MANGAUNG
AT THE HEART OF IT ALL

CONFIDENTIAL

ANNEXURE

SECTION 79
MUNICIPAL PUBLIC ACCOUNT COMMITTEE

WEDNESDAY & THURSDAY
SEPTEMBER 12 & 13, 2018
at 10:00

VOLUME 1
PAGES 50 – 168

MANGAUNG METROPOLITAN MUNICIPALITY

Members are kindly requested to retain this annexure for use with the minutes

Bram Fischer Building
BLOEMFONTEIN
SEPTEMBER 07 2018

MANGAUNG
METRO MUNICIPALITY
METRO MUNISIPALITEIT
LEKGOTLA LA MOTSE

OFFICE OF THE SPEAKER

10 August 2018

PROGRESS REPORT ON THE FUNCTIONING OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

1. PURPOSE

This report serves to provide an account of the functioning of the Municipal Public Accounts Committee.

2. THE STATUTORY MANDATE OF THE MPAC

The Municipal Public Accounts Committee is established in terms of Section 79 of the Municipal Structures Act, No. 117 of 1998 (as amended) as required by the Constitution of the Republic, the Municipal Finance Management Act and Municipal Systems Act. The MPAC's mandate is to assist Council in executing its role of financial oversight over the municipal administration and executive arm of Council; and its entity.

Terms of Reference (TOR) have been adopted by Council to highlight the Committee's authority, roles and responsibilities as well as the requirements for its composition, guided by SALGA's circular on the composition of MPACs. As required, Council has approved an annual work plan that will guide the MPAC's daily operational schedule at a sitting held on 11 December 2016. The MPAC further has a role of performance monitoring to fulfil through the engagement of stakeholders such as the Auditor-General, Audit Committee and internal municipal administration in order to ensure that accountability and transparency is achieved.

DATE	VENUE	TARGETED WARDS	RESOLUTIONS
Friday,16 February 2018	**Bloemfontein South** Clive Solomon Hall at 10h00	• 8,16,17,45,46,47	All inputs and comments were received, noted and minuted.
	Kagisanong Hall at 14h00	• 1,2,3,4,5,6,7,9,10, 11,12,13,14,15	All inputs and comments were received, noted and minuted.
Tuesday, 20 February 2018	**Soutpan** Primary School at 14h00 Soutpan	• 44	All inputs and comments were received, noted and minuted.
Friday, 23 February 2018	**Botshabelo** H Hall at 10h00	• 27,28,29,30,31	All inputs and comments were received, noted and minuted.
	Samson Sefuthi Hall at 14h00	• 32,33,35,36,37,38	All inputs and comments were received, noted and minuted.
Thursday, 01 March 2018	**Bloemfontein South** Floreat Hall at 16h00	• 18,19,20,21,22,23, 24,25,26,48	All inputs and comments were received, noted and minuted.
Wednesday, 13 March 2018	**Wepener** Wepener Community Hall at 16h00	• 50	All inputs and comments were received, noted and minuted.
Wednesday, 13 March 2018	**Thaba Nchu** Civic Centre at 10h00	• 39,40,42,43,49	MPAC members promised to come back in November with the responses from council.
	Sediti Secondary School at 14h00	• 41	MPAC members promised to come back in November

v. **Resolution 5\2018-Claims Related To Unfair Dismissals**

The municipality spent an amount of R4, 879, 817 on claims related to unfair dismissals, the accounting officer must provide a comprehensive report relating to all cases and claims related to this expenditure.

vi. **Resolution 6\2018-Amalgamation Of Naledi Local Municipality and Ikgomotseng\Soutpan**

Note 40: the Mangaung Metropolitan Municipality acquired control of the Naledi local Municipality and Ikgomotseng\Soutpan Community as a result of the redetermination of boundaries by the Municipal Demarcation Board.

The accounting officer must ensure submit a register of all inherited assets and a comprehensive progress report on the transfer and placement of staff from the former Naledi Local Municipality to the Mangaung Metropolitan Organogram.

vii. **Resolution 7\2018-Deduction Of Monies Owed By Councilors And Officials\Employees**

The accounting officer must ensure that arrangements are made with councilors and officials\Employees for the debiting of outstanding monies owed in respect of rates and services on a monthly basis. A quarterly report must be submitted to the MPAC in this regard.

viii. **Resolution 8\2018-2016\17-Annual Report**

Risk management must investigate all targets not reached as documented in the annual report for the year under review and report to the MPAC within 60 days of tabling of this this report.

ix. **Resolution 9\2018-Unauthorized, Irregular, Or Fruitless And Wasteful Expenditure**

The report of the auditor general reflects a substantial cumulative increase in unauthorized, irregular or fruitless and wasteful expenditure.

The accounting officer must compile a separate action plan for the reduction and curbing of incurring these expenditures and submit to the MPAC within 30 days of the tabling of this report.

x. **Resolution 10\2018-Performance Bonuses**

The performance bonuses of section 56&57 management be revoked until further notice. The Accounting Officer must also provide the MPAC with the employment contracts of section 56 &57 managers within seven days of the tabling of this report.

MPAC ANNUAL SCHEDULE 2018/2019

MPAC ANNUAL ACTIVITY PLANNED DATES – 2018 - 2019

DATE	DAY	MONTH	ACTIVITY	DETAILS
10	TUES	JULY - 2018	REQUEST DOCUMENTS	MONTHLY FINANCIAL STATEMENTS DEVELOPMENT OF SDBIP REPORT ON SUPPLY CHAIN MANAGEMENT
24	TUES	JULY - 2018	REQUEST OUTSTANDING DOCUMENTS	MONTHLY FINANCIAL STATEMENTS DEVELOPMENT OF SDBIP REPORT ON SUPPLY CHAIN MANAGEMENT
14	TUES	AUGUST - 2018	MPAC - SPECIAL MEETING	MONTHLY FINANCIAL STATEMENTS DEVELOPMENT OF SDBIP REPORT ON SUPPLY CHAIN MANAGEMENT
30	THURS	AUGUST - 2018	COUNCIL	
12	WED	SEPTEMBER - 2018	MPAC - SPECIAL MEETING	MPAC - MEETING WITH RISK COMMITTEE
13	THURS	SEPTEMBER - 2018	MPAC - ORDINARY MEETING	MPAC QUARTERLY REPORT FINANCIAL DOCUMENT – JULY 2018 **MMM & CENTLEC:** FINANCIAL STATEMENTS 4^{TH} QUARTER SDBIP FOR 4^{TH} QUARTER REPORT ON DISCIPLINARY MATTERS RELATED TO MFMA 4^{TH} QUARTER REPORT ON SUPPLY CHAIN MANAGEMENT 4^{TH} QUARTER REPORT ON FUNCTIONING OF AUDIT COMMITTEE APPROVED AUDIT ACTION PLAN REPORT ON FUNCTIONING OF RISK COMMITTEE DECLARATION FORMS COMPLETED/UPDATED BY COUNCILLORS AND OFFICIALS PROGRESS REPORTS ON ACTION LIST

08	FRI	FEBRUARY - 2019	PUBLIC HEARING	BLOEMFONTEIN - NORTH • Floreat Hall – 16:00
12	TUES	FEBRUARY - 2019	PUBLIC HEARING	BLOEMFONTEIN – SOUTH • Clive Solomon – 10:00 • Kagisanong - 14:00
15	FRI	FEBRUARY - 2019	PUBLIC HEARING	SOUTPAN • P. SCHOOL – 14:00
19	TUES	FEBRUARY - 2019	PUBLIC HEARING	BOTSHABELO • Nicro Hall – 10:00 • Kaizer Sebothelo Arena - 14:00 • Samson Sefuthi Hall – 17:00
20	WED	FEBRUARY - 2019	PUBLIC HEARING	THABA NCHU • Barolong Hall – 09:00 • Sedithi Combined School – 14:00
21	THURS	FEBRUARY – 2019	PUBLIC HEARING	NALEDI • Wepenar Community Hall – 12:00
28	THURS	FEBRUARY - 2019	COUNCIL	
05	TUES	MARCH - 2019	MPAC – SPECIAL MEETING/EXTERNAL AUDIT COMMITTEE	• DRAFT OVERSIGHT REPORT
07	THURS	MARCH - 2019	MPAC – MEETING WITH CITY MANAGER	TO CONSIDER RESPONSES & DRAFT O/SIGHT REPORT
12	TUES	MARCH - 2019	MPAC - ORDINARY MEETING	• FINAL OVERSIGHT REPORT
28	THURS	MARCH - 2019	COUNCIL - COMPLIANCE (Tabling of Budget)	
09	TUES	APRIL - 2019	MPAC - ORDINARY MEETING	**MMM & CENTLEC:** FINANCIAL DOCUMENTS 3RD QUARTER SDBIP FOR 3RD QUARTER REPORT ON DISCIPLINARY MATTERS RELATED TO MFMA 3RD QUARTER

PROGRESS REPORT ON STATUS OF MPAC RESOLUTIONS

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DIRECTORATE
OFFICE OF THE
CITY MANAGER

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

Your Ref:	Our Ref:
Room 201, Bram Fischer Building	Date: 23 August 2018

Chairperson: MPAC
Councillor M. Tladi

Dear Chairperson

REQUEST FOR PROGRESS REPORT ON THE STATUS OF THE MPAC RESOLUTIONS

Your letter dated the 21st August 2018 in the above matter refer.

Kindly please find attached hereto progress report on the status on implementation of MPAC resolutions. Chairperson will note that most of the questions or issued were addressed in the previous report. We have therefore highlighted in bold the new responses on the attached report for easy reference. Other matters will be monitored and progress reports submitted on due dates. We have also dated the progress report to avoid any confusion with the previous reports.

We also attached hereto copies of annexures to some of the issues raised for more details.

Yours faithfully

Adv. Tankiso Mea
City Manager

Resolution	Action	Due Date	Progress/Response	Status
62			the values. Again, the documents that were submitted could also not fully be relied upon. Various options were put on the table to assist with the determination of the values but most were no practical, alternatively, they were very expensive with not return on investment of such an expenditure. For example, it would mean that the Municipality should dig up all the meters to arrive at their accurate valuation or to appoint a service provider who would have to assist with the investigations of the values. Although such an exercise is a necessity, it will, however, not add to service delivery. This was discussed with AG hence the proposed solutions contained in the Audit Action Plan. • Reliability of work-in-progress (WIP) and the capitalization of completed infrastructure projects. More attention is going to be paid to addressing this challenge moving forward. There are different solutions to the problem and some of them are contained in the Audit Action Plan. There will be strict implementation of SAM Project Management system. This system assists with recording of project information and status by Engineering Services and once project information has been uploaded, it will be	

Resolution	Action	Due Date	Progress/Response	Status
			• The former Naledi staff are part of the staff establishment and their salaries have been aligned with the salary structure of MMM. • The former Motheo employees are part of the staff establishment and were placed in their appropriate Directorates in line with the placement process that was undertaken by the previous administration. • The current structure is currently being reviewed to ensure efficiencies and once the processes of consultation at LLF have been concluded the final document will be submitted to Council.	
			Risk Management: • The register for all ongoing investigations has been updated with progress made. • The process of filling of the position of Chief Risk Officer is underway. • Furthermore, Chairperson and members of the Risk Management Committee (HODs) were appointed. • Regular progress on all investigations will be submitted to MPAC.	Done.
			Management of performance information: There are different Standard Operating Procedures that outline steps and actions that must be followed to execute responsibilities and functions.	

Resolution	Action	Due Date	Progress/Response	Status
Resolution 6/2018 – Amalgamation of Naledi Local Municipality and Ikgomotseng/Soutpan:	Note 40: The Mangaung Metropolitan Municipality acquired control of the Naledi Local Municipality and the Ikgomotseng/Soutpan community as a result of the redetermination of boundaries by the Municipal Demarcation Board. The Accounting Officer must submit a register of all inherited assets. (Annexure B). The Accounting Officer must submit a comprehensive progress report on the transfer and placement of staff from the former Naledi Local Municipality to the Mangaung Metropolitan Organogram.	11 May 18	**A copy of the asset register is hereto attached.** • **The former Naledi staff are part of the staff establishment and their salaries have been aligned with the salary structure of MMM.** • **The current structure is currently being reviewed to ensure efficiencies and once the processes of consultation at LLF have been concluded the final document will be submitted to Council.**	Ongoing.
Resolution 7/2018 – Deduction of monies owed by Councillors and Officials/Employees:	The Accounting Officer must ensure that arrangements are made with Councillors and officials/employees for the debiting of outstanding monies owed in respect of rates and services on a monthly basis. A quarterly report must be submitted to the MPAC in this regard.		The resolution is noted and reports will be submitted on the appropriate due dates. Report 1: 06 July 2018 Report 2: 05 Oct 2018 Report 3: 04 Jan 2019 Report 4: 05 Apr 2019 Report 5: 05 Jul 2019. • **The Municipality is continuously deducting from employees and Councillors. The**	

Resolution	Action	Due Date	Progress/Response	Status
	(Annexure C). (Annexure D).		installation dates in order to address audit findings. • An action will be compiled and submitted to MPAC. 1. **The investigations with regard to <u>unauthorised expenditure</u> has been completed and submitted.** 2. **The other investigations on <u>fruitless and wasteful</u> are almost complete and progress report is also attached. This will be awaiting the meeting of the Committee to process. (A copy is hereto attached for easy reference).** 3. **The outstanding investigations relates to <u>irregular expenditure</u> and a service provider has been appointed to assist with their finalisation.**	
Resolution 10/2018 – Performance Bonuses	The performance bonuses of section 56 & 57 management be revoked until further notice. The Accounting Officer must also provide the MPAC with the employment contracts of Section 56 & 57 managers within seven days of the tabling of this report.	9 May 18	• Performance bonuses have not been paid since 2006. • City Manager and HODs have signed employment contracts and copies are attached.	Done.
Resolution 11/2018 – Cost cutting measures	The Accounting Officer should devise a plan that would ensure that the Mangaung Metro Municipality transitions into a paperless institution within the next financial year.	4 Jan 19	The resolution is noted but it needs extensive engagements with all stakeholders and budgeting.	Not yet.

Resolution	Action	Due Date	Progress/Response	Status
			However, the Section 71 reports will be submitted in this regard which covers the issues required by the Committee. The delays in the submission of the July 2018 financial statements was occasioned as a result of server going down. A copy of the June 2018 Section 71 is hereto attached.	

ANNEXURE "A"

MANGAUNG
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LABOUR RELATIONS

File: CS/SG-LCR	
GM: Labour Relations	24 August 2016
The City Manager Mangaung Metro Municipality	Ms R Kolobe

Adv T Mea

OVERSIGHT: COMPREHENSIVE REPORT ON RESOLUTION 5/2018 OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE: EXPENDITURE ON UNFAIR DISMISSAL CASES.

OVERLAY

1.1 Although the period under review in terms of the Municipal Public Accounts Committee is for 2016-2017 Financial Year, in essence, the actual accumulation of the costs mentioned in the Oversight Report accounts for previous periods respectively. The nature of labour disputes is protracted in that internal processes must be satisfied and then later get referred to external institutions, the Bargaining Council and Labour Court/s.

1.2 Many cases get delayed more especially in the Labour Court for various reasons thus contributing to the legal costs because files are still active in the Labour Court.

1.3 This report will attempts to provide details on labour disputes which may have contributed to the costs essentially focusing on two aspects mainly;

- Legal costs
- Compensation payment

1.4 Furthermore, the report will narrates on the information contained in the table and proposes actions for consideration by the City Manager.

7	Mr S Senoko	JR 401/ 15 FSD: 11 120 6	Economic Dev & Planning	Unfair Dismissal (misconduct)	Moroka Attorneys	R80 189, 29	none	2011-2016	Court Order: Reinstated in November 2015
8	Mr MW Mongale	J 1828/13 FSD: 02 894 3	Centlec (HR)	Unfair Dismissals (misconduct)	Molefi Thoabala	R31 214, 50	To be paid	2011-2018	Court Order: Reinstated in August 2018
9	Mr Mahoko	JR 488/ 13	Corporate Services	Unfair Dismissal (misconduct)	Moroka Attorneys	R468 255, 00	None	2014-2016	High Court Order: application dismissed and the file closed.
		High Court			Phatshoane Henney	R208 846, 97			
10	Mr J Mabadi	FSD: 07 130-6 JR 1829/15	Finance	Unfair Dismissal (misconduct)	Moroka Attorneys	R291 926,03	Not yet determined	2015-2018	BC-Award: Reinstatement. The matter remains pending in the Labour Court
11	Ms Sina Raboliba	JR 616/12 FSD: 11 110 8	Political Office (former Motheo District Municipality)	Unfair Dismissal (fixed term contract)	Mabalane Seobi	R485 393, 47	**R153 333, 30**	2009-2016	Settlement Agreement: Bargaining Council: compensation paid about July 2016.
12	Mr Makhubalo	JR 2193/12	Social Services	Unfair Dismissal	Honey Attorneys	R17 562,58	-	2012-2018	The matter is pending in the Labour Court under review application

(f) This painted picture, notwithstanding effects of internal administrative labour disputes, compels that management of fixed term contracts especially under political appointments needs further scrutiny and attention whilst internally, adherence to policies, relevant legislations and collective agreements is enhanced.

(g) It is also shown in the report that there are cases which at the time of preparing this report, details pertaining to their finalisation had not yet been completed such that the existing status quo may change in the next report.

(h) The reports further indicates that legal costs alone, for the period shown, approximately stood at **R2 198 673, 69** and there exist possibilities that this figure will increase considering unresolved labour disputes.

(i) This prevailing situation necessitates that all pending cases with less prospects of success be settled internally and active files in the Labour Courts be closed expeditiously.

Pending Cases

3.1 In line with efforts to contain costs on labour disputes the following cases are recommended for internal settlement due to Council's less prospects of success if pursuit.

No.	Case No	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.	JR457/14	Ngalo & 2 Others (Naledi Matter)	Former Naledi Municipality	Review	Mabalane	N/A	Parties filled Heads of Arguments awaiting trial date.	Not yet out
2.	C423/13	SAMWU obo Helen Hlatswayo & 3 Others		Review	Moroka	N/A	Awaiting the decision of Judge President as there are no mechanical records. The Attorneys requested to provide a progress report.	Not yet out

Action

4.1 Consistent with the objects of achieving relatively peaceful labour environment and contained costs on labour disputes the following are recommended for; **(a) Noting; (b) Information and (c) Considerations;**

4.1.1 The City Manager gives Labour Relations full responsibility on all Labour Matters within the Municipality

4.1.2 The City Manager acts on the management of Fixed Term Contracts, both in political offices and administratively

4.1.3 The City Manager supports and approves settlement of identified labour disputes by the Labour Relations

4.1.4 The City Manager grants approval to Labour Relations to initiate settlement process once identification of same is done

4.1.5 The consideration and implementation of the above be expedited.

Prepared, recommended and supported respectively by;

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Mr DIRATSAGAE MAOKE
ACTING MANAGER: LABOUR RELATIONS

____
DATE

____

Ms RETHABILE KOLOBE
ACTING GM: LABOUR RELATIONS

____
DATE

____

Mr D NKAISENG
HOD CORPORATE SERVICES

____
DATE

ANNEXURE "C"

P O Box 3704
Bloemfontein
9300

MANGAUNG
Metro Municipality
Metro Munisipaliteit
Lekgotla LA Motse

REPORT TO MPAC:

ITEMS ADDRESSED IN THIS REPORT:

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

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

1.1 Capital expenditure

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
Cemetery land purchase	2016	24 220 513	Human Settlement	• The Council approved at its meeting 39A.1 – 25/02/2016 the transaction the for procurement of burial land for R35 000 000 based on the motivation and recommendations contained in management's submission to Council. • One of the recommendations approved by Council (No. (d)) was that the City Manager, through the Chief Financial Officer be mandated to source further funding for acquisition. The available budgeted funds earmarked for acquisition of burial land was by then R400 000 which was adjusted to zero during the adjustment process. Therefore,	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				• The conclusion the expenditure incurred was in line with the objectives of Council, that is, to acquire burial land for the Municipality. • This matter led to fruitless and wasteful expenditure in respect of interest charged of R 2 447 910 and will be dealt with under the submission for fruitless and wasteful expenditure.	
Hand-held metering devices	2016	428 285	Finance	• The procurement of the hand-held devices during the year under review was done by means of the request for approval of deviation from the normal SCM processes by Finance citing that the service provider was the sole supplier of the hand-held metering devices to be procured. The transaction was approved as such by the former City Manager. • Further review of the documents supporting procurement transaction reveals the following: o The procurement transaction was initialised during the 2014/15 financial year on 3 June 2015 and approved on 24 June 2015. In 2014/15 there was a budget allocation of R1 656 847, however, the transaction was not processed during that financial year as the goods were not yet delivered. It was processed during the 2015/16 financial year in which year there was also no budget for this transaction. o The goods were received on 21 August 2015 according to the supplier's delivery note and processed in the financial records accordingly.	That Council to write off the related expenditure from the register of unauthorised expenditure.

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Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
		14 165 233 as reported in the financial statements		adjustment budget as approved by council, the budget was reduced to R8 185 996 (A reduction of R45 474 004). • However due to an administrative error the budget as uploaded onto the financial system indicated an incorrect amount of R 16 046 996 instead of the approved amount of R 8 185 996. • The total amount spent was R 22.3 million compared to the approved budget of R 8 185 996. This resulted in unauthorised expenditure of R 14 165 233. • Of the total of R 14 165 233, R 11 220 000 relates to prepaid water meters purchased (refer to matter dealt with below) and the remaining balance of R 2 945 233 for other water services. • The conclusion is that there was no financial loss as the expenditure incurred was in accordance with the objectives of the municipality of providing water services to the community.	
Budget movements	2011	11 220 000 of the total amount of 14 165 233 as reported in the financial statements	Water	Prepaid water meters: • The Municipality procured pre-paid water meters from Lesira Teq. However, the pre-paid maters were discovered to be faulty after the installation. • The Municipality then instituted legal action against Lesira Teq. The actual spending exceeded the budgeted amount on the Water vote due largely to the procurement of prepaid water meters without a budget. • This matter has also been reported as irregular expenditure and can only be concluded on after the investigation and court matter has been dealt with.	Council notes the ongoing court case on this matter.
TOTAL		**40 349 754**			

Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				• Also, MMM received on Standard bank loan, an additional R173m and additional interest was charged on the additional money. • The conclusion is that there was no financial loss.	
Overtime	2016	8 718 871	Waste and Fleet Management	• Individual suspicious cases are being investigated with intention to institute disciplinary actions where warranted. • In order to reduce the high overtime expenditure needed for operational requirements, management has taken remedial actions which include: o Limiting overtime to 60 hours per month. o HODs are now required to submit motivation for pre-approval for overtime.	Council notes the ongoing investigations on individual cases.
Overtime	2013	19 535 661	Infrastructure	• Individual suspicious cases are being investigated with intention to institute disciplinary actions where warranted. • In order to reduce the high overtime expenditure needed for operational requirements, management has taken remedial actions which include: o Limiting overtime to 60 hours per month. o HODs are now required to submit motivation for pre-approval for overtime.	Council notes the ongoing investigations on individual cases.
Water purchases	2012	1 623 331	Water	**Water purchases exceeding budget** • The budget was based on an average account of R22.8m per month and came in at R274m for the year. This was deemed sufficient as it represented a reasonable increase compared to the actuals of 2010/11 financial year (R250m). The budget is calculated on estimations which are informed by a number of factors like population growth, expansions in the consumer base, tariffs, network losses and can therefore	That Council to write off the related expenditure from the register.

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Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				Therefore, the increased transactions will result in increased charges. • The over expenditure is therefore not due to any negligence of any individual and cannot be recovered. • The expenditure was incurred in line with the legitimate business of the Municipality.	
TOTAL		129 496 541			

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Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
				• The estimates for depreciation included in the budget over the years were performed based on the best available information at the time. The over expenditure on depreciation was non cash in nature and therefore there was no cash outflow and therefore is not recoverable. It is also impractical to authorise the expenditure through an adjustment budget at this stage. • The conclusion is that there was no financial loss.	
Debt impairment	2016	122 986 754	Miscellaneous services	In terms of GRAP, the City needs to make a provision for the impairment of debt where there is evidence that debtors may be impaired. The City therefore makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The data may include items such as: • Past payment trends of the specific individual debtor. • Past payment trends of a portfolio of debtors. • The significance of the debtor in relation to other debtors. • Financial reorganization of debtors such as sequestration. • Changes in national or local economic conditions that are in line with non-payments in a portfolio such as increased unemployment rates, increase in inflation, etc.	That Council to write off the related expenditure from the register as it is not recoverable.
Debt impairment	2016	20 632 468	Engineering services		
Debt impairment	2016	42 036 752	Water services		
Debt impairment	2015	420 797 937	Miscellaneous services		
Debt impairment	2014	324 571 205	Miscellaneous services		
Debt impairment	2012	44 318 396	Miscellaneous services		
Debt impairment	2011	29 774 764	Miscellaneous services		

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Items	FY	Amount (R)	Vote	Comments and conclusions	Recommendations
Defined benefit liability movement	2015	41 660 054	Miscellaneous services		
Defined benefit liability movement	2012	9 969 000	Finance	• In terms of GRAP, the City has a liability towards employees in terms of the conditions of employment relating to pension, medical aid and long service benefits. These are termed Defined Benefit Obligations. The calculation of the defined benefit obligation is performed annually by actuaries taking various factors into account. The movement in the liability is not cash based, but changes in the estimates made by the actuaries. When the budget is prepared, management can only base its estimates on the balance and movements of the previous liability balance as determined by the actuaries. As the actuarial valuation is performed at year end, the final valuation can vary significantly from the budget estimates performed by management. • The estimates for the movement in the defined benefit obligation included in the budget over the years were performed based on the best available information at the time. The over expenditure on the movement was non cash in nature and therefore is not recoverable. It is also impractical to authorise the expenditure through an adjustment budget at this stage. • The conclusion is that there was no financial loss.	That Council to write off the related expenditure from the register.
Deferred lease movements	2012	22 967 448	Finance	• In terms of GRAP the revenue and expenses relating to operating rentals should be straight lined over the term of the rental agreement and not recognised	That Council to write off the related expenditure from the register.

3. UNAUTHRISED EXPENDITURE – ADMINISTRATIVE ITEMS

Items	FY	Amount (R)	Vote	Comments and conclusions	Status
Centlec seconded employees	2016	16 977 994	Miscellaneous Services	• Since the establishment of Centlec, Municipal employees have been seconded to Centlec to perform electricity functions. These individuals remained the legal employees of Mangaung until the transfer process has been completed. Mangaung therefore paid their employee costs and then charges Centlec a management fee based on the actual employee costs of these seconded individuals. The ultimate cost of these employees therefore remains with Centlec. Since 2014, it was expected that the transfer process for these individuals would be completed by the start of the new financial year and therefore these costs were not included in the budget. • The Municipality already recovered these costs from Centlec as it charged Centlec a management fee based on the actual employee costs incurred on a separate income allocation. • The conclusion is that there was no financial loss as the transactions were done in line with the sale of business agreement.	That Council to write off the related expenditure from the register.
Centlec seconded employees	2015	32 291 312	Miscellaneous Services		That Council to write off the related expenditure from the register.
Capital expenditure not qualifying to be capitalised	2015	16 073 144	Water Services	• In terms of GRAP 17, expenditure needs to comply with certain criteria before it may be capitalised to the asset register of the City. It therefore happens that although a project may be categorized as capital in	That Council to write off the related expenditure from the register.

Items	FY	Amount (R)	Vote	Comments and conclusions	Status
Correction of errors	2016	107 214	N/a	• An administrative error occurred with the inclusion of Centlec expenditure amounting to R107 214 in the register. The amount does not relate to any expenditure incurred. • The conclusion is that there was no financial loss.	That Council to write off the related expenditure from the register.
Internal vehicle labour charges	2012	29 551 033	Infrastructural Services	• Internal departmental charges occur where certain votes render services to other votes. It is therefore budgeted for accordingly. Where these charges do not occur, or these are over charged, it results in over expenditure for the relevant votes. • These items are only internal between departments and are therefore administrative in nature. It is also impractical to recover it from an individual or authorize it in terms of an adjustment budget at this stage. • The conclusion is that there was no financial loss.	That Council to write off the related expenditure from the register.
Internal rates charges	2012	177 295	Fresh Produce Market		That Council to write off the related expenditure from the register.
Internal electricity charges	2011	417 912	Fresh Produce Market		That Council to write off the related expenditure from the register.
TOTAL		**139 386 561**			

				• The estimates for depreciation included in the budget over the years were performed based on the best available information at the time. The over expenditure on depreciation was non cash in nature and therefore there was no cash outflow and therefore is not recoverable. It is also impractical to authorise the expenditure through an adjustment budget at this stage. • The conclusion is that there was no financial loss.	
Bad debts written off and impairment for bad debts	2017	118 635 515	Water Services	In terms of GRAP, the City needs to make a provision for the impairment of debt where there is evidence that debtors may be impaired. The City therefore makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The data may include items such as: • Past payment trends of the specific individual debtor. • Past payment trends of a portfolio of debtors. • The significance of the debtor in relation to other debtors. • Financial reorganization of debtors such as sequestration. • Changes in national or local economic conditions that are in line with non-payments in a portfolio such as increased unemployment rates, increase in inflation, etc. • This provision is therefore based on estimates and can change between the time that the budget is	That Council to write off the related expenditure from the register.

Bad debts written off and impairment for bad debts	2017	240 474 090	Miscellaneous Services	In terms of GRAP, the City needs to make a provision for the impairment of debt where there is evidence that debtors may be impaired. The City therefore makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The data may include items such as: • Past payment trends of the specific individual debtor. • Past payment trends of a portfolio of debtors. • The significance of the debtor in relation to other debtors. • Financial reorganization of debtors such as sequestration. • Changes in national or local economic conditions that are in line with non-payments in a portfolio such as increased unemployment rates, increase in inflation, etc. • This provision is therefore based on estimates and can change between the time that the budget is prepared and the estimate calculation is performed with the preparation of the AFS. • The estimates for debt impairment included in the budget over the years were performed based on the best available information at the time. • The over expenditure on provision on debt impairment was non cash in nature and therefore is not recoverable. It is also impractical to authorise the expenditure through an adjustment budget at this stage.	That Council to write off the related expenditure from the register.

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ANNEXURE “D”