISTRATIVE STRUCTURE	95
7.4	APPENDIX D: FUNCTIONS OF ENTITY	95
7.5	APPENDIX E: WARD REPORTING	95
7.6	APPENDIX F: WARD INFORMATION	95
7.7	APPENDIX G: RECOMMENDATIONS OF THE AUDIT COMMITTEE	95
7.8	APPENDIX H: LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS	95
7.9	APPENDIX I: MUNICIPAL ENTITY PERFORMANCE SCHEDULE	95
7.10	APPENDIX J: DISCLOSURES OF FINANCIAL INTERESTS	95
7.11	APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE	95
7.12	APPENDIX L: CONDITIONAL GRANTS RECEIVED	95
7.13	APPENDIX M and N: CAPITAL EXPENDITURE	95
7.14	APPENDIX O: CAPITAL PROGRAMME BY PROJECT BY WARD	95
7.15	APPENDIX P: SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS	95
7.16	APPENDIX Q: SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION	95
7.17	APPENDIX R: DECLARATION OF LOANS AND GRANTS MADE	95
7.18	APPENDIX S: DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71	95
7.19	APPENDIX T: ANNUAL FINANCIAL STATEMENTS	95
7.20	APPENDIX U: REPORT OF THE AUDITOR-GENERAL ON CENTLEC (SOC) LTD	95

CHAPTER 1: FOREWORD AND EXECUTIVE SUMMARY

1.1 Overview by the Chairperson



The 2018/19 financial year has been a challenging year for CENTLEC (SOC) Ltd due to the numerous challenges which the company as well as the Republic of South Africa faced. This includes the unpredictable currency fluctuations, rising fuel prices, competition from new entrants and a decline in electricity demand. Despite these challenges CENTLEC (SOC) Ltd has continued to show a sustainable turnaround, which is a trend we believe will continue for the foreseeable future.

We owe our turnaround largely to the creative strategies and vital interventions implemented across all business units. Although we are pleased with the company's performance, the company's service delivery and financial position remain a priority and our oversight role in this regard remains an essential tool to navigate our way to success. Through hard work, dedication and determination, we have managed to sustain our success and this is no small feat considering the current economic landscape.

I must thank the various committees and sub-committees of the CENTLEC (SOC) Ltd Board for their valued guidance and direction and ensuring that we have, yet another, successful year. Every entity is faced with its own unique challenges from time to time. However it is how the entity handles and overcomes those challenges which defines an entity. I must also commend the CENTLEC (SOC) Ltd management, for their commitment and drive in upholding the CENTLEC (SOC) Ltd mandate. This has ensured that CENTLEC (SOC) Ltd remains a reliable source in the energy supply sector.

Furthermore, I thank my fellow Board members who, even in the most challenging of times, remained resolute in maintenance of CENTLEC (SOC) Ltd's vision and mandate. It must however be mentioned a Board assessment was not conducted for the year under review, however, we, as the CENTLEC (SOC) Ltd Board, remain confident in ourselves and in one another and shall affirm this confidence by conducting regular assessments of the Board in the upcoming year.

We concede that there remains a need to strengthen our stakeholder relationships to ensure that a sense of shared responsibility remains as we address social issues impacting the community. Issues such as theft, vandalism and illegal connections must be tackled from all available avenues to ensure that a strong message is sent out and received by the transgressors. Addressing these issues is crucial in ensuring the safety of our customers as well as the various communities we serve.

I must commend, the Shareholder, the Board, as well the staff of CENTLEC (SOC) Ltd who continue to ensure that CENTLEC (SOC) Ltd's vision of becoming a provincial energy supplier remains intact and attainable. The importance of sound leadership in ensuring we reach this goal must be emphasised. This places an obligation on us to ensure that we, not only provide leadership, but also cultivate leaders at all levels who stimulate confidence in the future of the company and are branded by their unique proficiency. The voyage to a rejuvenated, refocused and ethical organisation that keeps the lights on has begun.

2018/19 provided CENTLEC (SOC) Ltd with three main challenges:

- Ageing infrastructure which leads to frequent interruptions to electricity supply;
- Insufficient infrastructure for the delivery and metering of electricity in informal areas. This places the grid under immense pressure causing power outages in the settlements and in neighbouring formal townships. Consequently CENTLEC (SOC) Ltd has had to embark on costly repairs and maintenance of the infrastructure. Continuously having to repair and maintain the infrastructure is unsustainable and requires us to create an innovative solution in this regard. We will be applying our minds to this in the foreseeable future.

We further face challenges in ensuring the interface with our customers' remains fluid. In addressing this challenge we have focused our efforts to improving our billing and customer relations management systems. We are therefore willing to implement innovative strategies which assist us in improving communications with our customers, to ensure that we continue to make strides in this regard.

In conclusion I must extend my vote of thanks to the shareholder, Mangaung Metropolitan Municipality, for its continued support. My fellow Board members who have consistently been my pillars and assisted me in steering CENTLEC (SOC) Ltd and its sub committees to the numerous successes we have achieved. I thank the CENTLEC (SOC) Ltd executive management for their commitment in overcoming the various challenges we face and showing the competency to effectively

implement the Board's vision. CENTLEC (SOC) Ltd remains committed to making sustainable improvements in the delivery of electricity to the different households and businesses which rely on CENTLEC (SOC) Ltd.

CHAIRPERSON OF THE BOARD
MR M MOKHESI

1.2 Overview by the Chief Executive Officer



The Annual Report is one of the highly reputable tools of CENTLEC (SOC) Ltd. The Annual Report is one of the highly reputable tools of CENTLEC (SOC) Ltd to assess the effectiveness and impact the entity is having on the lives of its community/residents. It also gives an opportunity to identify the state of financial affairs, as well as the administrative and governance maturity levels of the institution.

The 2018/19 financial year was another challenging year against the background of continued difficult global economic conditions. Despite these challenges CENTLEC (SOC) Ltd provided network services to all its customers, which include: the purchasing, distribution, sale of electricity, constructing networks, connecting customers, repair and maintenance of networks, installation and maintenance of public lighting. We are committed to meet the existing and future energy needs of our customers. To succeed over the long term, we know that we must ensure good governance, operational excellence and financial sustainability by ensuring access to essential services that are affordable to all, be responsive to the needs of the community and be progressive orientated to create an environment to uplift and dignify lives.

For the year under review, several milestones were accomplished as set out in the entity's Business Plan and Service Delivery and Budget Implementation Plan (SDBIP) which include among others the following:

- New appointments of the Company Secretary, Executive Manager: Engineering Wires, Executive Manager: Engineering Retail, Executive Manager: Compliance & Performance and Supply Chain Manager.
- Establishment of internal audit unit by appointing GM: Audit & Risk, Assistant Manager: Risk Management, 4 internal auditors.
- Supply electricity connections to one thousand and seventy one (1071) households by 30 June 2019.
- Thirty one (31) high masts have been erected and commissioned within MMM by 30 June 2019.
- 338 DC Transformer Inspections completed by 30 June 2019.
- 493 Distribution Centre Panels were tested by 30 June 2019.
- 16 applications were received for the embedded generators and registered on Centlec's system.
- 100% of valid and correct indigents were enabled to receive free basic electricity as per indigent list provided by Mangaung Metropolitan Municipality.

Regardless of these successes, the entity faces some daunting challenges and risks that threaten and have a negative impact on its ability to deliver services in a sustainable manner. CENTLEC (SOC) Ltd suffered financial losses due to the ongoing theft of copper cables at various electrical installations and has also encountered many incidents of tampering or bypassing of electricity meters as well as illegal use of electricity. Apart from the loss in revenue, illegal connections cause power outages and are a threat to the safety of people and animals. A total of 346.33 kilometres of the 132kV overhead lines inspections were inspected and repaired in the Mangaung Metropolitan Municipality (MMM) area of supply to minimise breakdowns and to improve the quality of supply to all customers. We strive to maintain a reliable network that meets NRS compliance requirements. We have undertaken a number of initiatives and programmes that benefit the environment and our customers. Our view is that renewable energy and suitable infrastructure are a must.

The past financial year was also a thought-provoking year from a budget cut perspective. This cut meant that available resources were stretched with service delivery while CENTLEC (SOC) Ltd continued to contribute to community development through improvement and upgrading of the electricity network and maintenance of the infrastructure. In the 2018/19 financial year the entity spent a capital budget of R 186 035 358.

The entity managed to revert back to an unqualified audit opinion for the 2018/19 financial year through engagements with the parent municipality to address the causes of the differences in the intercompany transactions.

In conclusion, I would like to thank the board of directors, executive management team and the personnel of the entity for their support and huge contribution towards the successful 2018/19 financial year. CENTLEC (SOC) Ltd has devoted personnel who have proved time and again that they are up to any challenges coming their way. I have no doubt that this will also be the case in 2019/20.

CHIEF EXECUTIVE OFFICER
AN MGOQI

1.3 Vision

“To be a reliable energy utility that enables social and economic upliftment”.

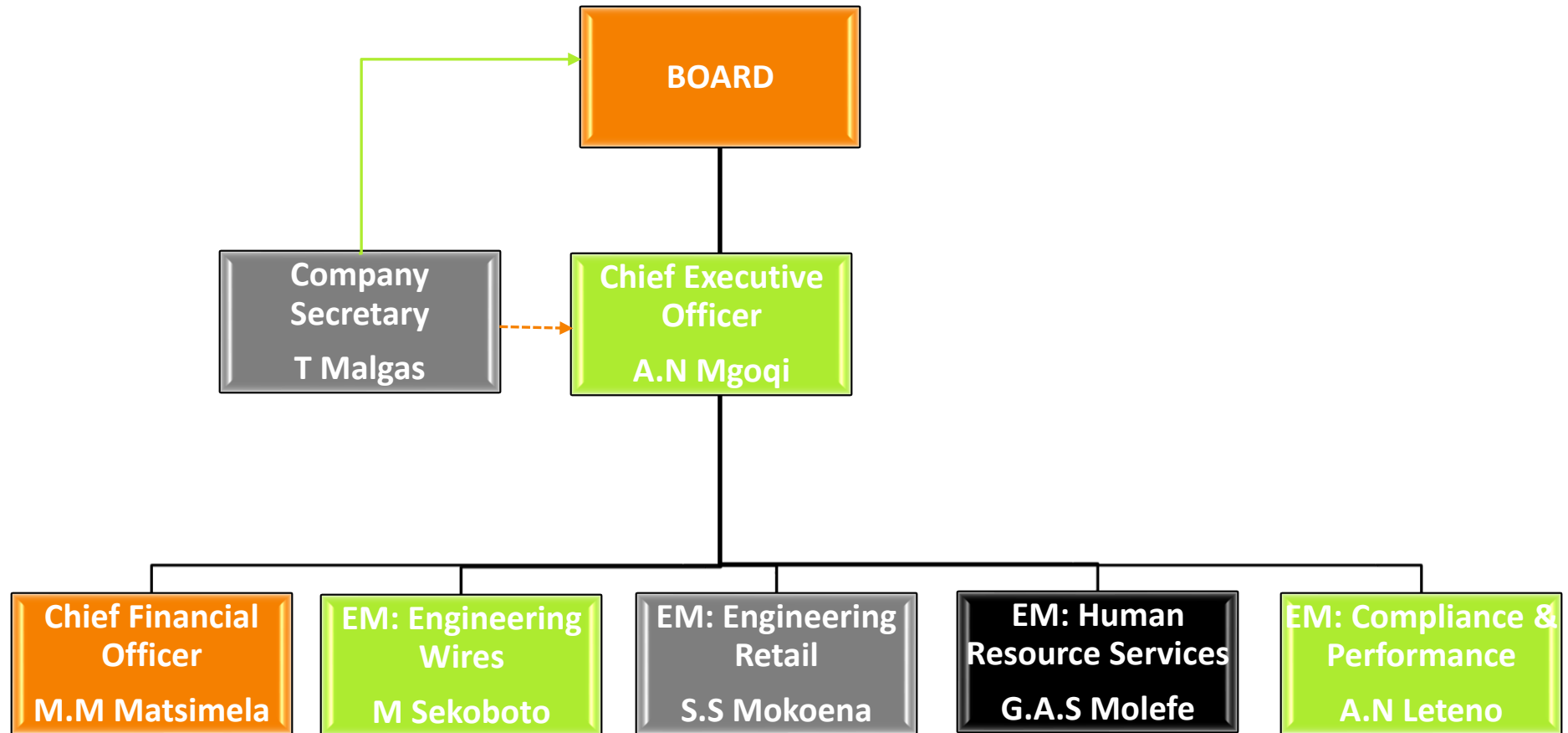
1.4 Mission

- To provide optimal service delivery as mandated by the Mangaung Metropolitan Council.
- To strategically manage our operations in an effective, efficient and financially prudent manner, as measured against relevant indicators.
- To seek the most cost effective and innovative energy solutions in partnership with relevant stakeholders in order to maximise shareholder value.
- To train, develop, attract and retain a highly skilled workforce and to promote sound relations with organised labour.
- To ensure a safe and healthy environment for our workforce and the community.
- To be a socially responsible corporate citizen that is concerned with improving the lives of the community and the environment in which we operate.

1.5 Values



1.6 Organisational structure



1.7 Legal requirements

In terms of Section 121 (1) of the MFMA (2003), every municipality and every municipal entity must prepare an Annual Report for each financial year. The Council of a municipality must, within nine months after the end of a financial year, deal with the Annual Report of the municipality and of any municipal entity under the Municipality's sole or shared control in accordance with Section 129 of the MFMA (2003).

1.8 Purpose of an Annual Report

1. To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates.
2. To provide a report on performance against the budget of the municipality or municipal entity for that financial year.
3. To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

1.9 Scope of report

This Annual Report covers CENTLEC (SOC) Ltd's (the municipal entity) governance, financial, service delivery performance, and environmental, broader economic and overall sustainability performance information for the financial year 2018/19. It provides an account of the entity's progress as at the end of June 2019 and offers a forward-looking perspective in terms of future plans and value-generating strategies.

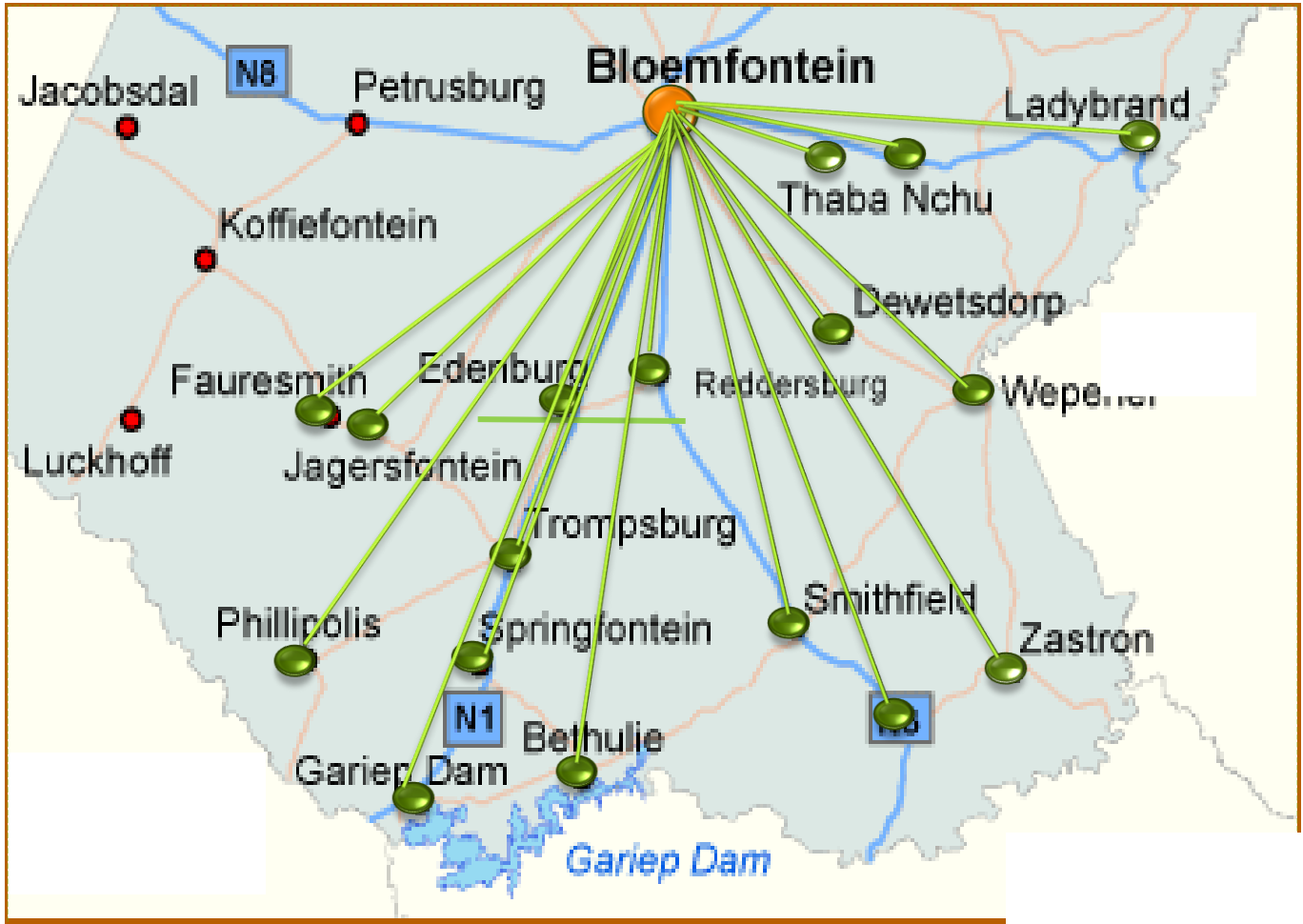
1.10 Functions, population and service delivery overview

The municipal entity is mandated to provide electricity services to all its customers. As the electricity distribution service provider of the MMM, the municipal entity's core competency is to purchase, distribute and sell electricity within its geographical footprint.

CENTLEC (SOC) Ltd was established as a municipal entity wholly owned by MMM in terms of the Municipal Systems Act (Act 32 of 2000) and the Companies Act, (Act 71 of 2008).

Distribution map:

The municipal entity is accountable to provide network services to all its customers, which include:



- **Electricity distribution/energy services:** the municipal entity distributes electricity to Mangaung, Kopanong, Mantsopa and Mohokare municipalities. The municipal entity purchases its energy from Eskom at 27 supply points in 22 towns in the Southern Free State and the Mangaung supply area.
- **Construction of electrical networks:** All new electrification networks and upgrading of existing networks are handled by the municipal entity's design and construction sections, and where additional capacity is required, it is done through the supply chain processes and the appointment of private companies.

- **Operation, maintenance and extension of networks:** The maintenance of electricity distribution networks forms a large part of the municipal entity's operations. A 24-hour standby service ensures that customers are not inconvenienced by long power outages. Ongoing evaluation is performed on existing networks to detect any overloading or failure and this is addressed with the upgrading and/or extension of the particular network.
- **Metering, pre-payment vending and Billing services:** Modern metering systems are employed to meter the various categories of customers. Pre-payment and credit metering systems are in use. Extensive pre-payment vending facilities are available to customers to ensure convenience and availability at all times. Credit meter reading and billing have been done in-house from 01 July 2011.

The municipal entity has approximately 184 437 active customers, ranging from domestic to commercial and industrial properties, as detailed below. The number of customers have increased slightly compared to the previous year due to new connections.

Customer base as per tariff group as at 30 June 2019:

Tariff Group: 2018-2019 baseline	Number of Consumers				
	Mangaung Metropolitan Municipality	Kopanong	Mohokare	Mantsopa	Total
INDIGENT	29,062	2,186	446	213	31,907
INCLINING BLOCK	134,721	6,303	3,390	2,458	146,872
FLAT RATE BUSINESS	2,965	408	204	250	3,827
BULK RESLL 2	33	0	0	0	33
BULK RESELL 3	199	0	0	0	199
BULK RESEIDENTIAL 2 SFS	1	0	0		1
BULK RESIDENTIAL 3 SFS	5	2	0		7
CENTLEC (SOC) LTD DEPARTMENTAL TOU	4	0	2		6
COMFLEX - SINGLE PHASE	16	0	0		16
COMFLEX - THREE PHASE	580	0	0		580
COMFLEX - SFS SINGLE PHASE	0	1	0		1
COMFLEX - SFS THREE PHASE	5	36	0		41

Tariff Group: 2018-2019 baseline	Number of Consumers				
	Mangaung Metropolitan Municipality	Kopanong	Mohokare	Mantsopa	Total
ELECTFLEX 1	4	0	0		4
ELECTFLEX 2	174	0	0	2	176
ELECTFLEX 2 - SFS	0	5	0		5
ELECTFLEX 3	514	0	0	8	522
ELECTFLEX 3 – SFS	3	16	9		28
HOMEFLEX - SINGLE PHASE	6	0	0		6
HOMEFLEX - THREE PHASE	177	0	0		177
HOMEFLEX - SFS THREE PHASE	1	13	0		14
SPORT CLUBS	0	0	0	8	8
SPORT STADIUMS	7	0	0		7
BULK SUPPLY	0	0	0	12	12
DEPARTMENTAL FLAT RATE	0	0	0	72	72
TOTAL	168,477	8,970	4,051	2,939	184,437

1.11 Financial health overview

Although the municipal entity has been able to honour its financial commitments, financial viability remains one of the major challenges faced by municipalities and municipal entities.

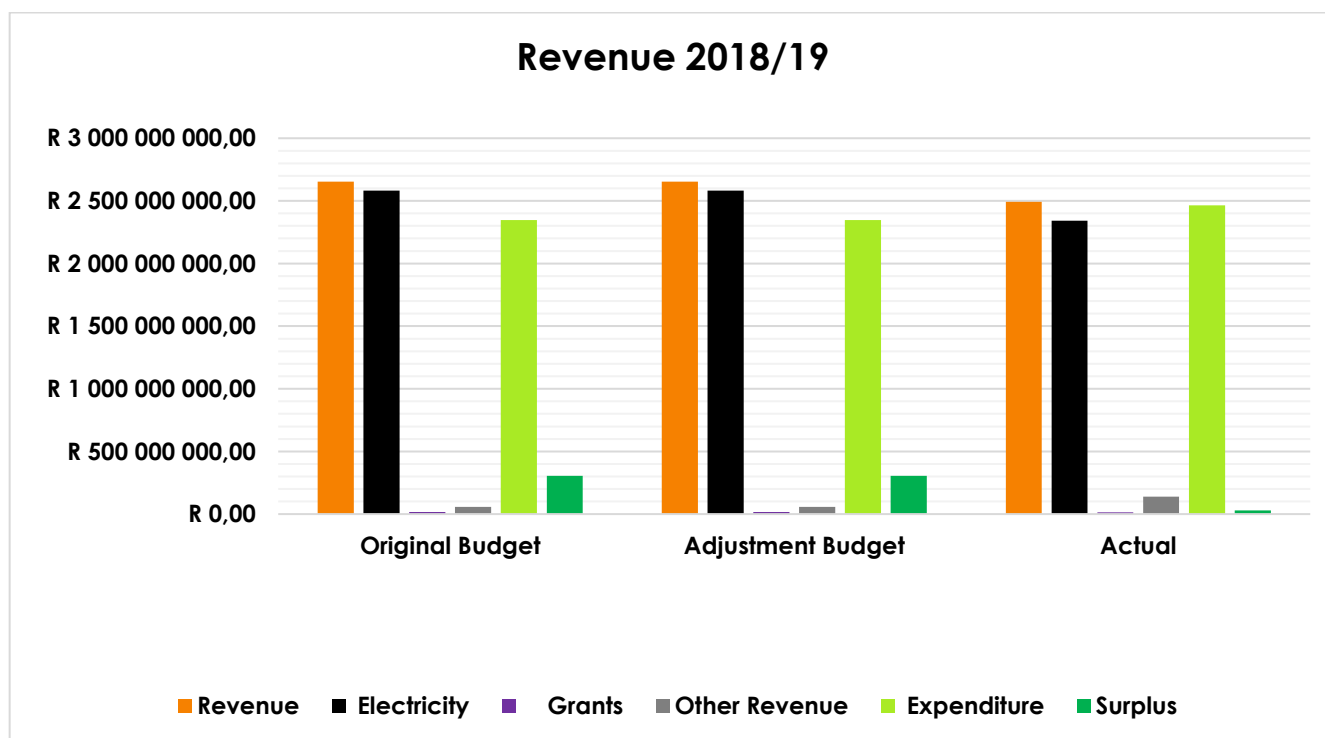
The main challenges having an impact on the financial viability of the entity are:

- Debt collection.
- Low revenue growth.
- Above-inflation increase in bulk purchases.
- Distribution losses (mainly as a result of theft).
- Cable theft.
- High unemployment.

Financial health summary:

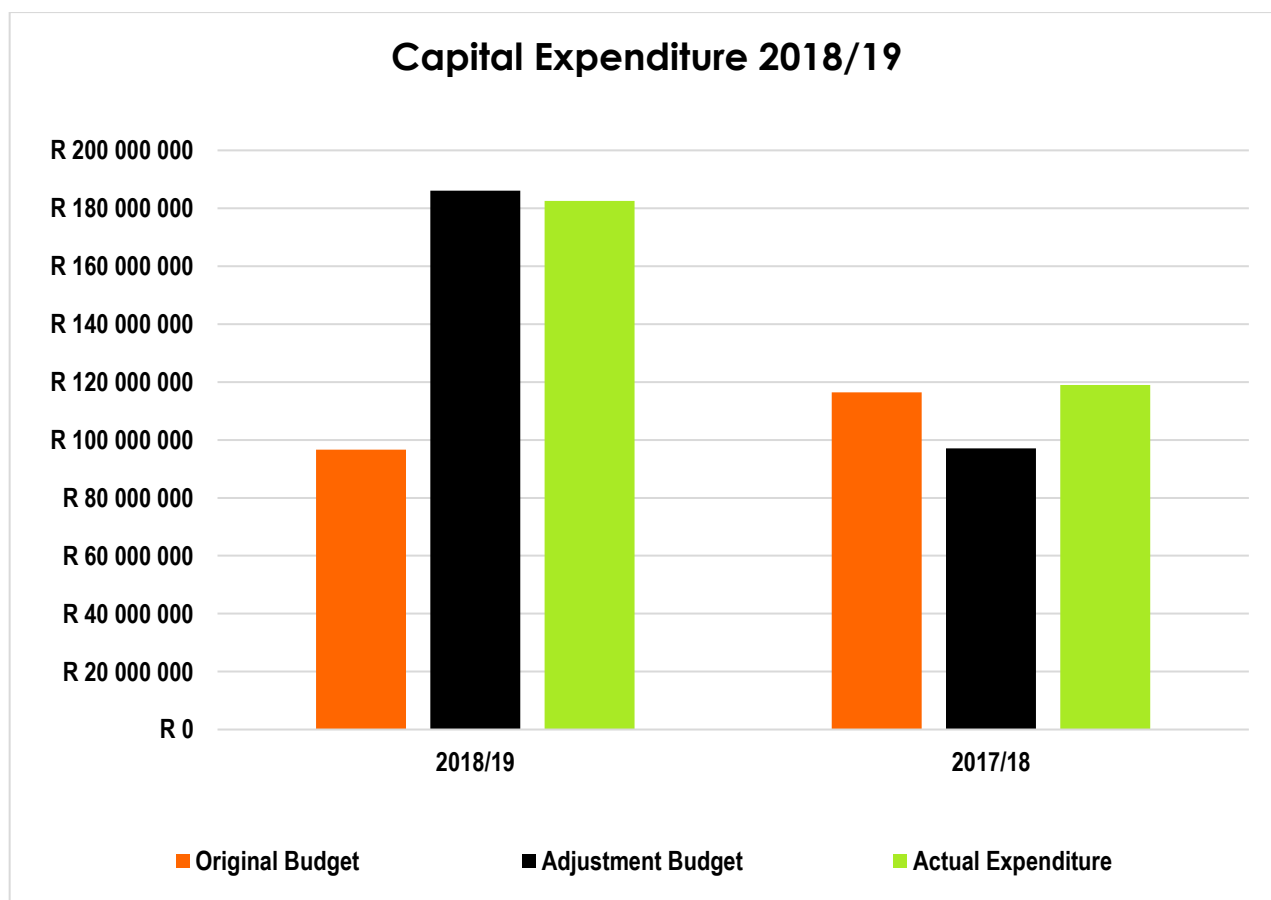
Details	Original Budget		Adjustment Budget		Actual	Variance (Adj. Budget less Actual)	%
	(R)	%	(R)	%	(R)		
	2018/19		2018/19		2018/19		
Revenue	2,653,428,000	100%	2,653,428,000	100%	2,488,302,644	165,125,356	7%
Electricity	2,581,620,323	97.3%	2,581,620,323	97%	2,336,777,749	244,842,574	10%
Grants	15,450,000	0.6%	15,450,000	1%	13,434,783	2,015,217	15%
Other Revenue	56,357,677	2%	56,357,677	2%	138,090,112	81,732,435	-59%
Less:	2,466,873,664	100%	2,466,873,664	100%	2,442,550,665	24,322,999	1%
Expenditure	2,467,198,532	100%	2,467,198,532	100%	2,440,344,221	26,854,311	1%
(Profit) / Loss on disposal of assets	- 324,868	0%	- 324,868	0%	3,319,110	3,643,978	0%
Inventories losses / (gains)	-	0%	-	0%	- 1,112,666	1,112,666	
Surplus	186,554,336	8%	186,554,336	8%	45,751,979	189,448,355	115%

#: The new settlement agreement between Centlec and the parent municipality resulted in an increase in other revenue.



Financial health summary (continued):

Details	Capital Expenditure	
	2018/19	2017/18
Original Budget	R 96,647,176	R 116,468,682
Adjustment Budget	R 186,035,354	R 97,110,329
Actual Expenditure	R 182,548,423	R 118,986,263



CHAPTER 2: GOVERNANCE

CHAPTER 2: GOVERNANCE

2.1. Intergovernmental relations recipients

2.1.1. *Introduction to co-operative governance and intergovernmental relations*

Guidance in terms of co-operative governance is achieved via structures and forums created and functioning in terms of the Intergovernmental Fiscal Relations Act (Act 97 of 1997) and the Intergovernmental Fiscal Regulations Framework, service delivery in line with national KPAs, which ultimately become municipal KPAs and eventually KPIs.

- National intergovernmental structures:
The municipal entity participates in national forums and this assists in the appropriate allocation of resources to address service backlogs.
- Provincial intergovernmental structure:
The municipal entity entered into service delivery agreements with three neighbouring municipalities on electricity distribution and maintenance, which enhance service delivery to communities.
- Relationships with municipal entities:
Decisions are taken by the Board according to the IDP programmes and interventions from municipalities as well as the allocated budget for executing these decisions. Performance contracts are entered into with all executive managers in line with the SDBIP, which forms part of the municipal SDBIP. Progress and performance of these executive managers are reported on in terms of Section 87 of the MFMA (2003) on both a monthly and quarterly basis.

Policies of the entity relating to budget are aligned with those similar policies of the municipality.

- District intergovernmental structures:

The South African Local Government Association (SALGA) regional office plays a key role in ensuring that regular meetings are held including local and district municipalities, with derived benefits of service delivery co-ordination.

2.2. Public accountability and participation

2.2.1. Overview

In terms of Section 15(1) and (2) (b) of the Municipal System Act (2000), a municipal entity must create by-laws. These by-laws are in place and are reviewed on a needs basis. Section 16(1) (a) (i) of the Municipal System Act (2000) requires a municipal entity to develop a system of governance that complements formal representative governance with a system of participatory governance. In view of this, the municipal entity does the following:

- IDP meetings.
- Performance management monthly reporting.
- Community participation in the budget process.

Provision is made in terms of the budget to execute Section 16(1) (c) of the Municipal System Act (2000). Section 18(1) (d) of the Municipal System Act (2000) requires the municipality to make available to the community information concerning municipal governance, management and development. The municipal entity complies with this in that there are various public meetings held with the community.

2.2.2. Public meetings

- Communication, participation and forums:

This is co-ordinated by MMM in terms of legislative requirements, with MMM also responsible for arrangements in relation to the meetings.

- Ward committees:

This is contained in the combined Annual Report of MMM.

- Effectiveness of public meetings held:
This is contained in the combined Annual Report of MMM.
- IDP participation and alignment:
This is contained in the combined Annual Report of MMM.





2.3. Ethical leadership

Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since the entity's establishment in 2003. The Board recognises the impact that the municipal entity has on the economy and society and therefore strives to ensure that there is an ethical relationship between the entity and all its stakeholders. The Board has taken steps to entrench ethical leadership in the formulation of its strategy and to ensure that there are consequences for non-adherence to these values. The Board provides effective leadership based on a principled foundation and the municipal entity subscribes to high ethical standards. The Board has put in place structures and controls to inculcate an ethical culture.

The fundamental objective has always been to do business ethically while building a sustainable entity that recognises the short- and long-term impact of its activities on the economy, society and the environment. In its deliberations, decisions and actions, the Board is sensitive to the interests and expectations of the municipal entity's stakeholders and to ensure that its decisions are grounded in the municipal entity's values.

2.4. Political governance: Board of Directors

The Board of Directors consisted of eight (8) members, who were appointed on 01 July 2016 and expected to serve four years in office. During 2016/17 financial year, two (2) members resigned and another one's term ended in February 2018. During the reporting term, the Board of Directors consisted only of five (5) non-executive Directors and one (1) member resigned on the 22nd May 2019 which left Board of Directors with only four (4) members by 30 June 2019.

Initials and surname	Designation	Race	Gender
N Mokhesi 	Chairperson	African	Male
DC Myeni 	Deputy Chairperson	African	Female
KM Moroka 	Non-Executive Director	African	Male
CAK Choeu 	Non-Executive Director	African	Male

The Board has met regularly and retains full control of the company. The Board remains accountable to MMM (the municipal entity's sole shareholder) and its stakeholders, the citizens of Mangaung and the other areas where electricity is distributed.

Non-executive directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairperson and Chief Executive Officer of the company are separated, with responsibilities divided between them. The Chairperson has no executive functions. Members of the Board have unlimited access to the Company Secretary, who

acts as an advisor to the Board and its committees on matters including compliance with company rules and procedures, statutory regulations and best corporate practices.

The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals.

2.4.1. Board Members as at 30 June 2019

2.4.1.1. Duties of Directors

Section 93H of the Municipal System Act (2000), stipulates that:

The Board of Directors of a municipal entity must:

- Provide effective, transparent, accountable and coherent corporate governance and conduct effective oversight of the affairs of the municipal entity.
- Ensure that the municipal entity complies with all applicable legislation and agreements.
- Communicate openly and promptly with the parent municipality of the municipal entity.
- Deal with the parent municipality of the municipal entity in good faith.

2.4.1.2. Statement of Compliance

The Board of Directors and executives recognise and are committed to the principles of transparency, integrity and accountability advocated by the *King IV, Report on Corporate Governance for South Africa, 2016* (effective April 2017). Through this process, the shareholder and other stakeholders are assured that the company is being managed ethically according to prudent risk parameters in compliance with generally accepted corporate practices. The monitoring of the company's compliance with King IV forms part of the mandate of the Audit and Risk Committee. The municipal entity has complied with the code in all material respects during the year under review, except for cases as reported in the notes to the financial statements on non-compliance with legislation.

The Board held both ordinary and special meetings during the period under review, in which a number of decisions were taken as follows.

2.4.2. Board meetings

Type of meeting	Date	Venue
Ordinary	20/08/2018	CENTLEC (SOC) Ltd, 30 Rhodes Avenue, Oranjesig, Bloemfontein
Special	29/08/2018	CENTLEC (SOC) Ltd, 30 Rhodes Avenue, Oranjesig, Bloemfontein
Ordinary	13/11/2018	CENTLEC (SOC) Ltd, 30 Rhodes Avenue, Oranjesig, Bloemfontein
Ordinary	20/12/2018	CENTLEC (SOC) Ltd, 30 Rhodes Avenue, Oranjesig, Bloemfontein
Ordinary	01/02/2019	CENTLEC (SOC) Ltd, 30 Rhodes Avenue, Oranjesig, Bloemfontein
Special	01/03/2019	CENTLEC (SOC) Ltd, 30 Rhodes Avenue, Oranjesig, Bloemfontein
Ordinary	17/05/2019	CENTLEC (SOC) Ltd, 30 Rhodes Avenue, Oranjesig, Bloemfontein

2.4.3. Board meeting attendance

Names of Directors	Designation	20/08/2018	29/08/2018	13/11/2018	20/12/2018	01/02/2019	01/03/2019	17/05/2019	Total
N Mokhesi	Chairperson	@	@	@	√	√	√	√	4/7
DC Myeni	Deputy Chairperson	√	√	√	X	√	√	X	5/7
KM Moroka	Member	@	@	@	√	X	X	√	2/7

Names of Directors	Designation	20/08/2018	29/08/2018	13/11/2018	20/12/2018	01/02/2019	01/03/2019	17/05/2019	Total
CAK Choeu	Member	@	@	@	√	√	√	√	4/7
MP Mohale #	Member	@	@	@	√	X		X	2/7
NP Lubanga	Audit and Risk Committee representative	√	√	√	X	√	X	√	5/7

@: The Council of MMM suspended the board members on the council sitting held on the 02nd August 2018 and subsequently re-instated them on council sitting held on the 4th December 2018.

√ = present x= apology #: MP Mohale resigned on the 22nd May 2019.

2.4.4. Board Committees

The Board had the following committees during the period under review:

- Audit and Risk Committee.
- Finance Committee.
- Human Resources and Remuneration Committee.
- Social Responsibility and Ethics Committee.
- Information Technology Governance Committee.
- Engineering Committee.

2.4.4.1 Audit and Risk Committee

The Committee is responsible for reviewing the effectiveness of the financial reporting process, the system of internal control and management of financial risks, the assurance process, and the entity's process for monitoring compliance with laws and regulations and its own code of business conduct.

The appointed Audit and Risk Committee will serve for a period of four (4) years in the office which commenced on 1st October 2017 until 31st October 2021.

Audit and Risk Committee attendance

Member	2018/07/23	2018/08/29	2018/10/29 (Special meeting)	2018/11/28	2019/01/17	2019/05/10	Total
NP Lubanga	√	√	√	√	√	√	6/6
MR Tsupa	√	x	√	x	√	x	3/6
T Malakoane	√	x	x	x	x	√	2/6
NS Ntingane	√	√	√	√	√	√	6/6
ET Tsoali	x	x	x	x	√	x	1/6

√ = present

x = apology

2.4.4.2 Finance Committee

The role of the Committee is to assist the Board in fulfilling its responsibility of oversight with respect to all governance aspects, financial management and financial accounting, *inter alia* assisting the Board in fulfilling its responsibility to oversee CENTLEC (SOC) Ltd's financial position, financing plans and programmes, cash management, investment management, employee retirement plans, insurance management and review of financial and procurement policies.

Initials and surname	Designation
N Mokhesi	Chairperson
KM Moroka	Member
M Mohale #	Member
Chief Executive Officer	Invitee
Acting Chief Financial Officer	Invitee

#: M. Mohale resigned on the 22 May 2019

2.4.4.3. *Human Resources and Remuneration Committee*

The role of the Committee is to assist the Board in ensuring that the company remunerates Directors and executives fairly and responsibly and that the disclosure of Directors and remuneration is accurate, complete and transparent.

Initials and surname	Designation
C Choeu	Chairperson
M Mohale #	Member
Chief Executive Officer	Invitee
Chief Financial Officer	Invitee
EM: Compliance and Performance	Invitee
EM: Human Resources	Invitee

#: M. Mohale resigned on the 22 May 2019

2.4.4.4. *Social Responsibility and Ethics Committee*

The role of the Committee is to assist the Board with the oversight of social and ethical matters and ensuring that members of the Board of Directors and employees of the entity adhere to the established Code of Conduct in terms of Schedule 1 and 2 of Municipal Systems Act (2000), as amended, the Municipal Finance Management Act (2003), any other legislation applicable to the entity as well as good governance principles as outlined in the *King IV Report on Corporate Governance for South Africa, 2016* (effective April 2017).

Initials and surname	Designation
KM Moroka	Chairperson
Chief Executive Officer	Invitee
Chief Financial Officer	Invitee
EM: Compliance and Performance	Invitee

2.4.4.5. *Information Technology Governance Committee*

The role of the Committee is to oversee the implementation, monitoring and review of the CENTLEC (SOC) Ltd policies, procedures, practices and guidelines aimed at meeting the Information and Communication Technology (ICT) governance requirements as stipulated in the King IV report.

Initials and surname	Designation
M Mohale #	Chairperson
C Choeu	Member
Chief Executive Officer	Invitee
Chief Financial Officer	Invitee
EM: Compliance and Performance	Invitee
EM: Engineering (Retail)	Invitee

#: M. Mohale resigned on the 22 May 2019

2.4.4.6. *Engineering Committee*

The Committee is charged with the responsibility to oversee the implementation, monitoring and review of the CENTLEC (SOC) Ltd policies, procedures, practices and guidelines aimed at meeting the requirements as stipulated amongst others in the NRS 047 and 048 documents.

Initials and surname	Designation
D Myeni	Chairperson
Chief Executive Officer	Invitee
Chief Financial Officer	Invitee
EM: Compliance and Performance	Invitee
EM: Engineering (Wires)	Invitee

2.4.4.7. Meetings of Board Committees

The respective committees held meetings during the period under review, as follows:

Committee	No. of meetings	Dates of meetings
IT GOVERNANCE	2	16 July 2018
		30 January 2019
ENGINEERING	2	24 July 2018
		25 April 2019
HUMAN RESOURCES & REMUNERATION	2	30 January 2019
		29 April 2019
SOCIAL RESPONSIBILITY & ETHICS	1	24 July 2018 & continued on 26 July 2018
FINANCE	3	23 July 2018
		18 January 2019
		30 April 2019
AUDIT & RISK	6	23 July 2018
		29 August 2018
		29 October 2018
		28 November 2018
		17 January 2019
		10 May 2019

2.4.4.8. Board decision-making

During the period under review, the Board took a number of decisions for implementation. Decisions were taken from duly constituted meetings in line with legislation and such decisions were minuted, the records of which are available in the office of the Company Secretary.

2.5. Administrative governance

The functional areas of the municipal entity's administration are divided into the Office of the Chief Executive Officer, Office of the Company Secretary, Human Resources, the Office of the Chief Financial Officer, Engineering: Wires, Engineering: Retail and Compliance and Performance. The entity employed 720 staff members.

The entire administration is under the leadership of the Chief Executive Officer who is accountable to the Board of Directors.

2.5.1 The Executive Management

The Chief Executive Officer, together with his senior managers, constitutes the executive management team of the municipal entity. The following individuals were part of the executive management team of the municipal entity for the period under review:

Initials and surname	Designation	Race	Gender
A.N Mgoqi	Chief Executive Officer	A	Male
T Malgas	Company Secretary	A	Male
G.A.S Molefe	EM: Human Resources	A	Female
M.M Matsimela	Chief Financial Officer	A	Male
M Sekoboto	EM: Engineering Wires	A	Male
S Mokoena	EM: Engineering Retail	A	Male
N.A Leteno	EM: Compliance & Performance	A	Female

The acting officials in the executive positions have been reported in the Annual Financial Statements note 29.

The Executive Committee held various meetings during the year under review.

Type of meeting	Date	Particulars of representative(s)
SPECIAL	3/07/2018	AS PER ATTENDANCE
ORDINARY	10/07/2018	AS PER ATTENDANCE
SPECIAL	12/07/2018	SAMWU
SPECIAL	13/07/2018	SAMWU

Type of meeting	Date	Particulars of representative(s)
ORDINARY	17/07/2018	AS PER ATTENDANCE
ORDINARY	24/07/2018	AS PER ATTENDANCE
ORDINARY	31/07/2018	AS PER ATTENDANCE
CONTINUATION	01/08/2018	AS PER ATTENDANCE
ORDINARY	07/08/2018	AS PER ATTENDANCE
ORDINARY	14/08/2018	AS PER ATTENDANCE
ORDINARY	21/08/2018	AS PER ATTENDANCE
SPECIAL	23/08/2018	3 RD PARTY PRESENTATIONS
ORDINARY	28/08/2018	AS PER ATTENDANCE
ORDINARY	04/09/2018	AS PER ATTENDANCE
ORDINARY	11/09/2018	AS PER ATTENDANCE
SPECIAL	13/09/2018	3 RD PARTY PRESENTATIONS
ORDINARY	18/09/2018	AS PER ATTENDANCE
ORDINARY	25/09/2018	AS PER ATTENDANCE
SPECIAL	27/09/2018	3 RD PARTY PRESENTATIONS
ORDINARY	02/10/2018	AS PER ATTENDANCE
ORDINARY	16/10/2018	AS PER ATTENDANCE
CONTINUATION	17/10/2018	AS PER ATTENDANCE
CONTINUATION	18/10/2018	AS PER ATTENDANCE
ORDINARY	30/10/2018	AS PER ATTENDANCE
ORDINARY	08/11/2018	AS PER ATTENDANCE
ORDINARY	20/11/2018	AS PER ATTENDANCE
SPECIAL	29/11/2018	3 RD PARTY PRESENTATIONS
ORDINARY	04/12/2018	AS PER ATTENDANCE
ORDINARY	11/12/2018	AS PER ATTENDANCE
SPECIAL	09/01/2019	AS PER ATTENDANCE
ORDINARY	15/01/2019	AS PER ATTENDANCE
ORDINARY	22/01/2019	AS PER ATTENDANCE
SPECIAL	31/01/2019	AS PER ATTENDANCE
ORDINARY	12/02/2019	AS PER ATTENDANCE
SPECIAL	26/02/2019	3 RD PARTY PRESENTATIONS
ORDINARY	05/03/2019	AS PER ATTENDANCE

Type of meeting	Date	Particulars of representative(s)
ORDINARY	13/03/2019	AS PER ATTENDANCE
ORDINARY	20/03/2019	AS PER ATTENDANCE
ORDINARY	27/03/2019	AS PER ATTENDANCE
ORDINARY	03/04/2019	AS PER ATTENDANCE
ORDINARY	10/04/2019	AS PER ATTENDANCE
CONTINUATION	11/04/2019	AS PER ATTENDANCE
ORDINARY	17/04/2019	AS PER ATTENDANCE
CONTINUATION	18/04/2019	AS PER ATTENDANCE
ORDINARY	24/04/2019	AS PER ATTENDANCE
ORDINARY	02/05/2019	AS PER ATTENDANCE
ORDINARY	07/05/2019	AS PER ATTENDANCE
SPECIAL	10/05/2019	AS PER ATTENDANCE
ORDINARY	15/05/2019	AS PER ATTENDANCE
ORDINARY	29/05/2019	AS PER ATTENDANCE
CONTINUATION	30/05/2019	AS PER ATTENDANCE
ORDINARY	05/06/2019	AS PER ATTENDANCE
ORDINARY	11/06/2019	AS PER ATTENDANCE
SPECIAL	13/06/2019	SAMWU
ORDINARY	19/06/2019	AS PER ATTENDANCE
SPECIAL	20/06/2019	AS PER ATTENDANCE
SPECIAL	26/06/2019	AS PER ATTENDANCE

2.5.2 Remuneration

Non-executive Directors' and independent Audit and Risk Committee members' fees are only paid in accordance with the council's approved fee structure. The remuneration of Non-executive Directors amounted to R 413 970 while the remuneration of Executive Management amounted to R 6 606 408. A total of R 160 123 was paid to officials as acting allowances. See Notes 30 and 47 respectively in the Annual Financial Statements for detail.

2.5.3. Corporate Governance

The Board of Directors has adopted a Board Charter, which includes matters of ethics, procedure and conduct of members. The charter is aligned with the MMM Charter. Registers are kept and updated on the disclosure and declaration of interests of Directors and senior management. The Board and senior management ensure that there is full material compliance with all relevant legislation. The municipal entity's secretary has certified that all statutory returns have been submitted to the Companies and Intellectual Property Commission (CIPC) in terms of Section 268(d) of the Companies Act (2008).

The Board of Directors subscribes to the MMM corporate governance protocol which, *inter alia*, regulates its relationship with MMM as its sole shareholder and parent municipality in the interests of good corporate governance and sound ethics.

The municipal entity's practices are, in most material instances, in line with the principles set out in *King IV Report on Corporate Governance for South Africa, 2016* (effective April 2017). The Board continually reviews the municipal entity's progress to ensure improvements in corporate governance. During the review period, the municipal entity entrenched its risk management reviews. Reporting and compliance assessments were conducted in terms of the Companies Act (2008) and the MFMA (2003).

The Annual Report for the previous year was completed efficiently in accordance with the prescripts of Section 121 of the MFMA (2003). The compilation of this current Annual Report was guided by the same principles.

2.5.4. Corporate citizenship

The Board and executive management recognise that the municipal entity is formed under a political structure. As such, it has a social and moral standing in society, with all the attendant responsibilities. The Board is therefore responsible for ensuring that the municipal entity protects, enhances and invests in the well-being of the economy, society and the natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights. The Board has a Social Responsibility and Ethics Committee which is tasked with the responsibility of ensuring that the entity strives to be a good corporate citizen.

2.5.5. *Compliance with laws, rules, codes and standards*

The Board is responsible for ensuring that the municipal entity complies with applicable laws and considers adhering to non-binding rules, codes and standards. The Board has an Audit and Risk Committee which is tasked with the responsibility of exercising oversight over compliance.

2.6. Internal Audit and Risk Management

The Internal Audit function of the entity is co-sourced function with internal resources and PricewaterhouseCoopers (PwC) whom together continued to provide the internal audit service.

The Internal Audit Strategic and Operational Plan was prepared for the period under review for consideration and approval by the Audit and Risk Committee. In line with the MFMA (2003), the plan is risk-based and determined the priorities of the internal audit activities for the period under review. The Strategic and Operational Internal Audit Plan for the 2018/19 financial year was approved by the Audit and Risk Committee 29 August 2018.

CENTLEC (SOC) Ltd.'s Internal Audit activity underwent a quality assessment in October 2016; the outcome of which was "General Conformance". This means that the Internal Audit activity of CENTLEC (SOC) Ltd conforms to the International Standards for the Professional Practice of Internal Auditing, which include the Definition of Internal Auditing, Code of Ethics, and Standards. Quality Assurance Improvement plan was presented to the Audit and Risk Committee on matters that needed management immediate attention and were resolved.

2.6.1. *Risk Management*

CENTLEC (SOC) Ltd has approved the Risk Management Policy and Strategy. As part of the policy implementation, the Strategic Risk Register were compiled subsequent and approved by the Board during 2018-19 financial year. Risk assessment exercises are conducted once a year and the registers are updated regularly with review of the residual impact and likelihood as and when implementation of the action plans necessitates such. Emerging risks are considered when registers are updated. Strategic, Fraud and IT Risk

Registers were presented to Executive Management, Audit and Risk committee and Board on quarterly basis.

Policies and Frameworks

The following approved policies and strategies were implemented:

- Internal Audit Policy
- Internal Audit Manual
- Enterprise Risk Management Policy and Strategy
- Enterprise Risk Management Framework
- Whistle Blowing Policy

2.6.2. Audit Tracking

During the financial year under review, the audit tracking register for 2017-18 Internal and External Audit Report was developed and monitored. Management was assisted in developing action plans that do not only consider internal/external auditors recommendations but most importantly address the root causes so as to prevent reoccurrence. The Status of the implementation of action plans as per agreed upon deadlines was updated and a determination made whether the overall status was not implemented, in progress or fully implemented. The overall responsibility was placed on the Executive Management. The status on the tracking register was present to Executive Management, Audit and Risk committee and the Board.

Based on the 2018/19 Internal Audit Plan, the Internal Audit activity prepared the following reports for submission to the Audit and Risk Committee throughout the financial year:

The list below indicates internal audit projects that were completed at year-end:

Activity/focus area	Reported to the Audit and Risk Committee
Corporate governance review	10 May 2019
Performance information internal audit (Quarter 1)	18 Jan 2019

Activity/focus area	Reported to the Audit and Risk Committee
Performance information internal audit (Quarter 2)	10 May 2019
Assets Management : Security Management	10 May 2019
Budget Process	10 May 2019
Cash flow Management	10 May 2019
Occupational health and safety internal audit	10 May 2019
Engineering Compliance	10 May 2019
Whistleblowing policy	10 May 2019
Follow-up on previous years' external audit findings and the proposed actions Q3	10 May 2019
Follow-up on previous years' critical and significant internal audit findings Q3	10 May 2019
Independent validation of executive management's performance (Quarter 1)	10 May 2019
Independent validation of executive management's performance (Quarter 2)	10 May 2019
Review of key performance indicators on 2018/19 and 2019/20 SDBIP	10 May 2019

The list below indicates internal audit projects that were in process as at year-end:

Type of report
<p>The following projects were completed but not yet reported to Audit and Risk Committee :</p> <p>Internal Audit</p> <ul style="list-style-type: none"> • ICT internal audit • Revenue management internal audit • Data purification internal audit • Asset management internal audit • Engineering Wires : Repairs and Maintenance • HR Compliance internal audit • Performance Information internal audit (Quarter 3) • Supply chain and contract management internal audit • Follow-up on previous years' external audit findings and the proposed actions Q4. • Follow-up on previous years' critical and significant internal audit findings Q4 • Strategic business risk assessment 2019/20 • Enterprise Risk Management Policy and Strategy
<p>Financial year end internal audit projects scheduled, currently in progress:</p> <ul style="list-style-type: none"> • Financial year-end stock count, and • Ad hoc: Salaries Management • Independent validation of executive management's performance (Quarter 4) 2018/19 <p>Follow up on the remedial action on Performance information Q1 – Q3 2018/19</p>

2.6.3 *Anti-corruption and Fraud Strategy*

CENTLEC (SOC) Ltd subscribes to the principles of good corporate governance, which require the conducting of business in an honest and transparent manner.

CENTLEC (SOC) Ltd has a fully functional Audit and Risk Committee in place that executes the oversight role in fraud prevention. CENTLEC (SOC) Ltd further has an established and implemented Fraud Prevention Plan.

The FPP incorporates principles contained in the *King IV Report on Corporate Governance for South Africa, 2016* (effective April 2017), and outlines how CENTLEC (SOC) Ltd will address the identification of fraud and take appropriate action to minimise the effect thereof on the organisation.

The main principles, upon which the Fraud Prevention Plan is based, are the following:

- Legislative compliance.
- Creating a culture which is ethical and intolerant to fraud.
- Deterrence of fraud.
- Preventing fraud which cannot be deterred.
- Detection of fraud.
- Investigating detected fraud.
- Taking appropriate action in the event of fraud, e.g. disciplinary action, recovery of losses, prosecution.
- Applying sanctions which are within the legal confines of CENTLEC (SOC) Ltd.

CENTLEC (SOC) Ltd is committed to fighting fraudulent behaviour at all levels within the organisation.

The policy of CENTLEC (SOC) Ltd is zero tolerance to fraud. In addition, CENTLEC (SOC) Ltd will investigate all incidents of alleged fraud, followed by the application of all remedies available and the implementation of appropriate prevention and detection controls. These prevention and detection controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of CENTLEC (SOC) Ltd.

Strategic Risk Assessment sessions were conducted, the participants were made aware of the key fraud risks facing CENTLEC (SOC) Ltd. The participants completed a survey of the significant risks after the workshop.

The ratings of the identified risks were obtained through a consensus average of the individual votes obtained on each of these risks.

The risk assessment process focussed on the following components of the framework:

- **Event identification** – Internal and external events affecting the achievement of an entity's objectives (distinguishing between risks and opportunities).
- **Event categorisation** – Events were categorised into individual strategic thrust objectives.
- **Risk assessment** – Risks are rated on their impact on each objective, if materialised, and the likelihood of materialising.

CENTLEC (SOC) Ltd has an in-house fraud hotline where possible fraud, corruption or any activities relating to illegal or unethical businesses conducted can be reported.

The in-house fraud hotline can be contacted through the switchboard by dialling 051 409 2241/051 409 2345, and selecting the correct option.

The in-house fraud hotline is monitored and properly maintained by the Chief Security Officer of CENTLEC (SOC) Ltd, who maintains a confidential register.

2.7 *Supply Chain Management*

All the bid committees as per the Supply Chain Management Policy and National Treasury Guideline have been established by the Chief Executive Officer, and convened regularly to perform their functions. This addresses the MFMA (2003) requirement in Section 112.

Consistent with the Supply Chain Management Policy of the entity, none of the Directors or officers entered into any commercial transaction with the entity during the period under review.

Supply Chain and Expenditure Management reports were submitted to the Audit and Risk Committee. The following committees administer procurement within the entity:

- Bid Specification Committee.
- Bid Evaluation Committee.
- Bid Adjudication Committee.

2.8 The following bids were awarded during the year:

Total number of bids awarded in 2018/19	HDI (Black Owned)	HDI (Women / Africans Ownership)	Local	Youth	Disabled	Veterans
29	86%	29%	16%	0%	0%	0%

2.9 Policies

Various budget-related policies were submitted to the Board and council for approval. The table below outlines the approved policies for 2019/20:

No.	Approved policies	Date of Council approval
1	Credit Control and Debt Collection Policy 2019/20	31 st May 2019
2	VAT Policy 2019/20	31 st May 2019
3	Unauthorised, Irregular and Fruitless and Wasteful Expenditure Policy 2019/20	31 st May 2019
4	Supply Chain Management Policy 2019/20	31 st May 2019

2.10 By-laws

There is an electricity by-law which was published in the Government Gazette on 28 August 1998, under notice 116.

2.11 Public participation in drafting of by-laws

Electricity by-laws are revised on a national basis and await supporting legislation in terms of small-scale solar generation.

2.12 Website

Visit us at our new web address www.centlec.co.za.

The site's homepage features bright colours and an uncluttered design. We wanted to make the new website faster, easier to navigate, and more user-friendly. The website has been divided into the following main tabs:

- Home
- CENTLEC (SOC) Ltd (About us)
- Customer care
- Media
- Bids
- Services
- Careers
- Tariffs
- Prepaid
- Contact Us

These main tabs were designed to provide detailed information to our appreciated customers.

The entity's website has been functional and accessible during the period under review.

Documents to be published on the entity's website	Published/not published
The previous Annual Reports (2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18)	Published
All Supply Chain Management contracts above R 100 000 (VAT included)	Published

Documents to be published on the entity's website	Published/not published
Contracts agreed in 2015/16 to which subsection (1) of Section 33 of the MFMA (2003) applies, subject to subsection (3) of that section	Published
<u>Service Delivery Budget Implementation Plan (SBDIP)</u> <ul style="list-style-type: none"> SDBIP 2014/15, 2015/16, 2016/17, 2017/18, 2018/19 AND 2019/20 	Published
Performance agreements for 2015/16, 2016/17, 2017/18 ad 2018/19	Published
<u>Business plan</u> <ul style="list-style-type: none"> Multi-year Business Plan 2016/17, 2017/18, 2018/19 - 2023 	Published
<u>Budgets</u> <ul style="list-style-type: none"> Medium-Term Revenue and Expenditure Framework (MTREF) 2019/20 to 2022/23 Budget approval 2015/16 to 2019/20 by Council 	Published
<u>Tariffs</u> <ul style="list-style-type: none"> Service charges 2015/16 Service charges 2016/17 Service charges 2017/18 Service charges 2018/19 Electricity tariffs 2015/16 Electricity tariffs 2016/17 Electricity tariffs 2017/18 Electricity tariffs 2018/19 	Published

Documents to be published on the entity's website	Published/not published
<p><u>Policies</u></p> <ul style="list-style-type: none"> • VAT Policy • SCM Policy • Asset Management Policy • Budget and Reporting Policy • Virement Policy • Credit Control and Debt Collection Policy • Banking and Investment Policy • Bad Debts Policy • Tariffs Policy • Irregular, Fruitless and Wasteful Expenditure Policy • Electricity Connection and Disconnection Policy • Electricity Consumption Estimates Policy • Revenue Policy • Customer Care Policy • Long-term Debtors Policy • Sundry Income Policy • Prepaid Electricity Vending Policy • Petty Cash Policy • Subsistence & Travel Policy • Borrowing Policy • Electricity Tariffs 	<p>Published</p>

2.13 Public satisfaction with municipal services

This task is executed by MMM.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE



Completion of Elite Airport Node Distribution Centre



CHAPTER 3: SERVICE DELIVERY PERFORMANCE

The parent municipality must ensure that the annual performance objectives and indicators for the municipal entity are established in agreement with the municipal entity and included in the municipal entity's multi-year business plan in accordance with Section 87(5) (d) of the MFMA (2003).

3.1. Objectives and strategies

In line with Section 87(5) (d) of the MFMA (2003), the municipal entity developed a multi-year business plan which reflected the objectives for the financial year 2018/19.

Therefore, the developmental strategies as espoused in the entity's Business Plan are directly linked to specific developmental needs and objectives which must be measured in the organisational Performance Management System (PMS), and give effect to the targets/goals of the SDBIP .

3.2. Pre-determined objectives

Details of pre-determined objectives are provided in Section 3.2.2 of this report.

3.2.1. The annual performance summary of executive managers

CENTLEC (SOC) Ltd understands that performance information is the key to effective management, including planning, budgeting, implementation, monitoring and reporting. Performance information also facilitates effective accountability, enabling members of the public and other interested parties to track progress, to identify the scope for improvement and better understand the issues involved. Going forward. CENTLEC (SOC) Ltd will strive to achieve a rate of 100% of all KPIs set.

The following table presents the key performance of the relevant executives.

Executive Managers	Total no. of KPIs	KPIs achieved for the year	KPIs not achieved for the year	Remedial action
Chief Executive Officer	1	1	0	EXCO will monitor quarterly performance to ensure the targets are achieved.
Executive Manager: Human Resources	3	2	1	EXCO will monitor quarterly performance to ensure the targets are achieved.
Chief Financial Officer	4	3	1	EXCO will monitor quarterly performance to ensure the targets are achieved.
Executive Manager: Engineering Wires	8	5	3	EXCO will monitor quarterly performance to ensure the targets are achieved.
Executive Manager: Engineering Retail	3	3	0	EXCO will monitor quarterly performance to ensure the targets are achieved.
Executive Manager: Compliance & Performance	2	1	1	EXCO will monitor quarterly performance to ensure the targets are achieved.
The total no. of KPIs for all executive managers	21 (100%)	15 (71%)	6 (29%)	

3.2.2. Office of the Chief Executive Officer

Section 93J of the Municipal Systems Act 32 (2000): appointment of the Chief Executive Officer.

The Chief Executive Officer of a municipal entity is accountable to the Board of Directors for the management of the municipal entity.

VOTE: OFFICE OF THE CHIEF EXECUTIVE OFFICER

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
1-1.1(a)	Provide safety training to predetermined employees as required by the OHSAS Act 85 of 1993 by 30 June 2019	Safety training completed during 2017/18	Provide safety training for legal appointees for fifty (50) employees by 30 June 2019	The vote utilised is from human resource development which encompasses all trainings conducted for the entire institution.	R82500 is specifically for all Health and safety training conducted for the 2018/19 financial year.	Training was provided for legal appointees for a hundred and twenty three (123) employees by 30 June 2019.	There is a positive variance of seventy three (73) employees that were trained for safety training.	There was a need for additional employees to be trained.	Not required.

3.2.3. Human Resources Directorate

The Human Resources Directorate is headed by the Executive Manager: Human Resources and is responsible for, *inter alia*:

- The development of a performance-based culture, custodian of the organisational structure; playing a supportive role to the CEO and other executives.
- Strengthening business structure and applying a range of business goals and overseeing the application of the best practice standards in human resources management, centralised supports.
- Effective knowledge/information management and business process systems management.

VOTE: HUMAN RESOURCE SERVICES

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
3-1.1(a)	Conduct one (1) workshop per directorate on collective agreements, condition of service and employee benefits by 30 June 2019	Agenda, attendance register & invitation	Conduct one (1) workshop for two directorates per quarter on collective agreements and condition of service by 30 June 2019, as per the approved organisational structure.	No budget allocated for this PKI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	Seven (7) workshops were conducted on collective agreements and condition of service to the following directorates. <u>Quarter one (1):</u> 1. Human Resources 2. Finance <u>Quarter two (2):</u>	None	Not applicable	Not required

						3. Office of the CEO 4. Compliance and Performance <u>Quarter three (3):</u> 5. Engineering Wires <u>Quarter four (4):</u> 6. Engineering Retail 7. Office of the Company Secretary			
3-1.1(b)	Review and submit twelve (12) HR-related policies to the Board by 30 June 2019	Agenda, minutes and the list of policies	Identified Human Resource policies reviewed and consideration by the Board. Review and submit twelve (12) HR-related policies for approval by the Board by 30 June 2019	No budget allocated for this PKI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	No request received from MMM for CENTLEC to provide inputs for revision of policies for the year under review.	None	Not applicable	Not required
3-1.1(c)	Submission of 2019/20 Workplace Skills Plan (WSP) to LGSETA by 30 April 2019 and submission of 2018/19 quarterly monitoring and	Monitoring of the implementation of 2017/18 Workplace Skills Plan (WSP) to LGSETA by 30 April 2018 and submission of quarterly monitoring and implementation	Submission of 2018/19 Workplace Skills Plan (WSP) to LGSETA by 30 April 2019 and submission of monitoring and implementation reports for the	No budget allocated for this PKI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	1. The monthly implementation and monitoring reports of 2018/19 Workplace Skills Plan (WSP) were compiled and submitted.	None	Not applicable	Not required

	implementation reports	reports for the 2017/18 WSP for the period 1 July 2017 to 30 April 2018	2018/19 WSP for the period 1 July 2018 to 30 June 2019.			2. The 2018/19 WSP was compiled and submitted to LGSETA on the 30 April 2019.			
--	------------------------	---	---	--	--	---	--	--	--

3.2.4. Finance Directorate

Section 81 of Municipal Finance Management Act (2003) stipulates the role of the chief financial officer of a municipality:

- (a) Is administratively in charge of the budget and treasury office.
- (b) Must advise the accounting officer on the exercise of powers and duties assigned to the accounting officer in terms of this Act.
- (c) Must assist the accounting officer in the administration of the municipality's bank accounts and in the preparation and implementation of the municipality's budget.
- (d) Must advise senior managers and other senior officials in the exercise of powers and duties assigned to them in terms of section 78 or delegated to them in terms of Section 79.
- (e) Must perform such budgeting, accounting, analysis, financial reporting, cash management, debt management, supply chain management, financial management, review and other duties as may in terms of section 79 be delegated by the accounting officer to the chief financial officer.

VOTE: FINANCE

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
4-4.1(a)	Debt collection improved by 50% on arrear debt based on 2017/18 figures by 30 June 2019	% of Debt collection improvement on current accounts based on 2017/18 figures.	Improve debt collection by 50% on arrear debt based on 2017/18 figures by 30 June 2019	R 3 404 732	R 167 003	50% of the 2017/18 Arrear Debt (which amounts to R 333 953 451) collected during the 2018/19 is R 352 235 682, which is higher than	Debt collected is 5.47% (R 18 282 231) more than the annual target.	More efforts were put in place to intensify credit control.	Not required.

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
						the annual target of 50% by 5.47% (R 18 282 231)	R 3 237 729 was unspent as per approved budget.		
	95% revenue collection on monthly current accounts	% of revenue collection on monthly current accounts as per general ledgers	Monthly revenue collection of 95% on current accounts	No budget allocated for this KPI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	Amounts Billed for the year is R 1 439 051 311 and the collection amounts to R 1 186 780 077 (82%) which is equivalent to 13% lower than the 95% target.	13% of the amount billed on current account not recovered.	The reason for the variance is mainly due to Public Sector debt	Not required.
4-4.1(b)	98% actual readings in the amount billed per month throughout the 2018/19 year	2017/18 accounts billing reports.	98% actual readings in the amount billed per month throughout 2018/19 year.	R 5 932 438	R 3 414 704	Number of accounts billed for the year is 99.18%	More accounts billed than the annual target by 1.18% R 2 517 734 was unspent as per approved budget.	More efforts were put in place to ensure accurate billing	Not required
4-4.1(e)	Two (2) Bi-annual assets verification. The 1st asset count to be started at the end of December 2018 and completed within 2 months.	2017/18 Asset Registers	Two (2) Bi-annual assets verifications. The 1st asset count to be started at the end of December 2018 and completed within 2 months.	R 17 415 732	R 4 172 882	1. The 2 nd Asset count for 2017/18 FY has been finalized and FAR 2017/18 has been submitted. 2. The 1 st Asset count for 2018/19	Asset count is still in progress and 31.02% of assets still to be verified. R 13 242 850 was unspent as per approved budget.	The asset count is on-going and the completion date for the asset verification is 31 July 2019.	Not required

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
	<p>The 2nd asset count to be started in June 2018 and completed by the end of July 2018.</p> <p>Asset registers updated with all asset movements relating to these counts, and report any damaged/missing items by 31 August 2018.</p> <p>Accurately account for all the entity's moveable and additions to infrastructure assets in the final 2018/19 Asset Register.</p>		<p>The 2nd asset count to be started in June 2018 and completed by the end of July 2018.</p> <p>Asset registers updated with all asset movements relating to these counts, and report any damaged/missing items by 31 August 2018.</p> <p>Accurately account for all the entity's moveable and additions to infrastructure assets in the final 2018/19 Asset Register.</p>			<p>FY has been finalized.</p> <p>3. The 2nd asset count for 2018/19 FY was started in June 2019 and at the end of June 2019 68.98% of the assets have been verified.</p>			

3.2.5. Engineering Wires Directorate

Engineering Wires is a sub-directorate of CENTLEC (SOC) Ltd that comprises the asset creation, operations and maintenance of the electricity distribution systems. The Engineering Wires Directorate carries this mandate through four divisions, namely Planning, Network Operations and Maintenance, System Utilisation and Process Engineering, and Southern Free State (Kopanong, Mohokare) and Mantsopa municipalities, Thaba Nchu and Botshabelo.

The Planning Division ensures at all times that other important municipal planning outcomes (e.g. Spatial Development Framework, Sector Plans, Integrated Development Plans, etc.) and national planning (Integrated Resource Plans, National Development Plans, etc.) are part of the Electrical Master Plans (EMPs) for each town under review.

The Network Operation and Maintenance, Southern Free State and other municipalities as well as Thaba Nchu and Botshabelo Divisions deliver an economic and efficient maintenance service to provide the best possible quality of supply to CENTLEC (SOC) Ltd customers and to complete all construction projects.

The System Utilisation and Process Engineering is concerned with the control and energy management in order to maximize the served energy and minimize the down time, planning and coordinating the distribution of electricity to meet the energy demand and render a 24-hour service for customer complaints as well as the restoration of all power failures. It is also to ensure that the power system performance is assessed regularly and analysed to maximize reliability and availability as well as to design and upgrade all protective and telemetry systems. It is further concerned with the maintenance of all substations and the associated equipment such as power transformers, circuit breakers, and busbars, substation buildings, miniature substation housings and yards.

VOTE: ENGINEERING WIRES

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
5-2.1(a)	Complete 997 household connections identified for electrification in the MMM area by 30 June 2019.	2017/18 performance	To supply 997 electricity connections to identified households in the MMM area by 30 June 2019	R15 450 000	R13,822,491.11	Supplied electricity connections to one thousand and seventy one (1071) household in the MMM area by 30 June 2019.	There is a positive variance of a seventy four (74) and an amount of R1, 627 508 .89 that is unspent from the approved budget.	Added infills were done in order to avoid public outcry.	Not required.
5-2.1(b)	Erection of 23 high mast lights within Mangaung by 30 June 2019	2017/18 performance	23 erected and commissioned high mast lights within Mangaung by 30 June 2019	R19,800,108.00	R 14,799,097.80	Eight (8) high masts have been erected and commissioned within MMM by 30 June 2019.	15 High masts There is an amount of R5, 001 010.20 that is unspent from the approved budget.	Total for the thirty one (31) of which twenty three (23) from the previous financial year and eight (8) for the current financial year.	The shortfall of fifteen (15) will be done in the 2019/20 financial year.
5-2.1(c)	480 kilometres of the 132kV lines inspections and repairs from the 1 st of July 2018 to 30 June 2019.	2017/18 performance	480 kilometres of the 132kV lines inspections and repairs from the 1 st of July 2018 to 30 June 2019.	No budget allocated for this KPI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	346.33 Kilometres of the 132kV lines inspections were completed by 30 June 2019.	There is a negative variance of 133.67 kilometres of 132kV lines inspections and repairs.	During the quarters more focus was directed to projects and corrective maintenance.	There will be more allocation of resources in the next financial year.
5-2.1(d)	344 DC Transformer Inspections to be completed from 1 st of July 2018 to 30 June 2019.	2017/18 performance	344 DC Transformer Inspections to be completed by 30 June 2019.	No budget allocated for this KPI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	338 DC Transformer Inspections completed by 30 June 2019.	There is a negative variance of 6 Transformer inspections.	More resources were focused on load shedding for switching and power restoration	Resources will be allocated accordingly.

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
5-2.2(e)	504 Distribution Centre Panels to be tested from 1st of July 2018 to 30 June 2019.	2017/18 performance	504 Distribution Centre Panels to be tested by 30 June 2019.	No budget allocated for this KPI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	493 Distribution Centre Panels were tested by 30 June 2019.	There is a negative variance of 11 Distribution centre panels.	The load shedding that transpired from the 1st to the 10th December affected performance negatively.	There will be more allocation of resources in the next financial year.
5.2.1 (f)	Unplanned interruptions of the supply should be restored as per NERSA licence requirement	2017/18 performance	Unplanned interruptions of the supply should be restored as per NERSA requirement for the MMM are by 30 June 2019..	No budget allocated for this KPI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	a)Calls within 1.5hrs =14.78% (30%) b)Calls within 3.5 hrs=43.19% (60%) c) Calls within 7.5hrs=74.02% (90%) d)Calls within 24hrs=98.46% (98%) e)Calls within a week=100.00% (100%)	a) -15.22% (30%) b)-16.81% (60%) c) -15.98% (90%) d)0.46% e)No variance	Prolonged outages due to double cable faults experienced as a result of decrepit cables, shortage of running fleet material, tools and stormy weather conditions.	Financial resources needs to increase for decrepit cables and implementation of the new call logging system in order to assist the control room on controls for performance and also fast tracking the repairs and procurement of fleet.
5-2.1(g)	Planned interruptions of the supply to perform planned maintenance should be restored as per NERSA license requirement	2017/18 performance	Planned interruptions of the supply to perform planned maintenance should be restored as per NERSA license requirement by 30 June 2019.	No budget allocated for this IKP, internal resources were utilised	No expenditure incurred as the internal resources were utilised	One hundred and twelve (112) notices were submitted 2 days before planned interruptions took place. Seventy six (76) planned interruptions were restored as per	None.	None.	Not required.

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
						Nersa license requirement and within the stipulated time frames as per notices communicated Thirty six (36) planned interruptions were cancelled due to various reasons			
5-2.1(h)	Installed capacity of embedded generators on the Municipal Distribution Network	2017/18 performance	Installed capacity as per received applications of embedded generators and registered on CENTLEC system by 30 June 2019	No budget allocated for this KPI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	Sixteen (16) applications of 3,258 KVA were received for the embedded generators and registered on Centlec's system.	None.	None.	Not required.

**Note: These indicators from the Engineering Wires Directorate are also reported by MMM (parent municipality) as agreed upon with the municipal entity based on the business plan and SDBIP submitted.*

3.2.6. Engineering Retail Directorate

The Retail Directorate consists of three divisions as indicated in the structure of the entity and these are:

- **Customer Services & Revenue Management** which deals with all customer related issues and metering with associated functions,
- **Energy and Trading Services** is transactional in that it manages the ESKOM bulk purchase accounts, all sales systems and metering, and
- **Systems Engineering** focuses on technology and ensuring that all systems integration happens and that CENTLEC matures to a smart organization.

The department is responsible for revenue generation for the business and also manage customer relationships and bulk purchase contracts. Retail is already aligning itself with the new structure and has budgeted accordingly to ensure readiness of the divisions moving forward.

VOTE: ENGINEERING RETAIL

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
6-2.2(a)	Inspect, maintain and replace bulk meters in accordance with the Infrastructure	2017/18 Maintenance Report from the Metering Filing System	Inspection of 1148 bulk meters in accordance with the Infrastructure Maintenance Plan	No budget allocated for this KPI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	1 219 bulk meter inspections completed between 01 July 2018 to 30 June 2019	An extra of 71 meter inspections were conducted more than the set annual target	More efforts were put in place to achieve the set target	Not required

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
	Maintenance Plan for 2018/19		by 30 June 2019						
6-2.2(b)	Ensure that 100% of the latest indigent list as approved by MMM is captured, uploaded and activated on the vending system for allocation of FBE in 2018/19	2017/18 reports	Ensure that 100% of the latest indigent list as approved by MMM is captured, uploaded and activated on the vending system for allocation of FBE in 2018/19	No budget allocated for this KPI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	100% of valid and correct indigent list was implemented as provided by MMM	None	Not applicable	Not required
6-2.2(c)	100% integrations of mSCOA as per National Treasury requirements by 30 June 2019.	2017/18 Development Stages Report for systems integrations	Ensure that 100% of the four systems to be integrated as per phase 2 of the mSCOA imperatives are implemented by 30 June 2019 as per detailed project roll-out plan i.e. Asset Management System, Payday, Automated Meter Reading (AMR) - Utilymet and Vending.	No budget allocated for this KPI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	80% of the systems were successfully integrated for the year under review, namely: 1. AMR 2. GISCOE 3. Pay Day	Only one (1) system was not integrated.	Technical delays in implementation	The system will be integrated in the next financial year

**Note: These indicators from the Engineering Retail Directorate are also reported by MMM as agreed upon with the municipal entity based on the business plan and SDBIP submitted to the parent municipality.*

3.2.7. Compliance & Performance Directorate

The functions of the Compliance and Performance directorate consist of Organizational Performance, Compliance, Security, Fleet and Facilities Management.

The Compliance and Performance Directorate's main areas of responsibility include and revolve around:

- Developing, establishing and coordinating corporate performance management processes (IDP, SDBIP, and Business Plan, Back to Basics, Annual Report, and Audit Reports) as well as guiding the implementation of measurement approaches and tools, ensuring that the organisation is in substantial compliance with its internal operating policies and procedures and external legal, regulatory and corporate governance codes.
- Protection of the institution's integrity, people, processes and assets from loss, ensuring business continuity crisis management by responding within our area of supply and ensuring a safe and secure environment in our work place.
- Repairs and maintenance of facilities to ensure a conducive and productive work environment.
- Ensuring that Centlec has a reliable fleet.

VOTE: COMPLIANCE & PERFORMANCE

Ref. No	Performance Indicator (Output level only)	Baseline	Annual Target for 2018/19	Approved Budget for the year	Actual Expenditure for the year	Actual Output for 2018/19	Variation	Reason(s) for variation	Remedial action
7-2.2(c)	Maintain the 216 Centlec fleet according to the 2018/19 Fleet Maintenance Plan by 30 June 2019.	2018/19 Maintenance Reports	Maintain the Centlec fleet 100% according to the 2018/19 Fleet Maintenance Plan by 30 June 2019	R 6 943 658	R 5 660 463	215 fleet maintained	One vehicle	Three fleet were auctioned and could therefore not be maintained	Not applicable
7-5.1(a)	Compile Multi-Year Business Plan and SDBIP and submit by 31 st March 2019, Performance Plans and Agreements of the Executives for 2019/20 and submit them for approval by 31 st March 2019	Previous Multi-Year Business Plan, SDBIPs, Performance Plans and Agreements of the Executives	Compile Multi-Year Business Plan and SDBIP and submit by 31 st March 2019, Performance Plans and Agreements of the Executives for 2019/20 and submit them for approval by 31 st March 2019	No budget allocated for this PKI, internal resources were utilised	No expenditure incurred as the internal resources were utilised	Draft Multi-year Business plan for 2019/20 and related budget and draft 2019/20 SDBIP was submitted to MMM on 21 st January 2019.	Performance agreements not finalised	Performance agreements are work in progress	Performance agreements to be expedited for finalisation in 2019/20

A detailed three year capital works plan is required to ensure sufficient detail is available to measure and monitor delivery of planned infrastructure projects.

Capital Funding By Source					
	APPROVED BUDGET 2018/2019	APPROVED ADJUSTMENT BUDGET 2018/2019	MTREF 2019/2020	MTREF 2020/2021	MTREF 2021/2022
BOTSHABELO: 132KV ESKOM CONNECTIONS	8,331,848	29,631,848			
UPGRADE & REFURB COMPUTER NETWORK	9,076,750	19,076,750	10,145,048	10,692,881	11,270,296
SECURITY (CCTV)	295,330	295,330	311,868	328,709	346,460
IMPLEM BUSINESS CONT DISASTER RECOVERY INFRASTRUCTURE		5,000,000	280,000	295,120	311,056
VEHICLES		5,000,000	5,280,000	5,565,120	5,865,636
DIGITAL RADIO			2,000,000	2,180,000	2,221,832
ELITE SUBSTATION (AIRPORT NODE)	31,279,483	47,779,483			
EXTENSION AND UPGRADING OF THE 11KV OVERHEAD	4,420,075	4,420,075	5,027,599	5,398,090	5,727,586
BULK METER REFURBISHMENT	1,110,915	1,110,915	1,173,126	1,236,475	1,303,245
FURNITURE AND OFFICE EQUIPMENT	198,263	198,263	209,366	220,671	232,588
INSTALLATION OF PREPAID METERS (INDIGENTS)	55,458	55,458	58,564	61,726	65,059
TRAINING & DEVELOPMENT	777,641	777,641	821,189	865,533	912,272
METER PROJECT	3,998,765	3,998,765	10,000,000	10,540,000	11,109,160
INSTALLATION OF PUBLIC LIGHTING	6,497,540	18,497,540	9,533,402	10,048,206	10,590,809
OFFICE BUILDING	5,000	2,005,000	2,117,280	2,231,613	2,352,120
REMEDIAL WORK 132KV SOUTHERN LINES	310,915	310,915	628,326	662,884	698,680
REPLACEMENT OF 110V BATTERIES	611,003	611,003	945,219	996,261	1,050,059
REPLACEMENT OF 11KV SWITCHGEARS	222,095		1,062,532	1,119,909	1,180,384
REPLACEMENT OF 2 & 4 WAY FIBREGLAS BOX	503,209	667,815	742,589	782,689	824,954
REPLACEMENT OF 32V BATTERIES	277,729	277,729	593,282	625,319	659,086
REPLACEMENT OF DAMAGED SWITCHGEAR AND EQUIPMENT	26,500				

REPLACEMENT OF BRITTLE OVERHEAD CONNECTIONS	527,500	527,500	669,764	705,931	744,051
REPLACEMENT OF DECREPIT HAMILTON SUBSTATION	896,750				
REPLACEMENT OF LOW VOLTAGE DECREPIT 2,4,8 WAY BOXES	503,209	383,266	1,004,729	1,058,984	1,116,169
REPLACEMENT OF OIL PLANT	448,375		798,579	841,702	887,154
SERVITUDES AND LAND	526,500	526,500	555,984	586,007	617,652
REPAIRS OF MANGAUNG DISTRIBUTION CENTRE		3,000,000			
REPAIRS OF VISTA DISTRIBUTION CENTRE		3,000,000	25,000,000	26,350,000	27,772,900
SHIFTING OF CONNECTION AND REPLACEMENT SERVICES	1,750,000	1,750,000	571,035	529,870	634,372
UPGRADING AND EXTENTION OF LV NETWORK	2,500,000	2,500,000	2,380,553	2,509,103	2,644,595
REFURBISHMENT OF HIGH MAST LIGHTS	1,057,098	1,057,098	6,000,000	6,324,000	6,665,496
REPLACEMENT OF DAMAGED SWITCHGEAR AND EQUIPMENT	5,000,000	5,000,000			
REPLACEMENT OF MOUNTED POLES		2,197,640	3,320,708	3,500,026	3,689,027
ELECTRRIFICATION PROJECTS	3,286,718	3,286,718	6,000,000	6,324,000	6,665,496
TRANSFORMER REPLACEMENT	2,723,986	2,723,986	5,000,000	5,270,000	5,554,580
REFURBISHMENT OF PROTECTION AND SCADA SYSTEM	2,777,288	2,777,288	5,000,000	5,270,000	5,554,580
SOLAR FARM GENERATION PLANT	555,458	555,458	1,000,000	1,054,000	1,110,916
TOTAL	80,879,180	159,823,019	108,230,742	114,174,830	120,378,270

INTEGRATED NATIONAL ELECTRIFICATION GRANT	APPROVED BUDGET '2018/2019	APPROVED ADJUSTMENT BUDGET 2018/2019	MTREF 2019/2020	MTREF 2020/2021	MTREF 2021/2022
ELECTRIFICATION CONNECTIONS (INEP)	15,450,000	15,450,000			
ELECTRIFICATION CONNECTIONS (USDG)			26,000,000	28,080,000	30,326,400
TOTAL	15,450,000	15,450,000	26,000,000	28,080,000	30,326,400

PUBLIC CONNECTIONS	APPROVED BUDGET '2018/2019	APPROVED ADJUSTMENT BUDGET 2018/2019	MTREF 2019/2020	MTREF 2020/2021	MTREF 2021/2022
PUBLIC ELECTRICITY CONNECTIONS	6,318,000	10,762,339	11,408,079	12,092,564	12,818,118
TOTAL	6,318,000	10,762,339	11,408,079	12,092,564	12,818,118
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT GRANT	APPROVED BUDGET '2018/2019	APPROVED ADJUSTMENT BUDGET 2018/2019	MTREF 2019/2020	MTREF 2020/2021	MTREF 2021/2022
DEMAND SIDE MANAGEMENT GRANT					
TOTAL					
FUNDING BY SOURCE	APPROVED BUDGET '2018/2019	APPROVED ADJUSTMENT BUDGET 2018/2019	MTREF 2019/2020	MTREF 2020/2021	MTREF 2021/2022
Intergrated National Electrification Programme Grant	9,450,000	15,450,000			
Urban Settlement Development Grant			26,000,000	28,080,000	30,326,400
Public Contributions	6,318,000	10,762,339	11,408,079	12,092,564	12,818,118
Revenue / Surplus(Internal funds)	80,879,180	159,823,019	108,230,742	114,174,830	120,378,270
TOTAL	96,647,180	186,035,358	145,638,821	154,347,394	163,522,788

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE



CENTLEC SOC Ltd' s Training & Development Centre



CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 Introduction

The municipal entity has an appropriate system and procedures to ensure fair, transparent, effective and efficient personnel administration in accordance with the Employment Equity Act (1998) and other relevant labour legislation and Bargaining Council Agreements.

4.2 Workforce profile (including people with disabilities)

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top Management	5	0	0	0	2	0	0	0	0	0	7
Senior Management	17	1	0	6	7	1	0	0	0	0	32
Professionally qualified and experienced specialists and mid-management	49	4	0	10	28	0	0	1	0	0	92
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	90	5	0	22	48	0	0	1	0	0	166
Semi-skilled and discretionary decision-making	118	6	0	5	51	4	0	3	0	0	187
Unskilled and defined decision-making	114	1	0	0	79	0	0	0	0	0	194
Total Permanent	393	17	0	43	215	5	0	5	0	0	678
Temporary employees	20	0	0	3	17	0	0	2	0	0	42
Grand Total	413	17	0	46	232	5	0	7	0	0	720

4.3 Employees with Disabilities only

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	1	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision-making	1	0	0	0	1	0	0	0	0	0	2
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
Total Permanent	1	0	0	0	2	0	0	0	0	0	3
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	1	0	0	0	2	0	0	0	0	0	3

4.4 Workforce movement

4.4.1 Recruitment

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top Management	2	0	0	0	1	0	0	0	0	0	3
Senior Management	1	0	0	0	2	0	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management	1	0	0	0	5	0	0	0	0	0	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	0	0	0	3	0	0	0	0	0	6
Semi-skilled and discretionary decision-making	4	0	0	0	0	0	0	0	0	0	4

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Unskilled and defined decision-making	37	0	0	0	21	0	0	0	0	0	58
Total Permanent	48	0	0	0	32	0	0	0	0	0	80
Temporary employees	3	0	0	0	1	0	0	0	0	0	4
Grand Total	51	0	0	0	33	0	0	0	0	0	84

4.4.2 Promotions (including people with disabilities)

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top Management	2	0	0	0	0	0	0	0	0	0	2
Senior Management	0	0	0	1	0	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	0	0	0	0	1	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	0	0	0	0	2	0	0	0	0	2
Semi-skilled and discretionary decision-making	2	0	0	0	5		0	0	0	0	7
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	0	0
Total Permanent	4	0	0	1	6	2	0	0	0	0	13
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand Total	4	0	0	1	6	2	0	0	0	0	13

4.4.3 Terminations

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	1	0	0	0	0	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1	0	0	0	2	0	0	0	0	0	3
Semi-skilled and discretionary decision-making	5	1	0	1	0	0	0	0	0	0	7
Unskilled and defined decision-making	10	0	0	0	1	0	0	0	0	0	11
Total Permanent	17	1	0	1	3	0	0	0	0	0	22
Temporary employees	17	0	0	0	14	0	0	0	0	0	31
Grand Total	34	1	0	1	17	0	0	0	0	0	53

4.4.4 Human Resource policies

The municipal entity utilised the policies of MMM for the financial year 2018/19.

4.4.5 Health and Safety and Environmental Issues.

CENTLEC (SOC) Ltd continues to manage health, safety and environmental issues through strict compliance with the Occupational Health and Safety Act, Act 85 of 1993 and its regulations. This includes all other relevant legislation like Compensation for Occupational Injuries and Disease Act, Act 130 of 1993; and the National Environmental Management Act, Act, Act 107 of 1998.

Key measures taken in 2018 /19 financial year.

All directorates held the Health and Safety committee meetings once in three months as we tried to address the health, safety and environmental issues, and manage risk pertaining to our employees and the environment at large and we are also in adherence to the Occupational Health and Safety act 85 of 1993 which is in favour of employees. We continue to report all our injuries on duty as well as occupational diseases in terms of the prescripts of the Compensation for Occupational Injuries and Disease Act, Act 130 of 1993.

We have a draft Occupational Health and Safety Policy that will be presented to EXCO, and ultimately approved by the Board. This policy will also assist us to provide an environment that is safe and without risk to our employees.

4.4.6 Training Costs

The following trainings were provided to the employees during 2018/19 financial year.

NO	TRAININGS	TOTAL COST	TOTAL NUMBER OF EMPLOYEES TRAINED		
			MALES	FEMALES	TOTAL
1	33kV – 500mm PILC Aluminum Single Core Cable Joint/Termination Course	R 77,210.00	8	1	9
2	Power Systems Protection	R 107,916.00	24	13	37
3	Root Cause Analysis	R 22,500.00	7	3	10
4	HIRA	R 15,000.00	9	4	13
5	Storage and Warehouse	R 52,888.50	8	0	8
6	Understanding Business Applications	R 43,695.40	2	0	2
7	SANS10142 - 2	R 158,665.00	34	11	45
8	Customer Care	R 93,725.00	25	25	50
9	SHEREP	R 16,000.00	4	4	8
10	Managing & Measuring	R 22,997.70	1	1	2
11	First Aid Training	R 28,000.00	5	14	19
12	Apprentices Trade Test	R 73,062.00	9	13	22
13	First Aid Training	R 28,500.00	11	6	17
14	PowerPoint & Excel	R 109,440.00	20	18	38
15	Drivers Assessment	R 184,000.00	155	18	173
16	Coaching	R 11,500.00	0	2	2
17	Assessor training	R 11,500.00	0	2	2
		R 1,056,599.60	322	135	457

4.4.7 Financial competency development

In terms of the *Guideline for Municipal Competency Levels: Finance officials at Middle Management Level* of the entity conducted the minimum competency assessments as required by Sections 107 and 119 of the MFMA (2003). Identified officials attended the MFMP training and assessment; however, as at year-end, the process was still ongoing to ensure that all officials attend the training within the specified period.

CHAPTER 5: FINANCIAL PERFORMANCE

5.1 Revenue

The entity's total revenue from exchange transactions increased by 7% to R 2 474 482 759 in 2018/19. The increase is mainly attributed to year-end consumption and deferred revenue adjustment and to be remap street light consumption to services. Slight increase linked to tariff increase.

REVENUE

- 7% increase in total revenue
- 23% decrease in grant income

Grant income declined by 23% due to the decrease in DORA allocation for the current year. In the prior year, this amount related to R 17 506 380 while only R 13 434 783 was received during 2018/19.

5.2 Expenditure

As in prior periods, the most significant expense disclosed by the entity relates to its bulk electricity purchases. This expenditure represents 62% of the entity's total expense.

EXPENDITURE

- 15% increase in employee related costs
- 1% increase in Expenditure
- 1% decrease in depreciation and amortisation
- 459% decrease in debt impairment

Expenditure increased, in total, by 1%. This is due to continuation of cost-cutting measures implemented in prior year.

Employee related costs increased by 15%. The significant increase is due to annual salary increases and recruitments made during the year.

5.3 Surplus

The entity had a surplus of R 34 847 618 for the year, compared to R 53 393 383 deficit for the 2017/18 year. This is likely to change due to taxation and interest on shareholder's and intercompany loans

5.4 Financial position

The 2018/19 financial year saw an improvement in the municipal entity's financial position. This is clearly evident on the following line items on the statement of financial position:

- A decrease of cash and cash equivalents of R 67 912 081.
- Liquidity - current liabilities exceeded current assets by approximately R 66 297 390.
- Solvency - total assets exceeded total liabilities by R 2 275 176 989 at the end of 2018/19.

5.5 Budget

The municipal entity's final approved budget for 2018/19 indicated a profit of R 186 554 336. The actual amount on a comparable basis amounted to a surplus of R 34 847 618.

CHAPTER 6: AUDITOR-GENERAL'S FINDINGS ON PRIOR YEAR ISSUES

6.1. Purpose of the report

- To provide feedback on the progress made with respect to the implementation of the Audit Action Plan as developed in response to the municipal entity's audit and management reports for the financial year ended 30 June 2018.
- To provide feedback on the current control environment and corrective measures implemented during the 2018/19 financial year.

6.2. Introduction and background

The municipal entity continued with the resolute effort to address the audit findings as raised by the office of the Auditor-General in the 2017/18 financial year. The focus while implementing and monitoring the follow up on the audit action plan has been primarily the improvement on the audit outcomes of the previous years.

This is in pursuit of the clean audit outcome as envisaged by the municipal entity's leadership and management.

An audit action plan was developed that has been implemented vigorously and monitored with the involvement of all directorates, internal audit, office of the Auditor-General, Audit and Risk Committee and the Board of Directors.

Furthermore, the progress on the audit action plan has been reported to the extended executive team on a weekly basis, with critical focus on issues that require collective effort from all user departments.

The progress report was tabled before the Audit and Risk Committee and the Board of Directors for deliberation and consideration. This progress was further shared with the office of the Auditor-General who provided continuous feedback.

6.3. *Executive summary: Implementation of Audit Action Plan*

This section will provide an executive summary of the corrective measures implemented by the municipal entity to deal with the audit findings as reported on by the Auditor-General.

6.3.1. *Improvements to the internal control environment*

The 2017/18 Management report issued by the Auditor-General's office (AGSA) covered matters that were not resolved at the finalization of the 2017/18 audit process. Management accordingly analysed the findings raised as per the audit report and determined that the following matters required immediate attention in order to improve on the 2018/19 audit outcome:

- Interactions with stakeholders responsible for oversight and governance
- Material impairment for consumer receivables
- Material distribution losses
- Irregular expenditure management
- Audit of predetermined objectives- performance management framework and targets not being smart
- Material misstatement corrected for the expenditure and related disclosures.
- Inadequate controls over ensuring that payments are made within 30 days.

6.3.2. *Progress on matters reported in the audit report*

Auditor-General Findings

6.3.2.1. Interactions with stakeholders responsible for oversight and governance

The Auditor-General reported that management when reconciling the related parties' disclosure notes of Centlec (SOC) Ltd and Mangaung Metropolitan Municipality, material differences existed regarding the accounting treatment of the capital advances, intercompany loan and the shareholders loan.

Management's response

The sale of business and service level agreement which govern the relationship between Mangaung Metropolitan Municipality and Centlec (SOC) Ltd has been reviewed by council. As a result, the recoverability of certain intercompany loan balances and -receivables (included as part of the trade receivables) relating to revenue from street lightings and electricity usage by Mangaung Metropolitan Municipality properties are also subject to review by council.

The Entity and the parent Municipality have engaged to try and reconcile the records for the 2018/19 financial year. This also involves the deferring of the current portion of the Intercompany transactions to a future period so as to ensure that the entity continues trade as a going concern.

The later part of the engagement will deal with the long lasting solution to replace the sale of the business

Management assessment of the status of the item:

The work performed up to the end of the financial year should be sufficient to address the concern raised by the office of the Auditor-General.

Auditor-General Findings

6.3.2.2 Material impairment of consumer receivables

The Auditor-General reported that management did provide for impairments in the financial statements that appeared to be material in value.

Management's response

The entity continues with the customer data clean-up exercise, with the effect that the consumer accounts that were running on estimates and contributing to the high impairment value have been closed and or converted to prepaid metering devices.

The challenge still remains with the high government account that, although not impaired, creates a challenge as relates to recoverability.

Considerations are under way to convert bulk meters to bulk prepaid meters.

Management assessment of the status of the item:

The work performed to date should be sufficient to address the concern raised by the office of the Auditor-General.

Auditor-General Finding

6.3.2.3. Material distribution losses

The office of the Auditor-General raised concern over the fact that the distribution losses as disclosed in the financial statements were high although below the norms as set by National Energy Regulating Authority of South Africa (NERSA).

Management's response

The entity embarked on the process of converting meters that were being billed as estimates to prepaid meters. Other measures include the effort put in to curb illegal

connections, meter tampering and unmetered consumptions. Smart Street lights system has made a significant contribution in reducing street lights consumption.

Future measures include the finalisation of the installation of statistical meters to measure kWh units flowing in and out of a specific area of supply.

Management assessment of the status of the item:

The effort put in will assist in reducing the distribution losses to a relatively lower level than that of the prior year.

Auditor-General Finding

6.3.2.4. Irregular expenditure management

Inspection of the disclosures of Irregular Expenditure (note 50) and Fruitless and Wasteful Expenditure (Note 49) of the 2017-18 annual financial statements had confirmed that entity had incurred irregular- and fruitless and wasteful expenditure.

This lead to non-compliance with the MFMA.

Management's response

Management has embarked on several processes to strengthen and capacitate the Supply Chain unit within the Finance Directorate. These include but not limited to:

- Improved process of reviewing all supporting documents to avoid incurring irregular expenditure.
- Monthly and quarterly reports are prepared and reported to the finance committee, Board and council of the parent municipality as required by legislation.
- Improvement on the review of the contents of the contract register and the supporting information.

- Update contract register with all new developments or changes and submission of quarterly reports to the Chief Financial Officer on existing contracts - expiry/Extended/Deviations/Awarded.
- SCM staff have completed Municipal Finance Management programme

Management assessment of the status of the item:

The work performed up to the end of the financial year should be sufficient to address the reasons why the office of the Auditor-General identified a lack of effective steps to prevent irregular expenditure.

Auditor-General Finding

6.3.2.5 Audit of predetermined objectives - performance management framework and targets not being 'SMART'.

The Auditor-General raised concern over the entity not having an appropriate system to collect, collate, verify and store performance information. Along with the above, it was also noted that the cause of the above is due to insufficient review procedures in place to ensure that the reported performance is valid and accurate.

Management's response

Management takes note of the finding as raised and the response is as follows:

- The issues relating to the budget is clarified based on the fact that each project has its own allocated budget that can be traced and clearly linked to the project. It's not possible to put each of the projects budget on the SDBIP but this can be traced from the financial system.

- On the issues of the unit of measurement and the KPI not being aligned, the entity is considering revising the KPI and the unit of measure in the 2018/19 SDBIP.
- The Performance management frame has been revised to focus mainly on the reporting on performance information. The framework was submitted to the Audit committee for subsequent recommendation for approval by the Board of Directors. However the legal implications still need to be addressed before approval by the Board of Directors

Management assessment of the status of the item:

The work performed to date should be sufficient to address the reasons why the AGSA identified material audit findings on the 2017/18 annual performance report.

However challenges still remains with regards to collection and filling supporting documentation.

Auditor-General Finding

6.3.2.6. Incorrect Interpretation of reporting framework

The Auditor-General reported that management did not review the 2017/18 financial statements adequately resulting in material corrections having to be made.

Management's response

The issues identified as areas of differences to be corrected were as a result of the differences between the entity's standalone financial statements and those of the parent municipality.

The Annual financial statements for the 2018/19 financial year have been subject to review by an external service provider as well as internal audit prior to submission to the office of the Auditor-General.

Management assessment of the status of the item:

The work performed to date should be sufficient to address the concern raised by the office of the Auditor-General over the material misstatement of the annual financial statements.

Auditor-General Finding

6.3.2.7. Inadequate controls over ensuring that payments are made within 30 days

The Auditor-General reported that money owed by the municipal entity was not always paid within 30 days as required by Section 99(2) (b) of the MFMA

Management's response

Management takes has put in tremendous effort to ensure that suppliers' invoices are paid within the legislated MFMA time frames.

However the critical challenges is around the ever declining cash reserves as well as cases where the supporting documents are not available at the time of submission

Management assessment of the status of the item:

The work performed to date has helped to improve the controls over the processing of payment vouchers in time.

However the challenge faced is that of budget constraints, with a slow revenue growth that has a negative impact on the entity's budget process.

6.3.2.7 Vacancies in senior management positions

At the time of the audit report, the positions of the Company Secretary, Chief Financial Officer, Executive Manager Engineering: Wires, Executive Manager Engineering: Retail and Executive Manager: Performance and Compliance were vacant.

Management's response

The positions as reported in the finding have been filled during the 2018/19 financial year.

The entity has also embarked on the process of reviewing the organogram and the staff establishment to align them to the its operational requirements

Management assessment of the status of the item:

Appointments of senior management during the financial year, should be sufficient to address the concern raised by the office of the Auditor-General.

Contact details

Registered office:

30 Rhodes Avenue
Oranjesig
Bloemfontein
Free State
9301

Business address:

30 Rhodes Avenue
Oranjesig
Bloemfontein
Free State
9301

Postal address:

Private Bag X14
Brandhof
Free State
9324

Tel:

(051) 412 2613

Chief Executive Officer

AN Mgoqi

Tel:

(051) 412 2613

Email:

ceo@centlec.co.za

Chief Financial Officer

M Matsimela

Tel:

(051) 412 2603

Email:

michael.matsimela@centlec.co.za

APPENDICES



7 APPENDICES

7.1	APPENDIX A:	BOARD MEMBERS; COMMITTEE ALLOCATION AND ATTENDANCE
		- See paragraph 2.4
7.2	APPENDIX B:	COMMITTEES AND COMMITTEE PURPOSES
		- See paragraph 2.4
7.3	APPENDIX C:	THIRD TIER ADMINISTRATIVE STRUCTURE
		- See paragraph 1.6
7.4	APPENDIX D:	FUNCTIONS OF ENTITY
		- See paragraphs 1.3, 1.4, 1.5 and 1.10
7.5	APPENDIX E:	WARD REPORTING
		- Not applicable
7.6	APPENDIX F:	WARD INFORMATION
		- Not applicable
7.7	APPENDIX G:	RECOMMENDATIONS OF THE AUDIT COMMITTEE
		- See paragraph 6.3
7.8	APPENDIX H:	LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS
		- Not applicable
7.9	APPENDIX I:	MUNICIPAL ENTITY PERFORMANCE SCHEDULE
		- Not done in full compliance with reporting requirements.
7.10	APPENDIX J:	DISCLOSURES OF FINANCIAL INTERESTS
		- See paragraph 10 of the Directors Report in the Annual Financial Statements attached as Appendix T
7.11	APPENDIX K:	REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE
		- See Notes 24, 25, 26, 30, 31, 32 of the Annual Financial Statements attached as Appendix T
7.12	APPENDIX L:	CONDITIONAL GRANTS RECEIVED
		- See Note 30 of the Annual Financial Statements attached as Appendix T
7.13	APPENDIX M and N:	CAPITAL EXPENDITURE
		- See Notes 9 and 10 the Annual Financial Statements attached as Appendix T
7.14	APPENDIX O:	CAPITAL PROGRAMME BY PROJECT BY WARD
		- Not applicable
7.15	APPENDIX P:	SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS
		- Not applicable
7.16	APPENDIX Q:	SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION
		- Not applicable
7.17	APPENDIX R:	DECLARATION OF LOANS AND GRANTS MADE
		- Not applicable
7.18	APPENDIX S:	DECLARATION OF RETURNS NOT MADE IN DUE TIME UNDER MFMA S71
		- Not applicable
7.19	APPENDIX T:	ANNUAL FINANCIAL STATEMENTS
		- Pages to follow (Pg. 101 to 236)
7.20	APPENDIX U:	REPORT OF THE AUDITOR-GENERAL ON CENTLEC (SOC) LTD
		- Pages to follow (Pg. 238 to 244)



CENTLEC (SOC) Ltd
(Registration number 2003/011612/30)
Annual Report for the year ended 30 June 2018
www.centlec.co.za

Chief Executive Officer: AN Mgoqi
Tel: +27(51) 412 2613
Email: ceo@centlec.co.za

Chief Financial Officer: M.M Matsimela
Tel: +27(51) 412 2603
[Email: michael.matsimela@centlec.co.za](mailto:michael.matsimela@centlec.co.za)