

# ANNUAL REPORT

## 2016/17

Comprehensive report on the activities and financial  
performance of the FBDM



**FRANCES BAARD**

District Municipality / Distriksmunisipaliteit  
Masepala Wa Sedika / U Masepala We Sithili

# Frances Baard District Municipality

## Annual Report 2016/2017



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# VOLUME I

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## ACRONYMS

AEL	-	Atmospheric Emissions Licence
AFS	-	Annual Financial Statements
AG	-	Auditor-General
APPA	-	Atmospheric Pollution Prevention Act
CBO	-	Community-based Organisation
CDW	-	Community Development Worker
COGHSTA	-	Department of Cooperative Governance, Human Settlements & Traditional Affairs
DBSA	-	Development Bank of South Africa
DEA	-	Department of Environmental Affairs
DENC	-	Department of Environment and Nature Conservation
DIGF	-	District Inter-governmental Forum
DMA	-	District Management Area
DoRA	-	Division of Revenue Act
DWA	-	Department Water Affairs
EAP	-	Employee Assistance Programme
EIA	-	Environmental Impact Assessment
EPWP	-	Expanded Public Works Project
ESS	-	Employee Self Service
FBDM	-	Frances Baard District Municipality
FPA	-	Fire Prevention Association
FY	-	Financial Year
GAMAP	-	General Accepted Municipal Accounting Practice
GIS	-	Geographic Information System
GRAP	-	Generally Recognised Accounting Practice
HH	-	Households
ICT	-	Information Communication Technology
IDP	-	Integrated Development Plan
IGR	-	Inter-Governmental Relations
IMFO	-	Institute of Municipal Finance Officers
ITP	-	Integrated Transport Plan
KPA	-	Key Performance Area
KPI	-	Key Performance Indicator
LED	-	Local Economic Development
LGSETA	-	Local Government Sector Education & Training Authority
MFMA	-	Municipal Finance Management Act
MIG	-	Municipal Infrastructure Grant
MOU	-	Memorandum of Understanding
MPAC	-	Municipal Public Accounts Committee
NCPA	-	Northern Cape Provincial Association
NEAR	-	National Emergency Alarm Radio System
NGO	-	Non-government Organisation
NHBRC	-	National Home Builders Registration Council
NHNR	-	National Housing Needs Register
O&M	-	Operation and Maintenance
PIGF	-	Premier's Inter-governmental Forum
PMS	-	Performance Management System
PMU	-	Project Management Unit
SALGA	-	South African Local Government Association
SETA	-	Sector Education and Training Authority
SDBIP	-	Service Delivery & Budget Implementation Plan
SDF	-	Spatial Development Framework
SLA	-	Service Level Agreement
SMME	-	Small, Medium & Micro Enterprises
SPM	-	Sol Plaatje Municipality
TLB	-	Tractor Loader Backhoe
WSP	-	Workplace Skills Plan
WWTW	-	Waste Water Treatment Works

## **Vision**

The Frances Baard District Municipality will be a municipality with a clear developmental focus, providing quality services to all its people.

## **Mission**

“The Frances Baard District Municipality is committed to provide and improve the quality of services and therefore improve the lives of all its communities by:

- Promoting Social and Economic Development
- Providing and maintaining affordable and optimal quality services
- The economic, efficient and effective utilisation of all its available resources, and;
- Effective Stakeholders and Democratic Community Participation”

## **Values**

The Municipality has adopted the motto “We Serve the Community” and is committed to the following core values of:

- Development as an empowering process within and outside our Municipality;
- Pride in the professional delivery of services and in the attainment of planned actions;
- Recognition of the district municipality as an expression of the cultural diversity and tolerance within the district municipality;
- Honesty and integrity as an internal force driving service excellence;
- Being driven by the aspirations of our people; we will respect and uphold the Constitutional of the Republic of South Africa;
- Commitment to the code of conduct for Councillors and officials in accordance with the Municipal Systems Act, 2000;
- Commitment to the principles of sound financial management;
- Subscribing to the principles of “Batho Pele”

# Chapter 1 - Mayor's foreword and executive summary

## 1.1 Mayor's foreword



Ms B V Ximba  
Executive Mayor

It is an honour for me to present to you this first annual report for the Council that was inaugurated on 29 August 2016.

It was a very busy time in office for councillors as they had to familiarise themselves with the policies and procedures of the municipality. We have been engaging on a regular basis with management, as they took us through the intricacies of policies and protocol of the municipal operations.

It is always daunting to be a new broom in an institution but we have taken on the baton with a positive attitude and we will carry it forward with pride. We also had the local government elections in this year and it was a clear demonstration of the strides we have made as a young democracy.

We also adopted the 5-year integrated development plan (IDP) for the district municipality, which represents the wishes of the communities in the district. It is therefore the main tool that we will use to guide us not only through the coming financial year but also for the next four years of our term of office. The IDP and

budget of the district municipality has always been externally focussed as it is driven by the community needs as captured the IDPs of the local municipalities.

We remain focussed to assist our local municipalities in the delivery of quality services to the communities in the district. We are on track with the “back to basics” approach as we are well within the acceptable levels regarding areas such as the delivery of basic services, as we support our local municipalities both financially as well as technically.

It has been another good year for the municipality as we achieved yet another unqualified audit opinion, albeit with minor matters of emphasis. This is an achievement that would not have been possible were it not for the commitment, dedication and hard work of management and all officials.

The 2016/17 financial year also marked the 100-year celebration of the life and times of Govan Mbeki and we joined hands with our fellow South Africans to honour this stalwart of our liberation struggle. It is therefore fitting that we once again received top honours at the Govan Mbeki Housing Awards where we were crowned the best accredited level 2 municipality for housing both at a provincial and national level.

The district municipality was authorised to enforce the foodstuffs, cosmetics and disinfectants act by the National Minister of Health in December 2016. This led to us entering into a service level agreement with the Phokwane Local Municipality for them to continue rendering municipal health services in their area until 30 June 2018. A similar agreement was also concluded with Sol Plaatje Local Municipality until June 2020. The afore-mentioned had to be done as the district municipality is not able to fully implement the act by itself.

My sincere gratitude goes to the entire administration and council of Frances Baard District Municipality without whom we would have not achieved what we have achieved, to COGHSTA in the province, provincial and national government, our local councils and all stakeholders, without your invaluable support and contribution our municipality will not be where it is today.

A handwritten signature in black ink, appearing to be 'B. V. Ximba', written over a horizontal line.

*The Executive Mayor*

## 1.2 Executive summary

### Municipal Manager's Overview

It is a great pleasure to present our annual report to you for the financial year 2016/17. This has been a year of success but also a few challenges that needs our dedication and commitment to the course of service to our community. We are happy that we have our new council which will provide political leadership and steer our mandate for the next five years. Our fourth generation IDP has been adopted and we are putting all our hands on deck to ensure that we do not fail our communities.

We appreciate the economic climate under which we operate and despite this challenge we had to opt for efficiency in all our day- to- day operations. The position of the district municipality like us is faced with challenges of remaining relevant in living up to the objectives of local government as outlined in the constitution. We remain optimistic that the future will see more functions added to district municipalities which has proven to have built capacity to function on its own but also to assist its local municipalities.

We received an unqualified audit with findings opinion from the Auditor General for the year 2016/17. This is a regression from the past two years of unqualified audit with no findings. The regression is based on our non- compliance on GRAP standard reporting, compliance with SCM regulations and of great concern is our material misstatement on performance management. Performance management remains our major challenge but we are putting all efforts, including monitoring and evaluation, to improve so that we can restore our record on achieving unqualified audit opinion with no findings.

My gratitude goes to the executive management team, the entire staff of the municipality, council and most importantly audit and the risk management committee for their dedication and commitment in ensuring that this municipality carries out its constitutional obligation. To our stakeholders and partners in local government, we thank you for carrying us in trying to build a better society.



Municipal Manager  
Ms Z.M Bogatsu

A handwritten signature in dark ink, appearing to read 'Z.M Bogatsu', positioned above a horizontal line.

*Municipal Manager*

## 1.3 Municipal functions, population and environmental overview

To sustain and maintain its developmental status, the district municipality must continuously adapt and align itself. All the delivery efforts of the municipality has been and continues to focus on assisting category B- municipalities in terms of infrastructure for the provision of free basic services as well as operation and maintenance support. The district municipality continues to assist the smaller local municipalities with adhoc administrative issues and financial management support.

The district municipality continues to strive to promote and uphold accountable, efficient and effective operational internal systems. As the sphere of government closest to civil society it is important that the district municipality sustains its developmental focus. The municipality prides itself in having sound financial management approaches as a cornerstone for effective and efficient performance.

### Key Performance Areas (KPA's)

- Municipal transformation and institutional development;
- Local Economic Development (LED);
- Basic service delivery and infrastructure investment;
- Financial viability and financial management, and
- Good governance and community participation

The Frances Baard District is made up of the district municipality (category C municipality) and four local municipalities (category B municipality). The local municipalities each have their own powers and functions to provide municipal services on an equitable and sustainable manner. The role of the district municipality is to assist local municipalities to build their capacity and enable them to be in a position to discharge their mandate.

As the purpose of a district municipality is to respond to the need and capacity of local municipalities, the Constitution foresees and permits that the district municipality may play a different role in respect of each local municipality in its district. The division of functions and powers between a district municipality and the local municipalities in the district can be asymmetrical and will depend on need and capacity. A district municipality must, first, redistribute resources within a district according to need; second, assist and capacitate local municipalities to enable them to provide, and sustain the provision of services in their areas; and third, promote economic development in the district. This is done by implementing the shared-service model concept.

### District-wide priority issues

1. Housing and land
2. Sanitation
3. Storm water drainage and streets
4. Youth development
5. Sports and recreational facilities
6. Health
7. Education
8. Electricity
9. Water
10. High mast and street lighting
11. Refuse removal
12. Institutional development
13. Social development and safety
14. Agriculture and grazing land
15. Disaster management
16. Local economic development
17. Environmental management
18. Infrastructure development

**According to the District IDP the priority areas for the local municipalities in the Frances Baard District are as follows:**

<b>Municipal area</b>	<b>Priority area</b>
Dikgatlong	Housing and land is rated highest followed by water, storm water drainage and streets, sport and recreation facilities and youth development.
Magareng	Water and sanitation is rated highest followed by housing, health/environment, education/youth development and electricity.
Phokwane	Land and housing is rated highest followed by roads and storm water, water and sanitation and health facilities.
District-wide	The combined priorities for the district shows housing and land, sanitation, storm water drainage and streets, youth development sport and recreation facilities and health are the highest areas of focus.

The annual budget in respect of the 2016/17 financial year was prepared according to the approved IDP and Budget Process Plan. The process plan followed after consultation with the local municipalities within the district to ensure alignment.

### **Geography**

Frances Baard District is the smallest of the five districts in the Northern Cape and occupies 2,384 km<sup>2</sup> of the province's total geographical area. The district comprises of four local municipalities namely:

- Sol Plaatje local municipality
- Dikgatlong local municipality
- Magareng local municipality
- Phokwane local municipality

The seat of the district municipality is Kimberley, the capital of the Northern Cape Province and within the Sol Plaatje municipality area. It is bordered by the John Taolo Gaetsewe, Siyanda and Pixley-ka-Seme districts to the one side and the North West province and Free State on the other.

A total of 65% of the population fall within the Potentially Economically Active (PEA) group, with an equal distribution between male (49.6%) and female (50.4%). The district has an unemployment rate of 39.4%.

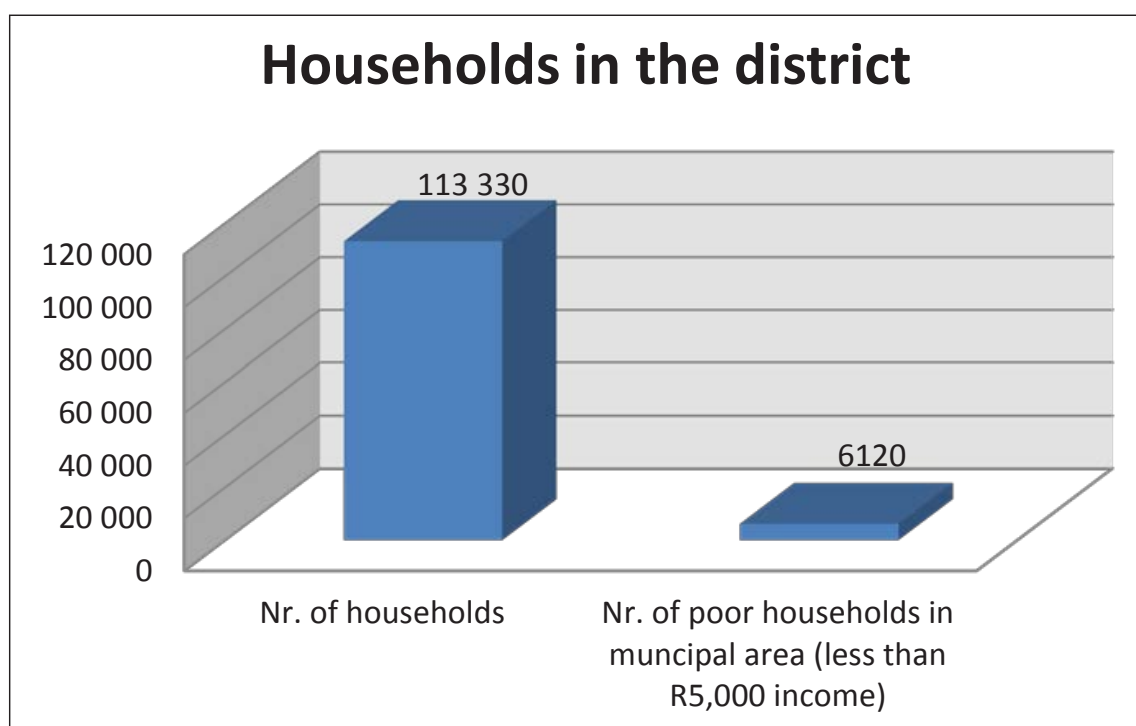
Frances Baard District Municipality is the most populated district in the province, accommodating over a third (33.4%) of the provincial population; and majority of whom lives in Sol Plaatje municipality. (*Quantec Research Data of 2011*)

FBDM has the strongest economic potential in the Northern Cape, accounting for 36% of the provincial GDP. The economy of the district consists of the primary sector (14%) (agriculture and mining), secondary sector (9%) (Manufacturing, electricity and construction) and tertiary sector (77%) (Trade, transport, financial and social services). (*Global Insight, 2016*).

<b>Population Details</b>			
<b>Population</b>			
<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>TOTAL</b>
<b>Age: 0 - 34</b>	65,677	60,626	<b>126,303</b>
<b>Age: 35 - 70+</b>	126,554	134,885	<b>261,439</b>
<b>TOTAL</b>	<b>192,231</b>	<b>195,511</b>	<b>387,742</b>

*Community Survey, 2016*





Socio Economic Status										
Housing Backlog as proportion of current demand		Unemployment rate/		Not economically actively		Proportion of HH with no income		Proportion of population in low-skilled employment	Illiterate people older than 14 years	
Incl SPM	Excl. SPM	Incl SPM	Excl. SPM	Incl SPM	Excl. SPM	Incl SPM	Excl. SPM	Excl. SPM	Incl. SPM	Excl. SPM
56%	38%	12%	4%	27%	10%	13%	5%	1%	11%	6%

The district demographic pattern presents the following challenges and opportunities:

Challenges	Opportunities
<ul style="list-style-type: none"> <li>Increased growth in unemployment and poverty levels</li> <li>Increased dependency on social grants</li> <li>Increased number of indigents</li> <li>Decline in municipal revenue generation</li> </ul>	<p>The district has a very youthful population (30% of the population is &lt;19 years) that has potential for learning and acquiring new skills that may reverse the bleak outlook of the district.</p>



Natural Resources			
Major Natural Resource	Relevance to Community	Challenges	Opportunities
Water	Usage of river to supply water for agriculture purposes and usage of river for outdoor activities (tourism)	Insufficient water rights allocated to small emerging farmers.	<ul style="list-style-type: none"> <li>• Increase of farming activity in the District</li> <li>• Water sport activities/ tourism</li> </ul>
Arable Land	Farming	Skills of emerging farmers, funds to compete with commercial farmers	<ul style="list-style-type: none"> <li>• Supply of malt to the Cape Malt plan</li> <li>• Supply of nuts for oils processing</li> </ul>
Diamond, Lime deposits & semi precious stones	Mining activity	Skills and funding	Small scale mining and processing of semi precious stones
Game	Game farming and establishment of tanneries	Transformation of industry	<ul style="list-style-type: none"> <li>• Entry of blacks into game farming industry</li> <li>• Promotion of trophy hunting</li> <li>• Est. of a tannery</li> </ul>
Sun Light	Establishment and fostering of alternative energy industry and supply of cheaper energy (electricity)	Skills of communities and accessibility to the technology	<ul style="list-style-type: none"> <li>• Alternative energy implements</li> <li>• Cheaper electricity</li> </ul>

## 1.4 Service Delivery Overview

The district municipality allocated R25m to the category B municipalities for capital projects in the 2016/17 financial year. Eight (8) projects in the local municipalities were funded through this allocation. Two projects to the value of R3,8m was rolled over from the previous financial year.

The following are the highlights of our support to category municipalities for the year under review:

### Dikgatlong Local Municipality

- Procurement of utility vehicles for the electrical and water maintenance teams (2 tractors and 2 bakkies);
- Co-funding of the Windsorton/Holpan RBIG project with the Department Water Services. This project entails the upgrade of the Windsorton Treatment Plant and installation of a bulk pipeline to Holpan. The project will continue in the 2017/18 financial year.; and
- Water reticulation network in the CBD area of Barkly West where steel/asbestos pipes were replaced.

### Magareng Local Municipality

- Co-funding of the upgrading of water treatment works project with the Department Water Services. Additional funding had to be requested and the project has been rolled over to the 2017/18 financial year.

### Phokwane Local municipality

- Phase 2 of the multi-year project to refurbishment the old system in Jan Kempdorp WWTW has been completed. Phase 3 of the project will be rolled out in the 2017/18 financial year with funding from the Department Water Services; and
- Funds were allocated for the supply of water to 338 stands in Kingston and phase 1 was completed in the year under review. Funds have been rolled over to the 2017/18 financial year for the completion of the project.

### Sol Plaatje local municipality

- The district municipality allocated R5m to Sol Plaatje local municipality for the resealing of roads and upgrades which was mostly utilised for priority streets in the Ritchie area.

The district municipality managed to assist the local municipalities to maintain water and waste water infrastructure, electrical infrastructure and streets and storm water infrastructure and the maintenance of gravel roads.

The district municipality rolled out several health awareness campaigns at schools and in the communities in the district. This was done to raise awareness of the impact of diseases or environmental risks and provide information how to eradicate or mitigate these diseases or environmental risks in their immediate environments. The municipality also implemented a waste collection and removal project over a period of 6 months in Warrenton and Barkley West to collect waste that was illegally dumped on open spaces in residential areas and in the towns.

Annually the district municipality makes provision for contingency funding to assist destitute families within the district. In 2016/17 approximately R388,638 was spent to support indigent households where climate related incidents caused damages to property. The annual volunteer training in basic firefighting techniques was conducted in this year and volunteers were mainly recruited from the Phokwane municipal area. Awareness campaigns were also conducted to raise awareness about fire safety. The process to procure a 10,000 litre water tanker started in the year under review and will be utilised at the planned fire station to be situated in the Phokwane municipal area.

Emphasis for the 2016/17 financial year moved from the delivery of housing units to the support to municipalities to enable them to deliver houses. Part of this support included the compilation of the Human Settlements Sector Plans and the Chapters for the IDP for the three local municipalities, ie. Phokwane, Magareng and Dikgatlong. This year the municipality also won the award for the best level 2 accredited municipality in the Northern Cape Province and the country for the second time.

The Youth Entrepreneurial Development Programme continued this year and a total of 15 YEDP graduates were trained on entrepreneurship (NQF level 5). Twelve SMMEs were also trained in new venture creation. The business support centre which was established in the previous financial year to service Phokwane and Magareng municipalities was outfitted with the necessary resources. In the year under review the district municipality also completed agriculture sector strategy to unpack the types of agriculture happening in the district and to analyse the support requirements of the sector.

The project to conserve the Ganspan wetland reserve and to develop safe, attractive, sustainable and durable tourism facilities on the banks of the pan is well underway. The environmental impact assessment was concluded; the geological and biodiversity studies have been conducted and awaits approval from the Department Environment and Nature conservation for the submission of the business plan.

Frances Baard District Municipality, Phokwane, Dikgatlong and Magareng Local Municipalities jointly established a district municipal planning tribunal to process land development and land use applications. The tribunal first met in December 2016 and assessed 10 land development applications, of which 8 was approved and 2 were referred back to the applicants to furnish outstanding documents. The type of applications received were township establishments, rezoning and subdivision. The district municipality is facilitated the infill development in Windsorton (Kutlwano and Hebron Park), on behalf of Dikgatlong local municipality. The process included subdivision, consolidation, rezoning, cadastral survey, preparation of the sub-divisional plans and submission to the Surveyor-General for approval. The project has been approved by the planning tribunal and the general plan report has been submitted to the Surveyor-General for final approval.

The district municipality conducted a comprehensive land investigation and audit in order to establish land ownership and to determine whether properties disposed off have been properly transferred. The audit focussed on the three local municipalities namely Phokwane, Magareng and Dikgatlong.

## 1.5 Financial Overview

The audited financial year end results indicated that the municipality succeeded in maintaining a healthy financial position. This was possible through the implementation of good financial policies and proper internal controls.

Although the municipality relies heavily on grant funding to finance its operations, it still succeeded to build the capacity of the local municipalities in its area of jurisdiction to assist them to perform their functions and exercise their powers.

The important ratios remain positive that indicates that the municipality will be able to meet future financial obligations and there is no indication that the going concern is deteriorating. The community wealth decreased from R83.89m to R68.43m due to increased investment in municipal services at local municipalities. All these provisions and resources are cash backed.

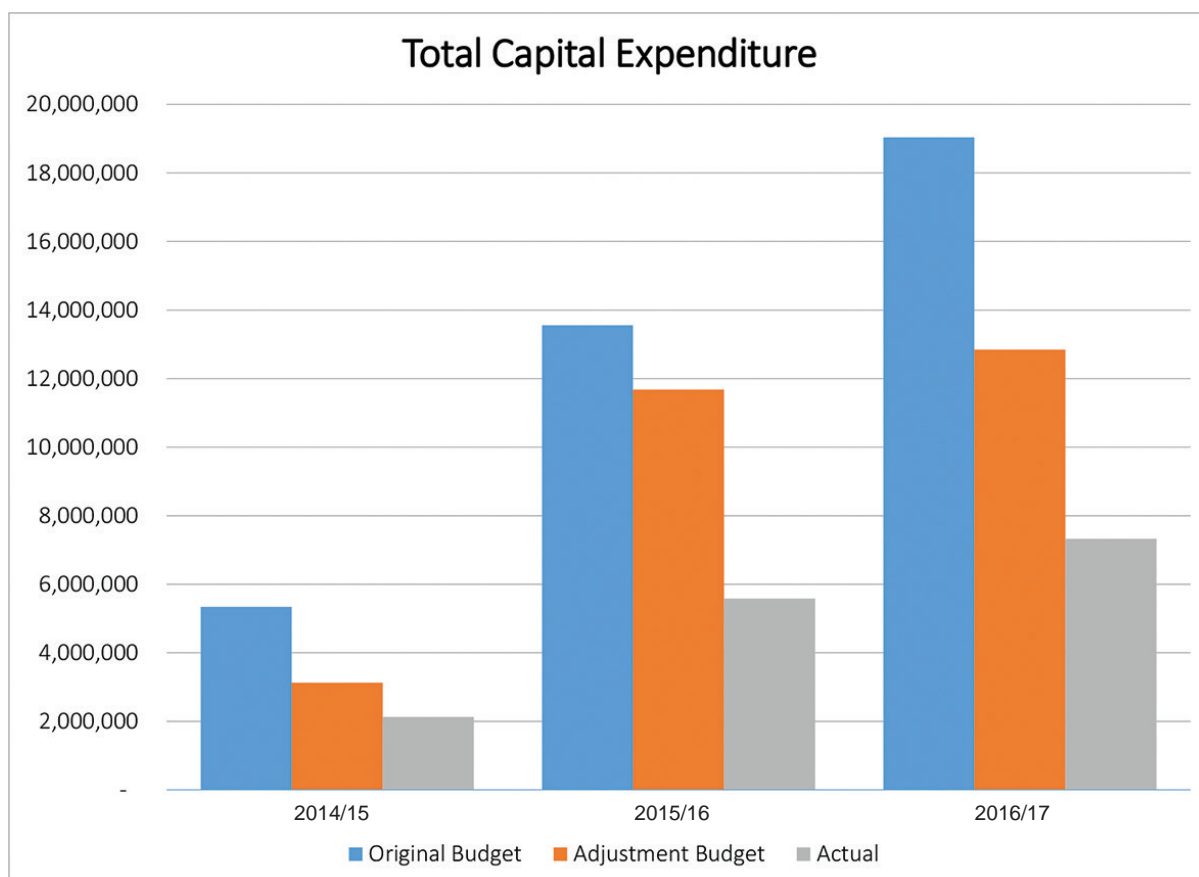
The national growth rate of the country is currently less than one per cent. This will definitely contribute to a lower growth rate in equitable share allocations. Notwithstanding the negative economic growth forecasts, the municipality was able to allocate 33% of its revenue to make a difference in the lives of many people in the district on a number of areas that influence daily lives of people in the district.

Financial Overview - 2016/17			
			R'000
Details	Original Budget	Adjustment Budget	Actual
<b>Income</b>			
Grants	112,991	113,191	114,013
Taxes, Levies and tariffs			
Other	6,654	6,954	7,956
<b>Sub-Total</b>	119,645	120,145	121,968
<b>Less Expenditure</b>	160,269	160,892	137,409
<b>Net Total*</b>	(40,624)	(40,747)	(15,441)
*Note: surplus/(deficit)			

Operating Ratios	
Detail	%
Employee Cost	45.87%
Repairs & Maintenance	2.86%
Finance Charges & Depreciation	4.79%

The district municipality exceeded the 35% norm for employee cost due to its outward looking approach by attracting and appointing highly skilled / dedicated personnel to support the local municipalities in the district area in order to address the challenge of scarce skills / expertise such as engineers, IDP professionals, internal auditors, human resources practitioners, finance related personnel, etc. General maintenance costs are in line with guideline norm of 3% prescribed by National Treasury. Finance charges & depreciation are reflected in the external loan agreement with the DBSA and the prescribed principles in terms of GRAP 17.

Total Capital Expenditure 2014/15 - 2016/17			
	R'000		
Detail	2014/15	2015/16	2016/17
Original Budget	5,340	13,556	19,036
Adjustment Budget	3,129	11,679	12,848
Actual	2,125	5,582	7,325



Actual expenditure incurred on fixed assets represents an efficiency rate of 49.99%. There were roll overs for the building of the additional office block and the manufacturing of the fire engine and this brought the capital expenditure down.

## 1.6 Organisational Development Overview

As at 30 June 2017, we had completed the job evaluation for all job descriptions within the municipality. The audit of the job evaluation has commenced but will be finalised in the first quarter of the 2017/18 financial year. This will then assist the organisation to align all job descriptions to its mandate.

We are continuing to build our internal capacity and we afford our councillors and officials an opportunity to develop their skills through our skills levy. We had 4 councillors enrolled on the university of Fort Hare's diploma in local government. This is intended to enhance the oversight of council as well as provide political leadership over the administration. We spent 100% of our bursary allocation and 57.98% for training on officials for the current financial year.

Despite the challenge that we faced with MSCOA prior to implementation, we managed to smoothly go live by 01 July 2017. As at year end, 30 June 2017, we were all systems go.

We have also made strides in preparing ourselves to perform the municipal health services as expected. The alignment between ourselves, Phokwane and Sol Plaatje is at an advanced stage and we are set to complete the process in the 2017/18 financial year

## 1.7 Statutory Annual Report Process

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period.	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise 4th quarter Report for previous financial year	
4	Submit draft Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
7	Mayor tables the unaudited Annual Report	
8	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor-General.	
9	Annual Performance Report as submitted to Auditor-General to be provided as input to the IDP Analysis Phase	
10	Auditor General assesses draft Annual Report including consolidated Annual Financial Statements and Performance data	Sept. - Oct.
11	Municipalities receive and start to address the Auditor-General's comments	November
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor-General's Report	
13	Audited Annual Report is made public and representation is invited	
14	Oversight Committee assesses Annual Report	
15	Council adopts Oversight report	December
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	January
18	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input.	

The contents of an annual report provide information about how well the municipality is doing financially, upcoming changes projected for the next year, and the management staff of the municipality. Concerned parties, such as shareholders, can use this information to make important decisions.

It is therefore imperative that these guidelines as set out above are adhered to, to ensure that the report complies and give a true reflection of how well the municipality is doing.

The IDP is a strategic document that clearly outlines the development objectives and provides a policy framework that guides management in decision-making relating to budgeting and planning.

The IDP of the municipality is aligned to the budget through programmes and action plans to give operational effect to the objectives. Through the PMS all three are then aligned; the objectives are defined by the inclusion of key performance indicators in the performance plans of directors, line managers and project managers.

# Chapter 2 - Political & Administrative Governance

## 2.1 Political Governance

An effective governance framework, systems, policies and structure is absolutely crucial to the proper functioning of a district municipality such as Frances Baard.

The quality of governance and transformation is one of the major determining factors in turning the district into a prosperous developmental government focussed on improving the quality of life in its area of jurisdiction.

Municipal councils are empowered to address the existing and future needs of their community by making decisions that are recorded in by-laws or resolutions. Council members embody the public welfare of their communities which often means trying to balance their vision with the concerns expressed by the people and organizations affected by their decisions.

The governance system of the Frances Baard District Municipality is a mayoral executive system which comprises of Section 80 Committees (Finance, Policy & Institutional Development, Social Development, Infrastructure Development and Planning and Development).

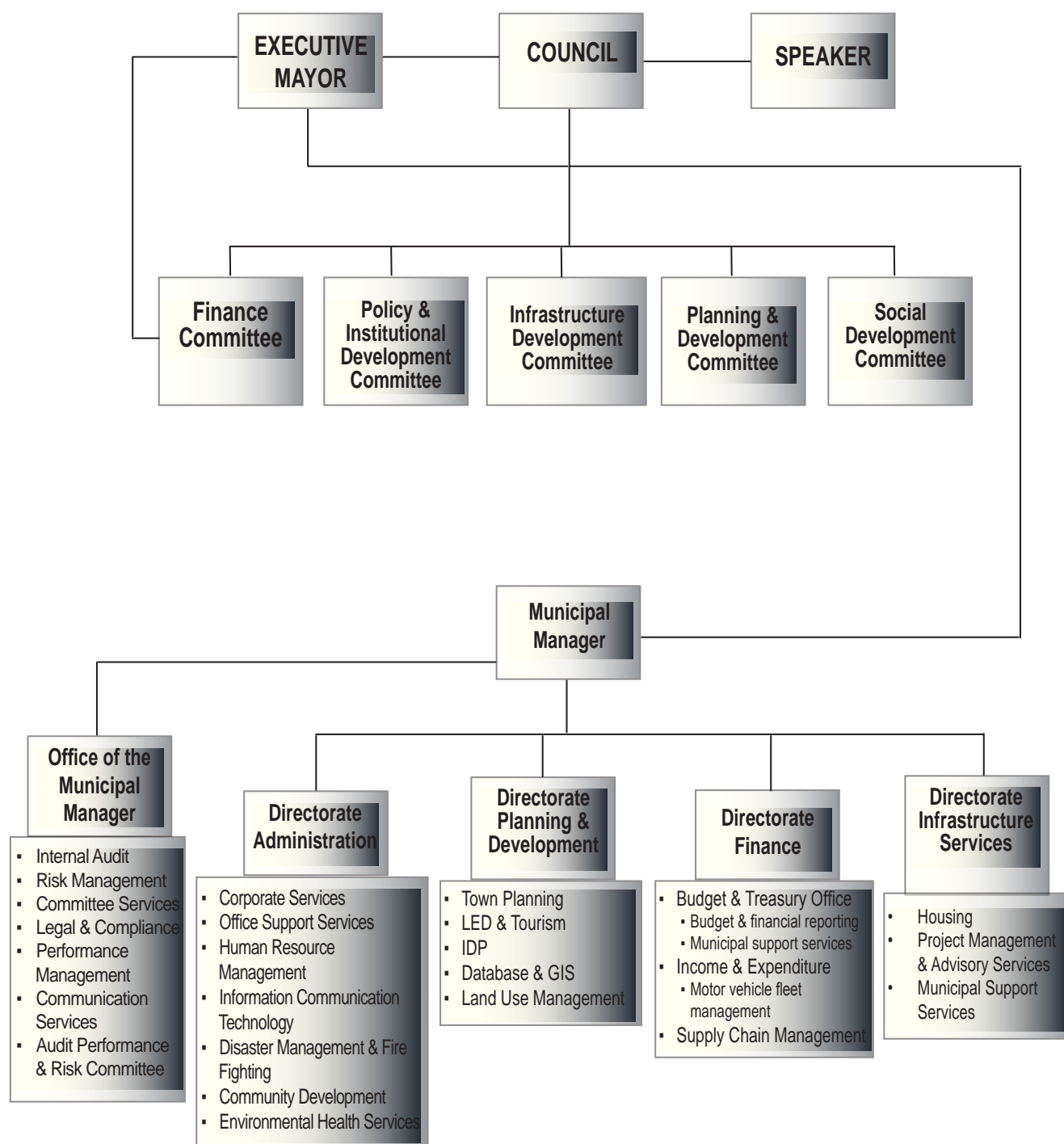
The Executive Mayor heads the municipality and fulfils this governance task in collaboration with the councillors. The Mayoral Committee functions in a manner similar to that of a cabinet with its main function to ensure integration of the work of the Council across political portfolios and departments.

The Speaker presides over all Municipal Council meetings required by legislation. The Speaker also oversees the effective functioning of the council committee system. The committees of Council meet on a monthly basis and formulate recommendations based on their portfolios.

### **The municipality has a mandate to:**

- Provide a democratic and accountable government for local municipalities;
- Ensure the provision of services to communities in a sustainable manner;
- Promote a safe and healthy environment;
- Encourage the involvement of communities and community organizations in the matters of local government; and
- The district does not account for the provision of bulk electricity and water to Category B municipalities as this falls in the jurisdiction of these municipalities as concluded in the Municipal Structures Act. The housing function is currently still in the jurisdiction of the Provincial Department of COGHSTA but will be transferred to the District Municipality upon completion of the accreditation processes.

## 2.1.1 Governance Model





### 2.1.2 Audit, performance and risk committee

**FRANCES BAARD DISTRICT MUNICIPALITY AUDIT, PERFORMANCE AND RISK COMMITTEE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2017**

## 1. PURPOSE

The Committee is honoured to present its report for the financial period ending 30 June 2017. The committee was functional throughout the year and had several engagements with management on matters related to financial management, internal control, risk management, performance management and governance. The committee would like to acknowledge the attendance and participation of the Accounting Officer and senior management as well as internal audit and chief risk officer in committee meetings.

## 2. LEGISLATIVE REQUIREMENTS

We are required to present Council with an annual report for the primary purpose of advising the Municipal Council, political office bearers and accounting officer on matter relating to section 166 (2) – (3) of the Municipal Finance Management Act and other applicable laws and regulations.

### 3. AUDIT COMMITTEE MEMBERS AND MEETINGS DETAIL

### 3.1 Committee structure and assessment

The established committee consists of 3 independent external members as listed below:

- Mr WMS Calitz Chairperson
- Mr TD Mogoli
- Mr GR Botha

The Committee Chairman should assess the performance of individual Committee members, and the Council should evaluate the Committee's chairman, based on several factors. These include:

- Expertise;
- Inquiring attitude,
- Objectivity, and independence;
- Judgment;
- Understanding of the public-sector business;
- Willingness to devote the time needed to prepare for and participate in Committee
- deliberations;
- Timely responses; and
- Attendance at meetings

Overall the Chairperson is satisfied that the current members, have displayed sufficiently, through behaviour and attitude, that the expectations set out in the Audit Committee Charter have been adhered to.

### 3.2 Meeting details

The committee is required as per the MFMA section 166(4)(b) to meet at least four times during a financial year.

The committee has met on the dates set out below in the table to execute its mandate in accordance with the agenda of the day.

Dates	S Calitz	G Botha	T Mogoli
29 August 2016	✓	✓	✓
13 October 2016	✓	✓	✗
16 November 2016	✓	✓	✓
15 March 2017	✓	✓	✗
22 May 2017	✓	✗	✓
23 June 2017	✓	✓	✓
<b>Total</b>	<b>6</b>	<b>5</b>	<b>4</b>

The meetings above includes special meetings where the agenda was limited to specific responsibilities such as the review of the draft annual financial statements and draft annual report.

#### 4. AUDIT COMMITTEE RESPONSIBILITIES

The committee is pleased to report that it has complied with its responsibilities arising from Section 166(2) of the Municipal Finance Management Act, Section 41 of the Municipal Systems Act, Local Government Municipal Planning and Performance Management Regulation and relevant Treasury Regulations and circulars and other relevant legislation. The committee has formally adopted its terms of reference as its Audit, Risk and Performance Committee charter and has regulated its affairs in compliance with this charter and discharged their duties as contained therein.

#### AUDIT COMMITTEE COMMENTS

##### 5.1 INTERNAL AUDIT

###### 5.1.1 Staff

The committee took note that the internal audit unit is headed up by a Chief Audit Executive (CAE) and supported by a number of staff members. The audit committee is satisfied that the staff complement is sufficient to perform its duties in respect of the Frances Baard District Municipality. The FBDM, however, provides an internal audit function to the local municipalities (Dikgatlong and Magareng) and based on the annual audit plan a portion of the work is outsourced. The long-term vision of this important support service will require the attention of the Council to consider the optimal human resource component and associated resources required to meet the continuous demands placed on effective governance.

###### 5.1.2 Performance

The committee is satisfied that the internal audit unit performed its activities in all material respects in accordance with the approved internal audit plan for the financial year read with section 165 of the Municipal Finance Management Act. Quarterly internal audit reports reflecting the progress were adopted at the normal meetings held during the year. Where appropriate the audit committee expressed their views on the progress and we are overall satisfied with remedial actions taken by the CAE and Accounting Officer.

###### 5.1.3 Training

The committee took note of training attended by the internal audit unit during the year and would like to emphasise the continuation of professional development as a key element for an effective and efficient internal audit unit. The committee will continue to motivate and

support the furthering of professional development in a bid to achieve the desired qualification for the approved positions of the internal audit unit.

## **5.2 EXTERNAL AUDIT/AUDITOR-GENERAL SOUTH AFRICA**

The audit committee did not have an opportunity to liaise with the external auditor prior to the commencement of the 2016/17 audit cycle and was not party to the discussion of the audit engagement letter and audit strategy. In terms of our obligations towards the external auditor and good corporate governance we report as follows:

### *King III Code of Corporate Governance*

The committee will evaluate the independence and objectivity of the external auditor by requesting a representation from the auditor before the issuance of the final audit report. The audit and quality assurance standards sufficiently provide guidance and assurance on independence and objectivity of the external auditor.

### *IAS 610 and Combined Assurance*

The Auditor-General indicated that no reliance will be placed on the work of internal audit for the 2016/2017 year, but the AGSA and internal audit should work together towards achieving combined assurance. The approach will be to use the work of internal audit for significant risk identification purposes.

The audit committee is committed to improving the combined assurance model where the committee receives assurance from management, internal and external audit and any other assurance provider that may be necessary from time to time.

### *Significant risks*

The committee took note of the significant risks as identified by the Auditor-General and emphasised the importance of audit readiness to ensure that no limitation of scope occurs.

## **5.3 EFFECTIVENESS OF INTERNAL CONTROL**

The committee is of the view, based on the independent evaluations conducted by internal audit during the year as well as reports submitted to the committee that a system of internal controls have been established by the accounting officer. The level of assurance is reflected in more detail in the internal auditor's report and the audit committee has expressed themselves over weaknesses in implementation, monitoring and oversight during the discussion of those detailed reports.

## **5.4 RISK MANAGEMENT**

The committee is satisfied with the progress made with risk management in the district municipality. A separate risk management committee has not yet been established and the responsibility currently resides with the audit committee. As the risk management maturity level improve, so will the processes mature to have a risk management committee reporting to the audit committee in the future.

The committee reviewed the appropriateness of the risk management policy, strategy, methodology and implementation plan and recommended them for approval by Council. The annual risk assessment report was presented to the committee and recommended for approval by Council. We took note of the reports presented on the strategic risk register as well as the operational risk register of the business units and identified certain weaknesses from the register: An action plan to have risk owners report to the risk committee on mitigation strategies have been implemented.

## **5.5 IN-YEAR FINANCIAL MANAGEMENT REPORTS**

The committee received in-year financial management reports and considered the content thereof during our meetings. Management provided assurance on the reported financial information.

## **5.6 PERFORMANCE MANAGEMENT**

The municipality established a performance management system incorporating the institution performance report and performance agreements of the accounting officer and senior management. Throughout the financial year management provided assurance on the reported performance information, supported by the report from internal audit. Minor weaknesses on reported performance information were addressed by management throughout the year. The audit committee was involved in the performance assessments of the accounting officer and senior managers. The audit committee took note of the targets not achieved for the 2016-17 financial year as well as the corrective steps taken by the accounting officer. The impact of local municipalities supported by the district municipality on performance remains a concern for the audit committee. Mitigation strategies to improve performance by local municipalities in terms of planning, implementation and reporting should be considered by council during the next strategic planning and mid-year review.

## **5.7 THE ANNUAL FINANCIAL STATEMENTS**

### **5.7.1 Unaudited financial statements**

The committee performed its assessment of the draft financial statements during a meeting held on the 28th of August 2017 and made some recommendations for consideration by management. A separate report on the draft financial statements have been compiled that should be considered by Council and re-evaluated with the final audit report and audited annual financial statements when the audit committee will express itself on the annual report and contribute to the oversight report.

### **5.7.2 Review of the Auditor-General's report.**

The committee have considered the draft audit report and take note of the audit opinion expressed.

### **5.7.3 Changes in Accounting Policies and Practices**

The committee considered any changes to the accounting standards (GRAP) and took note that the municipality did not elect to early adopt the amendments to the standards. The impact of these amendments does not appear to be significant. Further assessment will take place during the financial year leading up to year-end.

### **5.7.4 Compliance with laws and regulations.**

The committee took note that the municipality complied in all material respect with laws and regulations. Assurance was obtained from management and internal audit throughout the financial year. The committee is aware of the challenges the municipality might face with the non-appointment of senior management and the chief financial officer.

### **5.7.5 Review on the information of predetermined objectives.**

The Auditor-General has performed a review on the predetermined objectives and management should ensure that the mid-year assessment is appropriate.

## **6. CONCLUSION**

Whilst the audit committee strives to add value and strengthen the governance of the municipality, the benefit thereof can only be derived through concerted efforts by both Management and the Council to implement the resolutions and recommendations provided by the audit committee.

The committee would like to urge both Management and the Council to work as a collective to achieve a clean audit.

.....  
**Mr.W.M.S.Calitz**

**Chairperson of the Audit, Performance and Risk Committee**

**11 September 2017**



Ms Buyiswa Ximba  
Executive Mayor



Mr McDonald Silingile  
Speaker



Ms K C Mothibi  
Finance Committee



Ms E M Mathe  
Policy & Institutional  
Development  
Committee



Ms M E Motsamai  
Social Development  
Committee



Ms L N Shushu  
Planning & Development  
Committee



Mr M E Mokgathlhanyane  
Infrastructure  
Development Committee

See **Appendix A** - full list of councillors (including committee allocations and attendance at council meetings)

See **Appendix B** - committees and committee purposes

#### **2.1.4 Political Decision-taking**

Council is the highest decision-making body within its legislative and executive powers as provided for in Section 12 of the Municipal Structures Act. Section 80 Committees, MPAC and the Oversight Committee table its reports to Council for its decision-making.

Council sits on a monthly basis, except for August and October. The Executive Mayor also exercise her duties in terms of Section 55 of the Municipal Structures Act. She convenes her Mayoral Committee on a monthly basis to consider reports from other committees and formulate recommendations to Council.

The Mayoral Committee functions in a manner similar to that of a cabinet with its main function to ensure integration of the work of the Council across political portfolios and departments.

The Speaker is a councillor elected as chairperson of the Municipal Council as per legislation and presides over the meetings of council.

The Speaker also oversees the effective functioning of the council committee system. The committees of Council meet on a monthly basis and formulate recommendations based on their portfolios.



## Council resolutions taken for the 2016/17 financial year

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Establishment of committees	<ol style="list-style-type: none"> <li>Council resolved to maintain the current committee system.</li> <li>Council resolved that it will appoint members of section 79 committees in the next council meeting.</li> </ol>	29 Aug 2016	Council appointed the committee during its special meeting of 07 October 2016.	
Declaration of interest	<ol style="list-style-type: none"> <li>Council resolved that councillors will provide the Municipal Manager within 60 days from the date of this meeting, with their written financial interests.</li> <li>Council took note of the regulation with regard to declaration of gifts.</li> <li>Council took note of the provision of Section 5 of the Code of Conduct for Councillors as contained in Schedule 1 of the Municipal Systems Act, 2000.</li> </ol>	29 Aug 2016	All councillor signed declarations of interests.	
Delegation of powers to the executive mayor, other political structures and/or administrative functionaries	Council took note of the reviewed systems of delegation for Frances Baard District Municipality.	29 Aug 2016	The municipality's system of delegation is continuously implemented.	
Code of conduct for councillors	Council took note of the contents of the Code of Conduct for Councillors.	29 Aug 2016	No action required	
Rules of order	Council took note of the amended Rules of Order for the dispatch of business by the Council and matters connected therewith.	29 Aug 2016	No action required	
Remuneration of Councillors in Terms of the Remuneration of Public Office Bearers Act No 20 of 1998	<ol style="list-style-type: none"> <li>Council took note of what proportion of the maximum salaries, allowances and benefits should be applicable to it.</li> <li>Council took note that all councillors are responsible for their own cellphone contracts.</li> </ol>	29 Aug 2016	No action required	
Council and committee meetings: 2016	Council took note of the proposed meeting schedule for 2016.	29 Aug 2016	Meetings took place as scheduled except for when quorum is not reached.	
Appointment of statutory committees: audit committee and performance audit committee	Council noted of the appointment Mr. TDJ Mogoli, Mr. G Botha and Mr. WMS Calitz to serve on the audit, performance and risk committee for a three year fixed term	29 Aug 2016	Audit committee continues to perform its functions and regularly reports to council as per legislation.	
Appointment of statutory committees: Financial Misconduct Disciplinary Board	Council noted of the appointment of the disciplinary board to serve for a three year fixed term.	29 Aug 2016	The committee is functional.	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Establishment of committees	<ol style="list-style-type: none"> <li>1. Council appoints five (5) Councillors each to its committees and ensure representation on all parties, on a proportional basis.</li> <li>2. Council appoints nine (9) Councillors to the Municipal Public Accounts Committee and designate one member from amongst the appointed as the chairperson.</li> </ol>	07 Oct 2016	The committee are functional	
Monthly report for environmental health: June 2016	<ol style="list-style-type: none"> <li>1. Council noted the contents of the report.</li> <li>2. Council approved that the expenditure on the projects and programmes undertaken by the Environmental Health Unit be reflected in the monthly reports.</li> </ol>	23 Nov 2016	EH monthly reports reflect expenditure.	
Monthly report for environmental health: July 2016	<ol style="list-style-type: none"> <li>1. Council noted the contents of the report.</li> <li>2. Council approved that the expenditure on the projects and programmes undertaken by the Environmental Health Unit be reflected in the monthly reports.</li> </ol>	23 Nov 2016	EH monthly reports reflect expenditure.	
Monthly report for environmental health: September 2016	<ol style="list-style-type: none"> <li>1. Council noted the contents of the report.</li> <li>2. Council approved that the expenditure on the projects and programmes undertaken by the Environmental Health Unit be reflected in the monthly reports.</li> </ol>	23 Nov 2016	EH monthly reports reflect expenditure.	
Writing off redundant computer furniture and equipment	<ol style="list-style-type: none"> <li>1. Council approved the writing off of the attached list of redundant asset per asset category identification subject to the Mayoral Committee inspecting these assets and satisfying itself that they can be written off before the Council meeting of 23 November 2016.</li> <li>2. Subject to 1 above, Council disposes off the mentioned redundant asset in terms of the Asset Management and Supply Chain Management policies of the municipality.</li> </ol>	23 Nov 2016	Items where inspected by the Mayoral committee and subsequently written off by Council and removed from the asset register of the municipality.	
IT Sysaid Helpdesk System write-off	<ol style="list-style-type: none"> <li>1. Council noted of the report; and</li> <li>2. Council approved the writing-off of the IT Sysaid Helpdesk system.</li> </ol>		The IT Sysaid Help Desk System written off and removed from the municipality's asset register.	
Monthly finance report: June 2016	<ol style="list-style-type: none"> <li>1. Council noted of the contents of the report.</li> <li>2. Council approved that a workshop on mSCOA and the interpretation of section 71 reports should be arranged for all councillors.</li> </ol>	23 Nov 2016	Not implemented	SALGA and Provincial Treasury to coordinate workshop
Monthly finance report: July 2016	<ol style="list-style-type: none"> <li>1. Council noted of the contents of the report.</li> <li>2. Council instructed the Municipal Manager to compile a report on the installation of CCTV cameras in her office and the report should be tabled at the December 2016 council meeting.</li> </ol>	23 Nov 2016	A presentation was made to Council by the Manager: Fire and Disaster Management on why the CCTV cameras were installed in the office of the Municipal Manager	



Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Quarterly report on integrated development plan (IDP) - (01 July 2016 – 30 September 2016).	1. Council noted the contents of the report. 2. Council approved that the expenditure on the projects and programmes undertaken by the IDP unit should be reflected in the quarterly reports.	23 Nov 2016	The monthly report template adjusted accordingly.	
Quarterly report for spatial planning: (01 July 2016 – 30 September 2016).	1. Council noted the contents of the report. 2. Council approved that the expenditure on the projects and programmes undertaken by the Spatial Planning unit should be reflected in the quarterly reports.	23 Nov 2016	The monthly report template adjusted accordingly.	
Quarterly report on tourism: (01 July 2016 – 30 September 2016).	1. Council noted the contents of the report. 2. Council approved that the expenditure on the projects and programmes undertaken by the Tourism unit should be reflected in the quarterly reports.	23 Nov 2016	The monthly report template has been adjusted accordingly.	
Quarterly report on geographic information systems (GIS): (01 July 2016 – 30 September 2016).	1. Council noted the contents of the report. 2. Council approved that the expenditure on the projects and programmes undertaken by the GIS unit should be reflected in the quarterly reports.	23 Nov 2016	The monthly report template adjusted accordingly.	
Quarterly report on local economic development (LED): (01 July 2016 – 30 September 2016).	1. Council noted the contents of the report. 2. Council approved that the expenditure on the projects and programmes undertaken by the LED unit should be reflected in the quarterly reports.	23 Nov 2016	The monthly report template adjusted accordingly.	
Quarterly report – infrastructure projects: (01 July 2016 – 30 September 2016)	1. Council noted the contents of the report. 2. Council approved that the committee members should visit all the infrastructure projects funded by FBDM. 3. Council mandates that FBDM should provide technical assistance to Dikgatlong Local Municipality because of lack of capacity in that municipality. This request for assistance should be made formally to FBDM by Dikgatlong Local Municipality.	23 Nov 2016	FBDM is constantly providing technical assistance to Dikgatlong and the other 2 smaller LM's.	
Request for permission to utilise the saving from the approved budget	Council approved the utilisation of the saving from Nkandla project to cover the shortfalls for Delpoortshoop and Ganspan Projects.	23 Nov 2016	The project was completed with the savings, within the FY	
(LED Unit) occupation of the diamond fields flagship visitor's information centre	1. Council resolved that the matter be referred to the political heads of FBDM and the Department of Tourism i.e. the executive mayor and MEC respectively, to give them an opportunity to explore solutions to the current challenges. 2. Subject to 1 above, the executive mayor is mandated to write to the MEC responsible for tourism to request a meeting to discuss the challenges relating to the occupation of the Tourism Flagship Centre by FBDM.	13 Dec 2016	A letter was written to the Department of Tourism on 24 January 2017, indicating that the matter is now with the MEC for the Department and the Executive Mayor	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Audit report for the financial year ended 30 June 2016	<ol style="list-style-type: none"> <li>Council takes note of the unqualified audit report without findings as issued by the Auditor General for the 2015/16 financial year.</li> <li>Council resolve that the audited financial statements, performance report and Auditor-General's report be included in the annual report for submission during February 2017 to Council as per legislative requirement.</li> <li>Council to ensure that the final printer's proof of the annual report is submitted to the relevant senior manager of the Auditor-General of South Africa for verification purposes.</li> </ol>	13 Dec 2016	Audit report was included in the annual report as per legislation. The printer's proof of the annual report was submitted to the relevant senior manager of the AG-SA for verification purposes.	
Mid-year budget and performance report: adjustments budget in respect of the 2016/17 financial year	<ol style="list-style-type: none"> <li>Council resolved that the item be put in abeyance pending a workshop on the adjustment budget for councillors.</li> <li>Subject to 1 above, a workshop for councillors on the adjustment budget should be convened on 27 January 2017 at 09H00 and subsequent to that a special council meeting be convened at 14H00 of the same date.</li> </ol>	25 Jan 2017	A workshop for councillor on the adjustment budget was convened on 27/01/2017 and a Special council meeting was subsequently convened, which adopted the adjustment budget for the 2016/17 FY.	
Once-off gratuity payment to non-returning councillors post the 2021 local government elections.	<ol style="list-style-type: none"> <li>Council expresses dissatisfaction with the recommendations made by the commission taking into account that their current remuneration is not enough to even enable them to make the recommended savings.</li> <li>Council further expressed that it does not make sense that members of parliament would continue to receive once off ex-gratuity after the end of their term whilst councillors' once off ex-gratuity will be discontinued as both of them are office bearers, with councillors being at the coal face of service delivery.</li> <li>Council resolved that the Speaker and the Executive Mayor take into account its inputs and make their submissions to the MEC responsible for local government.</li> </ol>	25 Jan 2017	Council, through the office of the Executive Mayor and the Speaker, made submissions to the MEC responsible for local government in the province regarding the once-off gratuity for non-returning councillors.	
Additional funds needed in the adjustment budget - motor vehicle repairs and maintenance for FBDM1	The item will be considered as part of the adjustment budget during the special council meeting of 27 January 2017.	25 Jan 2017	The adjustment budget took into consideration the additional funds required for repairs and maintenance for FBDM1	
Recovering of and / or writing off unauthorised, irregular or fruitless and wasteful expenditures	Council resolved refer the item back to MPAC to consider all matters outstanding do that it can make recommendation on all issues before it(MPAC).	20 Mar 2017	MPAC meeting was convened to consider the matters.	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Quarterly report on local economic development (LED) - (01 October 2016 – 31 December 2016).	<ol style="list-style-type: none"> <li>1. Council noted of the contents of the report.</li> <li>2. Council resolved that each project should be reported separately as an item to enable Council to see how each project progress.</li> <li>3. Council resolved a list containing all SMME's assisted by FBDM and their current status of progress should be submitted to the next committee meeting.</li> </ol>	20 Mar 2017	The reporting for template quarterly reports has been reviewed to accommodate Council decision	
Quarterly report for tourism – (01 October 2016 – 31 December 2016).	<ol style="list-style-type: none"> <li>1. Council noted of the contents of the report.</li> <li>2. Council resolved that each project should be reported separately as an item to enable Council to see how each project progress.</li> <li>3. Council resolved a list containing all SMME's assisted by FBDM and their current status of progress should be submitted to the next committee meeting.</li> </ol>	20 Mar 2017	The reporting for template quarterly reports has been reviewed to accommodate Council decision	
Adoption of it governance framework, user account management and password policy and acceptable use policy	<ol style="list-style-type: none"> <li>1. Council noted and adopts the IT Governance Frameworks.</li> <li>2. Council noted and adopted the User Account Management and Password policy.</li> <li>3. Council noted and adopted the Acceptable Use Policy.</li> </ol>	20 Mar 2017	No action required	
Adoption of ICT master plan	4. Council considered and adopted the ICT master plan	20 Mar 2017	No action required	
Finance monthly report: February 2017	<ol style="list-style-type: none"> <li>1. Council considers the content of the report</li> <li>2. Council approves that FBDM should seek legal advice on how to expedite the process of debt recovery.</li> <li>3. Council approves that Mr. van der Walt's debt of R 2 219.20 should be written off</li> </ol>	19 Apr 2017	Some debtors handed over to the State Attorney for collection	
Service level shared concept principle	<ol style="list-style-type: none"> <li>1. Council approved the draft service level agreement.</li> <li>2. Council authorises the Municipal Manager to sign the service level agreements on behalf of the Frances Baard District Municipality once it has been approved by the councils of the local municipalities involved.</li> </ol>	19 Apr 2017	Draft SLA was sent to all local municipalities.	
Re-allocation of funds to Phokwane Municipality	<ol style="list-style-type: none"> <li>1. Council considered the reallocation of the original allocation of R1, 7 million to Phokwane Municipality from the Guldenskat project to the Kingston water supply project.</li> <li>2. Council approves the reallocation of the R1, 7 million from Guldenskat project to the Kingston water supply project.</li> </ol>	19 Apr 2017	Local municipality notified and project completed in 2017/18 FY.	
Quarterly report – housing (01 January 2017 – 31 March 2017)	<ol style="list-style-type: none"> <li>1. Council noted the contents of the report.</li> <li>2. Council approved that a workshop on housing accreditation be conducted to explain the role of the FBDM in the provision of housing.</li> <li>3. Council approved that a site visit to all projects be arranged for committee members on the day before the committee meeting of June 2017.</li> </ol>	19 Apr 2017	Workshop held on 05 June 2017. Site visits were conducted to three local municipalities on 15 May 2017	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Writing-off and replacement of vehicles	<ol style="list-style-type: none"> <li>1. Council approved the writing off in respect of the following vehicles: Ford Bantam - BRD 836 NC; Nissan Hard-body - BVC 831 NC; Isuzu D/Cab - CBD 761 NC</li> <li>2. Council approved, subject to recommendations 1 &amp; 2 above, the disposal of written-off vehicles by trade in or public tender based on a predetermined reserve price and/or transfer to local municipalities if interested, based on the discretion of the Municipal Manager.</li> <li>3. Council approved that the Municipal Manager mu allocate each of the three vehicles to local following local municipalities based on the needs: <ul style="list-style-type: none"> <li>▪ Dikgatlong local Municipality;</li> <li>▪ Magareng local Municipality</li> <li>▪ Phokwane Local Municipality</li> </ul> </li> </ol>	19 Apr 2017	<p>The vehicles were donated to the three local municipalities. As follows:</p> <ul style="list-style-type: none"> <li>• Dikgatlong: - Ford Bantam</li> <li>• Magareng – Isuzu double cab</li> <li>• Phokwane – Nissan Hardbody.</li> </ul>	
Review of the staff establishment	<ol style="list-style-type: none"> <li>1. Council notes the report on the review of the staff establishment.</li> <li>2. Council approved the following new positions on the staff establishment Position: 2 x Roads and Transport Planners (Department/Unit:Infrastructure Services / Programme)</li> <li>3. Council approved that these 2 positions with the EPWP-Coordinator reports to the Manager Physical Infrastructure Development.</li> </ol>	21 Jun 2017	The staff establishment was reviewed, however the vacancies created have not been filled.	
Monthly report for environmental health: April 2017	<ol style="list-style-type: none"> <li>1. Council considers the contents of the report.</li> <li>2. Council mandates the Executive Mayor to write to the respective Mayors of Dikgatlong and Magareng Local municipalities to raise the issues of non-compliant water samples at certain points in the two municipalities.</li> <li>3. Council mandates the Executive mayor to write to the MEC for Health requesting that the department provide mobile clinic services to the community of Lekhadung.</li> </ol>	21 Jun 2017	A letter was sent to the local municipalities regarding the non-compliant water samples	
Writing-off and replacement of motor vehicle	<ol style="list-style-type: none"> <li>1. Council noted the write off in respect of the FBDM 1 NC vehicle;</li> <li>2. Council approved, subject to recommendation 1 above, the replacement of motor vehicle and through the supply chain management policy procedure and/or participation on the national government contract.</li> <li>3. Council approved, subject to recommendation 1 &amp; 2 above, that the (Q7 FBDM 1 NC )be donated to the Magareng local municipality.</li> </ol>	21 Jun 2017	The vehicle, Audi Q7 FBDM1 – NC, was donated to Magareng Local Municipality for use as a Mayoral Vehicle.	
Request for council directive on status of the appointed disciplinary board by Council	Council resolved to put the matter in abeyance to allow it to get more information on the composition of the board and the legal implications of such a board	21 Jun 2017	No action taken	Administration still awaiting Council's directive in the matter



Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Pension backed lending home loan agreement between Standard Bank and MCPF	<ol style="list-style-type: none"> <li>1. The council granted approval for the municipality to provide the necessary administrative support as stipulated in the service level agreement between Standard Bank and MCPF for councillors of the municipality to access the Standard Bank pension powered housing loans facility.</li> <li>2. Subject to 1 above, council delegated the municipal manager and one councillor to be signatories on behalf of the municipality for all loan applications made by councillors under this facility.</li> </ol>	21 Jun 2017	FBDM provides administrative support as stipulated in the SLA between Standard Bank and MCPF for councillors of the municipality wishing to access the Standard Bank pension powered housing loan facility.	

## 2.2 Administrative Governance

The governance model of the municipality is sound in that it enables control measures, strengthens accountability, allows transparency and compliance to applicable legislation.

Adequate policies and procedures are in place that strengthen the implementation of legislative requirements, thus ensuring that the municipality operates efficiently and effectively. The success of the municipality thus far is ensconced in its policies and procedures, as these provides clarity, gives direction and improves accountability.

The municipality sets priorities (strategic planning), takes decisions, strengthens accountability and engages in constructive interaction with the public and other institutions through its various forms of public and stakeholder engagements.

The performance management processes of the municipality is sound and allows for improved accountability and achieving set objectives. All executive managers signed their performance agreements by 30 June 2016 to comply with the legislative requirements. We take into account the need for putting efforts on monitoring and evaluation to ensure that we perform more than expected

The municipal manager (accounting officer) remains the link between the administration and the political office bearers and ensures that the municipality performs its mandate as required by the constitution and various enabling pieces of legislation. The municipal manager is supported by senior managers (HODs) that support and advise the municipal manager on key management and administrative issues.

Council takes decisions flowing from recommendations made by the administration on matters that seeks its consideration and decision. The Municipal Public Accounts Committee (MPAC), Oversight Committee, Audit Committee and section 80 Committees all ensure that there is a focused oversight over the work performed by the administration. The accounting officer and executive management ensures that it complies with the principles of good governance and has improved its internal controls, procedures and processes.

Supply chain governance in the municipality remains strong and the structures and systems implemented continues to guide and control procurement processes. The supply chain policy is also reviewed on a regular basis to ensure that the municipality adheres to supply chain regulations.

## Tier 1



Ms ZM Bogatsu  
Municipal Manager

## Tier 2



Ms Onneile Moseki  
Acting Chief Financial  
Officer

**Vacant**

Director: Corporate &  
Community Services



Mr Peet van der Walt  
Director: Infrastructure  
Services



Mr Freddy Netshivhodza  
Acting Director: Planning  
& Development

## Tier 3

Third Tier Structure	
Directorate	Director / Manager
Office	Internal Audit Manager, Ms Philladelphia Moroke
	Communications & Media Relations, Ms Gerline Roman
	Office Manager: Committee Services & Administration, Mr Mosimangape Macomo
	Manager: Legal & Compliance, Mr Kgosietsile Matlakala
	Chief Risk Officer: Mr Solomon Pitso
Finance	Assistant Director Budget & Treasury, Ms Onneile Moseki
	Chief Accountant Budget & Support Services, Mr Jan van Zyl
	Chief Accountant Supply Chain Management, Mr Philip Souden
	Chief Accountant Income & Expenditure, Ms Adele Groenewald-Shields
Infrastructure Services	Manager: Physical Infrastructure Development, Mr Desmond Makaleni
	Housing Manager, Mr Saligh Suliman
Planning & Development	Local Economic Development Manager, Mr Basil Louw
	GIS Manager, Mr Matthews Makinta
	Snr. Town Planner, Mr Freddy Netshivhodza
	Development Planner, Ms Ogomoditse Gopane
Corporate & Community Services	Human Resources Manager, Mr Gordon Taku
	Fire & Disaster Manager, Mr Clifford Jones
	Environmental Health Manager, Mr Kenneth Lucas
	Manager Archives, Records & Support Services, Mr Murvin Mabe
	ICT Manager, Mr Kagisho Moruri

## 2.3 Intergovernmental Relations

Section 42 of the Constitution provides that all spheres of government must co-operate with one another in mutual trust and good faith by establishing and providing for structures to promote inter-governmental relations.

In ensuring provision for services to our local communities, implementation of government programmes and policies, it has become evident that close co-operation between the three spheres of government is essential.

FBDM has therefore adopted a shared services model with its local municipalities to ensure that the available budget and technical skills are utilised effectively for the benefit of the entire district.

In complying with the inter-governmental relations legislative mandate, FBDM attends the following forum:

### National Intergovernmental Structures

- **National Human Settlements Forums**

The Frances Baard District Municipality is part of the following National Human Settlements forums:

- **Technical Minmec**

This forum meets on a quarterly basis. Its purpose is to review the progress of provinces in terms of human settlements delivery and Outcome 8, to identify bottlenecks and recommend policies and legislation to be endorsed by Minmec.

- **National Accreditation Task Team**

The purpose of this meeting is to monitor and report on progress with the implementation of the accreditation programme. The meeting includes the Capacity and Compliance Audit Team Panel members. The meeting meets quarterly prior to the Technical Minmec to review progress.

- **Implementation Forum**

The purpose of this meeting is to develop the delivery agreement and oversee the implementation of Outcome 8 in Provinces.

It brings together stakeholders and role players and ensures effective coordination and problem solving and that the delivery agreement is achieved. The primary aim is the monitoring and reporting of progress with implementing the delivery agreement and to ensure continuous improvement. The forum report to the Minister's Implementation Forum and is responsible for preparing the content and reports for the Minister's Implementation Forum. The meeting is held jointly with the Technical Minmec.

### Provincial Intergovernmental Structure

FBDM attends the Premier's Inter-governmental Forum, which is attended by all MEC's of provincial departments, district mayors, local mayors and SALGA. The PIGF is the forum in which the Premier co-ordinates the alignment of the provincial and municipal development and strategic planning

### District Intergovernmental Structures

The Executive Mayor convenes the District Intergovernmental Relations Forum which comprises of all local municipalities within the district and all sector departments. The sitting of the DIGF is preceded by the Technical DIGF which is chaired by the Municipal Manager and serves as a support structure to the DIGF.

The District Aids Council is convened and chaired by the Executive Mayor. She convenes sector departments and all non-governmental organisations in the district.

The Council monitors progress in the implementation of government comprehensive plan on HIV/AIDS

### LED Forum

An LED Forum is a platform (institutional arrangement) where residents (individuals, private organizations, government, NGO's, CBO's), within a particular locality gather, with an aim to share information and experiences, pool resources and solve problems which come up in the course of implementing LED projects.

- **Purpose of the LED Forum**

The forum seeks to encourage dialogue on economic policies of government between, private sector, non-governmental organizations and academia. This will be in addition to discussing important issues affecting the municipality. Moreover, the forum contributes to the process of finding appropriate solutions, through conveying recommendations to decision makers in both the executive and legislative authorities and to the business associations and economic media.

- **Role of district LED Forum**

District municipalities are better positioned to provide a coordinating and supporting role to the local municipalities within their broad geographic areas. They have the following direct responsibilities:

- Plan and co-ordinate LED strategies within the frameworks of IDP;
- Co-ordinate LED policies, strategies and projects within the district;
- Identify lead LED sectors that can kick-start development within districts by undertaking economic research and analysis;
- Promote joint marketing, purchasing and production activities;
- Promote networking of firms within the district;
- Collect and disseminate information to assist local municipalities with LED policies;
- Identify resource availability (e.g. grants, land, infrastructure, etc.);
- Maintain a strong relationship with the province; and
- Provide the necessary training to municipalities.

### **District Communications Forum**

The District Communications Forum where all communicators within the district sits and recommend to the municipalities best practices that would ensure good communication within the district.

The main objectives of the district communications forum are as follows:

1. To facilitate communications amongst three (3) spheres of government;
2. Create opportunities to government officials to exchange competencies, knowledge and experience;
3. Gather and compile relevant information for distribution amongst members;
4. To encourage professionalism, co-operation and supports between spheres of government;
5. To promote training and capacity building through workshops, conferences, study tours, presentations or any other means with regards to official matters;
6. In general to promote the interest of the South African government and the objectives as an entirety.



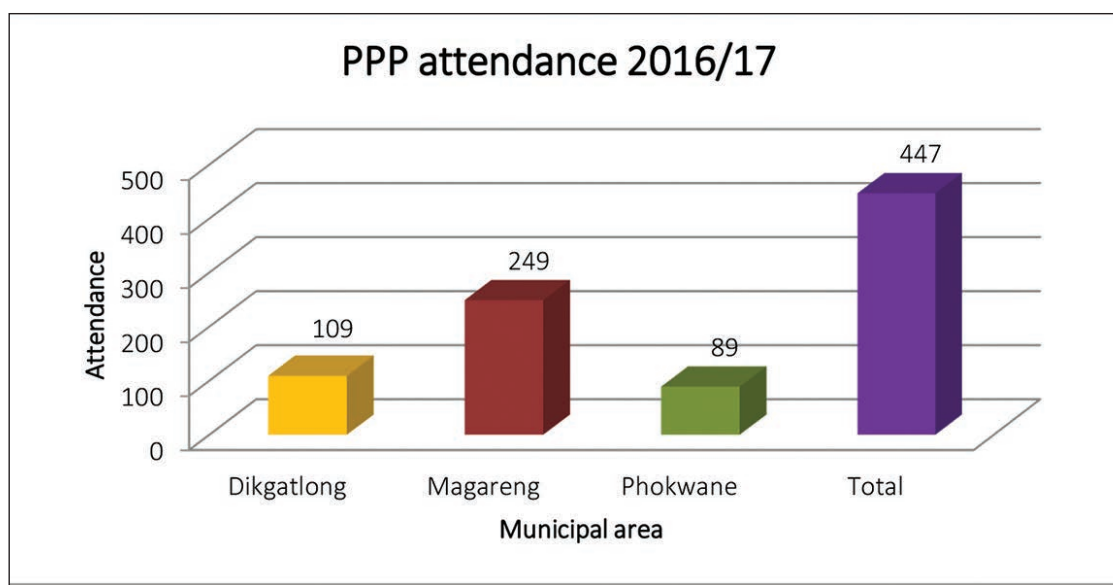
## 2.4 Public Accountability and Participation

Through its public participation programme the Frances Baard District Municipality intends to create opportunities for the political principals to be actively involved in the sharing of information about what government and in particular the district municipality is doing to improve and add to the betterment of the lives of the community.

The programme creates an opportunity for members of the public to have greater access to the decision-making processes of the municipality. It implies that members of the general public or representatives of the affected community or the role players are actively involved in the planning process of the district municipality.

To accomplish the above the district municipality has developed a public participation plan which is intended to be rolled-out in collaboration with other role players and stakeholders such as the local municipalities and sector departments in the area of jurisdiction of the municipality. Through the public participation approach the district municipality wishes to strengthen and enable good governance and sustained service delivery.

In 2016/17 the municipality conducted public participation events during November 2016 and June 2017 and visited communities in all four local municipalities in the district.



### 2.4.1 IDP Participation and Alignment

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

## 2.5 Corporate Governance

The municipal council and the administration play a critical role in ensuring a good corporate governance for the municipality. Council and its committees hold the administration accountable through monthly and quarterly reporting tabled. Council remains the highest decision making body within the municipality but decisions taken by Council flow from recommendations made by the administration. The Municipal Accounts Committee, Oversight Committee and the Audit Committee and all ensure that there is a focused oversight over the work performed by the administration.

The accounting officer and executive management ensure that it complies with the principles of good governance and has improved its internal controls, procedures and processes.

The municipality has a mandate to:

- Provide a democratic and accountable government for local municipalities
- Ensure the provision of services to communities in a sustainable manner
- Promote a safe and healthy environment
- Encourage the involvement of communities and community organizations in the matters of Local Government

The district does not account for the provision of bulk electricity and water to Category B municipalities as this falls in the jurisdiction of these municipalities as provided for in the Municipal Structures Act. The housing function is currently still in the jurisdiction of the Department of Co-operative Governance, Human Settlement and Traditional Affairs with the district municipality only accorded a level 2 accreditation.

### 2.5.1 Supply Chain Management

The approved Supply Chain Management Policy of 23 September 2015 is implemented and is maintained by all relevant role players. The municipality strives to always comply with the supply chain management policy and all applicable pieces of legislation. However, our main challenge remains government officials still do business with the state even though this is a statutory non-compliance.

Despite this we have introduced internal control which prompts all our prospective service providers to declare if they are employed for the state or not as this is a disqualification factor. The Municipal Manager maintains a supply chain management system which is transparent, efficient, equitable, and competitive, and ensures best value for money for the municipality and applies the highest possible ethical standards.

The policy further pledges itself and the municipal administration to the observance of all applicable national legislation, including but not limited to the following:

- Preferential Procurement Policy Framework Act, 2000 ( Act No. 5 of 2000) and its regulations;
- Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) and any applicable code of practice promulgated in terms of that Act;
- Municipal Finance Management Act, 2003 (Act No. 56 of 2003) including the regulations relating to the prescribed framework for supply chain management; and
- Construction Industry Development Board Act, 2000 (Act No.38 of 2000).

The municipality established a supply chain management unit to implement this policy. This unit operates under the direct supervision of the Chief Financial Officer. The municipality has also strengthened its internal controls on the following:

- 1) Demand management;
- 2) Acquisition management;
- 3) Logistics management; and
- 4) Disposal management.

The municipality has only one long term contract with Standard Bank for the banking services. All officials who serve in the respective bid committees are duly appointed in writing by the Accounting Officer. National Treasury introduced a Central Suppliers Database (CSD) which requires all the services providers to register on the database in order to do business with all government institutions. Frances Baard District Municipality has complied fully with the requirements of the CSD.

## Competency levels

The following officials possess minimum competencies as required in terms of sections 83, 107 and 119 of the MFMA:

1. The Accounting Officer;
2. The Acting Chief Financial Officer;
3. The Director: Infrastructure Services;
4. The Director: Administration;
5. The Manager: Supply Chain Management;
6. The Manager: Budget & Treasury Office;
7. The Manager: Income & Expenditure;
8. Accountant: Supply Chain Management;
9. Accountant: Income & Expenditure;
10. Administrator: Creditors; and
11. Clerk: Supply Chain Management.

## 2.5.2 Risk Management

The Frances Baard District Municipality established a dedicated risk management function in the terms of MFMA Act of 1999, Section 62(1)(c)(i). The risk management unit is positioned under the office of the Municipal Manager and is therefore providing strategic direction on the management of risks.

FBDM and Sol Plaatje local municipality are the only municipalities which have functional risk management units in the district. FBDM is currently providing a shared and support services to both Dikgatlong and Magareng local municipalities excluding Phokwane Local Municipality. A shortcoming on the above mentioned local municipalities in the district is as a result of limited capacity in this area to effectively implement risk management services. FBDM entered into a Memorandum of Agreement with the two local municipalities which regulates how FBDM anticipates assisting the local municipalities to implement risk management processes.

The Municipal Council has adopted the fraud and risk management policies and strategies which has been implemented in the current year. These policies and strategies were aligned to King Code IV of Corporate Governance and Public Sector Risk Management Framework. The risk management processes of the FBDM were evaluated by the Audit, Performance and Risk Committee (APRC) to be adequate and the significant progress has been noted in this regard as opposed to the preceding financial years. As a result, the risk registers of the municipality have been completed timeously and allowed business managers to take control of action plans to mitigate identified risks. Monitoring of actions plans to reduce the impact and likelihood of residual risks was successfully completed.

There is a long way to go in reducing all identified risks to acceptable levels and to creating an environment that is free from maladministration, inadequate internal controls and fraud. There were no cases of alleged fraud or corruption reported to the risk management unit during 2016/2017 financial year.

The following are the top five (5) strategic risks that have been identified, the unit managers are tasked with ensuring that these risks are reduced to be within tolerable levels:

- Poor project management at LMs;
- Non-filing of HOD positions;
- IT Policies might not be reviewed to address CGCIT policy framework;
- Approved Internal Audit Plan might not be fully implemented; and
- Inadequate capacity to take over health service functions from the Local Municipalities.

Although risk management is not a new concept the implementation thereof is still maturing into a fully-fledged unit that will provide strategic direction through effective risk management processes. Oversight is vested with the APRC at the current moment and the quarterly meetings include feedback on risk assessment. Once senior management take full control over risk management and report as risk owners on the effectiveness of mitigating strategies, eventually the municipality will have a full circle in the implementation of an effective and efficient risk management unit.

### 2.5.3 Website

Municipal Website: Content and currency of material		
Documents published on the Municipality's Website	Yes / No	Publishing date
Current annual and adjustment budgets and all budget-related documents	Yes	Jul 2016 - May 2017
All current budget-related policies	Yes	As and when reviewed
The previous annual report (2015/16)	Yes	Mar 2017
The annual report (2016/17) published / to be published	Yes	Apr 2018
All current performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act (2016/17) and resulting scorecards	Yes	Aug 2016
All service delivery agreements (2016/17)	Yes	Jul 2016 (SDBIP)
All long-term borrowing contracts (2016/17)		Jun 2017
All supply chain management contracts above a prescribed value (above R200,000) for 2016/17	Yes	Jun 2017
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2016/17	Yes	List of disposed assets placed on website
Contracts agreed in 2016/17 to which sub-section (1) of section 33 apply, subject to sub-section (3) of that section	No	n/a
Public-private partnership agreements referred to in section 120 made in 2016/17	No	n/a
All quarterly reports tabled in the council in terms of section 52 (d) during 2016/17	Yes	Loaded directly after adoption by Council

All documentation relating to the financial status of the municipality that must be displayed on the website for 2016/17 has been successfully loaded. The district municipality does not deliver services directly to the public. As a result information carried by the municipality does not draw as much attention as in the case of the local municipalities. The municipality encourages members of the community wishing to access information held by the municipality via the internet, to do so using the facilities at the Thusong Service Centres.

# Chapter 3 - Service Delivery Performance

## 3.1 Infrastructure Services

Goal	Objective	Outcome	
		Indicator	Target
Improved access to sustainable basic services in the District	To assist local municipalities with projects identification, review and prioritisation in idp's annually	Improved planning	<ul style="list-style-type: none"> <li>BP's submitted on time</li> <li>100% Project completion within time frames</li> <li>Updated infrastructure asset registers</li> </ul>
	To support the provision of potable water, sanitation facilities, electricity and streets and stormwater to all households in the district by 2016/2017	Access to improved basic services	90% of allocated funds spent
	To support operation and maintenance of infrastructure in the LM's annually	Sustainable service provision	Sustainable service delivery
	To promote transport planning in the local municipalities in the district by 2016/2017.	Municipal Roads Asset Management System	1 Road Asset Management System for the district
	To create job opportunities for unemployed through the promotion of EPWP principles in the district and local municipalities by 2016/2017.	EPWP targets achieved as per the annual EPWP incentive agreement	Annual EPWP target set as per incentive agreement
		Number of jobs created through projects other than the EPWP incentive agreement	25 work opportunities

Section 88(1) and (2) clearly define the relationship between district and local municipalities. In the Frances Baard district all services to the relevant communities are provided directly by the local municipalities. The district municipality therefore concentrates all its efforts in supporting the local municipalities. The local municipalities that forms part of the district are:

- Sol Plaatje
- Dikgatlong
- Magareng
- Phokwane

The support is wide ranging, especially in the three smaller local authorities that sometimes struggle with capacity problems. This support is provided by a special unit in the Infrastructure Department which is run by a manager for infrastructure support. He has three engineering technicians as well as an EPWP officer and an administrative officer as support.

The support is comprehensive and includes financial support, advisory services and operation and maintenance support.

### 3.1.1 Financial support

The district municipality was able to allocate funding to the total value of R40 million for infrastructure projects. An amount of this amount R15 million was allocated for operation and maintenance of critical infrastructure.

### 3.1.2 Capital Programme

An allocation of R25 million was made to category B municipalities for capital projects in the current financial year. Eight (8) projects in the local municipalities were funded through this allocation. Two projects to the amount of R3,8 million was rolled over from the previous financial year. This funding was allocated as follows:

Municipality	Activity	Funding allocation (R)
Dikgatlong	Water reticulation in town - replacement of steel/asbestos pipes in Barkly West. (Roll over)	2,600,000
	Water reticulation in town - replacement of steel/asbestos pipes in Barkly West.	3,600,000
	Co-funding of Windsorton/Holpan RBIG project.	5,000,000
	Procurement of 2x tractors	700,000
	Procurement of 2x bakkies for the electrical maintenance and water maintenance teams	700,000
Phokwane	Refurbishment of old system and fencing at the Jan Kempdorp WWTW	4,500,000
	* Guldenskat - Water and sanitation for 608 stands	500,000
	* Guldenskat - Water and sanitation for 608 stands (Roll over)	1,200,000
	* Kingston – Water supply for 338 stands	1,700,000
Magareng	Co-funding of the upgrading of water treatment works project.	5,000,000
Sol Plaatje	Resealing of roads and upgrades	5,000,000

\* Phokwane Municipality requested the re-allocation the funds for the supply of water and sanitation to Guldenskat to the supply of water for Kingston. FBDM's Council approved this request on 19 April 2017

### 3.1.3 Operation and Maintenance

Smaller municipalities struggle with revenue collection and that results in low expenditure on infrastructure maintenance. This has a huge negative effect on service delivery. The district municipality availed an amount of R15 million for operation and maintenance and R2 million was rolled over from the previous financial year for the Kgotso Pula Nala project. During the 2016/17 financial year R16,9 million was spent on these important service delivery funding allocation. The following is a breakdown of the amounts spent:

Municipality	Project Description	Allocation	Amount spent
Dikgatlong	Operation and Maintenance	2,500,000	2,499,998
Magareng	Operation and Maintenance	2,500,000	2,499,999
Phokwane	Operation and Maintenance	2,500,000	2,496,271
Sol Plaatje	Operation and Maintenance	2,500,000	2,499,999
Frances Baard	Operation and Maintenance	5,000,000	4,999,999
Frances Baard	Kgotso Pula Nala	2,000,000	2,000,000
<b>TOTAL</b>		<b>17,000,000</b>	<b>16,996,266</b>

### Number of people employed

During the 2016/17 financial year 321 job opportunities were created in the region<sup>1</sup>:

Labour	Male	Female	Disabled people
Capital projects	64	0	0
Operation and maintenance projects	86	21	0
Kgotso Pula Nala	83	67	0
<b>Total</b>	<b>233</b>	<b>88</b>	<b>0</b>

<sup>1</sup> This is an indication of the number of people employed in projects throughout the district. The funding is provided by the district municipality but how people are recruited is not controlled.



### 3.1.4 Expended Public Works Programme

The Frances Baard District Municipality remains committed to the principles of the Expanded Public Works Programme. It is an integral part of the funding agreements between the district municipality and the local municipalities. Frances Baard has received an allocation of R1 million for the 2016/17 financial year. Projects reported against the incentive grant allocation are part of the projects listed above and Frances Baard has reported activities and employment opportunities against this allocation as follows:

Project description	Amount (R)	Expenditure	Labour		
			Male	Female	Disabled
Streets and stormwater in Warrenton	200,000	200,000	24	11	0
Waste water and water treatment works in Dikgatlong	200,000	200,000	31	22	0
Youth entrepreneurship development programme	600,000	600,000	7	8	0
<b>TOTAL: EPWP</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>60</b>	<b>41</b>	<b>0</b>

### 3.1.5 Housing

The Frances Baard District Municipality, Housing Unit continued to support the Dikgatlong, Magareng and Phokwane municipalities as per the service level agreements between the district municipality and local municipalities to perform various functions towards the provision of human settlements. The 2016/17 financial year continued to be challenging for the Frances Baard District Municipality in the delivery of human settlements. The following services, as outlined in the table below, are available to the local municipalities:

Function	Brief Description
Projects initiation, planning and approval	This involves the identification of new projects, conducting feasibility studies, prepare business plans for funding and facilitate the approval process
Project/Program Management and contract administration	Management of the different housing programmes being implemented; monitoring the overall performance against the project plan and cash flow; ensuring that contractual obligations are fulfilled by all parties involved
Subsidy administration	Administration of the Housing Subsidy System on behalf of the Municipalities; provide a list of approved beneficiaries to the contractor; rectify any errors on the system; assist applicants with the completion of subsidy forms; conduct housing consumer education sessions to capacitate and create awareness amongst the communities
Quality Assurance	Enforcement of the National building regulations, norms, and standards in respect of all buildings
Housing backlog identification and quantification	Through the National Housing Needs Register (NHNR), identify and quantify the housing backlog per municipality
Capacity Development	Provide capacity to communities through the Housing Consumer Education programme. Municipal housing officials are also capacitated, more specifically on housing administration and project management

#### 3.1.5.1 Construction: Progress and Expenditure

The district municipality has managed to deliver 338 houses and 457 serviced sites on projects with the cooperation of COGHSTA and the local municipalities. Developing and acquiring land, more particularly well located land and servicing land continues to prove challenging.

The housing delivery process continues to become more difficult in the current economic climate. Currently the district is involved in only two projects that is still running and have achieved the following since the start of the projects, to date:

Housing projects	Sites serviced	Units planned	Units completed	Expenditure (R)
Bufferzone 220	227	220	68	R 36,196,584
Kingston 685	685	685	370	R 57,398,033
<b>Total</b>	<b>912</b>	<b>905</b>	<b>438</b>	<b>R 93,594,537</b>

### 3.1.5.2 Access to Housing

Percentage of households with access to basic housing			
Year end	“Total households (including in formal and informal settlements)”	Households in formal settlements	Percentage of HHs in formal settlements
2012/2013	95 929	31 468	33
2013/2014	95 929	31 468	33
2014/2015	95 929	31 468	33
2015/2016	95 929	31 468	33
2016/2017	387 741	331 984	86

*Source: Stats SA Census 2016*

The number of households within the district has changed dramatically since the previous Stats SA information. Whereas the previous information was based on Census 2011 estimates, the current information is based on the 2016 Community Survey of Statistics South Africa. According to the information, the district accommodates 387,741 households (this includes Sol Plaatje Local Municipality). Of these, only 331,984 households are accommodated in formal settlements.

GOAL	OBJECTIVES	OUTCOME	
		Indicator	Target
Facilitate the creation of sustainable human settlements	Facilitate the reduction of the Housing backlog by 2016/2017	Reduction in the housing backlog	435 Households
	Capacitate the consumers of human settlements in the district by 2016/2017	Number of consumer education workshops conducted.	8

### 3.1.5.3 Housing Consumer Education

A number of housing consumer education sessions were conducted for the year 2016/2017. The district municipality conducted Fourteen (14) of these sessions. This national housing programme that is aimed at educating housing beneficiaries on the role of Government in the provision of housing as well as the responsibilities of the beneficiary towards their house. The details of these are briefly outlined below:

Project	Date
Title Deeds Workshop	29 September 2017
NHNR Training for Sol Plaatje Administrators	30 January 2017
• Maintenance Estates and Wills – Stillwater	21 February 2017
• Maintenance Estates and Wills – Mataleng	22 February 2017
• Maintenance Estates and Wills - Delportshoop	23 February 2017
• Title Deeds Workshop – Barkly West	16 March 2017
• Title Deeds Workshop - Windsorton	17 March 2017
• Maintenance Estates and Wills – Koopmansfontein	09 May 2017
• Maintenance Estates and Wills – Longlands	10 May 2017
• Maintenance Estates and Wills – De Beershoogte	11 May 2017
• National Housing Needs Register - Delportshoop	01 June 2017
• Title Deeds Workshop – De Beershoogte	09 June 2017
• Title Deeds Workshop – Longlands	09 June 2017
• Title Deeds Workshop – Delportshoop	09 June 2017

### 3.1.5.4 National Housing Needs Register

The district municipality has had several challenges with the NHNR system, the most critical being the speed and stability of the system. Challenges are still being experienced in terms of connectivity. The district municipality opted to connect to the system via its own network infrastructure, a decision that has proven to be justified in terms of cost and stability.

Through the NHNR, Frances Baard District Municipality is able to determine the housing need, type of tenure needed, as well as the socio-economic status of those targeted. This programme is focused on gathering data by completing questionnaires, which is then captured on the National Housing Needs Register. The National Department of Human Settlements has officially prohibited the use of waiting lists and any other lists kept by municipalities to determine the need or identify possible beneficiaries.

Employees: Housing Services					
Job Level	2015/16	2016/17			
	Employees No.	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0	0
4 - 8	0	0	0	0	0
9 - 13*	6	9	6	0.5	6%
14 - 18**	3	4	2	0.5	14%
19 - 26	0	0	0	0	0
<b>Total</b>	<b>9</b>	<b>13</b>	<b>8</b>	<b>1.09</b>	<b>8%</b>
* 1 post vacant; 2 x post unfunded					
** 1 x post vacant; 1 x post unfunded					

Financial Performance 2016/17: Housing Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	3,300	800	800	800	100%
Expenditure:					
Employees	4,059	4,199	4,199	4,172	-1%
Repairs and maintenance	–	–	–	–	–
Other <sup>1</sup>	2,722	1,943	1,552	1,376	-41%
<b>Total Operational Expenditure</b>	<b>6,781</b>	<b>6,141</b>	<b>5,751</b>	<b>5,549</b>	<b>-11%</b>
<b>Net Operational Expenditure</b>	<b>3,481</b>	<b>5,341</b>	<b>4,951</b>	<b>4,749</b>	<b>-12%</b>

### 3.1.6 Project Management & Advisory Services

Employees: Programme Management & Advisory Services					
Job Level	2015/16	2016/17			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0	0
4 - 8	1	2	2	0.19	10%
9 - 13	4	4	4	0	0
14 - 18	1	1	1	0	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>0.19</b>	<b>3%</b>

Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Special Projects Expenditure 2016/17: Programme Management & Advisory Services					
R '000					
Special Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value <sup>1</sup>
<b>Total All</b>	<b>43 227</b>	<b>5 700</b>	<b>26 200</b>	<b>-65%</b>	<b>26 200</b>
Assist Dikgatlong with water reticulation in town - replacement of steel/asbestos pipes in Barkly West.	3 600	0	1 410	-155%	1 410
Assist Dikgatlong with water reticulation in town - replacement of steel/asbestos pipes in Barkly West. (rolled over)	2 600	0	2 600	0%	2 600
Support Dikgatlong with co-funding of Windsorton/Holpan RBIG project.	5 000	0	5 000	0%	5 000
Facilitate the procurement of 2x tractors	700	0	660	-6%	660
Facilitate the procurement of 2x bakkies for the electrical maintenance and water maintenance teams	700	0	646	-8%	646
Refurbishment of old system and fencing at the Jan Kempdorp waste water treatment works.	4 500	0	4 500	0%	4 500
Support Phokwane with the supply of water to Kingston – Water supply for 338 stands	1 700	0	962	-77%	962
Support Magareng with co-funding of the upgrading of water treatment works project.	5 000	-	-	-	-
Assist Sol Plaatje with the resealing of roads and upgrades	5 000	0	5 000	0%	5 000
Implementation of the Rural Roads Asset Management System (RRAMS)	2 427	0	2 427	0%	2 427
Building of additional offices for FBDM	12 000	5 700	2 995	-301%	2 995

- <sup>1</sup> The total project value indicates the total cost of the project upon completion and the amounts in the actual expenditure column is what was spent thus far. Projects implemented over a number of years will show actual expenditure less than the total project value. It indicate that the project is running over more than one year and will be completed in the outer years.

The projects listed above are explained as follows:

#### **Replacement of steel/asbestos pipes in Barkly West.**

Barkly West town experienced continuous leakages and breakages of water pipelines and requested financial and technical assistance from FBDM to minimize these problems. The Dikgatlong municipality lost revenue due to the high water losses because of the old pipes as most of the old pipes were made of steel and asbestos. Through the project some of the old steel and asbestos pipes in Barkly West were replaced. The engineering consultants estimated the total project cost at R42million. FBDM allocated R3,6million and R2,8million for phase 1 in the 2015/16 and 2016/17 financial years, respectively, to replace most of the old pipes in the CBD area. Construction started in January 2017 with an expected completion date of mid-July 2017. The project, however, will only be completed in October 2017 due to delays caused by community and labour issues as well as poor workmanship regarding the finishing work on the concrete and paving block re-instatement.

#### **Co-funding for the upgrading of the Windsorton/Holpan RBIG project.**

The project entails the upgrading of the bulk water treatment works (from 0,7ml/day to 1,6ml/day) at Windsorton and a 11km bulk water supply pipeline to the Holpan community. The Windsorton and Holpan communities has grown and could no longer be supplied with water from a nearby borehole. Both these communities will now be supplied with water from the Windsorton Water Treatment Plant. The project is still in construction and will continue in the 2017/18 financial year. FBDM has already paid out the allocated counter-funding of R5m, as part of the first payments to the service providers. The estimated completion is November 2017 and the district municipality allocated a further R3,5m towards the project in the budget for the 2017/18 financial year.

#### **Procurement of 2 tractors for Dikgatlong municipality**

Dikgatlong municipality requested funding from FBDM to purchase two (2) tractors to assist the municipality with operation and maintenance. The tractors were purchased and delivered to the local municipality on 29 May 2017.

#### **Procurement of 2 bakkies for the electrical and water maintenance teams of Dikgatlong municipality**

Two (2) bakkies with maintenance plans was procured for the local municipality to assist the electrical maintenance and water maintenance units with operations and maintenance. The bakkies were purchased and delivered to the local municipality on 29 May 2017.

#### **Refurbishment of old system in Jan Kempdorp Waste Water Treatment Plant**

Phokwane municipality requested funds and technical assistance to refurbish the waste water treatment plant as it was not functional anymore. The effluent quality therefore did not comply with the national standards of Department of Water and Sanitation. Phases 1 & 2 were funded by Frances Baard District Municipality. Phases 1 included assessment of the plant, site cleaning, works on the inlet works, removal of sedimentation from clarifiers and mechanical and electrical work. Phase 2 included continuing of some of the works in phase 1, replacing and refurbishment of different pumps, replacing of pipework, re-instatement of the fence, de-watering and de-sludging of anaerobic ponds, inlet works, chlorination contact channel and pumping station sump, refurbishment of anaerobic pond inlet and outlet structures, installation of the outlet flow meter at chlorination contact channel and other related works. Phases 1 & 2 were completed in the 2015/16 and 2016/2017 financial years respectively.

#### **Kingston Water Supply for 338 Stands**

Phokwane municipality originally requested funding for water and sanitation provision for the Guldenskat new development. However, in April 2017 Council approved an application from the local municipality to change their allocation of R 1,7 million to a project which will supply water to 338 sites in a newly formalized area in Kingston. The R 1,7 million was used to fund the first phase of the project and a ring-feed was established with communal standpipes. This phase was completed on 30 August 2017.



### **Co-funding for the upgrading of the Warrenton Water Treatment Works**

This project will upgrade the capacity of the water treatment works from 8,4ml/day to 9ml/day. FBDM's portion of R5m is part of the co-funding required by the Department of Water and Sanitation (DWS). The bulk of the funding will be provided by DWS through its Regional Bulk Infrastructure Grant (RBIG) funding. The total project cost has escalated to R54,8m from the initial cost that was calculated in 2014 when the implementation readiness study was conducted. Magareng municipality have to fund 30% of the total project cost and the R5m from FBDM will be used as part of this 30% co-funding. The R5m for the 2016/17 financial year was rolled over from the previous financial year because the local municipality was waiting for DWS to give approval to start with construction. The contractor has been appointed earlier in 2017 but construction have not started because the remainder of the co-funding is still outstanding. As per the DWS rules, local municipalities receiving funding must first utilize the co-funding portion prior to using the DWS allocation.

### **Resealing of roads and upgrades in Sol Plaatje**

This allocation (R5m) was used by Sol Plaatje to reseal main collector routes within the Sol Plaatje area of jurisdiction. The focus was on the Ritchie area. The local municipality completed the resealing in most of the priority streets in Ritchie. The paving of the access road to the Modderriver filling station was taking place at the time of the drafting of the annual report. They will also continue to reseal some streets in Kimberley with own funding and funding from other sources.

### **Implementation of the Rural Roads Asset Management System (RRAMS)**

This grant was set up by government to assist rural district municipalities to set up a Rural Roads Asset Management System and collect road (paved and unpaved), bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA). Municipalities must make provision to maintain:

- RRAMS after the lifespan of the grant;
- data for all rural roads to be updated within two years;
- employment of unemployed youth (S3 experiential training students and young graduates);
- the building of human capacity at municipalities for the operation of RRAMS; and
- the road quality data on RRAMS to assist with the planning of Municipal Infrastructure Grant (roads) investments as well as roads maintenance funded from other sources.

Data reports were submitted to FBDM and all the local municipalities on their roads, traffic and bridge data at the end of the financial year for them to plan maintenance and upgrading work on their streets. The project will continue in the 2017/18 financial year.

### **Building of additional offices for FBDM**

Additional offices were required for the growing staff compliment and Council approved an amount of R12m in the 2015/16 financial year for this purpose. Construction started in January 2017 and the estimated completion is March 2018.

<b>Financial Performance 2016/17: Programme Management &amp; Advisory Services</b>					
<b>R'000</b>					
<b>Details</b>	<b>2015/16</b>	<b>2016/17</b>			
	<b>Actual</b>	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Actual</b>	<b>Variance to Budget</b>
Total Operational Revenue	–	–	–	–	–
Expenditure:					
Employees	2,026	2,121	2,121	1,071	-98%
Repairs and maintenance	–	9	9	–	–
Other*	2,082	835	835	511	-64%
<b>Total Operational Expenditure</b>	<b>4,109</b>	<b>2,966</b>	<b>2,966</b>	<b>1,581</b>	<b>-88%</b>
<b>Net Operational Expenditure</b>	<b>4,109</b>	<b>2,966</b>	<b>2,966</b>	<b>1,581</b>	<b>-88%</b>

### 3.2 Planning and Development

The objectives of planning and development in Frances Baard District Municipality may be summarized as follows:

- To promote the implementation of sustainable integrated development planning in the district;
- To promote and implement an efficient and effective spatial planning system in the municipality;
- To ensure an effective and efficient GIS in the district; and
- To ensure the promotion and development of the local economy in the district.

#### Town and Regional Planning

Frances Baard District Municipality is responsible for ensuring the development of sustainable human settlements in the district. It is therefore supporting the preparation and implementation of spatial development frameworks in each local municipality. In order to achieve these goals, the district has facilitated the preparation of the following planning instruments:

- The establishment of the District Planning Tribunal (DMPT) and it has been operational since 16 November 2016.
- The conducting cadastral survey, special study (Palaeontology) for the township establishment in Delporthoop, Ganspan and Vaalharts.
- The conducting cadastral survey for the Infill development in Windsorton.
- Development of the Dikgatlong CBD renewal plan. The plan provides a vision for future growth; enhances the landscapes, connectivity and revitalises the economic and functionality of the central business district of the Municipality.

#### Geographic Information System (GIS)

GIS provides spatial information to all stakeholders for planning and resource allocation purposes. For the financial year 2016/17 the project has been carried in Dikgatlong municipality to evaluate the billing database of the fixed infrastructure assets. The project entailed the cleansing of the billing database. The project focuses on the improvement of the revenue collection. The district also conducted the land audit and cadastral maintenance for Frances Baard District Municipality (Phokwane, Magareng and Dikgatlong). The project includes the update of the cadastral data set sourced from Surveyor General: National Geospatial Information and the ownership data set from Registrar of Deeds.

#### Local Economic Development (LED) and Tourism

The district municipality renders dedicated assistance to local municipalities in terms of local economic development and tourism. The following has been facilitated:

- The secondment of graduates to local municipalities as interns;
- Hosted the Small Business Week that promotes entrepreneurship in the district;
- Trained 12 SMME's in the establishment and management of businesses;
- Developed district Agriculture sector strategy;
- Phokwane business centre was furnished and equipped with computers;

- Supported 1 SMME in Dikgatlong municipality and 2 in Sol Plaatje Municipality with machinery and equipment through direct support grant;
- Provided financial support to the Dikgatlong Tourism Association to promote tourism;
- Provide financial support towards Sol Plaatje Municipality for Diamonds and Dorings music festival.
- Developed business plan and obtained Environmental Authorization for Gong-Gong waterfall;
- Developed business plan and concept document for Ganspan-Pan Waterfowl Nature Reserve;
- Rolled out the tourism business plan competition to all schools in the district offering tourism as a subject;
- Hosted the tourism association quarterly forums;
- Staged the FBDM marketing stall at the Durban Indaba and the Getaway show ; and
- Conducted tourism awareness campaign in the district.

In discharging its legislative mandate, the district municipality encounters operational challenges. These include:

- Lack of capacity: There is limited capacity in the local municipalities to facilitate the implementation of the spatial planning projects.
- Lack of capacity: There is limited capacity in the local municipalities to facilitate sustainable transfer of skills.
- Limited buy-in: This causes delays in project implementation and negatively affects cash flow earmarked for specific projects.
- High grant dependency: Grant dependency in most local municipalities undermines the future sustainability of municipalities.

### 3.2.1 Town & Regional Planning

GOAL	OBJECTIVES	OUTCOME	
		Indicator	Target
Facilitate the development of sustainable human settlements through effective town and regional planning	To facilitate the development of urban areas in accordance with approved spatial plans by 2016/2017	<ul style="list-style-type: none"> <li>• Implemented SPLUMA at the district and local municipalities</li> <li>• Scheduled sittings of the DMPT undertaken</li> <li>• Land development applications processed</li> <li>• Approved CBD renewal plan</li> </ul>	District and Three (3) Local Municipalities (Magareng, Dikgatlong, & Phokwane)
	To facilitate the preparation of township establishment and Informal settlement upgrading in local municipalities by 2016/2017	Established townships	Three (3) Local Municipalities (Magareng, Dikgatlong, & Phokwane).

Employees: Town Planning Services					
Job Level	2015/16	2016/17			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0	0
4 - 8	0	0	0	0	0
9 - 13	0	0	0	0	0
14 - 18	3	3	3	0	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>

Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial Performance 2016/2017: Town Planning Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	–	–	–	–	–
Expenditure:					
Employees	2,026	2,121	2,121	1,071	-98%
Repairs and Maintenance	–	9	9	–	–
Other <sup>1</sup>	2,082	835	835	511	-64%
<b>Total Operational Expenditure</b>	<b>4,109</b>	<b>2,966</b>	<b>2,966</b>	<b>1,581</b>	<b>-88%</b>
<b>Net Operational Expenditure</b>	<b>4,109</b>	<b>2,966</b>	<b>2,966</b>	<b>1,581</b>	<b>-88%</b>

Special Projects Expenditure 2016//2017: Town Planning Services					
R' 000					
Special Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>694</b>	<b>339</b>	<b>428</b>	<b>-62%</b>	
Windsorton Infill Development	150	0	120	-25%	120
Township Establishment ERF 775 Vaalharts, Ganspan.	72	106	93	23%	93
Township Establishment ERF 696 Delporthoop	96	118	104	8%	104
Township Establishment ERF 258, Nkandla, Hartswater.	144	115	89	-62%	89
Dikgatlong CBD renewal plan	20	0	0	0	20
District Municipal Planning Tribunal (DMPT)/ SPLUMA	212	0	22	-864%	22

### Windsorton infill development

Frances Baard District Municipality has been facilitating the infill development in Windsorton (Kutlwano and Hebron Park), on behalf of Dikgatlong Municipality. The project areas are located on erven 275 and 312 Windsorton. The process includes subdivision, consolidation, rezoning, cadastral survey, preparation of the sub-divisional plans and submission to the Surveyor-General for approval. The project has been approved by the DMPT and submitted to the Surveyor-General for final approval.

### Erf 775 Vaalharts, Ganspan

Frances Baard District Municipality (FBDM) and Phokwane Municipality identified a township establishment project through the spatial development framework of the local municipality. The proposed extension is located on a portion of erf 775 Vaalharts Settlement B, Ganspan and includes 150 erven/stands on a site of approximately 35 hectares. FBDM has allocated funds and is facilitating the township establishment process. The project is due for approval by the district municipal planning tribunal and the Surveyor-General. The Environmental authorisation has been granted.

### Erf 696 Tidimalo, Delporthoop

Frances Baard District Municipality and Dikgatlong Municipality identified a township establishment project through the spatial development framework of the local municipality.

<sup>1</sup> Includes the major cost drivers i.e. printing, advertising, accommodation, travelling, motor vehicle usage, etc.

The proposed site is located on erf 696 in Tidimalo (Delpportshoop) and includes 200 erven/stands on a site of approximately 23 hectares. FBDM has allocated funds and is facilitating the township establishment process. The project is due for approval by the district municipal planning tribunal and the Surveyor-General. The environmental authorisation has been granted.

#### **Erf 258 Nkandla Hartswater**

Frances Baard District Municipality and Phokwane municipality identified a township establishment project through the spatial development framework of the local municipality. The proposed extension is located on a portion of erf 258, Hartswater and includes 300 erven/stands on a site of approximately 52 hectares. FBDM has allocated funds and facilitated the township establishment process. The project is approved by the District Municipal Planning Tribunal and the general plan report has been submitted to the Surveyor-General for final approval. The environmental authorisation was granted and the project has been finalised.

#### **Dikgatlong CBD Renewal Plan**

The district municipality developed the Dikgatlong CBD renewal plan. The CBD renewal plan creates a vision for future growth; enhances the landscapes; improves connectivity and revitalises the economic functionality of the central business district of the municipality. The plan focused on the town of Barkly West as a central business area. The plan has been finalised.

#### **District Municipal Planning Tribunal (DMPT)/SPLUMA**

Frances Baard District Municipality, Phokwane Municipality, Dikgatlong Municipality and Magareng Municipality have agreed to establish a District Municipal Planning Tribunal (DMPT) in order to receive and dispose of land development and land use applications. The DMPT started operating in December 2016 and is continuously assessing or processing land development applications. The tribunal assessed 10 applications of which 8 were approved and 2 have been referred back to the applicants to furnish outstanding documents. The type of the applications received include township establishments, rezoning and subdivision.

### **3.2.2 Geographic Information System (GIS)**

<b>GOAL</b>	<b>OBJECTIVES</b>	<b>OUTCOME</b>	
		<b>Indicator</b>	<b>Target</b>
Provision of reliable spatial information as a planning and management tool in order to enhance service delivery in the District	To ensure the creation of integrated GIS services in the District by 2016/2017	Integrated district GIS system	3 Municipalities (Magareng, Dikgatlong, & Phokwane)
	To enhance GIS as a planning tool in the district by 2016/2017	Implementation of GIS in decision-making	3 Municipalities (Magareng, Dikgatlong, & Phokwane)

<b>Employees: Geographic Information System Services</b>					
<b>Job Level</b>	<b>2015/16</b>	<b>2016/17</b>			
	<b>Employees No.</b>	<b>Posts No.</b>	<b>Employees No.</b>	<b>Vacancies (fulltime equivalents) No.</b>	<b>Vacancies (as a % of total posts) %</b>
<b>1 - 3</b>	0	0	0	0	0
<b>4 - 8</b>	0	0	0	0	0
<b>9 - 13</b>	1	1	1	0	0
<b>14 - 18</b>	1	1	1	0	0
<b>19 - 26</b>	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>

Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial Performance 2016/2017: Geographic Information System Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	–	–	–	–	–
Expenditure:					
Employees	1,118	870	870	1,019	-17%
Repairs and Maintenance	97	290	289	198	32%
Other*	669	575	648	565	13%
<b>Total Operational Expenditure</b>	<b>1,883</b>	<b>1,735</b>	<b>1,807</b>	<b>1,781</b>	<b>1%</b>
<b>Net Operational Expenditure</b>	<b>1,883</b>	<b>1,735</b>	<b>1,807</b>	<b>1,781</b>	<b>1%</b>

Special Projects Expenditure 2016/2017: Geographic Information System Services					
R' 000					
Special Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	545	0	539	-1%	539
Evaluation of billing database for Dikgatlong municipality into GIS	395	0	393	-1%	393
Land audit and cadastral maintenance for Frances Baard district municipality	150		146	-3%	146

#### Evaluation of billing database for Dikgatlong municipality into GIS.

The local municipality requested a follow-up project to focus mainly on the evaluation of the implementation of the data cleansing project completed in the 2014\15 financial year. This will help the local municipality to improve revenue collection and enhance planning through the spatially linked billing database. The project started middle of February 2017 with the collection of base data sets collected from the district and local municipality to use in the analysis. Cadastral and land use data sets, imagery, valuation roll and billing database (SEBATA system), formed the base information for the analysis. The data was also used to determine service coverage in the municipality. The data cleansing project conducted in 2014/15 financial year was able to highlight issues in the billing database and spatial references to focus on the rectification of the errors. In the evaluation done this year, records were cleaned individually to link spatial and billing data sets that was misaligned. The issues which the municipality should focus on in order to improve revenue, was highlighted. This will also improve the maintenance of fixed assets which are not functioning properly, to plan more effectively for repairs or replacements.

#### Land audit and cadastral maintenance for Frances Baard district municipality.

This project entails a comprehensive land investigation and audit in order to establish land ownership and to determine whether properties disposed off have been properly transferred. This audit focussed on the three local municipalities, Phokwane, Magareng and Dikgatlong local municipality. The project was completed in phases that include; data acquisition, checking and correcting information, creation layers of registered and unregistered cadastral data and incorporation of land use information. The study focussed on the collection and update of cadastral data sets sourced from the Surveyor-General: National Geo-spatial Information and the ownership data sets from the Registrar of Deeds. This undertaking was done for the three local municipalities i.e. Phokwane, Magareng and Dikgatlong local municipalities.



### 3.2.3 Local Economic Development

The Frances Baard District Municipality has a legislative mandate to ensure the promotion of the economic development of the district. Thus one of the main focus areas of the district municipality is support to SMMEs and the creation of an enabling environment. The following activities were undertaken:

- Three SMMEs were supported with machinery and equipment;
- Phokwane business centre was resourced with furniture and computers; and
- Developed the District Agriculture sector strategy.

GOAL	OBJECTIVES	OUTCOME	
		Indicator	Target
Facilitate growth and diversification of the district economy by optimizing all available resources	To support the diversification of the District economy by 2016/2017	<ul style="list-style-type: none"> <li>• Sector development</li> <li>• Increased direct investment</li> </ul>	Four (4) fundable projects related to sector development
	To support SMME development through the implementation of the FBDM SMME support policy by 2016/2017	Sustained and growing SMMEs.	Implementation of SMME Development Policy <ul style="list-style-type: none"> <li>• Direct support</li> <li>• Promotion of SMMEs</li> <li>• Skills development</li> </ul>
	To assist local municipalities with the implementation of incentive policies for LMs 2016/2017	Packaged incentives for sector and SMME development	Four (4) LMs policies
	To coordinate and support LED structures by 2016/2017	Coordination of support and per sector	Coordination of all economic intervention and support in the District

Employees: Local Economic Development / Tourism Services					
Job Level	2015/16	2016/17			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0	0
4 - 8	2	2	2	0	0
9 - 13	5	5	5	0	0
14 - 18	1	1	1	0	0
19 - 26	0	0	0	0	0
Interns	15	16	8	n/a	n/a
<b>Total</b>	<b>8**</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>0</b>

Employees and Posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

\*\* The interns are not counted as part of the permanent staff for the unit. 12 interns were terminated (Others contracts ended and others resigned before contracts ended). 8 interns were appointed during the 2016/17 Financial year.

Financial Performance 2016/17: Local Economic Development Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	–	–	200	200	100%
Expenditure:					
Employees	2,542	2,989	2,989	2,595	-15%
Repairs and Maintenance	–	3	3	–	–
Other <sup>1</sup>	2,758	3,356	3,556	3,001	-12%
<b>Total Operational Expenditure</b>	<b>5,300</b>	<b>6,348</b>	<b>6,548</b>	<b>5,596</b>	<b>-13%</b>
<b>Net Operational Expenditure</b>	<b>5,300</b>	<b>6,348</b>	<b>6,348</b>	<b>5,396</b>	<b>-18%</b>

Special Projects Expenditure 2016/2017: Local Economic Development Services					
R' 000					
Special Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	2923	200	2471	-18%	2 887
Youth Entrepreneurial Development Program (YEDP)	300	0	296	-1%	296
Smme development	600	0	597	-1%	597
Direct support to smmes	360	0	258	-40%	258
LED expo	750	0	750	100%	750
Phokwane business support centre	0	200	157	-27%	157
Trade and investment promotion	493	0	413	-19%	413
Development of agriculture sector strategy	420	0	406	-3%	406
Coordinating structures	44	0	10	-340%	10

### Direct Support to SMMEs

The project objective was to improve SMMEs efficiency and productivity by assisting them with machinery and equipment. Twenty-nine (29) nominations were received from the Local Municipalities for funding consideration. Furthermore, eight (8) applications were received through the LED support and business promotion advertisement. Sixteen 16 SMMEs were shortlisted as per the SMME development and support policy criteria. The 16 shortlisted SMME's were invited to attend interviews and three SMMEs were selected and were supported with machinery and equipment.

### Phokwane Business Centre

SMMEs in Phokwane local municipalities have difficulties accessing developmental institutions as they are mostly based in Kimberley. The envisaged BSC can create an enabling environment for these enterprises, including access to finance, entrepreneurial skills development, training, business support, mentoring, and coaching etc. Through this centre a platform will be created to extend sector value chains and develop sustainable businesses. The centre will also make it easier for local SMMEs to partner and work together. Thus the BSC would be a real and active One Stop Centre for SMMEs.

<sup>1</sup> Includes major cost drivers i.e. printing, advertising, accommodation, travelling, motor vehicle usage, etc.

## District Agriculture Sector Strategy

The objective is to ensure the long term viability, prosperity, empowerment, diversity and equitable participation in the agriculture sector in the District. This will be accomplished through the development and implementation of a plan containing actions and innovations approaches that supports and maintains a strong and sustainable agriculture industry within our diverse communities.

The agriculture strategy will guide public and private sector in addressing challenges facing the agriculture sector within the Municipality whilst unlocking its potential. The planning process will review and draw upon previous work, including all interventions, policies and plans developed over the years by our municipal partners and in consultation with senior agencies and the farming community.

Jobs Created during 2016/17 by LED Initiatives (Excluding EPWP projects)				
Total Jobs created / Top 3 initiatives	Jobs created No.	Jobs lost/displaced by other initiatives No.	Net total jobs created in year No.	Method of validating jobs created/lost
Total (all initiatives)				
2014/15	15	0	15	Registers
2015/16	0	0	0	n/a
2016/17	14	0	14	Registers

## 3.3 Corporate Services

### 3.3.1 Environmental Health

GOAL	OBJECTIVES	OUTCOME	
		Indicator	Target
To promote and support sustainable municipal health and environmental planning and management in the District	To render effective and sustainable municipal health services in the District by 2016/2017	Improved drinking water quality	100% implementation of water standards
		Compliant food and non-food premises	100% compliance to legislation
		Trained food handlers	150 trained food handlers
	To render effective and sustainable environmental planning and management in the District by 2016/2017	Implemented environmental awareness programmes	100% implementation of awareness campaigns
		Compliant atmospheric emissions industries	100% complaint industries
		Implemented air quality strategies	100% implementation of strategies
		Implemented waste management strategies	100% implementation of strategies

Employees: Environmental Health Services					
Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
1 - 3	0	0	0	0	0
4 - 8	0	0	0	0	0
9 - 13	4	4	4	0	0
14 - 18	1	1	1	0	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>

Employees and Posts numbers are as at 30 June. Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial Performance 2016/17: Environmental Health Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	-	-	-	-	-
Expenditure:					
Employees	2,002	2,374	2,374	2,445	-3.01%
Repairs and Maintenance	3	20	20	-	100.00%
Other <sup>1</sup>	482	977	977	575	41.14%
<b>Total Operational Expenditure</b>	<b>2,488</b>	<b>3,371</b>	<b>3,371</b>	<b>3,020</b>	<b>10.40%</b>
<b>Net Operational Expenditure</b>	<b>2,488</b>	<b>3,371</b>	<b>3,371</b>	<b>3,020</b>	<b>10.40%</b>

Special Projects 2016/17: Environmental Health Services					
R' 000					
Special Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>212</b>	<b>0</b>	<b>157</b>	<b>-35%</b>	<b>157</b>
HIV/Aids awareness campaigns	10	0	7	-43%	7
Sanitation awareness campaigns	8	0	7	-14%	7
Waste management awareness campaigns	10	0	6	-67%	6
Air quality awareness campaigns	5	0	3	-67%	3
Waste management projects	179	0	134	-34%	134

### **Municipal health awareness campaigns**

The Environmental Health Unit conduct health awareness campaigns to make the communities conscious of the impact of diseases or environmental risks and provided information on how to eradicate or mitigate these diseases or environmental risks in their immediate environments. The objective of the campaigns is to improve or protect health through behavioural, biological, socio-economic and environmental changes. The Environmental Health Practitioners (EHPs) invited members of the public to participate and to encourage others to participate.

### **HIV/Aids, TB and STI campaigns**

Environmental Health Practitioners (EHPs) in collaboration with the Department of Health and NGOs continue to conduct 14 campaigns at schools, clinics and in communities trying to mitigate the impact that HIV/Aids and TB have on the health and well-being on residents. Pamphlets and condoms are also distributed amongst the attendees during these campaigns.

### **Sanitation campaigns**

Sanitation is the study and application of procedures and measures designed to protect public health and in the provision of clean water and the disposal of sewage and waste. 13 Campaigns were conducted at schools and in the communities to sensitise the learners and community members on the effects of poor sanitation practices and the different diseases that can be contracted as a result thereof. They were encouraged to practice good sanitation practices and to maintain sanitation facilities.

### **Water quality monitoring**

434 water samples were collected in Magareng and Dikgatlong local municipalities. The water quality in Magareng has improved significantly as a result of interventions by the local municipality. The Vaal Gamagara Quality Control Laboratory Sedibeng Water Laboratory was also opened during 2016 by the Minister of Water and Sanitation at Vaalgamagara. This is the first accredited quality control laboratory in the region and will help municipalities to meet the Blue Drop certification standards.

### **Waste management awareness campaigns**

Ten (10) waste management awareness campaigns were held. The CDWs assisted to mobilise the communities for the campaigns and waste that were illegally dumped on open areas were collected and disposed of on the landfill sites. The benefits of a clean environment were also promoted to the communities and they were encouraged to take pride in their environments.

### **Air quality awareness campaigns**

Eight (8) campaigns were conducted at schools to create awareness on the different air pollutants and the diseases that they can cause. Learners and the communities were also informed on the mitigation measure that can be instituted to minimize the impact of pollutants in the environment and at home. Communities were also encouraged not to burn waste as it contributes to air pollution.

### **Waste collection and removal project**

This project was implemented in Warrenton and Barkly West. The aim of the project was to collect waste that was illegally dumped on open spaces in residential areas and in the towns. The project amount was R178 000 and was implemented over a period of six months. Six unemployed community members were employed. The local municipalities assisted by collecting the waste daily and transported it to the landfill sites for disposal. The aim of the project was to clean the affected areas and to sensitise communities on the importance of a clean environment and to make the towns more attractive to visitors.

## **3.3.2 Disaster Management & Fire Fighting**

The Sol Plaatje local municipality has its own disaster management unit which operated independently, while disaster management functions for Magareng, Dikgatlong and Phokwane local municipalities are operated by the Frances Baard District Municipality. Satellite offices have been established in these local municipalities and are manned by disaster practitioners appointed by the district municipality. This was done to ensure that fire and disaster management activities can be implemented with uniformity and to assist the local municipalities in case of any disaster or incident. Implementation of the firefighting function is currently in the planning phase. The implementation of the Disaster Management Act is the responsibility of the district municipality and is implemented according to the guidelines of the National Disaster Management Framework, 2005 within the following key performance areas:

- Building integrated Institutional Capacity for Disaster Risk Management;
- Disaster Risk Assessment;
- Disaster Risk Reduction; and
- Response and recovery.

GOAL	OBJECTIVE	OUTCOME	
		Indicator	Target
Promotion and implementation of an effective and efficient Disaster Management and Fire-fighting service in the Frances Baard District	To develop integrated institutional capacity for Disaster Management at three Local Municipalities by 2016/2017	Capacitated local municipalities in disaster management	(3) Magareng, Dikgatlong and Phokwane
	To implement response and recovery mechanisms as per DDMF to four Local Municipalities by 2016/2017	Improved response and recovery to incidents in Local municipalities	(3) Magareng, Dikgatlong and Phokwane
	To develop Institutional capacity and acquire resources for firefighting services for 3 local municipalities in the district by 2016/17	Increased firefighting capacity at 3 local municipalities	Magareng Dikgatlong Phokwane
	To safeguard council's assets by continuously enhancing and upgrading physical security systems and accessibility by 2016/17	Improved ,upgraded and well maintained security systems	FBDM

### 3.3.2.1 Volunteers

Through the recruitment of disaster management volunteers the capacity and support given to local municipalities was increased.

Municipal Area	Number recruited
Phokwane	30

Thirty (30) volunteers from the Magareng and Phokwane local municipalities were trained on first aid level I and II. The volunteers were trained to capacitate and strengthen the volunteer teams with skills which can be applied during incidents, disasters or assisting injured members from their communities.

### 3.4.2.2 Other activities for 2016/17

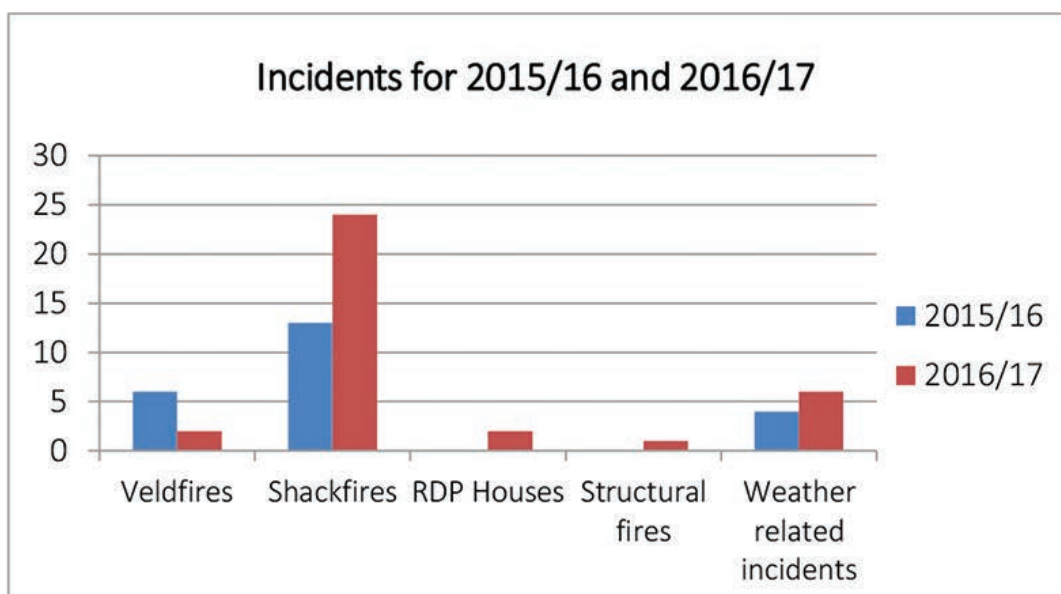
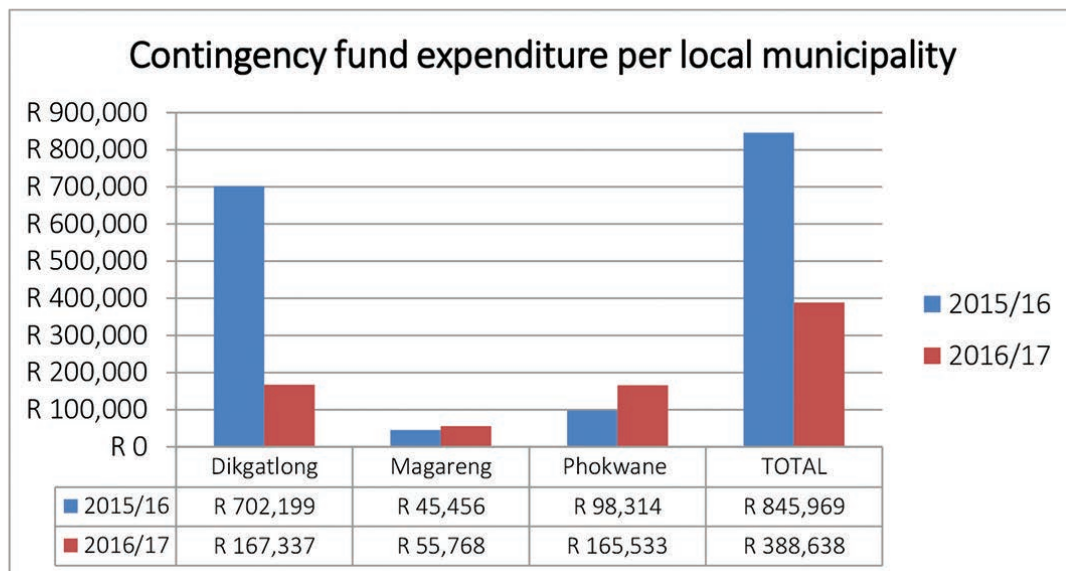
- 97% of the contingency fund for response and recovery was utilized for the rehabilitation and social relief to disaster stricken communities residing within the affected areas of Dikgatlong, Magareng and Phokwane local municipalities. The expenditure of the contingency fund depends on the number of requests received from the local municipalities. There was an increase in weather related incidents (gale-force winds and thunderstorms);
- All planned safety awareness and education campaigns were conducted (100%) with all communities within the Magareng, Dikgatlong and Phokwane local municipalities in an attempt to mitigate the number of domestic shack fires and the destruction it causes; and
- 100% spending of the Disaster Conditional Grant.

Types of fires experienced in 2016/17	Number
Shack fires	24
Veld fires	2
Structural fires (RDP houses)	2
Structural fires (Privately owned)	0
Weather related incidents	6



### 3.3.2.3 Contingency Fund

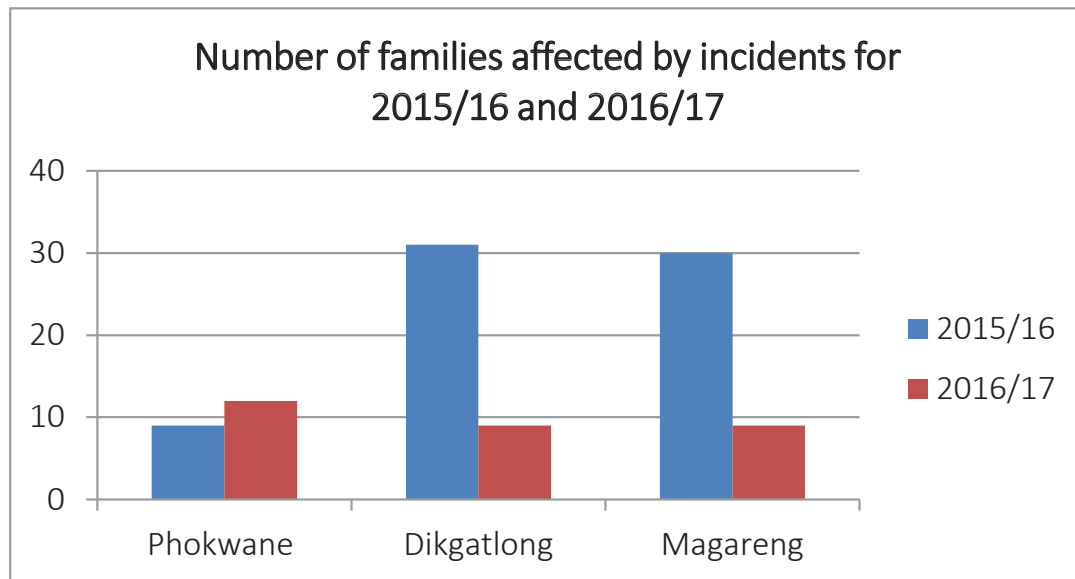
A contingency fund and policy was established to assist vulnerable and poor communities during any disastrous event. The vulnerability and poverty of many communities in rural areas (as identified in the District Disaster Management Plan) is important to the district municipality and needs to be in line with national and provincial government policies. Thereby ensuring effective and efficient management of resources which will make a significant contribution towards alleviating the effects of disasters/incidents.



The 2016/17 graph (below) shows that there was an increase in incidents and assistance given to destitute families in the Magareng, Phokwane and Dikgatlong local municipalities.

Expenditure per municipality from the contingency fund is as follows:

Dikgatlong	44%
Phokwane	42%
Magareng	14%



### 3.3.2.4 Achievements

#### **Integrated institutional capacity for disaster risk management in the District**

- The appointment of the disaster management coordinators in the local municipalities has improved the coordination of disaster management at local level. This also improved the turnaround time to assess and assist communities after an incident or emergency. A conscious decision on the part of the district municipality was taken to strengthen the disaster management function at local municipal level and to respond to the legislative mandate that local municipalities must be supported.
- Increase in the capacity and support to local municipalities through the recruitment of disaster management volunteers (23 for Magareng; 25 for Dikgatlong; and 32 for Phokwane municipalities). 30 Volunteers from Phokwane municipalities were trained.
- 100% of the Disaster Management conditional grant was spent.

#### **Effective and efficient response and recovery to assist destitute families**

All requests (100%) received from local municipalities to assist destitute communities were responded to. The contingency fund was used for rehabilitation and social relief of disaster-stricken communities residing within the affected areas of Dikgatlong, Magareng and Phokwane municipalities.

#### **Disaster Risk Reduction (Awareness Campaigns)**

Safety awareness and education campaigns were conducted with all communities living within informal settlements where shack fires occur on a regularly basis. These awareness programmes were held at Magareng, Dikgatlong and Phokwane local municipalities in an attempt to mitigate the number of domestic/shack fires and the destruction to life and property. The Provincial Disaster Management Centre, other sector departments together with the Frances Baard District Municipality embarked on an awareness campaign within the district. The programmes presented were as follows:

1. Fire safety in and around the house;
2. Electrical safety; and
3. Gas safety.

### Establishment of the District Disaster Management Advisory Forum (DDMAF).

The DDMAF was established and all disaster management stakeholders are participating in this forum. This committee will ensure thorough and effective planning and coordination in the event of any disaster or incident with the aim to save lives and limit damage to property. This committee will implement the district disaster management response and recovery strategy, which will ensure a uniform approach when responding to disasters/incidents throughout the district.

### District Disaster Management Centre (DDMC)

Architects were appointed to start with the planning phase of the District Disaster Management Centre which includes the design, sketch drawings and to do the costing for the project. The planning phase included the design, drawings of the approved design and the costing for the district municipality to implement the project. The design of the DDMC was approved and further funding will be made available to complete all planning processes before the DDMC is built.

Employees: Fire Fighting & Disaster Management Services					
Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
1 - 3	0	0	0	0	0
4 - 8	5	5	5	0	0
9 - 13	3	4	3	0.54	14%
14 - 18	1	1	1	0	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>9*</b>	<b>10</b>	<b>9*</b>	<b>0.54</b>	<b>5%</b>

\* 1 x unfunded post

Financial Performance 2016/17: Fire Fighting & Disaster Management Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	350	1,458	1,458	1,015	-44%
Expenditure:					
Fire fighters	–	–	–	–	–
Other employees	3,181	3,832	3,832	3,177	-21%
Repairs and Maintenance	134	267	213	120	-123%
Other <sup>1</sup>	1,825	1,478	1,856	1,979	25%
<b>Total Operational Expenditure</b>	<b>5,140</b>	<b>5,578</b>	<b>5,901</b>	<b>5,277</b>	<b>-6%</b>
<b>Net Operational Expenditure</b>	<b>4,790</b>	<b>4,120</b>	<b>4,444</b>	<b>4,262</b>	<b>3%</b>

<sup>1</sup> Includes major cost drivers i.e. printing, advertising, accommodation, travelling, motor vehicle usage, etc.

Capital Expenditure 2016/17: Fire Fighting & Disaster Management Services					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>3 800</b>	<b>0</b>	<b>0</b>	<b>-90%</b>	<b>2 000</b>
Procurement of 10 000 litre water tanker	3 800	0	2 000	-90%	2 000

#### Procurement of 10 000 litre water tanker for firefighting purposes

The water tanker will be utilised for veldfire and in informal settlements where no fire hydrants are available. The manufacturing of the water tanker was delayed by the internal restructuring processes of the appointed company which caused the project to overrun the timeframes of the service level agreement. The project was however successfully completed.

Special Projects 2016/17: Fire Fighting & Disaster Management Services					
R' 000					
Special Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>385</b>	<b>70</b>	<b>431</b>	<b>11%</b>	<b>431</b>
Volunteer Training	35	20	42	17%	42
Contingency Fund	350	50	389	10%	389

#### Contingency Fund

The contingency fund is only utilised when a local municipality submits a request for assistance to destitute families within their jurisdiction. Assistance was given to destitute families to the amount of R 388,638 and is broken down per municipal area as follows:

Municipal area	Assistance provided (R)
Magareng	55,768
Dikgatlong	167,337
Phokwane	165,534

### 3.4 Corporate policy offices and other services

#### 3.4.1 Executive and council

Frances Baard District Municipality is a mayoral executive system which comprises of Section 80 Committees (Finance, Policy & Institutional Development, Social Development, Infrastructure Development and Economic Development). Council is made up of 27 members - 15 female, 12 male.

The Executive Mayor is the political head of the municipality and fulfils this governance with her 26 member council. Sixteen (17) of these councillors are representatives of the category B municipalities in the district and 10 councillors (including the mayor) were elected through proportional representation. The Mayoral Committee's main function is to ensure integration of the work of the Council across all committees and departments. The Speaker is a councillor elected as chairperson of the Municipal Council as per legislation and presides over the meetings of council. The Speaker is responsible for the discipline of councillors in terms of the Code of Conduct of Councillors and ensures the effective functioning of business of council and its committees.

The committees of Council meet on a monthly basis and formulate recommendations based on their portfolios.

The municipality has a constitutional obligation to:

- Provide a democratic and accountable government for local municipalities;
- Ensure the provision of services to communities in a sustainable manner;
- Promote social and economic development;
- Promote a safe and healthy environment; and
- Encourage the involvement of communities and community organizations in the matters of local government.

The district municipality is not responsible for the provision of bulk electricity and water to category B municipalities as this falls under the jurisdiction of these municipalities in terms of powers and functions determined by the MEC responsible for local government in the Municipal Structures Act. The housing function remains the functions of the provincial department and the district municipality is still only accredited on level 2.

<b>Employees: The Executive and Council</b>					
<b>Job Level</b>	<b>2015/16</b>	<b>2016/17</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
1 - 3	0	0	0	0	0
4 - 8*	2	1	1	0	0
9 - 13	6	8	8	0	0
14 - 18	2	2	2	0	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>0</b>	<b>0</b>
* 1 x post was upgraded from task 7 to task 9					

Financial Performance 2016/17: The Executive and Council					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	388	420	420	–	–
Expenditure:					
Employees	11,405	12,334	12,334	14,559	15%
Remuneration of councillors	5,988	6,617	6,617	5,950	-11%
Repairs and Maintenance	89	160	160	112	-43%
Other <sup>1</sup>	4,812	7,575	8,528	4,767	-59%
<b>Total Operational Expenditure</b>	22,294	26,685	27,639	25,389	-5%
<b>Net Operational Expenditure</b>	21,906	26,265	27,219	25,389	-3%

### 3.4.2 Human Resource Services

Goal	Objectives	Outcome	
		Indicator	Target
To provide a fully effective Human Resources Management function to the district municipality and support to local municipalities	To ensure Human Resources Management support to all departments at Frances Baard District Municipality by 2016/2017	Each department managing independently with minimal hands on support	2016/17 (100%)
	To provide assistance and support on Human Resources Management to three local Municipalities (Magareng, Phokwane and Dikgatlong) by 2016/2017	Each local municipality managing independently and with minimal hands on support	2016/17 (100%)

<sup>1</sup> Includes major cost drivers i.e. printing, advertising, accommodation, travelling, motor vehicle usage, etc.



Employees: Human Resource Services					
Job Level	2015/16	2016/17			
	Employees No.	Posts No.	Employees No.	Vacancies (full-time equivalents) No.	Vacancies (as a % of total posts) %
1 - 3	0	0	0	0	0
4 - 8	0	0	0	0	0
9 - 13	4	4	4	0.19	5%
14 - 18	1	1	1	0	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>0.19</b>	<b>4%</b>

Employees and posts numbers are as at 30 June. Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial Performance 2016/17: Human Resource Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	–	–	–	–	–
Expenditure:					
Employees	2,257	2,490	2,490	2,528	2%
Repairs and Maintenance	–	–	–	–	–
Other <sup>1</sup>	1,741	2,288	2,290	1,688	-36%
<b>Total Operational Expenditure</b>	<b>3,999</b>	<b>4,778</b>	<b>4,780</b>	<b>4,216</b>	<b>-13%</b>
<b>Net Operational Expenditure</b>	<b>3,999</b>	<b>4,778</b>	<b>4,780</b>	<b>4,216</b>	<b>-13%</b>

### 3.4.3 Information and Communication Technology (ICT) Services

Goal	Objectives	Outcome	
		Indicator	Target
Render an effective and efficient Information Technology support in the District	To provide an effective ICT support within the Frances Baard District Municipality by 2016/2017	Improved ICT support within the Frances Baard District Municipality	100%
	To provide ICT a structured support to the three(3) local municipalities by 2016/2017	A well-structured support to three(3) local; municipalities	100%
	To optimize the ITC infrastructure to accommodate the MSCOA by 2016/2017	An improved ICT systems	100%

<sup>1</sup> Includes major cost drivers i.e. printing, advertising, accommodation, travelling, motor vehicle usage, etc.

Employees: ICT Services					
Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
1 - 3	0	0	0	0	0
4 - 8	0	0	0	0	0
9 - 13	2	2	2	0	0
14 - 18	1	1	1	0	0
19 - 26	0	0	0	0	0
Interns	2	2	2	0.22	11%
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>0</b>

Employees and posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Capital Expenditure 2016/17: ICT Services					
R' 000					
Capital Projects	2016/17				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>937</b>	<b>154</b>	<b>533</b>	<b>-76%</b>	<b>533</b>
Replacement of computer software	359	0	128	-180%	128
Replacement of printer	300	0	254	-18%	254
Replacement of computers	135	61	59	-129%	59
Replacement of laptops	143	93	92	-55%	92

<sup>1</sup> Original budget was R70,000 adjusted by R68,000 to R2,000, spent R1,000.  
<sup>2</sup> Original budget was R300,000 adjusted by R100,000 to R200,000, spent R160,000

Financial Performance 2016/17: ICT Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	—	—	—	—	—
Expenditure:					
Employees	1,463	1,928	1,928	1,309	-47%
Repairs and Maintenance	1,068	1,617	1,730	1,388	-16%
Other <sup>1</sup>	<b>958</b>	<b>1,444</b>	<b>1,123</b>	<b>787</b>	<b>-83%</b>
<b>Total Operational Expenditure</b>	<b>3,489</b>	<b>4,989</b>	<b>4,780</b>	<b>3,485</b>	<b>-43%</b>
<b>Net Operational Expenditure</b>	<b>3,489</b>	<b>4,989</b>	<b>4,780</b>	<b>3,485</b>	<b>-43%</b>

<sup>1</sup> Includes major cost drivers i.e. printing, advertising, accommodation, travelling, motor vehicle usage, etc.

### 3.4.4 Financial Services

The Department of Finance is mainly responsible for the effective and efficient oversight and management of the municipality's assets, liabilities, revenue and expenditure according to prescribed legislation.

#### Budget & Treasury, Revenue & Expenditure and Supply Chain Management

GOAL	OBJECTIVES	OUTCOME	
		Indicator	Target
Provide an effective and efficient financial management service in respect of municipal assets, liabilities, revenue and expenditure in a sustained manner to maximise the district municipality's developmental role.	To ensure long-term financial sustainability by 2016/2017	Sound financial management according to best practices	100% compliance
	To ensure full compliance with all accounting statutory and legislative requirements by 2016/2017	Compliance with legislation and related guidelines from National Treasury	100% compliance
	To ensure proper systems of supply chain management by 2016/2017	Compliance with legislation and related guidelines from National Treasury	100% compliance
	To ensure effective debt collection and implementation of revenue generating strategies by 2016/2017	Maximise debt collection and revenue generating strategies	100% collection rate on grants & other sundry
	To ensure the proper management of cash resources to meet financial liabilities by 2016/2017	Efficient and effective management of the municipality's available resources	100% Effectiveness
	To provide financial management support to four local municipalities by 2016/2017	Financially sound and self-sustained local municipalities	100% as per need requirement
	To implement municipal SCOA by 2016/2017	Uniform and effective reporting to Provincial and National Treasury	100% compliance to mSCoA

Employees: Financial Services					
Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
1 - 3	0	0	0	0	0
4 - 8	5	5	5	0	0
9 - 13	9	9	8	0	0
14 - 18	4	4	4	0	0
19 - 26	0	0	0	0	0
Interns	5	5	5	0	0
<b>Total</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>0</b>	<b>0</b>

Employees and posts numbers are as at 30 June. \*Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

Financial Performance 2016/17: Financial Services					
R'000					
Details	2015/16	2016/17			
	Actual	Original Budget	Adjustment Budget''	Actual	Variance to Budget
<b>Total Operational Revenue</b>	100,414	103,573	103,873	104,666	1%
Expenditure:					
Employees	8,875	12,536	13,682	12,909	3%
Repairs and Maintenance	1,347	969	1,505	1,331	27%
Other <sup>1</sup>	<b>10,520</b>	<b>9,031</b>	<b>7,787</b>	<b>6,623</b>	<b>-36%</b>
<b>Total Operational Expenditure</b>	<b>20,743</b>	<b>22,536</b>	<b>23,073</b>	<b>20,863</b>	<b>-8%</b>
<b>Net Operational Expenditure</b>	<b>(79,671)</b>	<b>(81,038)</b>	<b>(80,801)</b>	<b>(83,803)</b>	<b>3%</b>

### 3.4.5 Year-on-year comparison report of FBDM's institutional performance for 2015/16 & 2016/17

#### YEAR ON YEAR COMPARISON REPORT OF FBDM'S ANNUAL INSTITUTIONAL PERFORMANCE FOR 2015/16 FY AND 2016/17 FY.

KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		MITIGATION STEPS TAKEN		2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE		IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE			TARGET	ACTUAL PERFORMANCE			
KPA 1: SUSTAINABLE MUNICIPAL INFRASTRUCTURE DEVELOPMENT AND BASIC SERVICE DELIVERY.									
1.1 Improved access to sustainable basic services in the district									
KPI 1: Percentage support and assistance in identification, prioritisation and review of projects.	4 (100%)	4 (100%)	N/A		4 (100%)	4 (100%)	N/A		N/A
KPI 2: Actual spending and %progress in the provision of portable water to households in the district for the 2014/15 FY.	R 13 050 000.00 (100%)	R 9 458 439.00 (76%)	1) Funds rolled over. Improved monitoring through monthly meetings with the municipalities 2) Funds rolled over. Contractor appointed in Nov 2016. Improved monitoring through monthly meetings with the municipalities		R 16 900 000 (100%)	R 9 662 435 (57%)	FBDM has allocated R5 million towards counter funding on water reticulation project in Magareng Local Municipality. DWS has not given an approval for the project to commence.		Funds have been rolled over to the 2017/18 FY
KPI 3: Amount (R)/% spent in the provision of sanitation to households in the district.	R 16 290 000.00 (100%)	R 14 997 494.00 (96%)	Funds rolled over. Improved monitoring through monthly meetings with the municipalities		R 6 550 000 (100%)	R 5 792 166 (88%)	Project in Guldenskat was re-allocated in May 2017 and could not be completed.		N/A
KPI 4: Actual spending and %progress in the provision of electricity to households in the district for the 2014/15 FY	R 320 000.00 (100%)	R 200 641.00 (100%) NBI Project(s) completed with a saving	N/A		R 350 000 (100%)	R 322 793 (100%)	Projects completed with a saving of R27 207.		N/A
KPI 5: Actual spending and %progress on road related projects in the local municipalities of the district for the 2014/15 FY	R 1 654 400.00 (100%)	R 1 533 025.00 (100%) NBI Project(s) completed with a saving.	N/A		R 5 000 000 (100%)	R 5 000 000 (100%)	N/A		N/A
KPI 6: Amount (R) % spent on support to L/M's in maintenance of municipal infrastructure in the district.	R 10 000 000.00 (100%)	R 9 997 785.00 (100%) NBI Project(s) completed with a saving.	N/A		R 17 000 000 (100%)	R 16 996 271 (100%)	All projects completed with a saving of R3 729.		N/A
KPI 7: Amount (R) % spent on the DORA grant in supporting L/M's with transport planning and rural roads asset management in the district.	R 2 903 000.00 (100%)	R 2 813 000.00 (100%) NBI Project(s) completed with a saving.	N/A		R 2 427 000 (100%)	R 2 427 000 (100%)	N/A		N/A

KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		MITIGATION STEPS TAKEN	2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE		TARGET	ACTUAL PERFORMANCE		
KPI 8: Amount (R) % spent on Grants (DORA & EPWP) in supporting U/M's in the district.	R 1 000 000.00 (100%)	R 1000 000.00 (100%)	N/A	R 1 000 000 (100%)	R1 000 000 (100%)	N/A	N/A
KPI 9: Number of jobs created through EPWP targets, achieved as per EPWP incentive agreements. (FTEs)	7 (100%)	43 (609%)	N/A	7 (100%)	56.71 (810%)	Additional EPWP Full-Time Equivalents were created than anticipated.	N/A
KPI 10: Percentage progress / amount spent on the extension of the existing office buildings in FEDM.	R 1000 000.00 (100%)	R 473 086.00 (100%) NBI Project(s) completed with a saving.	N/A	R 5 700 000 (100%)	R2 995 236 (53%)	Construction on the extension of office is behind schedule.	The contractor will provide the municipality with a new program and cash flow projections.
1.2 Facilitation of the creation of sustainable human settlements in the district.							
KPI 11: Number of households facilitated in the reduction of the housing backlog	457 HH (100%)	338 HH (74%)	The district municipality not involved in the appointment of service providers. This KPI not part of the 2016/17 PMS	The KPI was changed in the 2016/2017 SDEIP. (See revised KPI below)			
KPI 11: Percentage facilitation in the reduction of the housing backlog	The KPI was changed in the 2016/2017 SDEIP.			100%	100%	N/A	N/A
KPI 12: Number / % of consumer education workshops conducted.	8 (100%)	8 (100%)	N/A	8 (100%)	14 (175%)	Six additional consumer workshops were conducted during the 2016/2017 FY.	N/A
KPA 2: LOCAL ECONOMIC DEVELOPMENT (LED)							
2.1 Facilitation of Growth and Diversification of the District Economy.							
KPI 13: Percentage progress/Number of projects in support of diversification in the district economy for 2015/16.	5 (100%)	5 (100%)	N/A	2 (100%)	2 (100%)	N/A	N/A
KPI 14: Percentage progress/Number of programmes in the facilitation of SMME development by the implementation of the SMME	5 (100%)	5 (105.6)	N/A	4 (100%)	4 (100%)	N/A	N/A



KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		MITIGATION STEPS TAKEN	2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE		TARGET	ACTUAL PERFORMANCE		
support policy.							
KPI 15: Percentage completion of 2 LED incentive policies for local municipalities in the district.	2 (100%)	2 (100%)	N/A	(100%)	(100%)	N/A	N/A
KPI 16: Percentage support and coordination to LED structures in the district.	3 (100%)	3 (100%)	N/A	16 (100%)	16 (100%)	N/A	N/A
2.2 Development of a Vibrant Tourism Sector Economy in the District.							
KPI 17: Percentage support in the development of tourism the district. (Programmes & Projects)	6 (100%)	6 (92%)	Due to the late commencement of the newly identified site, the project was then rolled over to the 2016/17 FY.	5 (100%)	5 (90%)	The requirements of the Heritage Board were not all met in time to complete the project.	N/A
KPI 18: Percentage facilitation in the establishment of a vibrant destination brand in the district. (a) Main activities (b) Programmes	3 (100%)	3 (100%)	N/A	3 (100%)	3 (100%)	N/A	N/A
KPI 19: Number of strategic partnerships facilitated between role players in FBDM tourism activities.	4 (100%)	4 (100%)	N/A	The KPI was changed in the 2016/2017 SDEIP. (See revised KPI below)			
KPI 19: Percentage facilitation of strategic partnerships and participation of Tourism role players in the district.				3 (100%)	3 (100%)	N/A	N/A
KPA 3: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION.							
3.1 Environmental Health Management in the District.							
KPI 20: Percentage improvement of municipal health services (Quality of drinking water / Magareng & Dikgatlong)	100%	105.9%	N/A	100%	106.7%	Due to failure of water quality more water samples had to be collected and new food handlers were trained.	The Local Municipalities were informed about the failure of the water quality and were advised on The quality of water.
KPI 21: Percentage improvement of environmental planning and management in the district.	100%	118.7%	N/A	100%	93.2%	The integrated waste management plan (IWMP) could not be completed due to lack of participation by the local municipalities	The IWMP will be finalized in the 2017/2018 FY.

KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		MITIGATION STEPS TAKEN		2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE			TARGET	ACTUAL PERFORMANCE		
3.2 Disaster Management								
KPI 22: Percentage disaster management capacity building in 3 local municipalities of the district.	95%	95%	N/A		100%	100%	N/A	N/A
KPI 23: Percentage implementation of response recovery mechanisms for the District. (Three L/M's).	95%	95%	N/A		100%	100%	N/A	N/A
KPI 24: Percentage fire-fighting capacity building in the 3 participating municipalities in the district for the 2014/15 FY.	95%	95%	N/A		100%	92%	The fire tanker which was procured, however not delivered on time by the service provider.	The fire tanker will be delivered in the first quarter of 2017/2018 FY.
KPI 25: Percentage maintenance and sustainable upgrading of the security systems in FEDMI.	90%	90%	N/A		100%	100%	N/A	N/A

KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE		IMPROVEMENT PLAN	
	TARGET	ACTUAL PERFORMANCE	TARGET	ACTUAL PERFORMANCE				
3.3 Human Resource Development in the district.								
KPI 26: Percentage compliance with HR support functions as required at FEDM.	100%	95%			100%	98.1%	Not all vacancies were filled within the 3 month stipulated period.	All vacancies have since been filled.
KPI 27: Percentage compliance with HR capacity building requirements in 3 local municipalities of FEDM district.	100%	100%			100%	100%	N/A	N/A
3.4 Records Management.								
KPI 28: Percentage compliance with the National Archives Act in FEDM and L/M's in the district for the 2015/16 financial year.	100%	100%			100%	100%	N/A	N/A
KPI 29: Percentage of an effective and cost-efficient office support function rendered to FEDM for 2015/16.	100%	100%			100%	100%	N/A	N/A
KPI 30: Percentage maintenance rendered to FEDM buildings for the 2015/16 financial year.	100%	100%			100%	97.1%	The project for the installation of wheelchair rail could not be completed due to insufficient budget.	The project will be undertaken in the 2017/18 FY
3.5 Information Communication Technology (ICT)								
KPI 31: Percentage accessibility to improved ICT infrastructure in FEDM and 3 local municipalities of the district in the 2015/16 f/y.	95%	58%			100%	94%	1) The municipality has no IT security Officer to review the ISO report. 2) The IT Service Continuity Policy was not adopted by Council because the APRC requested that it be reviewed first.	1) The Chief risk Officer was appointed to review the ISO in the 2017/18 financial year. 2) IT Service Continuity, Firewall Policy and Disaster recovery plan will be submitted to council for adoption in the 2017/2018 FY.
KPI 32: Percentage maintenance and support to the ICT Disaster Recovery Plan in FEDM and 3 L/M's for the 2015/16 financial year.	100%	30%			100%	42%	The SLA with the LM's was not signed because of lack of representation by other LM's in the district.	N/A
KPI 33: Percentage alignment of municipal IT objectives with governance IT principles for the 2015/16 financial year.	100%	15%			The KPI does not exist in the SDEIP of the 2016/2017 FY.			

KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		MITIGATION STEPS TAKEN	2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE		IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE		TARGET	ACTUAL PERFORMANCE			
KPI 33 : Percentage improved ICT systems to accommodate MSDOA for 2016/2017 FY.		The KPI does not exist in the SDBIP of the 2015/2016 FY.		100%	100%	N/A	N/A	N/A
<u>3.6 Integrated Development Planning (IDP)</u>								
KPI 34: Percentage facilitation of IDP processes in the district for the 2015/16 FY in compliance with legislation and policies (District IDP Framework & LMs Process Plans).	100%	100%	N/A	100%	100%	N/A	N/A	N/A
KPI 35: Percentage support to LM's in the facilitation of IDP preparations and review		The KPI does not exist in the SDBIP of the 2015/2016 FY.		3/100%	3/100%	N/A	N/A	N/A
KPI 36: Percentage of the district IDP and sector plans in the district reviewed for the 2015/16 financial year.	5 (100%)	5 (100%)	N/A	100%	100%	N/A	N/A	N/A
<u>3.7 Performance management (PMS)</u>								
KPI 37: Percentage compliance with the implementation of a fully compliant institutional performance management system in the local municipalities in the district. (Capacity Building)	100%	100%	N/A	100%	100%	N/A	N/A	N/A
KPI 38: Percentage compliance with a functional institutional performance management system in FBDM for 2015/16 FY.	100%	100%	N/A	100%	100%	N/A	N/A	N/A
<u>3.8 Town and Regional Planning</u>								
KPI 39: Percentage facilitation of the development of urban areas in accordance with approved spatial plans. (3 LMs)	100%	75%	Chair person was appointed, processing of zoning applications will be expedited in 2016/17 FY	100%	100%	N/A	N/A	N/A
KPI 40: Percentage implementation and review of the spatial development framework of the district. (Sol Plaatje)	100%	100%	N/A			The KPI does not exist in the SDBIP of the 2016/2017 FY.		

KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		MITIGATION STEPS TAKEN	2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE		IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE		TARGET	ACTUAL PERFORMANCE			
KPI 40: Percentage facilitation of the preparation of township establishments (Lay-out Plans) in local municipalities (2 LMs)	2 (100%)	2 (100%)	N/A	The KPI was changed in the 2016/2017 SDBIP (See revised KPI below)				
KPI 40: Percentage facilitation of the preparation of township establishment and informal settlements upgrading in LM's	The KPI was changed in the 2016/2017 SDBIP			4/100%	4/100%	N/A		N/A
3.9 Geographical Information System (GIS)				3.9 Geographical Information System (GIS)				
KPI 41: Percentage implementation of GIS integrated services in the district for the 2015/16 FY.	100%	100%	N/A	100%	100%	N/A		N/A
KPI 42: Accessibility to GIS as an essential management and planning tool for the 2015/16 FY	100%	90.6%	MOU will be entered into with local municipalities to ensure better coordination of GIS support services	The KPI was changed in the 2016/2017 SDBIP (See revised KPI below)				
KPI 42: Percentage improvement on GIS as a planning tool in the district for the 2016/2017 FY.	The KPI was changed in the 2016/2017 SDBIP			100%	100%	N/A		N/A
KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION				KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION				
4.1 Communication				4.1 Communication				
KPI 43: Number of communication activities implemented in order to sustain a positive public opinion about service delivery in the district.	100%	100%	N/A	The KPI was changed in the 2016/2017 SDBIP (See revised KPI below)				
KPI 43: The percentage implementation of communication activities implemented in order to sustain a positive public opinion about service delivery in the district.	The KPI was changed in the 2016/2017 SDBIP.			100%	85%	1) The PAJA unit at SAHRC seized to exist therefore training could not be provided. 2) One radio talk show was not undertaken due to the program of the political principles		1) The PAJA training will not be facilitated by FBDM in the 2017/18. 2) The PPP program will be facilitated directly from the political office of FBDM from the 2017/18.
KPI 44: Number of communication programmes facilitated to improve on the collaboration of government activities to achieve effective communication networks in the	100%	75%	Closer liaison with political office staff to ensure that dates of meetings are prioritised by political principals	The KPI was changed in the 2016/2017 SDBIP (See revised KPI below)				

KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		MITIGATION STEPS TAKEN	2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE		IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE		TARGET	ACTUAL PERFORMANCE			
district.								
KPI 44: Percentage of implementation programmes communication facilitated to improve on the collaboration of government activities to achieve effective communication networks in the district.	The KPI was changed in the 2016/2017 SDBIP.			100%	70%	Only 4 of the 6 planned PPP were implemented.	The PPP program will be facilitated directly from the political office of FBDM from the 2017/18.	
KPI 45: Percentage compliance with legislative procedures and requirements regarding community participation in terms of planning, budgeting, implementation, monitoring and reporting for the 2015/16 financial year.	100%	100%	N/A			KPI does not exist in the SDBIP of the 2016/2017 FY.		
KPI 45: Percentage implementation of a support plan for staff morale and motivation in FBDM.	100%	100%	N/A	100%	97%	Not all the walkabouts planned for the Municipal Manager took place due to the schedule of the Municipal Manager.	N/A	
4.2 Risk management.				4.2 Risk management.				
KPI 46: Percentage implementation of fraud management services to ensure effective systems in place FBDM, Magareng and Dikgatlong LM's in 2016/17 FY	The KPI doesnot exist in the SDBIP of the 2015/2016 FY.			100%	100%	N/A	N/A	
KPI 47: Percentage assistance and guidance regarding internal risk management processes in FBDM for the 2015/16 financial year.	100%	106.3%	N/A	100%	109.2%	Additional risk registers were developed during the FY.	N/A	
4.3 Internal Audit				4.3 Internal Audit				
KPI 48: Percentage compliance with quarterly assessments to evaluate and contribute to the establishment of effective control processes in the district. (FBDM & LM's)	100%	128.6%	N/A	100%	100.5%	One additional APRC meeting was conducted for the purpose of year end readiness	N/A	



KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		MITIGATION STEPS TAKEN		2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE			TARGET	ACTUAL PERFORMANCE		
KPI 49: Percentage capacity building and support in internal audit within the local municipalities in the district.	100%	100%	N/A		100%	50.8%	1) Dikgatlong and Magereng local municipalities did not approve audit action plans to allow for internal audit to begin its work 2) Dikgatlong Local Municipality did not submit a section 72 report for audit purposes.	N/A
4.5 Legal and compliance								
KPI 50: Percentage implementation of procedures for comprehensive legal services in FBDM for the 2015/16 FY.	100%	100%	N/A				The KPI was changed in the 2016/2017 SDBIP. (See revised KPI below)	
KPI 50: Percentage implementation of procedures for comprehensive legal services in FBDM and the 3 LMs (upon request) for the 2015/16 FY.	The KPI was changed in the 2016/2017 SDBIP.			100%	100%	N/A		N/A
KPI 51: Percentage legal assistance with contracts in FBDM and the L/M's in the district.	100%	100%	N/A		100%	100%		N/A
4.5 Council and committee services								
KPI 52: Percentage administrative support to Council and its committees within FBDM for the 2015/16 FY.	100%	100%	N/A				KPI did not exist in the SDBIP of the 2016/17 FY.	
KPI 52: To ensure timely efficient and effective implementation of council resolution.	KPI did not exist in the SDBIP of the 2015/16 FY.			100%	100%	N/A		N/A
KPI 53 : To support FBDM management in complying with local government legislation and initiatives by 2016/2017	KPI did not exist in the SDBIP of the 2015/16 FY.			100%	100%	N/A		N/A
KPI 54 : To ensure efficient and effective coordination of DIGF meetings by 2016/2017 FY.	KPI did not exist in the SDBIP of the 2015/16 FY.			100%	25%	The local municipalities were not available for the meetings arranged, no quorum to proceed.		N/A

KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		MITIGATION STEPS TAKEN	2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE		IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE		TARGET	ACTUAL PERFORMANCE			
KPI 55 : Percentage coordination of the back to basic program in FEDM for 2016/2017 FY.		KPI did not exist in the SDEBP of the 2015/16 FY.		100%	100%	N/A	N/A	N/A
<b>4.6 Youth Services</b>								
KPI 56: To ensure proper coordination and monitoring of youth development policies and programmes by 2016/2017 FY.		KPI did not exist in the SDEBP of the 2015/16 FY.		100%	100%	N/A	N/A	N/A
KPI 57: To create good relations and partnerships with youth organisations and non-governmental organisation in the district by 2016/2017 FY.		KPI did not exist in the SDEBP of the 2015/16 FY.		100%	100%	N/A	N/A	N/A
KPI 58 : To ensure that there is a link on governmental programmes for young people by 2016/2017 FY.		KPI did not exist in the SDEBP of the 2015/16 FY.		100%	100%	N/A	N/A	N/A
<b>KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT</b>								
KPI 59: Percentage compliance with the implementation of sound financial practices to ensure long-term financial stability.	100%	100%	N/A	100%	100%	N/A	N/A	N/A
KPI 60: Percentage compliance with all financial legislative requirements and related guidelines from National Treasury.	100%	100%	N/A	100%	100%	N/A	N/A	N/A
KPI 61: Percentage compliance with the legislative requirements for a sound supply chain management system and stores function in the municipality.	100%	100%	N/A	100%	100%	N/A	N/A	N/A

KPI (DESCRIPTION)	2015/16 FY PERFORMANCE		2016/17 FY PERFORMANCE		REASONS FOR UNDER-PERFORMANCE	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE	TARGET	ACTUAL PERFORMANCE		
KPI 62: Percentage compliance with the effective management of Council's financial/cash resources	100%	100%	N/A	98.73%	One (1) sock take was not performed in the 2016/17 financial year due to conversion of the assets management system to MSCOA	N/A
KPI 63: Percentage implementation of debt collection and revenue generating strategies for the 2015/16 financial year.	100%	100%	N/A	100%	N/A	N/A
KPI 64: Percentage implementation of MSCOA for the 2016/2017 FY.	KPI did not exist in the SDEP of the 2015/16 FY.		100%	100%	N/A	N/A
KPI 65: Percentage support to L/M's with financial management in developing financially self-sustained municipalities in the district.	100%	100%	N/A	100%	N/A	N/A

# Chapter 4 - Organisational Development Performance

## 4.1 Introduction

The municipality is constantly striving to become an employer of choice amongst municipalities in the Northern Cape Province, and ultimately, the best in the country. One of strategies employed to become a peer leader in this category of employers, is amongst others, creating an environment conducive to learning and development by allocation of adequate resources for purposes of employee education, training and development, as well as retention of critical and scarce skills. Consequently, about once percent (0.828%) of the council's annual budget has been dedicated to capacity development for officials. The total actual expenditure on capacity development for employees for the 2016/17 financial year amounted to R 868 thousand. The municipality also provided financial assistance to 49 unemployed full-time students studying at Higher Education Institutions (HEI's). To enhance the quality of policy and decision-making, the capacitation of the policy makers (councillors) is an ongoing activity through formal and informal training (workshop). The municipality deemed it appropriate to capacitate all its councillors to enable them to provide the kind of leadership that would propel the municipality to become a world class institution, with a clear understanding of its legal obligations and focus towards the realization of its constitutional mandate.

### **Records Management: Introduction of the electronic distribution of Council agendas**

The electronic document management system, called MunAdmin EDMS, as introduced in 2002, was meant to simplify the administration function of the municipal officials and move towards a green economy. A project pilot was done in 2016/2017 to improve the effectiveness of systems through the electronic distribution of council agendas. The system proved to be effective; therefore, the electronic devices needs to be acquired in the 2017/2018 financial year for implementation. A successful five-day EDMS training was offered in the 2016/2017 financial year to all new employees having access to the system; as to utilise the MunAdmin system for administration purposes.

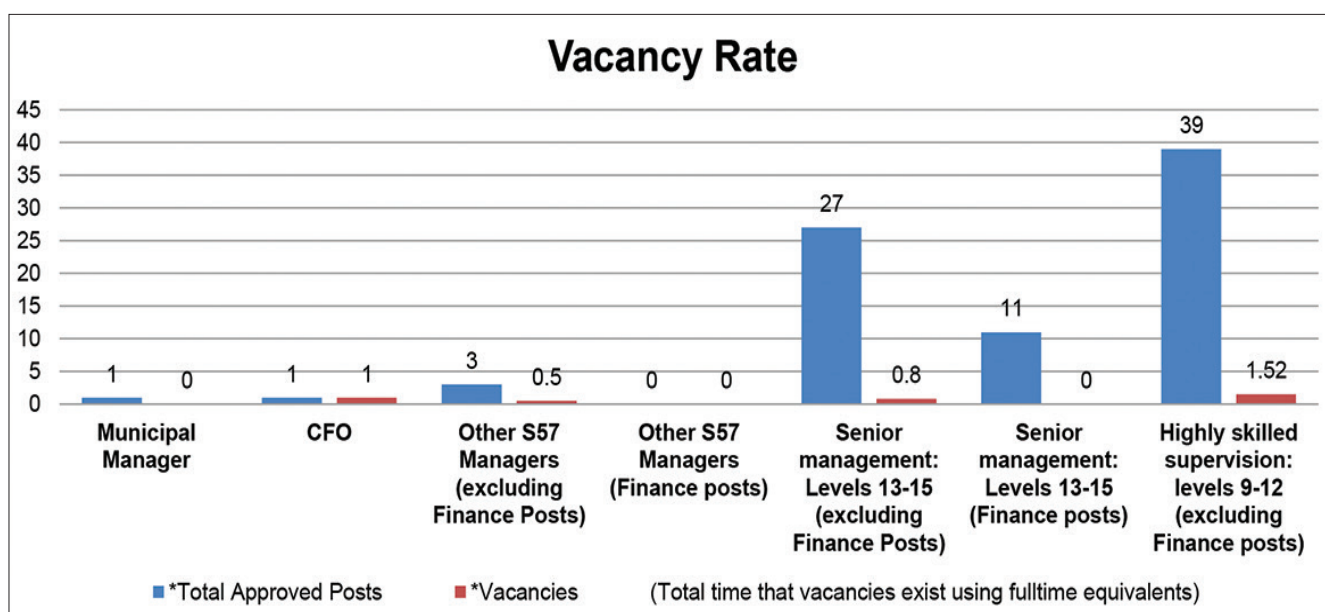
### **Labour Relations**

Through its labour relations activities the municipality continues to promote sound labour relations amongst employers, employees and their representatives to eliminate labour unrest and promote a peaceful working environment. This is proved through more than 4 scheduled Local Labour Forum sitting within the financial. Recruitment and selection of senior managers remains a challenge due to the inability to compete with the market packages in attracting the suitably qualified candidates. The Employment Equity Act, Act (55 of 1998) requires all employers to comply with its prescripts, redressing the imbalances of the past and annual submission of employment equity reports. Although the district municipality is challenged to ensure that it meets its targets as stipulated in the Employment Equity Plan it is still complying with the Act and is in line with the set prescripts through its affirmative action policy.

Employees					
Description	2015/16	2016/17			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Municipal Manager & Section 56 Managers		5	3		
Housing Services (includes 1 intern)	9	13	8	5	38%
Programme Management & Advisory Services (incl. Director and secretary)	6	10	10	0	0%
Town & Regional Planning Services (includes secretary to Director)	3	4	4	0	0%
Integrated Development Planning (IDP)		1	1	0	0%
Geographic Information System Services	2	2	2	0	0%
Local Economic Development Services (includes 15 interns)	23	7	22	0	0%
Environmental Health Services	5	5	5	0	0%
Fire Fighting & Disaster Management	9	11	9	2	18%
Executive & Council <sup>1</sup>	30	18	18	0	0%
Office of Municipal Manager (includes 3 interns)		11	14	0	0%
Corporate & Human Resource Services	28	30	30	0	0%
ICT Services (includes 2 interns)	4	5	5	0	0%
Financial Services (includes 5 interns)	23	18	22	1	6%
<b>Totals</b>	<b>142</b>	<b>140</b>	<b>153</b>	<b>8</b>	<b>9.29%</b>

<sup>1</sup> Executive & Council consist of the Executive Mayor; speaker; 5 Mayorial committee members and staff. Office of municipal manager was included in 2015/16.

Vacancy Rate: 2016/17			
Designations	Total Approved Posts No.	Vacancies (Total time that vacancies exist using full-time equivalents) No.	Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0
CFO	1	1	100
Other S57 Managers (excluding Finance Posts)	3	0.5	16.67
Other S57 Managers (Finance posts)	0	0	0
Senior management: Levels 13-15 (excluding Finance Posts)	27	0.8	2.96
Senior management: Levels 13-15 (Finance posts)	11	0	0
Highly skilled supervision: levels 9-12 (excluding Finance posts)	39	1.52	3.90
Highly skilled supervision: levels 9-12 (Finance posts)	2	0	0
<b>Total</b>	<b>84</b>	<b>3.82</b>	<b>4.55</b>



Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year	Terminations during the Financial Year	Turn-over Rate
	No.	No.	
2014/15	27	12	44%
2015/16	24	19	79%
2016/17	36	31	86%

## 4.2 Managing the municipal workforce

The National Treasury norm of 35% on personnel budget serves as a framework/guideline for municipalities to implement in order to assist or curb unnecessary high spending on workforce expenditure. During 2016/2017, FBDM had exceeded the norm by 11%. This 46% (R 63,032,566) includes among others the remuneration of both Councillors and Officials.

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Recruitment and selection policy	100%	100%	23 September 2016
2	Study assistance policy	100%	100%	23 September 2016
3	Leave policy	100%	100%	23 September 2016
4	Employee assistance policy	100%	100%	23 September 2016
5	Smoking policy	100%	100%	23 September 2016
6	Sexual harassment policy	100%	100%	23 September 2016
7	HIV/AIDS policy	100%	100%	23 September 2016
8	Long service awards policy	100%	100%	23 September 2016

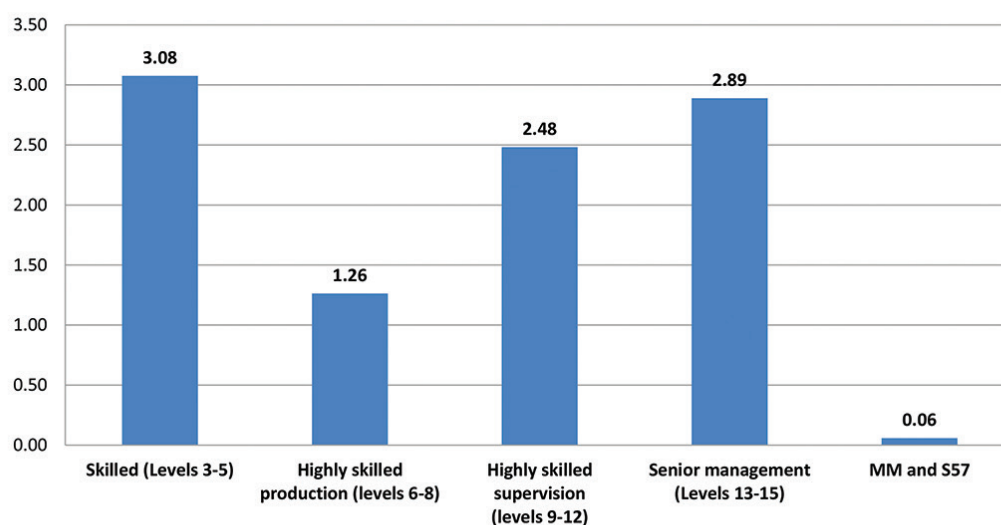


### 4.3 Injuries, sickness and suspensions

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost
Required basic medical attention only	0	0	0	0	0
Temporary total disablement	20	5	25%	4	29 778
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
<b>Total</b>	<b>20</b>	<b>5</b>	<b>25%</b>	<b>4</b>	<b>29 778</b>

Number of days and cost of sick leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification (3 days or more) %	Employees using sick leave No.	Total employees in post* No.	**Average sick leave per Employees Days	Estimated cost R' 000
Skilled (Levels 3-5)	363	6%	18	21	3.08	137
Highly skilled production (levels 6-8)	149	0%	16	16	1.26	98
Highly skilled supervision (levels 9-12)	293	11%	30	35	2.48	292
Senior management (Levels 13-18)	341	2%	34	43	2.89	533
MM and S57	7	0%	3	3	0.06	20
<b>Total</b>	<b>1,153</b>	<b>19%</b>	<b>101</b>	<b>118</b>	<b>9.77</b>	<b>1,080</b>
* Number of employees in post at the beginning of the year						
** Average is calculated by taking sick leave in column 2 divided by total employees in column 5						

**Average Number of Days Sick Leave (excl IOD)**



**Number and period of suspensions**

Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised	Date Finalised
Information technology Intern	Violation of privacy & dignity of some colleagues	15 June 2016	Dismissal	25 Jan 2017

**Disciplinary action taken on cases of financial misconduct**

Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
None			

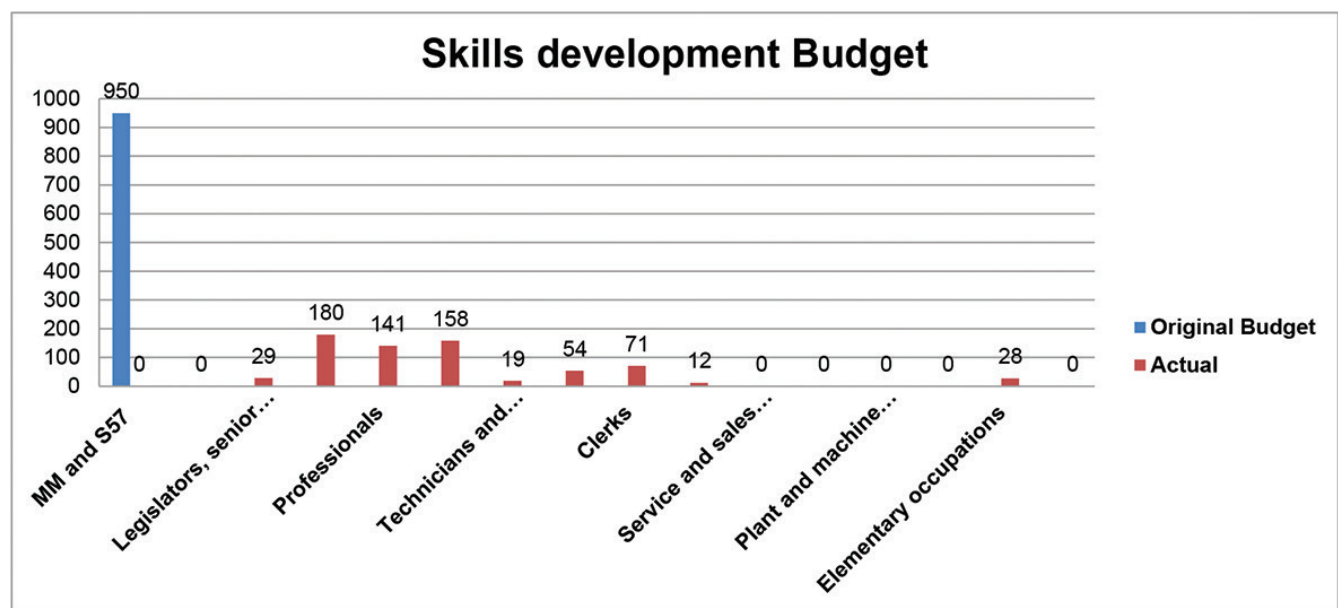
**Performance rewards by gender**

Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards 2014/15	Proportion of beneficiaries within group
				(R)	%
MM and S57	Female	2	2	175 235	50%
	Male	1	1	120 673	100%
<b>Total</b>					
Has the statutory municipal calculator been used as part of the evaluation process ?					Yes

#### 4.4 Capacitating the municipal workforce

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4) (a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4) (a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4) (f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4) (e))
Financial Officials	0	0	0	0	3	2
Accounting officer	1	0	1	0	1	1
Chief financial officer	0	0	0	0	0	0
Senior managers	3	0	3	0	3	2
Any other financial officials	21	0	21	0	0	0
<b>Supply Chain Management Officials</b>						
Heads of supply chain management units	1	0	1	0	1	1
Supply chain management senior managers	0	0	0	0	0	0
<b>TOTAL</b>	<b>26</b>	<b>0</b>	<b>26</b>	<b>0</b>	<b>8</b>	<b>6</b>
* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)						

Skills Development Expenditure R'000							
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development for 2016/17				
			Learnerships	Skills programmes & other short courses	Other forms of training	Total	
		No.	Actual	Actual	Actual	Original Budget	Actual
MM and S57	Female	1	0	0	0	950	0
	Male	1	0	0	0		0
Legislators, senior officials and managers	Female	13	0	29	0		29
	Male	25	0	180	0		180
Professionals	Female	12	0	141	0		141
	Male	21	0	158	0		158
Technicians and associate professionals	Female	2	1	18	0		18
	Male	11	0	54	0		54
Clerks	Female	18	0	71	0		71
	Male	16	0	12	0		12
Service and sales workers	Female	0	0	0	0		0
	Male	0	0	0	0		0
Plant and machine operators and assemblers	Female	0	0	0	0		0
	Male	3	0	0	0		0
Elementary occupations	Female	8	0	28	0		28
	Male	8	0	0	0		0
Sub total	Female	54	0	287	0		287
	Male	85	0	404	0		404
<b>Total</b>		139	1	691	0	950	691
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.						%*	



The Workplace Skills Plan, informs the SETA what training the organisation will provide to the employees in the next 12 months. This is based on the operational requirements of the organisation, its industry and the critical skills identified by the SETA. All training that was conducted was informed by the plan developed to ensure transparency and efficiency in ensuring that the budget is sufficient to conduct such programmes.

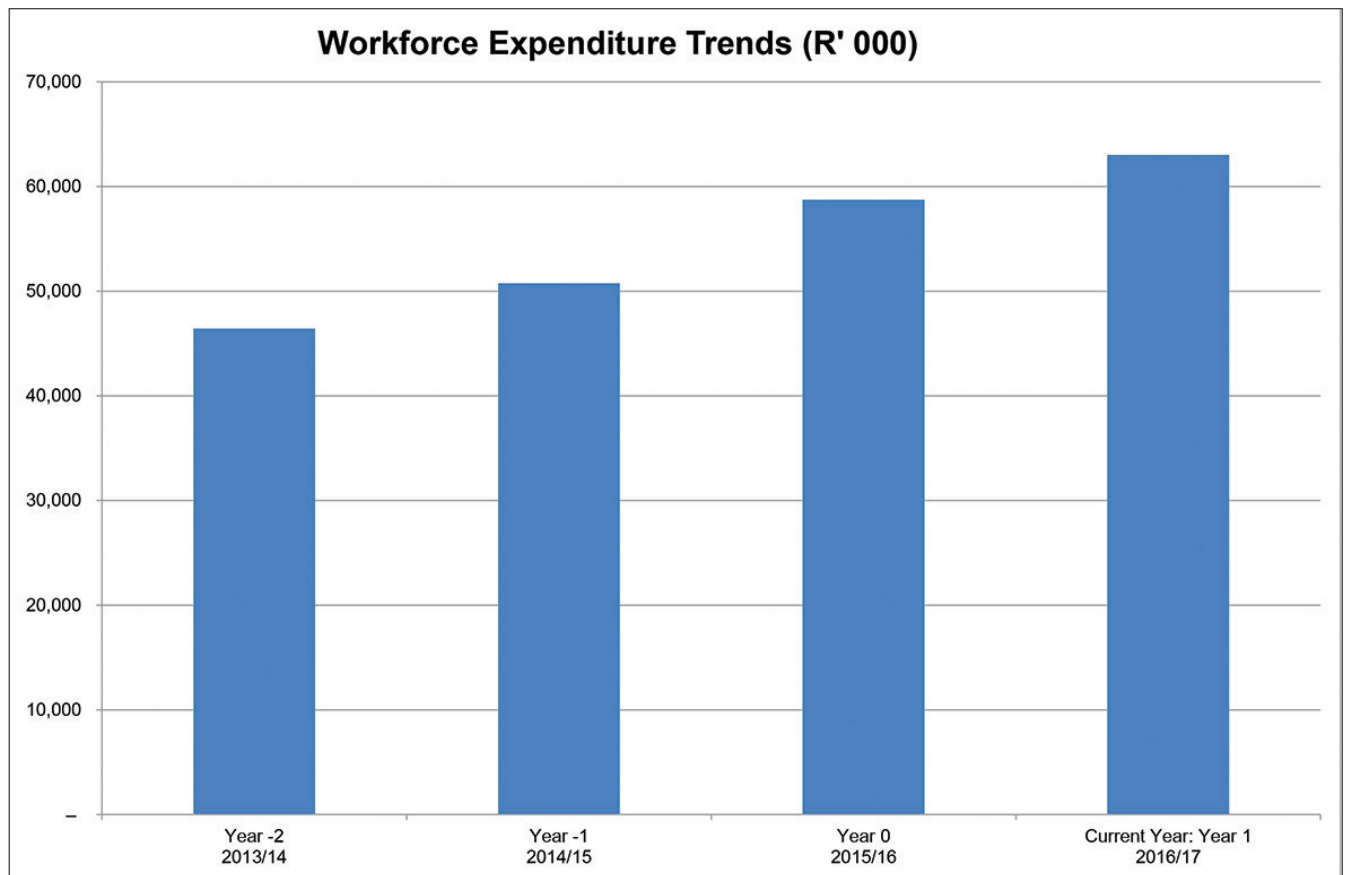
All service providers used for training are accredited and through the assessment of the impact of training 99% of training provided has positively contributed to skills, knowledge and productivity of employees. All senior managers meet the MFMA Competency Regulations.

#### **Training plans and the effectiveness of implementation.**

The development of a WSP document begins with a skills audit exercise wherein employees submit their training needs for the ensuing financial year. Training needs are costed by the skills development facilitator and the budget office for accuracy before it is included in the final WSP document.

### **4.5 Managing the workforce expenditure**

Unplanned training needs have resulted in an overspending of the training budget and the only way to control unplanned expenditure is by adhering to the original training needs submitted during the skills audit exercise. Within the training budget there is a percentage of the budget that is set aside to cover unforeseen recruitment caused by staff turnover.



The district municipality exceeded the 35% norm for employee cost due to its outward looking approach by attracting and appointing highly skilled / dedicated personnel to support the local municipalities in the district area in order to address the challenge of scarce skills / expertise such as engineers, IDP professionals, internal auditors, human resources practitioners, finance related personnel, etc.

Number of employees whose salaries were increased due to their positions being upgraded		
Beneficiaries	Gender	Total
Lower skilled (TASK 1- 3)	Female	None
	Male	None
Skilled (TASK 4 - 8)	Female	None
	Male	None
Highly skilled production (TASK 9 - 13)	Female	None
	Male	None
Highly skilled supervision (TASK 14 -18)	Female	None
	Male	None
Senior management (TASK 19 - 26)	Female	None
	Male	None
MM and S57	Female	None
	Male	None
Total		0

Employees whose salary levels exceed the grade determined by job evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None	None	None	None	None

There are no salary levels exceeding the grading determined by job evaluation. The fact that TASK grades are between 8 - 12 scales in a salary bracket have afforded an opportunity to accommodate those who were at the top notches of their salaries pay progressions. Employees who are 'contractual to holder' cannot be categorised as having salaries exceeding the grade determined by job evaluation.

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. Appointed	Reason for appointment when no established post exist
None	None	None	None	None

# Chapter 5 - Financial Performance

## 5.1 Introduction

Overall the financial viability of the municipality was assessed to be sound in both the current and prior year by the Auditor General which indicated that the municipality succeeded in growing its financial position. The achievement was possible through the implementation of good financial policies and proper internal controls.

Although the municipality relies heavily on grant funding to finance its operations, it still succeeded in building the capacity of the local municipalities in its area of jurisdiction to assist them to perform their functions and exercise their powers. The municipality strives to fund the capital projects of our local municipalities and there has not been a going concern problem identified that will halt the existence of the district municipality.

The important ratios remains positive which indicates that the municipality will be able to meet future financial obligations and there is no indication that the going concern is deteriorating. The municipality realized an operating deficit (total expenditure exceeded total revenue) of R15.4million (2015/16: R16.4 million) due to grant dependency with capital projects allocation to our local municipalities. The current financial position of the municipality is however stable and the reserves are cash backed ensuring the municipality is able to meet its short to long term commitments.

Management is committed and working together to ensure that all the audit findings raised by Office of the Auditor General are adequately addressed. Notwithstanding the negative economic growth forecast, the municipality was able to allocate 37% of its revenue to make a difference in the lives of many people in the district in a number of areas that influence their daily lives.

The national growth rate of the country is currently less than one per cent. This will definitely contribute to a lower growth rate in equitable share allocations. Notwithstanding the negative economic growth forecasts, the municipality was able to allocate 37% of its revenue to make a difference in the lives of many people in the district in a number of areas that influence their daily lives



## 5.2 Statement of financial performance

Financial Summary						
						R' 000
Description	2015/16	Current Year: 2016/17			2016/17 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
<b>Financial Performance</b>						
Property rates	–	–	–	–	–	–
Service charges	–	–	–	–	–	–
Investment revenue	7,866	5,443	5,743	6,805	20.01%	15.60%
Transfers recognised - operational	110,413	112,991	113,191	114,013	0.90%	0.72%
Other own revenue	2,779	1,211	1,211	1,151	-5.26%	-5.26%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>121,058</b>	<b>119,645</b>	<b>120,145</b>	<b>121,968</b>	<b>1.90%</b>	<b>1.49%</b>
Employee costs	52,744	61,215	61,215	57,082	-7.24%	-7.24%
Remuneration of councillors	5,988	6,715	6,715	5,950	-12.84%	-12.84%
Debt impairment	–	3	3	2		
Depreciation & asset impairment	3,944	3,827	3,827	3,927	2.54%	2.54%
Finance charges	2,300	2,166	2,166	2,649	18.23%	18.23%
Materials and bulk purchases	3,359	4,406	4,851	3,936	-11.95%	-23.24%
Transfers and grants	33,642	61,335	61,635	48,947	-25.31%	-25.92%
Other expenditure	12,619	20,602	20,481	14,917	-38.11%	-37.30%
<b>Total Expenditure</b>	<b>114,595</b>	<b>160,269</b>	<b>160,892</b>	<b>137,409</b>	<b>-16.64%</b>	<b>-17.09%</b>
<b>Surplus/(Deficit)</b>	<b>6,463</b>	<b>(40,624)</b>	<b>(40,747)</b>	<b>(15,441)</b>	<b>-163.09%</b>	<b>-163.89%</b>
Transfers recognised - capital	–	–	–	–	–	–
Contributions recognised - capital & contributed assets	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>6,463</b>	<b>(40,624)</b>	<b>(40,747)</b>	<b>(15,441)</b>	<b>-163.09%</b>	<b>-163.89%</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>6,463</b>	<b>(40,624)</b>	<b>(40,747)</b>	<b>(15,441)</b>	<b>-163.09%</b>	<b>-163.89%</b>
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	<b>5,582</b>	<b>19,036</b>	<b>12,848</b>	<b>7,325</b>	<b>-159.89%</b>	<b>-75.41%</b>
Transfers recognised - capital	–	–	–	–	–	–
Public contributions & donations	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–
Internally generated funds	5,582	19,036	12,848	7,325	-159.89%	-75.41%
<b>Total sources of capital funds</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Financial Summary						
						R' 000
Description	2015/16	Current Year: 2016/17			2016/17 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
<b>Financial position</b>						
Total current assets	77,476	44,837	44,230	60,900	26.38%	27.37%
Total non current assets	61,617	67,066	70,419	64,604	-3.81%	-9.00%
Total current liabilities	22,961	25,487	25,487	24,890	-2.40%	-2.40%
Total non current liabilities	32,375	34,730	34,730	32,186	-7.91%	-7.91%
Community wealth/Equity	83,757	51,685	54,431	68,427	24.47%	20.45%
<b>Cash flows</b>						
Net cash from (used) operating	(11,670)	(20,104)	(20,227)	(11,670)	-72.27%	-73.33%
Net cash from (used) investing	(4,782)	(15,229)	(7,298)	(4,782)	-218.44%	-52.61%
Net cash from (used) financing	(1,785)	(1,800)	(720)	(1,785)	-0.86%	59.65%
<b>Cash/cash equivalents at the year end</b>	<b>69,246</b>	<b>41,637</b>	<b>41,030</b>	<b>69,275</b>	<b>39.90%</b>	<b>40.77%</b>
<b>Cash backing/surplus reconciliation</b>						
Cash and investments available	74,825	46,887	46,580	60,552	22.57%	23.07%
Application of cash and investments	(1,463)	4,501	10,756	12,061	62.68%	10.81%
<b>Balance - surplus (shortfall)</b>	<b>76,288</b>	<b>42,386</b>	<b>35,823</b>	<b>48,492</b>	<b>12.59%</b>	<b>26.12%</b>
<b>Asset management</b>						
Asset register summary (WDV)	47,814	60,796	64,518	4,931	-81.11%	-76.43%
Depreciation & asset impairment	3,961	3,827	3,827	1,315	-190.94%	-190.94%
Renewal of Existing Assets	939	2,892	3,088	3,344	0.00%	7.65%
Repairs and Maintenance	3,521	4,406	4,851	3,936	0.00%	-23.24%
<b>Free services</b>						
Cost of Free Basic Services provided	—	—	—	—	—	—
Revenue cost of free services provided	—	—	—	—	—	—
<b>Households below minimum service level</b>						
Water:	—	—	—	—	—	—
Sanitation/sewerage:	—	—	—	—	—	—
Energy:	—	—	—	—	—	—
Refuse:	—	—	—	—	—	—
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A1						

Financial Performance of Operational Services						
						R '000
Description	2015/16	2016/17			2016/17 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
<b>Operating Cost</b>						
Water	–	–	–	–	–	–
Waste Water (Sanitation)	–	–	–	–	–	–
Electricity	–	–	–	–	–	–
Waste Management	–	–	–	–	–	–
Housing	(3,481)	(5,341)	(4,951)	(4,749)	-12.49%	-4.26%
Component A: sub-total	(3,481)	(5,341)	(4,951)	(4,749)	-12.49%	-4.26%
Waste Water (Stormwater Drainage)	–	–	–	–	–	–
Roads	–	–	–	–	–	–
Transport	–	–	–	–	–	–
Component B: sub-total	–	–	–	–	–	–
Planning	(44,831)	(56,102)	(56,054)	(41,889)	-33.93%	-33.81%
Local Economic Development	–	–	–	–	–	–
Component B: sub-total	(44,831)	(56,102)	(56,054)	(41,889)	-33.93%	-33.81%
Planning (Strategic & Regulatory)	–	–	–	–	–	–
Local Economic Development	–	–	–	–	–	–
Component C: sub-total	–	–	–	–	–	–
Community & Social Services	(4,790)	(4,270)	(4,444)	(4,270)	0.00%	-4.06%
Environmental Protection	(2,488)	(3,371)	(3,371)	(3,020)	-11.60%	-11.60%
Health	–	–	–	–	–	–
Security and Safety	–	–	–	–	–	–
Sport and Recreation	–	–	–	–	–	–
Corporate Policy Offices and Other	39,093	28,460	28,072	38,487	26.05%	27.06%
Component D: sub-total	31,816	20,819	20,258	31,197	33.26%	35.06%
<b>Total Expenditure</b>	<b>(16,497)</b>	<b>(40,624)</b>	<b>(40,747)</b>	<b>(15,441)</b>	<b>-163.09%</b>	<b>-163.88%</b>

## 5.3 Grants

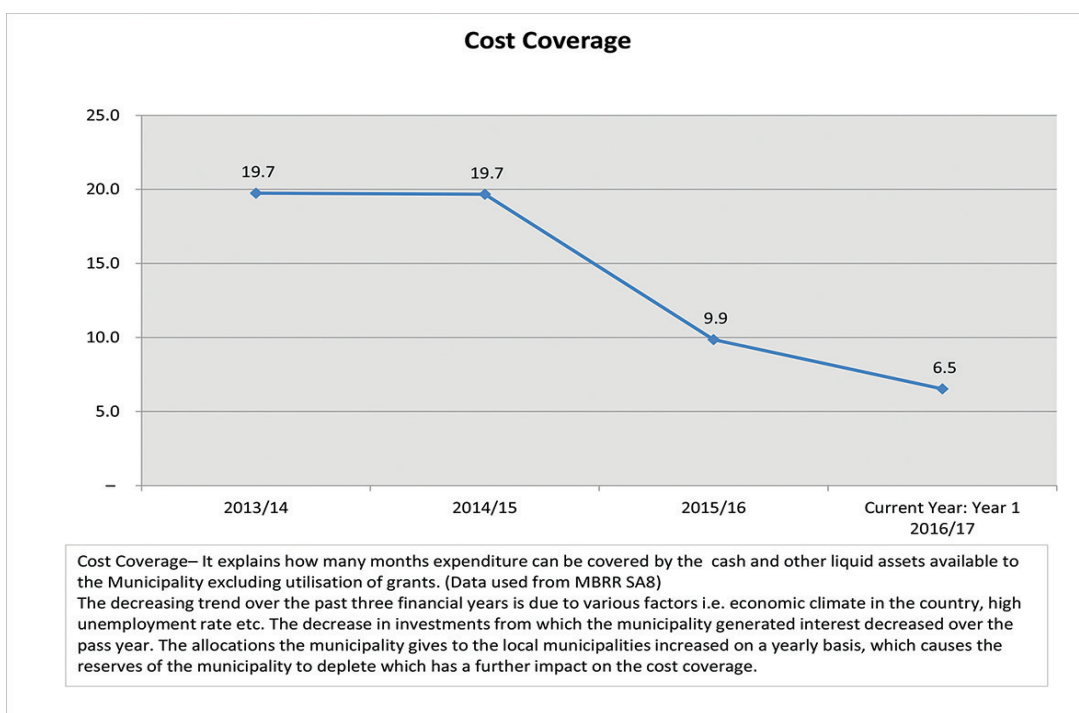
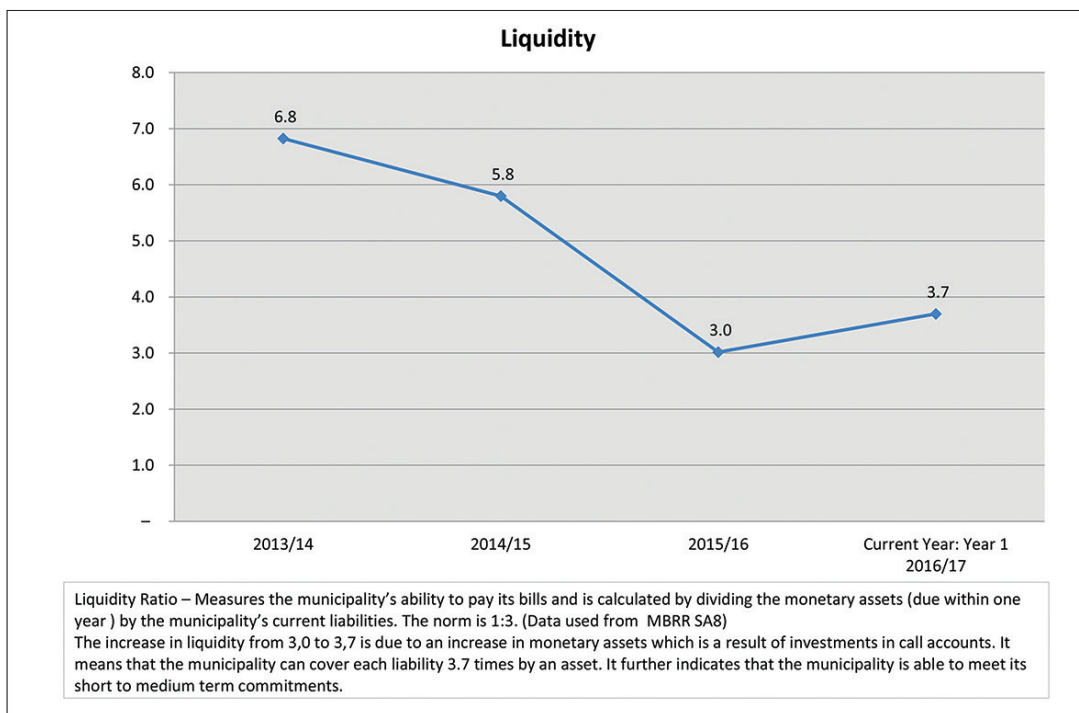
Grant Performance						
R' 000						
Description	2015/16	2016/17			2016/17 Variance	
	Actual	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
<b>Operating Transfers and Grants</b>						
<b>National Government:</b>	<b>104,279</b>	<b>110,093</b>	<b>110,093</b>	<b>110,093</b>	<b>0.00%</b>	<b>0.00%</b>
Equitable share	98,936	105,416	105,416	105,416	–	–
Municipal Systems Improvement	940	–	–	–	–	–
Department of Water Affairs	2,153	2,427	2,427	2,427	–	–
Finance Management Grant	1,250	1,250	1,250	1,250	–	–
Municipal Systems Improvement	–	–	–	–	–	–
Extended Public Works Programme	–	–	–	–	–	–
Road Asset Management Grant	1,000	1,000	1,000	1,000	–	–
<b>Provincial Government:</b>	<b>4,290</b>	<b>1,720</b>	<b>1,920</b>	<b>1,236</b>	<b>-39.13%</b>	<b>-39.13%</b>
Housing	3,300	800	800	800	–	–
NC Tourism - Contribution Tourism Month	200	–	200	–	–	–
District Aids Council	–	–	–	–	–	–
NEAR Control Centre	350	350	350	350	–	–
NCPA Firefighting Equipment	350	350	350	–	–	–
SETA - Skills Grant	90	220	220	86	-155.14%	-155.14%
Operation Khotso Pula Nala	–	–	–	–	–	–
NCPA Environmental Health Recycling Project	–	–	–	–	–	–
<b>District Municipality:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Other grant providers:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>40</b>	<b>0</b>	<b>0</b>
Koopmansfontein Electricity Self-build Scheme	–	–	–	–	–	–
ABSA	–	–	–	40	–	–
<b>Total Operating Transfers and Grants</b>	<b>108,569</b>	<b>111,813</b>	<b>112,013</b>	<b>111,369</b>	<b>–</b>	<b>–</b>

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant 2015/16	Actual Grant 2016/17	2016/17 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
<b>Parastatals</b>						
NCPA - Housing Accreditation Grant	3 300 051	800 000	5 341 420	Ongoing	Ongoing	To enable the district municipality to obtain full accreditation to administer national housing programmes in terms of the delegation of functions from Department of Cooperative Governance, Human Settlements & Traditional Affairs.
SETA - Skills Grant	90 198	86 227	220 000	Ongoing	Ongoing	To be used for training and capacity building of employees as per approved Skills Work Plan.
NCPA: Environmental Health Recycling Project	-	-	-	-	-	
ESCOM	-	-	-	-	-	

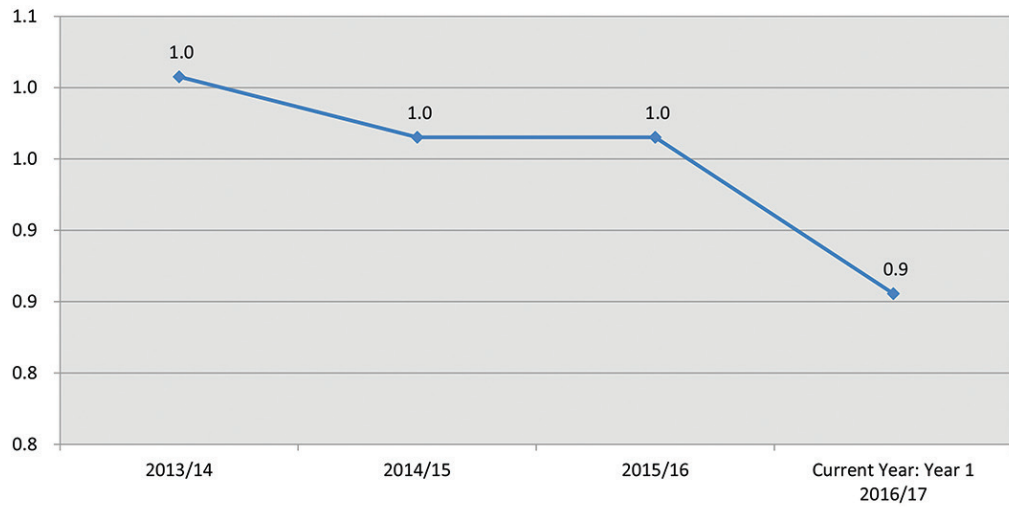
Repair and Maintenance Expenditure: 2016/17				
				R' 000
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and maintenance expenditure	5 245	5 324	3 250	63.81%

The repairs and maintenance budget is sufficient because the district municipality does not have infrastructure assets.

## 5.4 Financial ratios based on key performance indicators

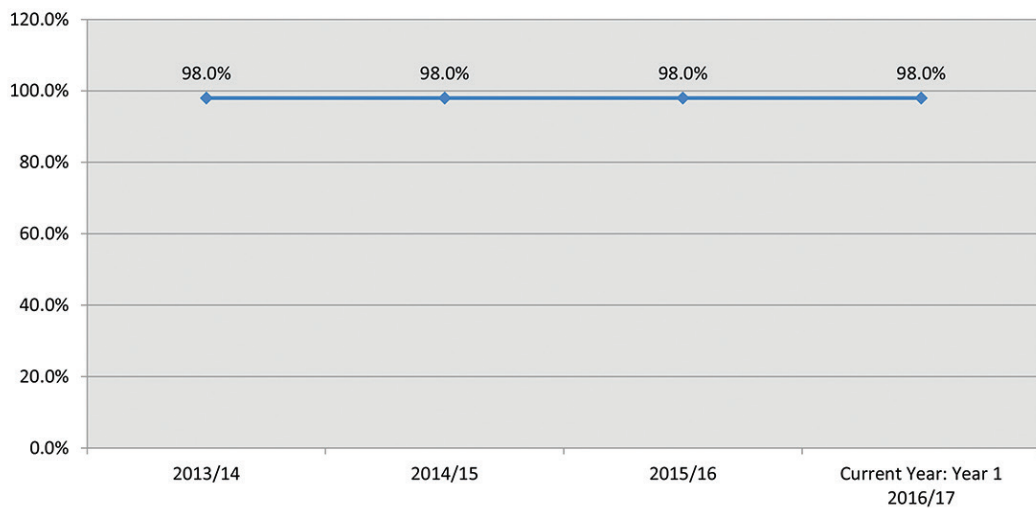


### Debt Coverage



Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality. (Data used from MBRR SA8). There was a slight decrease in debt coverage during 2016/17, which is a result of the decrease in investments from which the municipality generated interest. As the municipality's allocations to the local municipalities increased on a yearly basis, the reserves of the municipality are being depleted which has impact on the debt coverage.

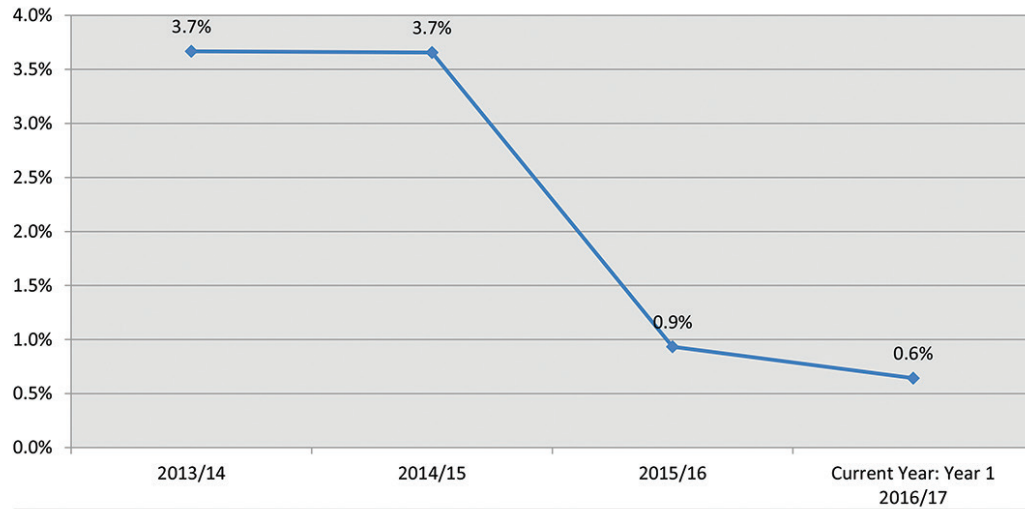
### Creditors System Efficiency



Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by dividing outstanding trade creditors by credit purchases. (Data used from MBRR SA8)  
The creditors' system efficiency remained consistent during 2016/17 financial year, which is an indication of good internal controls being implemented within the municipality.

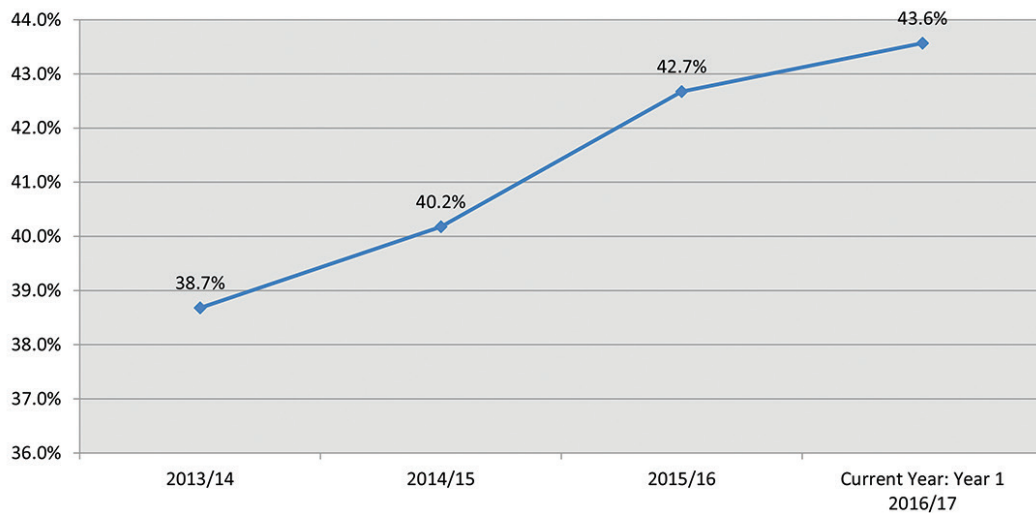


### Capital Charges to Operating Expenditure

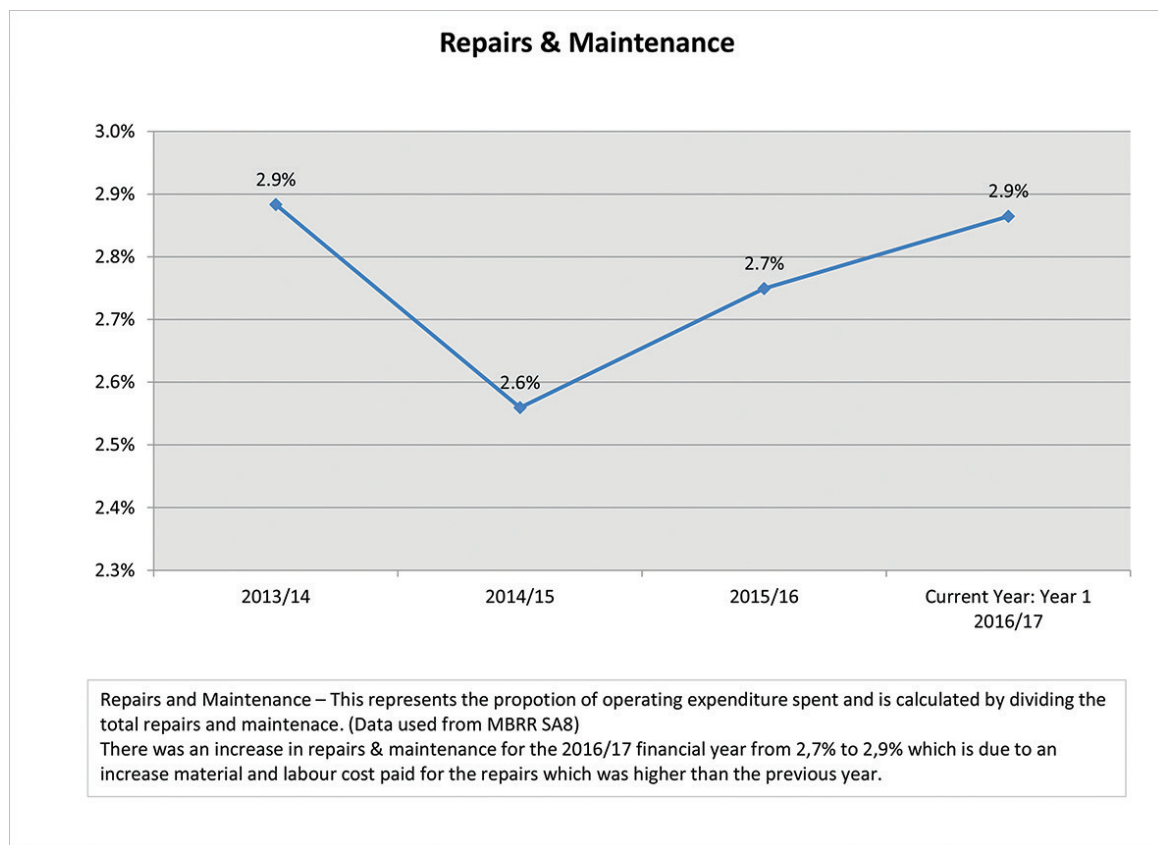


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure. (Data used from MBRR SA8)  
 There was a slight decline in the capital charges to operating expenditure of 0,9% during the 2015/16 financial year to 0,6% during the 2016/17 financial year. The municipality is paying it's long-term loan and has not incurred any additional loans which is the reason for the decline in the ratio above.

### Employee Costs



In terms of National Treasury's Circular employee costs must not exceed 35%. As at 30 June 2017, the employee costs were 43.6% of the total operating and this is due to the fact that the municipality performs other duties on behalf of the local municipalities i.e Environmental Health and Fire Fighting. Included in the actual employee costs are salaries of LED & Tourism interns and disaster practioners situated at the local municipalities, who are on the FBDM payroll. The municipality further has Environmental, Housing and Infrastructure officials who go out to the local municipalities on a daily basis to perform tasks for the local municipalities, all of these officials are remunerated by FBDM.



Financial viability and sustainability is one of the key performance areas as determined in the IDP. In order to ensure that the district municipality maintains a healthy financial position, appropriate financial ratios, benchmarks are used to assist the district municipality in assessing its financial wealth. For instance the liquidity ratio indicates the extent to which assets can be translated into cash in the short term to cover the claims of short term creditors. The norm is about 1.50:1 and according to the above mentioned ratio of the district municipality it reflects above the norm which is an indication that the district municipality did not experience any cash flow problems and / or is not expected to experience any cash flow problem over the short term.

## 5.5 Cash flow management and investments

The district municipality's cash and cash equivalent amounts to R69.3m which is a decrease of R18.2m as compared to the previous financial year. The district municipality does have adequate cash available to meet its operating requirements with cash coverage of at least three months of the average operational expenditure as per National Treasury guidelines.

Cash Flow Outcomes				
R'000				
Description	2015/16	Current Year: 2016/17		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
<b>Cash flow from operating activities</b>				
<b>Receipts</b>				
Ratepayers and other	2,292	1,181	1,181	924
Government - operating	112,569	111,813	112,013	111,619
Government - capital	–	–	–	–
Interest	7,866	5,443	5,743	6,805
Dividends	–	–	–	–
<b>Payments</b>	–	–	–	–
Suppliers and employees	(78,862)	(74,710)	(75,034)	(75,096)
Finance charges	(884)	(2,166)	(2,166)	(674)
Transfers and Grants	(54,621)	(61,665)	(61,965)	(48,947)
<b>Net cash from/(used) operating activities</b>	<b>(11,641)</b>	<b>(20,104)</b>	<b>(20,227)</b>	<b>(5,369)</b>
<b>Cash flows from investing activities</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	–	–	–	–
Decrease (Increase) in non-current debtors	1,100	–	–	406
Decrease (increase) other non-current receivables	–	–	–	–
Decrease (increase) in non-current investments	(300)	–	5,550	(400)
<b>Payments</b>				
Capital assets	(5,582)	(15,229)	(12,848)	(7,325)
<b>Net cash from/(used) investing activities</b>	<b>(4,782)</b>	<b>(15,229)</b>	<b>(7,298)</b>	<b>(11,819)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts</b>				
Short term loans	–	–	–	–
Borrowing long term/refinancing	–	–	–	–
Increase (decrease) in consumer deposits	–	–	–	–
<b>Payments</b>				
Repayment of borrowing	(1,785)	(1,800)	(720)	(1,985)
<b>Net cash from/(used) financing activities</b>	<b>(1,785)</b>	<b>(1,800)</b>	<b>(720)</b>	<b>(1,985)</b>
<b>Net increase/ (decrease) in cash held</b>	<b>(18,208)</b>	<b>(37,132)</b>	<b>(28,245)</b>	<b>(19,173)</b>
Cash/cash equivalents at the year begin:	87,483	78,769	69,275	69,275
Cash/cash equivalents at the year end:	69,275	41,637	41,030	50,102

## 5.6 GRAP Compliance

“GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.”

### Accounting principles and policies applied in the financial statements

- **Basis of preparation**

The approach by the district municipality is not to wait till the very last moment to adopt and implement new GRAP interpretations / directives issued by the Accounting Standards Board (ASB) but rather to start early by implementing any new developments and amendments issued.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 101	Agriculture
GRAP 102	Intangible assets

IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
IAS 19 (AC116)	Employee Benefits
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011

Standard	Description	Effective Date
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP. The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated.

The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards (Refer to correction of error note as transitions was not utilised in the prior year):

- GRAP 12 – Inventories
- GRAP 16 – Investment Property
- GRAP 17 – Property, Plant and Equipment
- GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
- GRAP 102 – Intangible Assets

In terms of Directive 7:

“The Application of Deemed Cost on the Adoption of Standards of GRAP” issued by the Accounting Standards Board, the municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

#### **Standards, amendments to standards and interpretations issued but not yet effective**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 6 (Revised)	<b>Consolidated and Separate Financial Statements</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	<b>Investments in Associate</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	<b>Interest in Joint Ventures</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 18	<b>Segment Reporting</b> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	<b>Presentation of Budget Information in Financial Statements</b> Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 103	<b>Heritage Assets</b> No adjustments has been made.	1 April 2012
GRAP 105	<b>Transfer of Functions Between Entities Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	<b>Transfer of Functions Between Entities Not Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	<b>Mergers</b> No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

However the above-mentioned standards, amendments and interpretations will not have a significant impact on the municipality once implemented.

# Chapter 6 - Auditor-General Audit Findings

## INTRODUCTION

The district municipality remains committed to a clean administration and as a result the municipality received an unqualified audit opinion with no matters of emphasis aligned with the National Government's strategic objectives.

Key controls have been improved to address the weaknesses raised by the Auditor-General in the management report in order to maintain the status quo.

### Auditor-General opinion of financial statements 2015/16

The district municipality achieved an unqualified audit opinion with no findings aligned with the National Government's strategic objectives.

Auditor-General Report on Financial Performance 2015/16	
<b>Audit Report Status*:</b>	Unqualified audit opinion with no matters
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
None	None
Note:*The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)	

### Auditor-General opinion of financial statements 2016/17

The district municipality achieved an unqualified audit opinion with no findings aligned with the National Government's strategic objectives.

The comprehensive audit report for the financial year under review is included in Volume II as part of the financial statements.


Auditor-General Report on Financial Performance 2016/17	
<b>Audit Report Status*:</b>	Unqualified audit opinion with matters
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
Strategic planning and performance management -  The SDBIP for the year under review did not include monthly revenue projections by source of collection as required by section 1 of the MFMA.	The SDBIP will be amended during mid-year assessment to ensure the revenue of the municipality is disclosed by source instead of by vote as currently disclosed.
Note:*The report status is supplied by the Auditor General and ranges from unqualified (at best); to unqualified with other matters specified; qualified; adverse; and disclaimed (at worse)	



Comments on MFMA section 71 responsibilities:

Section 71 of the MFMA requires municipalities to submit financial performance reports monthly to the National Treasury at specified intervals throughout the year. The reports were sent to National Treasury as per the reporting requirements.

**Signed (Acting Chief Financial Officer)**

  
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Date: 30 November 2017

## Glossary

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “what we do”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”. They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
Level 3 accreditation	The accreditation of a municipality involves the delegation and assignment of certain clearly defined functions in respect of the administration of National Housing Programmes, leading to eventual assignment of all the functions by formal proclamation of assignment by the Premier in the Government Gazette.
National key performance areas	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as “what we produce or deliver”. An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.

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".
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.
Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>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.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <ul style="list-style-type: none"> <li>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</li> <li>b) which specifies the total amount that is appropriated for the purposes <i>of the department or functional area concerned</i></li> </ul>

# **APPENDICES**

**Appendix A -  
Councillors; Committee Allocation & Council Attendance**

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/or Party Represented	Percentage Apologies for non-attendance	Percentage Council Meetings Attendance
	FT/PT			%	%
Cllr. BV Ximba	FT	Mayoral Committee	PR	7	93
Cllr. MB Silingile	FT	MPAC	PR	7	93
Cllr. KC Mothibi	FT	Finance, Mayoral	PR	14	86
Cllr. ME Motsamai	FT	Social Development, Mayoral	PR	0	100
Cllr. EM Mathe	FT	Policy & Institutional Development, Mayoral	PR	21	79
Cllr. ME Mokgatlhanyane	FT	Infrastructure Development, Mayoral	PR	7	93
Cllr. LN Shushu	FT	Planning & Development, Mayoral	PR	0	100
Cllr. PD Bishop	PT	MPAC, Policy & Institutional Development	PR	7	93
Cllr. M Kaars	PT	Finance, MPAC	PR	14	86
Cllr. B Springbok	PT	Finance	PR		
Cllr. AM Siwisa	PT	Finance, Planning & Development	PR	21	79
Cllr. AO Moremong	PT	Fiance	PR	43	57
Cllr. PJF Louw	PT	Planning & Development	PR	43	57
Cllr. JS Musie	PT	Planning & Development	PR	21	79
Cllr. AK Zalisa	PT	Planning & Development	PR	21	79
Cllr. MJ Beylefeld	PT	Infrastructure Development	PR	7	93
Cllr. LF Duba	PT	Infrastructure, Policy & Institutional Development	PR	21	79
Cllr DM Macinga	PT	Infrastructure Development	PR	29	71
Cllr. TD Setlholo	PT	Infrastructure Development	PR	0	100
Cllr. MP Thabane	PT	Social Development	PR	36	64
Cllr. D Benjamin	PT	Social Development	PR	29	71
Cllr. H Morometsi	PT	Social Development	PR	62	46
Cllr. TH Mpanza	PT	Social Development	PR	29	71
Cllr. VE Ndlela	PT	Policy & Institutional Development, MPAC	PR	7	93
Cllr. SH Griqua	PT	Policy & Institutional Development, MPAC	PR	0	100
Cllr. MA Mahutie	PT	Policy & Institutional Development, MPAC	PR	7	93
Cllr. SN Kika	PT	Finance, MPAC	PR	21	79

## Appendix B - Committees & Committee Purposes

<b>Committees (other than Mayoral / Executive Committee) and Purposes of Committees</b>	
<b>Municipal Committees</b>	<b>Purpose of Committee</b>
Finance Committee	To deal with all financial matters
Planning and Development Committee	To deal with planning and development matters such as Spatial Planning, IDP, GIS, LED
Infrastructure Development Committee	To deal with infrastructure matters, both new and maintenance of existing infrastructure
Policy and Institutional Development Committee	To deal with all council policies and consider reports on matters such as HR and ICT
Social Development Committee	To deal with social matters and consider reports on environmental health and housing
Municipal Public Accounts Committee (MPAC)	To exercise oversight over the executive functionaries of council and to ensure good governance in the municipality

## Appendix C - Functions of Municipality

Municipal Functions	
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*
<b>Constitution Schedule 4, Part B functions:</b>	
Air pollution	Yes
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	No
Fire fighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	Yes
Municipal public transport	No
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Stormwater management systems in built-up areas	Yes
Trading regulations	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	No
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	No
Control of public nuisances	No
Control of undertakings that sell liquor to the public	No
Facilities for the accommodation, care and burial of animals	No
Fencing and fences	No
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	No
Local amenities	No
Local sport facilities	No
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	No
Municipal roads	No
Noise pollution	Yes
Pounds	No
Public places	No
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	No
Street lighting	No
Traffic and parking	No



## Appendix D - Recommendations of the Municipal Audit Committee 2016/17

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2016/17	Recommendations adopted (enter Yes) If not adopted (provide explanation)
2016/08/29	The APRC commended management on the quality of the draft financial statements presented and therefore recommends that management adjust the inputs accordingly.	The recommendations have been implemented.
	Management should consider the non-disclosure of commitment and whether appropriate determination was done.	
2016/10/13	Management to apply their mind on how they should rate the level of risk which is based on the recommendations they have implemented thus far for GIS audit.	The recommendations have been implemented.
	IT and GIS units to work together in mitigating the risks identified in the GIS unit.	
	To discuss the finding relating to limitation of scope with the Auditor General as soon as possible in order to avoid its impact to the overall audit opinion.	
	To address issues of the municipality having only one exit door in case of emergencies which exposes the municipality to security risk.	The municipality will also look into addressing the emergency exit plan in the new building which is currently erected.
	The APRC also urged the display of emergency exit plans and emergency numbers in the municipal buildings.	
2016/11/16	Management to look into protection of personnel information on the IT systems used for banking and payroll matters.	The recommendations have been implemented.
	To develop risk management strategies in monitoring the risks.	
2017/03/15	Management to properly address root cause to the findings as this is a basis that informs the action to be taken on improving the internal control environment.	The recommendations have been implemented.
	Management to familiarize themselves with MFMA circular 86 issued on 8 March 2017.	
	The ICT governance framework may be presented to council with consideration that the responsibilities of identified structures will be aligned to the delegation of authority framework.	
	The APRC recommends the ICT governance framework, ICT Master plan, user account management policy to committees responsible for policies and to council for approval.	

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2016/17	Recommendations adopted (enter Yes) If not adopted (provide explanation)
2017/05/22	Management must table an item to council indicating implication to non-compliance to the Regulations on the financial misconduct.	The recommendations have been implemented.
	Internal Audit to use forward looking method by evaluating the effectiveness of internal control towards revenue and bank.	
	To look at undertaking an exercise with the locals and NCPT to make analysis on the state of infrastructure assets.	The municipality will for future consider partnering with the locals and NCPT to assess the infrastructure assets as this should inform the need for repairs & maintenance.
	The municipality must consider measuring whether the current resources and capacity of internal audit function is feasible to servicing FBDM and the two locals, and evident that there are challenges to fully implement the audit plans of this municipalities.	Management is continually measuring the current capacity of internal audit unit and the extent to expedite its services to the locals.
2017/06/23	The municipality must apply IPSAS 20 as GRAP 20 is not yet effective.	The recommendations have been implemented.
	There must be indicators to inform expedition of repairs & maintenance and this must highlight the historic information of the assets to be able to update the asset register.	
	The fixed asset register must comply with all seven segments as required by MSCOA.	
	Access rights to privileged information should be prioritized as matter of urgency.	
	Policies must be prioritized before systems are procured.	ICT policies have been reviewed in the current year.
	To share the ICT report on general controls with external auditors.	The recommendations have been implemented.
	To have proper allocation of resources on human resources audits since this takes up more disclosures in the AFS and consideration must be made to review its rating as a medium risk.	
	To consider reviewing MSCOA post-implementation in the next 3 year cycle.	
	To consider Protection of Personal Information Act (PoPI) in relation to cyber-crimes and security bill measures for readiness by management and if this elevate to high risk it must be included in the audit plan.	Management continues to measure the risk on a quarterly basis.
	To execute all processes of review of the disaster recovery plan.	The recommendation was implemented.

## Appendix E - Disclosures of Financial Interests

Disclosures of Financial Interests		
Period 1 July 2016 to 30 June 2017 of 2016/17		
Position	Name	Description of Financial interests* (Nil / Or details)''
<b>(Executive) Mayor</b>	V.B. Ximba	None
<b>Member of MayCo / Exco</b>	M.B. Silingile	Close Corporation - Sekhudu Thamaga Trading Enterprise (50%) - not active
	M.E. Motsamai	None
	N.L. Shushu	None
	E.M. Mathe	None
	M.E. Mokgatlhanyane	None
	K.C. Mothibi	None
<b>Councillor</b>	P.D. Bishop	None
	D Benjamin	None
	A.K. Zalisa	None
	E.M. Mathe	None
	M.P. Thabane	None
	B. Springbok	None
	M.J. Beylefeld	Private Property (Kimberley) Binnelandse Sake Dept Finansies
	D.T. Setlholo	None
	M.A. Mahutie	None
	L.F. Duba	None
	A.O. Moremong	None
	M. Kaars	Cape Joint Retirement Pension Fund Chairperson of Mina Moe Creche
	A.M Siwisa	None
	P.J.F Louw	None
	J.S Musie	None
	D.M Macinga	None
	H Morometsi	None
	T.H Mpanza	None
	V.E Ndlela	None
	S.H Griqua	None
	S.N Kika	None

## Appendix E - Disclosures of Financial Interests

Disclosures of Financial Interests		
Period 1 July 2016 to 30 June 2017 of 2016/17		
Position	Name	Description of Financial interests* (Nil / Or details)''
<b>Municipal Manager</b>	M.M. Bogatsu	<ul style="list-style-type: none"> <li>Private house (Mahikeng)</li> <li>Pension from GEPP not claimed yet (Worked for Northern Cape Provincial Administration until 31 October 2012)</li> </ul>
<b>Chief Financial Officer (Acting)</b>	O Moseki	None
<b>Other S57 Officials</b>	P. van der Walt	Verso Investment

## Appendix F (i) - Revenue collection performance by vote and by source

Revenue Collection Performance by Vote						
R' 000						
Vote Description	2015/16	Current Year: 2016/17			2016/17 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
Vote 1 - Executive & Council	388	420	420	–	-100.00%	-100.00%
Vote 2 - Budget & Treasury	100,414	103,573	103,873	104,666	1.05%	0.76%
Vote 3 - Corporate Services	350	1,458	1,458	1,015	-30.36%	-30.36%
Vote 4 - Planning & Development	894	–	200	200	–	–
Vote 5 - Project Management Services	19,013	14,194	14,194	16,087	13.34%	13.34%
<b>Total Revenue by Vote</b>	<b>121,058</b>	<b>119,645</b>	<b>120,145</b>	<b>121,968</b>	<b>1.94%</b>	<b>1.52%</b>

## Appendix F (ii) - Revenue collection performance by vote and by source

Revenue Collection Performance by Source						
R '000						
Description	2015/16	2016/17			2016/17 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	—	—	—	—	—	—
Property rates - penalties & collection charges	—	—	—	—	—	—
Service Charges - electricity revenue	—	—	—	—	—	—
Service Charges - water revenue	—	—	—	—	—	—
Service Charges - sanitation revenue	—	—	—	—	—	—
Service Charges - refuse revenue	—	—	—	—	—	—
Service Charges - other	—	—	—	—	—	—
Rentals of facilities and equipment	644	1,081	1,081	1,010	-7.06%	-7.06%
Interest earned - external investments	7,866	5,443	5,743	6,805	20.01%	15.60%
Interest earned - outstanding debtors	—	—	—	—	—	—
Dividends received	—	—	—	—	—	—
Fines	—	—	—	—	—	—
Licences and permits	—	—	—	—	—	—
Agency services	—	—	—	—	—	—
Transfers recognised - operational	110,413	112,991	113,191	114,013	0.90%	0.72%
Other revenue	2,135	100	100	141	28.93%	28.93%
Gains on disposal of PPE	—	30	30	—	—	—
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>121,058</b>	<b>119,645</b>	<b>120,145</b>	<b>121,968</b>	<b>1.90%</b>	<b>1.49%</b>

## Appendix G - Conditional Grants received: excluding MIG

Conditional Grants: excluding MIG						
						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Neighbourhood Development Partnership Grant	–	–	–	–	–	–
Public Transport Infrastructure and Systems Grant	–	–	–	–	–	–
<b>Other Specify:</b>						
Local Government Equitable Share	8,958	8,958	8,958	–	–	–
Equitable Share - Levy replacement	96,458	96,458	96,458	–	–	–
Finance Management	1,250	1,250	1,250	–	–	–
Municipal Systems Improvement	-	-	-	–	–	–
Roads asset management	2,427	2,427	2,427	–	–	–
Kgotso Pula Nala	-	-	-	–	–	–
NEAR Control Centre	350	350	350	–	–	–
SETA - Skills Grant	220	220	86	–	–	–
NCPA - EPWP	1 000	1 000	1 000	–	–	–
Tourism Grant	-	200,000	-	–	–	–
	-	-	250,000			
	-	-	40,000			
NCPA- Housing Grants	800,000	800,000	800,000	–	–	–
NCPA - Firefighting Equipment	350,000	350,000	-	–	–	–
<b>Total</b>	<b>111,813</b>	<b>112,013</b>	<b>111,619</b>	–	–	–

## Appendix H (i) - Capital expenditure - New Assets Programmes

Capital Expenditure - New Assets Programme*							
R '000							
Description	2015/16	2016/17			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class	—	—	—	—	—	—	—
Heritage assets - Total	—	—	—	—	—	—	—
Buildings	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Investment properties - Total	—	—	—	—	—	—	—
Housing development	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Other assets	3 998	16 134	9 750	4 995	8 887	—	—
General vehicles	1 070	3 800	3 800	1 754	—	—	—
Specialised vehicles	—	—	—	—	—	—	—
Plant & equipment	93	211	72	170	233	—	—
Computers - hardware/ equipment	—	—	—	—	—	—	—
Furniture and other office equipment	1 508	123	155	72	1 326	—	—
Abattoirs	—	—	—	—	—	—	—
Markets	—	—	—	—	—	—	—
Civic Land and Buildings	1 327	—	23	—	—	—	—
Other Buildings	—	12 000	5 700	2 999	7 328	—	—
Other Land	—	—	—	—	—	—	—
Surplus Assets - (Investment or Inventory)	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Intangibles	—	10	10	8	470	—	—
Computers - software & programming	—	10	10	8	470	—	—
Total Capital Expenditure on new assets	3 998	16 144	9 760	5 003	9 357	—	—
Specialised vehicles	—	—	—	—	—	—	—
Refuse	—	—	—	—	—	—	—
Fire	—	—	—	—	—	—	—
Conservancy	—	—	—	—	—	—	—
Ambulances	—	—	—	—	—	—	—



## Appendix H (ii) - Capital expenditure - Upgrade / Renewal Programmes

Capital Expenditure - Upgrade/Renewal Programme*							
R '000							
Description	2015/16	2016/17			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Investment properties</b>	–	–		–	–	–	–
Housing development	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
<b>Other assets</b>	<b>1 271</b>	<b>2 892</b>	<b>3 088</b>	<b>2 322</b>	<b>480</b>	<b>530</b>	<b>440</b>
General vehicles	630	1 720	2 100	1 855	350	400	310
Specialised vehicles	–	–	–	–		–	–
Plant & equipment	78	–	–	–			
Computers - hardware/ equipment		–					
Furniture and other office equipment	563	1 172	988	467	130	130	130
Abattoirs	–	–	–	–	–	–	–
Markets	–	–	–	–	–	–	–
Civic Land and Buildings	–	–	–	–	–	–	–
Other Buildings	–	–	–	–	–	–	–
Other Land	–	–	–	–	–	–	–
Surplus Assets - (Investment or Inventory)	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
<b>Intangibles</b>	<b>44</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>250</b>	<b>–</b>	<b>–</b>
Computers - software & programming	44	–	–	–	250	–	–
Other (list sub-class)	–	–	–	–	–	–	–
<b>Total Capital Expenditure on renewal of existing assets</b>	<b>1 315</b>	<b>2 892</b>	<b>3 088</b>	<b>2 322</b>	<b>730</b>	<b>530</b>	<b>440</b>
<b>Specialised vehicles</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Refuse	–	–	–	–	–	–	–
Fire	–	–	–	–	–	–	–
Conservancy	–	–	–	–	–	–	–
Ambulances	–	–	–	–	–	–	–

\* Note: Information for this table may be sourced from MBRR (2009: Table SA34b)

## Appendix I - Declaration of loans and grants made by the municipality

Declaration of Loans and Grants made by the municipality: 2014/15				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2016/17 R' 000	Total Amount committed over previous and future years
Dikgatlong Municipality	San Truck	Grant	847	Determined according to the needs of the municipalities specified in the IDP and availability of funding by FBDM.
Dikgatlong Municipality	Electricity Master Plan	Grant	574	
Dikgatlong Municipality	Purchase Cherry picker	Grant	745	
Dikgatlong Municipality	Electricity upgrade	Grant	898	
Dikgatlong Municipality	Process controller	Grant	406	
Dikgatlong Municipality	Procure TLB	Grant	800	
Dikgatlong Municipality	Maintain Municipal Infrastrucure	Grant	2,494	
Magareng Municipality	Maintenance- Municipal Infrastructure	Grant	2,500	
Magareng Municipality	Water Sewer Reticulation	Grant	5,000	
Phokwane Municipality	Replace Sewer Granity Line	Grant	111	
Phokwane Municipality	Resealing of Reservoir	Grant	6,499	
Phokwane Municipality	Chlorination Systems Upgrade	Grant	458	
Phokwane Municipality	maintenance-Roads and Infrastructure	Grant	251	
Phokwane Municipality	Maintenance-Water and Sanitation	Grant	400	
Phokwane Municipality	Resealing Sewer Storage Dam	Grant	517	
Phokwane Municipality	Maintenance- Municipal Infrastructure	Grant	2,494	
Phokwane Municipality	Install Water Meters	Grant	550	
Sol Plaatje Municipality	Maintenance- Municipal Infrastructure	Grant	535	
Sol Plaatje Municipality	Maintenance- Municipal Infrastructure	Grant	1,965	
Sol Plaatje Municipality	Water Reticulation	Grant	4,326	
Northern Cape Tourism Authority	Operational Grant	Grant	200	

**VOLUME II**  
**ANNUAL FINANCIAL**  
**STATEMENTS**

# FRANCES BAARD DISTRICT MUNICIPALITY



## AUDITED FINANCIAL STATEMENTS 30 JUNE 2017

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Index

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

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# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## General information

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<b>Country of origin and legal form</b>	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)	
<b>Jurisdiction</b>	The Frances Baard Municipality includes the following areas: Sol Plaatjie Grade 4 Phokwane Grade 2 Dikgatlong Grade 2 Magareng Grade 2	
<b>Nature of business</b>	Frances Baard Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)	
<b>Capacity of district authority</b>	Medium capacity	
<b>Municipal demarcation code</b>	DC9	
<b>Management structure</b>	The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.	
<b>Municipal manager</b>	Ms. ZM Bogatsu - 1 July 2016 to 31 May 2017 Mrs. KG Gaborone (Acting) - 1 June 2017 to 30 June 2017	
<b>Chief financial officer</b>	Ms. O Moseki (Acting)	
<b>Other heads of departments</b>	Director: Administration Director: Planning & Development Director: Infrastructure Services	Mrs. KG Gaborone Mr. F Netshivhodza (Acting) Mr. PJ van Der Walt
<b>Registered office</b>	51 Drakensberg Avenue Carters Glen Kimberley	
<b>External auditors</b>	Auditor-General of South Africa Private Bag X5013 Kimberley Telephone number (053) 838 0911 Fax number (053) 861 1538 Email frances.baard@fbdm.co.za	
<b>Internal auditors</b>	The Internal Audit section was fully staffed and operational during the financial year. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.	
<b>Members of the audit committee</b>	Mr. WMS Calitz Mr. T Mogoli Mr. G Botha	Chairperson Member Member





# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Approval of Annual Financial Statements

---

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2017 which are set out on pages 1 to 79 in terms of section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

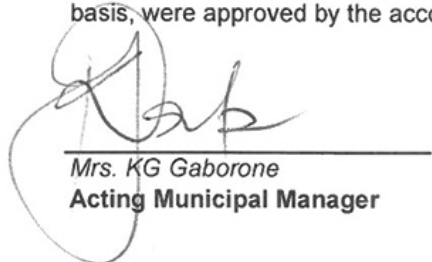
I have reviewed the municipality's cash flow forecast for the year to 30 June 2018 and am satisfied that the municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Management has concluded that the financial statements present fairly the municipality's financial position, financial performance and cash flows for the year ended 30 June 2017.

The annual financial statements set out on pages 1 to 79, which have been prepared on the going concern basis, were approved by the accounting officer and were signed on her behalf by:



Mrs. KG Gaborone  
Acting Municipal Manager

31 August 2017  
Date

# Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Frances Baard District Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Frances Baard District Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Frances Baard District Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



## **Emphasis of matters**

6. I draw attention to the matters below. My opinion is not modified in respect of these matters

### **Irregular expenditure**

7. As disclosed in note 43 to the financial statements, irregular expenditure to the amount of R3 019 265 was incurred due to non-compliance with SCM Regulations and a payment made in contravention with the Bargaining Council.

### **Material underspending**

8. As disclosed in the statement of comparison of budget information and actual amounts, the municipality has materially underspent the overall expenditure budget to the amount of R23 482 602.

## **Other matter**

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Unaudited disclosure notes**

10. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## **Responsibilities of accounting officer**

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting officer is responsible for assessing the Frances Baard District Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is an intention either to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

## **Auditor-general's responsibilities for the audit of the financial statements**

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance area presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance area presented in the annual performance report of the municipality for the year ended 30 June 2017:

Key performance area	Pages in the annual performance report
KPA 1: Sustainable municipal infrastructure development and basic service delivery	x – x

18. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following key performance area:
- KPA 1: Sustainable municipal infrastructure development and basic service delivery



## Other matters

20. I draw attention to the matters below.

### Achievement of planned targets

21. Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the year and explanations provided for the under and overachievement of a number of targets.

### Adjustment of material misstatements

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 1: Sustainable municipal infrastructure development and basic service delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## Report on audit of compliance with legislation

### Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislations are as follows:

#### Annual financial statements, performance reports and annual reports

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.

Material misstatements of commitments, investments, cash and cash equivalents and financial instruments identified by the auditor in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### Strategic planning and performance management

25. The SDBIP for the year under review did not include monthly revenue projections by source of collection as required by section 1 of the MFMA.

26. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected key performance area presented in the annual performance report that have been specifically reported on in the auditor's report.
27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
29. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary

30. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.
31. Management did review the annual financial statements and annual performance report, however the procedures performed were not effective in identifying and correcting the material misstatements identified by the auditor.
32. Monitoring of compliance by management was not sufficient as material non-compliance was identified by the auditor.
33. Crucial policies and procedures within the IT department were only in draft format at year-end.

*Auditor General*

Kimberley

30 November 2017



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## **Annexure – Auditor-general's responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected [objectives/ development priorities] and on the municipality's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
  - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Frances Baard District Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Position as at 30 June 2017

Figures in Rand	Notes	2017	2016 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventory	2	337,673	303,121
Investments	3	10,450,000	5,550,000
Operating lease asset	4	5,282	5,000
Receivables from exchange transactions	5	1,772,898	1,754,561
VAT receivable	6	3,362,592	5,393,830
Cash and cash equivalents	7	50,102,119	69,275,054
Current portion of long-term receivables	8	819,000	741,000
		<b>66,849,564</b>	<b>83,022,567</b>
<b>Non-Current Assets</b>			
Non-Current Investments	3	-	-
Long-term receivables	8	8,114,000	8,598,000
Intangible assets	9	597,004	763,058
Heritage assets	10	631,417	631,417
Property, plant and equipment	11	49,311,261	46,176,452
		<b>58,653,682</b>	<b>56,168,927</b>
<b>Total Assets</b>		<b>125,503,246</b>	<b>139,191,494</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	12	11,588,848	8,445,539
Unspent conditional government grants and receipts	13	471,699	3,073,659
Current portion of long-term liabilities	14	2,179,033	1,988,393
Current employee benefits	15	10,650,721	9,440,722
		<b>24,890,301</b>	<b>22,948,314</b>
<b>Non-Current Liabilities</b>			
Long-term liabilities	14	2,484,589	4,660,722
Employee benefits	16	29,700,999	27,713,911
		<b>32,185,589</b>	<b>32,374,633</b>
<b>Total Liabilities</b>		<b>57,075,890</b>	<b>55,322,946</b>
<b>Net Assets</b>			
Revaluation reserve		20,039,314	20,303,275
Accumulated surplus	17	48,388,042	63,565,272
		<b>68,427,356</b>	<b>83,868,548</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Financial Performances

Figures in Rand	Notes	2017	2016 Restated*
<b>Revenue</b>			
<b>Revenue from non-exchange transactions</b>			
<b>Transfer Revenue</b>			
Government grants and subsidies	18	114,012,528	110,413,264
<b>Total revenue from non-exchange transactions</b>		<b>114,012,528</b>	<b>110,413,264</b>
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment	19	1,009,828	643,770
Interest earned - external investments / current account	20	6,805,233	7,866,135
Other income	21	140,709	2,134,929
<b>Total revenue from exchange transactions</b>		<b>7,955,771</b>	<b>10,644,834</b>
<b>Total revenue</b>		<b>121,968,299</b>	<b>121,058,098</b>
<b>Expenditure</b>			
Employee related costs	22	57,082,078	52,743,677
Remuneration of councillors	23	5,950,489	5,987,653
Debt impairment	24	2,219	-
Depreciation and amortisation	25	3,926,513	3,960,969
Contracted Services	26	3,936,130	3,520,611
Actuarial losses	16	1,225,310	965,593
Finance charges - external funding	27	673,822	884,112
Finance charges - employee benefits	27	1,975,000	1,513,138
Grants and subsidies paid	28	48,946,516	54,621,447
General expenses	29	13,261,969	13,141,331
Loss on disposal of assets		429,444	216,455
<b>Total expenditure</b>		<b>137,409,490</b>	<b>137,554,987</b>
<b>Operating deficit for the year</b>		<b>(15,441,191)</b>	<b>(16,496,889)</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Changes in Net Assets

Figures in Rand

	Revaluation reserve	CRR	Accumulated surplus	Accumulated surplus	Total net assets
Opening balance as previously reported	15,569,372	9,186,800	70,511,240	79,698,040	95,267,412
Correction of prior period error (note 34)	-	-	111,427	111,427	111,427
<b>Balance at 1 July 2015</b>	<b>15,569,372</b>	<b>9,186,800</b>	<b>70,622,667</b>	<b>79,809,466</b>	<b>95,378,838</b>
Current year deficit	-	-	(16,496,889)	(16,496,889)	(16,496,889)
Transfer to capital replacement reserve	-	11,677,000	(11,677,000)	-	-
Property, plant and equipment purchased	-	(5,582,005)	5,582,005	-	-
Offset of depreciation	(252,695)	-	252,695	252,695	-
Revaluation adjustment for the year	4,986,599	-	-	-	4,986,599
Correction of error Note 34	-	-	-	-	-
<b>Balance as at 30 June 2016</b>	<b>20,303,275</b>	<b>15,281,795</b>	<b>48,283,478</b>	<b>63,565,272</b>	<b>83,868,548</b>
Current year deficit	-	-	(15,441,191)	(15,441,191)	(15,441,191)
Transfer	-	(7,324,713)	7,324,713	-	-
Offset of depreciation	(263,961)	-	263,961	263,961	-
Revaluation adjustment for the year	-	-	-	-	-
<b>Balance as at 30 June 2017</b>	<b>20,039,314</b>	<b>7,957,082</b>	<b>40,430,960</b>	<b>48,388,042</b>	<b>68,427,356</b>

Note

17



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Cash Flow Statement

Figures in Rand	Notes	2017	2016 Restated*
<b>Cash flow from operating activities</b>			
<b>Receipts</b>			
Government		111,619,227	112,569,249
Interest		6,805,233	7,866,135
Ratepayers and other		923,541	2,291,945
		<u>119,348,002</u>	<u>122,727,329</u>
<b>Payments</b>			
Cash payments to employees		(57,082,078)	(52,743,677)
Cash payments to suppliers		(18,014,314)	(26,118,721)
Finance charges		(673,822)	(884,112)
Transfers and grants		(48,946,516)	(54,621,447)
		<u>(124,716,730)</u>	<u>(134,367,957)</u>
<b>Net cash flow to operating activities</b>	30	<u>(5,368,729)</u>	<u>(11,640,628)</u>
<b>Cash flow from investments</b>			
Purchases of property, plant and equipment		(7,324,712)	(5,505,355)
Purchases of intangible assets		-	(76,651)
Decrease in long-term receivables		406,000	1,099,717
Increase in Investments		(4,900,000)	(300,000)
<b>Net cash flow to investing activities</b>		<u>(11,818,712)</u>	<u>(4,782,289)</u>
<b>Cash flow from finance activities</b>			
Loans repaid		(1,985,494)	(1,784,602)
<b>Net cash flow to finance activities</b>		<u>(1,985,494)</u>	<u>(1,784,602)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(19,172,935)</u>	<u>(18,207,519)</u>
Cash and cash equivalents at the beginnig of the year	7	69,275,054	87,482,573
Cash and cash equivalents at the end of the year	7	50,102,119	69,275,054
<b>Net decrease in cash and cash equivalents</b>		<u>(19,172,935)</u>	<u>(18,207,519)</u>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	2017 Actual	2017 Approved	2017 Final budget	2017 Variance	Explanation for material variances
<b>Assets</b>					
<b>Current Assets</b>					
Inventory	337,673	300,000	300,000	37,673	Over budgeting of 13% is due to cost containment measures which were put in place during the year. Less stationery and materials were issued.
Investments	10,450,000	5,250,000	5,550,000	4,900,000	Over budgeting of 7% on investments as more surplus money was invested during the year than budgeted.
Other debtors	5,140,772	2,000,000	2,000,000	3,140,772	Over budgeting on debtors is due to the overpayment of councilor salary, medical aid of retired staff and services rendered to local municipalities during the financial year which will be recouped from the debtors during the 2017/18 financial year.
Cash and cash equivalents	50,102,119	3,748,051	41,029,719	9,072,401	Over budgeting of 33% on cash and cash equivalents is due money being invested in short term call accounts.
Current portion of long-term receivables	819,000	900,000	900,000	(81,000)	The portion of roads PEMA was less than budgeted for the current financial year according to the actuarial valuation.
	<u>66,849,564</u>	<u>12,198,051</u>	<u>49,779,719</u>	<u>17,069,845</u>	
<b>Non-Current Assets</b>					
Long-term receivables	8,114,000	8,678,501	8,678,501	(564,501)	The portion of roads Post-Employment Medical Aid was less than budgeted for the current financial year according to the actuarial valuation.
Intangible assets	597,004	442,517	442,517	154,487	Over budgeting of 35% on intangible assets, is due to the reclassification of PPE to intangible assets.
Heritage assets	631,417	631,417	631,417	(0)	-
Property, plant and equipment	49,311,261	48,856,744	55,116,305	(5,805,043)	Under budgeting of PPE is due to the reclassification of PPE to intangible assets, the underspending on the Fire Engine due to specification which will only be met in the 2017/18 year and the delay on the extension of the building.
	<u>58,653,682</u>	<u>58,609,179</u>	<u>64,868,740</u>	<u>(6,215,058)</u>	
<b>Total Assets</b>	<u>125,503,246</u>	<u>70,807,230</u>	<u>114,648,459</u>	<u>10,854,788</u>	
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and other payables	12,060,547	17,000,000	15,000,000	(2,939,453)	Under budgeting of payables was due creditors being paid before 30 days after the issue of the invoice.
Current portion of long-term liabilities	2,179,033	486,846	486,846	1,692,187	Under budgeting of the current portion of short-term liabilities is due to only the interest being taken into account.
Current employee benefits	10,650,721	10,000,000	10,000,359	650,363	Under budgeting of current employment benefits due to actuarial valuation.
	<u>24,890,301</u>	<u>27,486,846</u>	<u>25,487,205</u>	<u>(596,904)</u>	
<b>Non-Current Liabilities</b>					
Long-term liabilities	2,484,589	4,898,727	4,898,727	(2,414,138)	Over budgeting of long-term liability due to the budget including both the short- and long-term portion of the liability.
Employee benefits	29,700,999	29,831,623	29,831,623	(130,624)	-
	<u>32,185,589</u>	<u>34,730,350</u>	<u>34,730,350</u>	<u>(2,544,762)</u>	
<b>Total Liabilities</b>	<u>57,075,890</u>	<u>62,217,196</u>	<u>60,217,555</u>	<u>(3,141,665)</u>	
<b>Net Assets</b>					
Revaluation reserve	20,039,314	15,382,670	26,738,057	(6,698,743)	Over budgeting on the revaluation reserve as the revaluation was done after the budget was approved.
Accumulated surplus	48,388,042	31,401,550	27,692,847	20,695,195	The performance statement deficit was lower than budgeted, which is the reason why the accumulated surplus is higher than the budgeted amount.
	<u>68,427,356</u>	<u>46,784,219</u>	<u>54,430,904</u>	<u>13,996,453</u>	



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

Figures in Rand	2017 Actual	2017 Approved	2017 Final budget	2017 Variance	Explanation for material variances
<b>Revenue</b>					
<b>Revenue from non-exchange transactions</b>					
Government grants and subsidies	114,012,528	117,778,000	113,190,522	822,006 -	
<b>Total revenue from non-exchange transactions</b>	<b>114,012,528</b>	<b>117,778,000</b>	<b>113,190,522</b>	<b>822,006</b>	
<b>Revenue from exchange transactions</b>					
Rental of facilities and equipment	1,009,828	1,120,013	1,081,113	(71,285)	The rental of facilities and equipment was less than expected due to the low demand for the services.
Interest earned - external investments / current account	6,805,233	5,648,020	5,743,350	1,061,883	The income from external investments was more than anticipated as more money was invested in call accounts during the financial year.
Other income	140,709	100,000	100,000	40,709	Other income is higher than the budgeted amount as more money was received from other services rendered than anticipated during the budget compilation.
Gain from disposal of assets	-	35,000	30,000	(30,000)	No gains were made on disposal of fixed assets sold during the year.
<b>Total revenue from exchange transactions</b>	<b>7,955,771</b>	<b>6,903,033</b>	<b>6,954,463</b>	<b>1,001,308</b>	
<b>Total revenue</b>	<b>121,968,299</b>	<b>124,681,033</b>	<b>120,144,985</b>	<b>1,823,313</b>	
<b>Expenditure</b>					
Employee related costs	57,082,078	65,547,270	61,214,629	(4,132,551)	The under spending on the employee related cost is due to the vacant positions which have not been filled.
Remuneration of councillors	5,950,489	6,921,820	6,714,580	(764,091)	Under spending on the councillor remuneration is due to the budgeted figure being based on a higher increase notch than gazetted during the year.
Debt impairment	2,219	3,000	3,000	(781)	Less debt was impaired during the year as debtors are able to repay the municipality.
Depreciation and amortisation	3,926,513	4,026,620	3,826,620	99,893	The depreciation & amortisation on assets was higher than expected by 3% due to acquisition of new assets.
Repairs and maintenance	3,936,130	4,406,400	4,850,908	(914,778)	Repairs & maintenance was less than budgeted, as maintenance required for the year was minimal.
Actuarial losses	1,225,310	1,220,000	1,152,310	73,000 -	
Finance charges - external funding	673,822	771,000	771,000	(97,178)	Finance charges from external funding was lower than expected which resulted in a saving on the current year budget, reduction of borrowings.
Finance charges - employee benefits	1,975,000	1,394,810	1,394,810	580,190	The finance charges was higher than budgeted as the actuarial valuation was done after the budget process estimation.
Grants and subsidies paid	48,946,516	61,335,440	61,635,440	(12,688,924)	The budgeted amount is more than the actual as cost containment played a role in the under expenditure and the requests received from local municipalities was lower than expected.
General expenses	13,261,969	20,392,144	19,118,794	(5,856,825)	General expenditure was less than the budgeted amount due to cost containment measures implemented during the financial year.
Loss on disposal of assets	429,444	210,000	210,000	219,444	One of the municipal vehicles was involved in an accident during the financial year which was an unexpected loss on disposal of assets. Four vehicles were donated at the end of the financial year to local municipalities, one of the vehicles was the Mayor's vehicle.
<b>Total expenditure</b>	<b>137,409,490</b>	<b>166,228,504</b>	<b>160,892,091</b>	<b>(23,482,602)</b>	
<b>Operating deficit for the year</b>	<b>(15,441,191)</b>	<b>(41,547,471)</b>	<b>(40,747,106)</b>	<b>25,305,915</b>	

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

Figures in Rand	2017 Actual	2017 Approved	2017 Final budget	2017 Variance	Explanation for material variances
<b>Cash flow from operating activities</b>					
<b>Receipts</b>					
Government	111,619,227	111,813,000	112,013,000	(393,773)	-
Interest	6,805,233	5,443,350	5,743,350	1,061,883	Interest received was higher due to the increase of cash, refer to the reasons mentioned below.
Ratepayers and other	923,541	1,181,110	1,181,110	(257,569)	Insurance claims was more than anticipated.
	<u>119,348,002</u>	<u>118,437,460</u>	<u>118,937,460</u>	<u>410,542</u>	
<b>Payments</b>					
Cash payments to suppliers	(18,014,314)	(74,710,368)	(75,033,836)	57,019,522	-
Finance charges	(673,822)	(2,165,810)	(2,165,810)	1,491,988	Budget provision was made to take up a new loan for the construction of a disaster management centre. Building has not yet started.
Transfers and grants	(48,946,516)	(61,664,974)	(61,964,974)	13,018,459	Underperformance on implementation of special projects.
	<u>(67,634,652)</u>	<u>(138,541,153)</u>	<u>(139,164,621)</u>	<u>71,529,968</u>	
<b>Net cash flow to operating activities</b>	<u>51,713,349</u>	<u>(20,103,693)</u>	<u>(20,227,161)</u>	<u>71,940,510</u>	
<b>Cash flow from investments</b>					
Purchases of property, plant and equipment	(7,324,712)	(15,228,800)	(12,848,013)	5,523,301	The construction of the new office building and building of water tanker is behind schedule. The amount was rolled over to 2017/18 financial year.
Decrease in long-term receivables	406,000	-	-	406,000	The results are based on actual valuations that only becomes available at year end.
Increase in Investments	(4,900,000)	-	5,550,000	(10,450,000)	The increase is based on the actual value of leave days not taken by staff.
<b>Net cash flow to investing activities</b>	<u>(11,818,712)</u>	<u>(15,228,800)</u>	<u>(7,298,013)</u>	<u>(4,520,699)</u>	
<b>Cash flow from finance activities</b>					
Finance lease repaid	-	-	-	-	-
Loans repaid	(1,985,494)	(1,800,000)	(720,000)	(1,265,494)	The amount of R720 000 was the budgeted for the interest on a loan and not the capital repayment.
<b>Net cash flow to finance activities</b>	<u>(1,985,494)</u>	<u>(1,800,000)</u>	<u>(720,000)</u>	<u>(1,265,494)</u>	
<b>Net decrease in cash and cash equivalents</b>	<u>37,909,143</u>	<u>(37,132,493)</u>	<u>(28,245,174)</u>	<u>66,154,316</u>	
Cash and cash equivalents at the beginnig of the year	69,275,054	78,769,193	69,275,054	-	-
Cash and cash equivalents at the end of the year	50,102,119	41,636,701	41,029,880	9,072,239	The variance is due to the under performance on purchase of assets and special projects.
<b>Net decrease in cash and cash equivalents</b>	<u>(19,172,935)</u>	<u>(37,132,493)</u>	<u>(28,245,174)</u>	<u>9,072,239</u>	

## **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

### **1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

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

A summary of the significant accounting policies are disclosed below. These accounting policies are consistent with the previous period.

### **1.2. GOING CONCERN**

These financial statements have been prepared on a going concern basis.

### **1.3. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **1.4. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

### **1.5. RESERVES**

#### **1.5.1. Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/deficit to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

### **1.5.2. Revaluations Reserve**

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the statement of financial performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

## **1.6. LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### **1.6.1. Operating lease - Lessee**

Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### **1.6.2. Operating lease - Lessor**

Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

## **1.7. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.

- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

#### 1.8. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the statement of financial position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

#### 1.9. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the statement of financial position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

#### 1.10. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:



- a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - When the plan will be implemented.
- b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

### **1.11. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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

#### **1.11.1. Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the statement of financial performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.11.2. Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries

annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.11.3. Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.11.4. Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.11.5. Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.11.6. Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### **1.11.7. Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the statement of financial performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified



are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the statement of financial performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

## **1.12. PROPERTY, PLANT AND EQUIPMENT**

### **1.12.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### **1.12.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

### 1.12.3. Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of financial performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the statement of financial performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

### 1.12.4. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors. The depreciation method is reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

<u>Property, plant and equipment</u>	<u>Years</u>
Buildings	5 – 32
Computer equipment	5 – 27
Emergency equipment	5 – 27
Furniture and fittings	4 – 30
Land	Indefinite
Motor vehicles	5 – 15
Office equipment	5 – 27
Plant and machinery	4 – 17
Security measures	5 – 10

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the statement of financial performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the statement of financial performance.

#### **1.12.5. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

### **1.13. INTANGIBLE ASSETS**

#### **1.13.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.13.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.13.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of

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assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible assets</u>	<u>Years</u>
Computer software	10
Computer software licenses	10

#### **1.13.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

### **1.14. HERITAGE ASSETS**

#### **1.14.1. Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### **1.14.2. Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### **1.14.3. Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the statement of financial performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the statement of financial performance.

#### **1.14.4. De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the statement of financial performance.

#### **1.14.5. Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

### **1.15. IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **1.15.1. Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a

reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the statement of financial performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of financial performance.

#### **1.15.2. Non-cash-generating assets**

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the statement of financial performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

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



## **1.16. INVENTORIES**

### **1.16.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **1.16.2. Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

## **1.17. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the statement of financial position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

### **1.17.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

### 1.17.2. Classification

The Municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Cash and Cash Equivalents	Financial assets measured at amortised cost
Current Investments	Financial assets measured at amortised cost
Receivables from non-exchange transactions	Financial assets measured at amortised cost
Long-Term Receivables	Financial assets measured at amortised cost

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

### 1.17.3. Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### 1.17.3.1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of financial performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the

municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the statement of financial performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### 1.17.3.2. Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.17.3.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### 1.17.3.4. Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the statement of financial performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of financial performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

### 1.17.4. **De-recognition of Financial Instruments**

#### 1.17.4.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and

rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.17.4.2. Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of financial performance.

#### **1.17.5. *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.18. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### **1.19. REVENUE**

#### **1.19.1. *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions

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attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.19.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.

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- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.



## 1.20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link the borrowing requirement of the Municipality directly to the nature of the expenditure to be funded. In such cases, the Municipality expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the statement of financial performance when incurred.

## 1.21. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- a) are married or live together in a relationship similar to a marriage; or
- b) are separated by no more than two degrees of natural or legal consanguinity or affinity.



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Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- a) all members of the governing body of the Municipality;
- b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm’s length and not on normal commercial terms are disclosed.

#### **1.22. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### **1.23. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality’s Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### **1.24. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured

at actual cost incurred) in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### **1.25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.26. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

#### **1.27. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### **1.28. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

#### **1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### ***1.29.1. Post-retirement medical obligations, Long service awards and Ex gratia gratuities***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

##### ***1.29.2. Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

##### ***1.29.3. Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

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- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.29.4. Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### **1.29.5. Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**1.29.6. Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

**1.29.7. Revenue Recognition**

Accounting Policy 1.21.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.21.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.29.8. Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.29.9. Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

**1.29.10. Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

### 1.30. NEW STANDARDS AND INTERPRETATIONS

#### 1.30.1. *Standards and interpretations effective and adopted in the current year*

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### 1.31. GRAP 17 (as revised 2015) Property, plant and equipment

The following amendments were made to the standard:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality has adopted the standard for the first time in the 2017 annual financial statements. The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

#### 1.31.1. *Standards and interpretations issued, but not yet effective*

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

##### 1.31.1.1. GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which the municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

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The adoption of this standard is not expected to impact on the results of the municipality, but may result in more presentation and disclosure than is currently provided in the annual financial statements.

1.31.1.2. GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting municipality's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

A municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the municipality. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;



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- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- The entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

1.31.1.3. GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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1.31.1.4. GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.31.1.5. IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.31.1.6. GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by the municipality to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

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arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when the municipality is a principal or an agent.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.7. GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

1.31.1.8. GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.9. GRAP 36: Investments in Associates and Joint Ventures

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

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The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.10. GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.11. GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

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1.31.1.12. GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

1.31.1.13. IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in the municipality's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103). As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date. The impact of this interpretation is currently being assessed.

1.31.1.14. GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

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- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS
- 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.15. GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.16. GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.



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The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.17. GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.18. GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:



ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

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- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.19. GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.20. GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

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It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.21. GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

1.31.1.22. GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: to require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal- agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

**ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016**

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It furthermore covers: definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016 Restated*
<b>2 Inventory</b>		
Consumables - stationery and materials	337,673	303,121
	<b>337,673</b>	<b>303,121</b>
Inventory recognised as an expense during the year	<b>335,766</b>	<b>357,798</b>
No inventory assets were pledged as security for liabilities.		
<b>3 Investments</b>		
Bank deposits	10,450,000	5,550,000
	<b>10,450,000</b>	<b>5,550,000</b>
Current investments	10,450,000	5,550,000
	<b>10,450,000</b>	<b>5,550,000</b>
Fixed deposit at Standard Bank until 27 June 2018 at 8.65% interest.		
<b>4 Operating lease asset</b>		
Balance as at 1 July 2016	5,000	2,754
Movement during the year	281	2,247
	<b>5,282</b>	<b>5,000</b>
Current assets	5,282	5,000
Non-current assets	-	-
	<b>5,282</b>	<b>5,000</b>
<b>5 Receivables from exchange transactions</b>		
Interest on investment	196,310	222,938
Payments made in advance	680,828	676,586
Recoverable amounts	3,297	-
Salary Control: Group schemes	577	-
Salary Control: Main account	-	1,126
Salary Control: Unclaimed salaries	-	360
Unpaid items	213	-
Sundry debtors	321,577	288,057
Sundry services	570,095	565,493
	<b>1,772,898</b>	<b>1,754,561</b>
Less: allowance for impairment	-	-
	<b>1,772,898</b>	<b>1,754,561</b>
<b>Receivables from exchange transactions pledged as security</b>		
None of the receivables from exchange transactions were pledged as security.		
The ageing of amounts past due but not impaired is as follows:		
Current	-	160,063
30 days	158,230	86,412
31-60 days	12,900	140,053
61-90 days	163,696	144,922
Over 90 days	235,270	34,043
	<b>570,095</b>	<b>565,493</b>
<b>6 VAT receivable</b>		
VAT receivable	<b>3,362,592</b>	<b>5,393,830</b>
The municipality is registered for VAT on the payment basis.		
<b>7 Cash and cash equivalents</b>		
Call investment deposits	45,501,000	66,000,000
Cash floats	3,300	3,300
Primary bank account	4,597,819	3,271,754
	<b>50,102,119</b>	<b>69,275,054</b>
Current assets	50,102,119	69,275,054
Current liabilities	-	-
	<b>50,102,119</b>	<b>69,275,054</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

2017

2016  
Restated\*

Cash and cash equivalents included in the cash flow statement comprise the following:

Call investment deposits	45,501,000	66,000,000
Cash floats	3,300	3,300
Primary bank account	4,597,819	3,271,754
	<b>50,102,119</b>	<b>69,275,054</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

	30-Jun-17	Bank statement balances 30-Jun-16	30-Jun-15
Standard Bank Kimberley Business Centre - Primary bank account	5,121,872	3,275,264	3,211,552
Call investment - ABSA	7,000,000	-	-
Call investment - ABSA	500,000	-	-
Call investment - ABSA	5,001,000	-	-
Call investment - ABSA	-	7,000,000	-
Call investment - ABSA	-	6,000,000	-
Call investment - ABSA	-	4,500,000	-
Call investment - ABSA	-	-	9,000,000
Call investment - ABSA	-	-	4,500,000
Call investment - ABSA	-	-	5,500,000
Call investment - First Rand	-	-	10,000,000
Call investment - First Rand	-	-	5,500,000
Call investment - Nedcor	8,000,000	-	-
Call investment - Nedcor	4,500,000	-	-
Call investment - Nedcor	4,000,000	-	-
Call investment - Nedcor	-	10,000,000	-
Call investment - Nedcor	-	4,500,000	-
Call investment - Nedcor	-	5,550,000	-
Call investment - Nedcor	-	6,000,000	-
Call investment - Nedcor	-	-	9,500,000
Call investment - Nedcor	-	-	7,000,000
Call investment - Nedcor	-	-	5,500,000
Call investment - Rand Merchant	5,000,000	-	-
Call investment - Rand Merchant	-	4,000,000	-
Call investment - Rand Merchant	-	4,000,000	-
Call investment - Rand Merchant	-	4,500,000	-
Call investment - Standard Bank	9,000,000	-	-
Call investment - Standard Bank	2,500,000	-	-
Call investment - Standard Bank	-	6,000,000	-
Call investment - Standard Bank	-	4,500,000	-
Call investment - Standard Bank	-	5,000,000	-
Call investment - Standard Bank	-	-	10,000,000
Call investment - Standard Bank	-	-	8,000,000
Call investment - Standard Bank	-	-	4,500,000
Call investment - Standard Bank	-	-	5,500,000
	<b>50,622,872</b>	<b>74,825,264</b>	<b>87,711,552</b>

## Annual Financial Statements for the year ended 30 June 2017

## Figures in Rand

No cash & cash equivalents held by the municipality are not available for use.

## Roads post-retirement healthcare benefits

Council managed an agency service on behalf of the Department of Roads & Public Works until 30 June 2011. The service has been transferred back to the department from 01 July 2011. As per agreement, the municipality will continue payment of the post service medical aid premiums of the retired employees to the service provider. The department will refund the employers portion of the instalment and the members will be responsible for the employee portion. Outstanding amounts are treated as receivables from non-exchange transactions. The receivables is valued by actuaries on a yearly basis which forms part of the analysis as per the employee benefits, refer to note 16.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

	2017	2016 Restated*
<b>9 Intangible assets</b>		
<b>Computer software</b>		
Cost	1,600,854	1,431,195
Correction of error - cost		152,578
Accumulated amortisation and impairment	(837,795)	(541,017)
Correction of error - amortisation		(129,973)
<b>Net carrying amount at 1 July (Restated)</b>	<b>763,058</b>	<b>912,782</b>
Additions	-	76,651
Disposals: cost	(44,896)	(59,570)
Disposals: accumulated amortisation and impairment	44,895	45,960
Amortisation	(166,053)	(184,973)
Impairment	-	(27,792)
<b>Net carrying amount at 30 June</b>	<b>597,004</b>	<b>763,058</b>
Cost	1,555,958	1,600,854
Accumulated amortisation and impairment	(958,954)	(837,795)

No intangible asset was assessed as having an indefinite useful life.

None of the above intangible assets have been pledged as security.

There are no intangible assets whose title is restricted.

There are no contractual commitments for the acquisition of intangible assets.

There are no internally generated intangible assets at reporting date.

### 9.1 Intangible assets

Cost incurred for locence fees amount to R2 330 323,71. Refer to no 26

### 10 Heritage assets : Statues

Cost at 1 July	631,417	631,417
<b>Net carrying amount at 1 July</b>	<b>631,417</b>	<b>631,417</b>
Additions	-	-
<b>Net carrying amount at 30 June</b>	<b>631,417</b>	<b>631,417</b>
Cost	631,417	631,417

#### Pledged as security

None of the above heritage assets have been pledged as security.

There are no restrictions on the realisability of heritage assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements.

The municipality has assessed the Heritage asset and confirm that there was no need for impairment at the end of the financial period.

### 10.1 Heritage assets: Repairs and Maintenance

The nature of repairs and maintenance incurred by the municipality is contracted services.  
Cost incurred to repair and maintain heritage assets amounted to R345,00. Refer to note 26.



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

		2017	2016 Restated*
<b>11 Property, plant and equipment</b>			
<b>30 June 2017</b>			
	<b>Cost revaluation</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
Land and buildings - community assets	151,676	(109,354)	42,322
Security measures	1,002,147	(733,406)	268,741
Computer equipment	5,121,863	(3,596,037)	1,525,825
Emergency equipment	4,004,293	(1,245,298)	2,758,995
Furniture and fittings	3,227,001	(2,647,591)	579,409
Buildings - Other	43,436,336	(18,276,964)	25,159,372
Land - other	8,105,000	-	8,105,000
Motor vehicle	7,546,811	(4,379,756)	3,167,055
Office equipment	3,727,476	(2,899,737)	827,738
Plant and machinery	2,375,494	(1,987,622)	387,872
	<b>78,698,095</b>	<b>(35,875,767)</b>	<b>42,822,329</b>
<b>Work in Progress</b>			
Buildings	4,734,797	-	4,734,797
Transport Assets	1,754,136	-	1,754,136
	<b>6,488,933</b>	<b>-</b>	<b>6,488,933</b>
	<b>85,187,028</b>	<b>(35,875,767)</b>	<b>49,311,261</b>
<b>30 June 2016</b>			
	<b>Cost revaluation</b>	<b>Accumulated depreciation</b>	<b>Carrying value</b>
Land and buildings - community assets	151,676	(101,694)	49,982
Security measures	898,471	(625,883)	272,588
Computer equipment	4,745,288	(3,202,846)	1,542,441
Emergency equipment	2,250,157	(954,129)	1,296,028
Furniture and fittings	3,197,243	(2,490,502)	706,741
Buildings - Other	42,520,005	(17,513,806)	25,006,199
Land - other	8,105,000	-	8,105,000
Motor vehicle	9,063,110	(4,117,058)	4,946,052
Office equipment	3,691,250	(2,572,068)	1,119,182
Plant and machinery	2,309,050	(1,832,704)	476,346
	<b>76,931,250</b>	<b>(33,410,690)</b>	<b>43,520,559</b>
<b>Work in Progress</b>			
Buildings	2,655,893	-	2,655,893
	<b>2,655,893</b>	<b>-</b>	<b>2,655,893</b>
	<b>79,587,142</b>	<b>(33,410,690)</b>	<b>46,176,452</b>
<b>Reconciliation of property, plant and equipment</b>			
Refer to note 11			
<b>Property, plant and equipment &amp; intangible assets classification errors</b>			
<b>Reclassification of note track system</b>			
With the preparation of the 2017 asset register it was discovered that the notepack management system is incorrectly classified as property, plant and equipment while it should have been capitalised as intangible asset. The effect of the restatement is summarised below.			
<b>Adjustments affecting the statement of financial position</b>			
Increase in Intangible assets			22,604
Decrease in Property, plant and equipment			(22,604)
			<b>-</b>

# Frances Baard District Municipality

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### 11.1 Revaluation of property

The revaluation of council's land and buildings was done by an independent professional valuator, Valu Data, during the 2015 / 2016 financial year on the method of:

- value indicated by recent sales of comparable properties in the market,
- value of the property's earning power based on a capitalisation of the first year income or projected future income, and
- the current cost of reproducing or replacing the improvements less loss in value from depreciation plus the value of land.

### Reclassification of PPE

Further more it was found during the preparation of the 2017 register that there were some classification errors between the asset classes within property, plant and equipment. The comparative statements for 2015/2016 have been restated to correct the classification to the different categories within property, plant and equipment. The effect of classification corrections within property, plant and equipment has not effect on the line items of the financial statements. It did result in increase in cost of land and buildings and the decrease in furniture and fittings of R16 965 .

### Adjustments effecting property, plant and equipment

Land and buildings	(955,249)
Furniture and fittings	(18,619)
Emergency equipment	972,203
Office Equipment	7,381
Computer equipment	(3,138)
Plant & Machinery	(2,579)
	-

### 11.2 Property, plant and Equipment: Repairs and Maintenance

The nature of repairs and maintenance incurred by the municipality is contracted services.

Cost incurred to repair and maintain property, plant and equipment amounted to R1 605 461,25. Refer to note 26.

# Frances Baard District Municipality

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<b>12 Payables from exchange transactions</b>		
Deposit: rent buildings	570	2,394
Insurance control account	-	1,435
Payments received in advance	18,259	126,171
Retentions	356,419	479,108
Salary Control: Main account	2,046,525	-
Salary Control: Medical aid continued members	179	-
Salary Control: SITE / PAYE	113,517	3,269
Salary Control: Unclaimed salaries	4,055	-
Standard Bank fleet card	128,242	83,962
Sundry creditors	8,921,082	7,749,200
	<b>11,588,848</b>	<b>8,445,539</b>

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Refer to note 35 for correction of prior period error.

### 13 Unspent conditional government grants and receipts

District Aids Council	250,000	162,596
Finance management grant	181,699	-
Municipal systems improvement grant	-	46,063
NCPA: Firefighting equipment	-	665,000
NCPA: Operation Kgotsso Pula Nala	-	1,999,999
NCPA: Tourism grant	-	200,000
ABSA: Tourism Grant	40,000	-
	<b>471,699</b>	<b>3,073,659</b>
<b>Movement during the year</b>		
Opening balance	3,073,659	1,177,558
Current-year receipts	6,163,227	13,633,249
Conditions met-transferred to revenue	(8,596,528)	(11,477,263)
Transferred back to National Treasury	(208,659)	(259,885)
	<b>431,699</b>	<b>3,073,659</b>

See note 18 for reconciliation of grants Government grants and subsidies.

### 14 Long-term liabilities

#### At amortised cost

Development Bank of South Africa	4,663,622	6,649,115
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A fixed term loan over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six -monthly instalments with the first instalment payable on 31 December 2010 at a interest rate of 10.9 %. Interest payments commenced on 30 June 2009.

	<b>4,663,622</b>	<b>6,649,115</b>
Current liabilities	2,179,033	1,988,393
Non-current liabilities	2,484,589	4,660,722
	<b>4,663,622</b>	<b>6,649,115</b>

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### Defaults and breaches

There were not defaults or breaches in terms of the agreement during the current or prior year.

### Refer to the maturity dates of long term liabilities

Minimum payments under annuity loans:

- within one year	2,659,315	2,659,315
- in second to fifth year inclusive	2,707,079	7,977,946
- later than five years	-	-
	<b>5,366,395</b>	<b>10,637,261</b>
Less: future finance obligations	(702,773)	(3,988,146)
<b>Present value of annuity obligations</b>	<b>4,663,622</b>	<b>6,649,115</b>

### 15 Current employee benefits

Current portion of post-retirement healthcare benefits	1,205,000	1,058,000
Current portion of post-retirement healthcare benefits: Roads	819,000	741,000
Current portion of long service awards	417,000	193,000
Current portion of ex-gratia pension benefits	35,000	34,090
Performance bonus	534,788	423,018
Staff leave	5,983,323	5,548,577
Staff bonus	1,656,611	1,443,038
	<b>10,650,721</b>	<b>9,440,722</b>

The movement in current employee benefits are reconciled as follows:

### Performance bonus

Balance at beginning of year	423,018	509,040
Contribution to current portion	653,076	361,557
Expenditure incurred	(541,306)	(447,579)
	<b>534,788</b>	<b>423,018</b>

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

### Staff leave

Balance at beginning of year	5,548,577	5,196,735
Contribution to current portion	1,253,204	1,674,221
Expenditure incurred	(818,457)	(1,322,380)
	<b>5,983,323</b>	<b>5,548,577</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

### Staff bonus

Balance at beginning of year	1,443,038	1,419,974
Contribution to current portion	2,746,892	2,527,155
Expenditure incurred	(2,533,320)	(2,504,090)
	<b>1,656,611</b>	<b>1,443,038</b>

Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle.

### 16 Employee benefits

Post-retirement healthcare benefits: Frances Baard	19,936,999	17,395,000
Post-retirement healthcare benefits: Roads	8,114,000	8,598,000
Long service awards	1,536,000	1,599,000
Ex-gratia pension benefits	114,001	121,911
	<b>29,700,999</b>	<b>27,713,911</b>

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	2017	2016 Restated*
<b><u>Post-retirement healthcare benefits: Frances Baard</u></b>		
Balance 1 July	18,453,000	16,477,830
Contribution for the year	568,000	580,573
Interest cost	1,809,999	1,381,299
Expenditure for the year	(999,031)	(942,221)
Actuarial (gain)/loss	1,310,031	955,519
	<b>21,141,999</b>	<b>18,453,000</b>
Less: Transfer to current portion	(1,205,000)	(1,058,000)
	<b>19,936,999</b>	<b>17,395,000</b>
<b><u>Post-retirement healthcare benefits: Roads</u></b>		
Balance 1 July	9,339,000	10,438,717
Interest cost	892,000	856,273
Expenditure for the year	(740,364)	(762,681)
Actuarial (gain)/loss	(557,636)	(1,193,309)
	<b>8,933,000</b>	<b>9,339,000</b>
Less: Transfer to current portion	(819,000)	(741,000)
	<b>8,114,000</b>	<b>8,598,000</b>
<b><u>Long service awards</u></b>		
Balance 1 July	1,792,000	1,608,516
Contribution for the year	220,000	201,377
Interest cost	154,000	121,389
Expenditure for the year	(112,189)	(130,296)
Actuarial (gain)/loss	(100,811)	(8,986)
	<b>1,953,000</b>	<b>1,792,000</b>
Less: Transfer to current portion	(417,000)	(193,000)
	<b>1,536,000</b>	<b>1,599,000</b>
<b><u>Ex-gratia pension benefits</u></b>		
Balance 1 July	156,000	160,580
Interest cost	11,000	10,450
Expenditure for the year	(34,090)	(34,090)
Actuarial (gain)/loss	16,091	19,060
	<b>149,001</b>	<b>156,000</b>
Less: Transfer to current portion	(35,000)	(34,090)
	<b>114,001</b>	<b>121,910</b>
<b><u>Total employee benefits</u></b>		
Balance 1 July	29,740,000	28,685,643
Contribution for the year	788,000	781,950
Interest cost	2,866,999	2,369,411
Expenditure for the year	(1,885,674)	(1,869,288)
Actuarial (gain)/loss	667,675	(227,716)
	<b>32,176,999</b>	<b>29,740,000</b>
Less: Transfer to current portion	(2,476,000)	(2,026,090)
	<b>29,700,999</b>	<b>27,713,911</b>
<b>16.1 <u>Post-retirement healthcare benefit</u></b>		
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	27,792,000	26,916,547
Current service cost	568,000	580,573
Interest Cost	2,701,999	2,237,572
Benefits Paid	(1,739,395)	(1,704,902)
Actuarial (gains)/losses	752,395	(237,790)
Present value of fund obligation at the end of the year - wholly unfunded	30,074,999	27,792,000
Less: Transfer to current portion	(2,024,000)	(1,799,000)
<b>Present value of fund obligation</b>	<b>28,050,999</b>	<b>25,993,000</b>
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	67	62
In-service (employee) non-members	29	36
Continuation members (e.g. Retirees, widows, orphans)	47	46
	<b>143</b>	<b>144</b>

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The liability in respect of past service has been estimated to be as follows:

In-service members	8,742,000	6,712,000
Continuation members	21,333,000	21,080,000
	<b>30,075,000</b>	<b>27,792,000</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016	2015	2014
In-service members	6,712,000	6,746,836	5,048,295
Continuation members	21,080,000	20,169,711	19,988,004
	<b>27,792,000</b>	<b>26,916,547</b>	<b>25,036,299</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas  
Keyhealth  
LA Health  
ProSano  
SAMWU Medical Aid

### Key actuarial assumptions used:

#### Rate of interest

Discount rate  
Health Care Cost Inflation Rate  
Net Effective Discount Rate

Yield curve  
Equal to CPI + 1  
Yield curve based

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

### Mortality rates

Mortality before retirement is based on SA 85-90 mortality tables. Mortality for pensioners was based on the PA 90 ultimate mortality rates.

### Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

### Valuation reports

The last valuation was performed on 30 June 2017.

### Actuarial valuation method

The Projected Unit Credit Method has been used to value the liabilities.

### Sensitivity Analysis on the Accrued Liability

	In-service members liability	Continuation members liability	Total liability
Central assumptions	<b>8,742,000</b>	<b>21,333,000</b>	<b>30,075,000</b>

The Future-service Cost for the ensuing year is estimated to be R 742,000 , whereas the Interest- Cost for the next year is estimated to be R 3,002,000 .

### Sensitivity Analysis on the future service cost and interest

	Current-service cost	Interest cost	Total
<b>2017</b>			
<b>Central Assumption</b>			
Health care inflation - (1%) change	599,000	2,678,000	26,963,000
Health care inflation - 1% change	927,000	3,393,000	33,815,000
Withdrawal Rate - 20% change	813,000	3,312,000	33,081,000
Withdrawal Rate - (20%) change	683,000	2,759,000	27,716,000

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	2017	2016 Restated*
<b>2016</b>		
<b>Central Assumption</b>		
Health care inflation - (1%) change	717,000	31,316,000
Health care inflation - 1% change	455,000	24,865,000
Withdrawal Rate - 20% change	521,000	25,582,000
Withdrawal Rate - (20%) change	627,000	30,626,000

### 16.2 Long service awards

The Long Service Bonus plans are defined benefit plans.

#### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1,792,000	1,608,516
Current service cost	220,000	201,377
Interest Cost	154,000	121,389
Benefits Paid	(112,189)	(130,296)
Actuarial (gains)/losses	(100,811)	(8,986)
Present value of fund obligation at the end of the year - wholly unfunded	1,953,000	1,792,000
Less: Transfer to current portion	(417,000)	(193,000)
<b>Present value of fund obligation</b>	<b>1,536,000</b>	<b>1,599,000</b>

As at year end, the following number of employees were eligible for Long Service Bonuses.

<b>96</b>	<b>99</b>
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The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016	2015	2014
<b>Total liability</b>	<b>1,792,000</b>	<b>1,608,517</b>	<b>1,278,285</b>

#### Key actuarial assumptions used:

##### Rate of interest

Discount rate  
General salary inflation  
Net Effective Discount Rate applied to salary-related long service awards

Yield curve  
Equal to CPI + 1  
Yield curve based

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

#### Valuation reports

The last valuation was performed on 30 June 2017.

#### Actuarial valuation method

The Projected Unit Credit Method has been used to value the liabilities.

#### Sensitivity Analysis on the future service cost and interest

<b>2017</b>	<b>Current-service cost</b>	<b>Interest cost</b>	<b>Total</b>
<b>Central Assumption</b>			
General salary inflation - (1%) change	210,000	188,000	1,852,000
General salary inflation - 1% change	253,000	202,000	2,094,000
Withdrawal Rate - 20% change	257,000	218,000	2,091,000
Withdrawal Rate - (20%) change	207,000	189,000	1,830,000
<b>2016</b>	<b>Current-service cost</b>	<b>Interest cost</b>	<b>Total</b>
<b>Central Assumption</b>			
General salary inflation - (1%) change	242,000	165,000	1,924,000
General salary inflation - 1% change	200,000	143,000	1,673,000
Withdrawal Rate - 20% change	143,000	196,000	1,676,000
Withdrawal Rate - (20%) change	248,000	166,000	1,924,000



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### 16.3 Ex-gratia pension benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 2 employees were eligible for Ex-Gratia payments.

There is no future-service costs as there are no current in-service members eligible for ex-gratia payments, whereas the Interest cost for the next year is estimated to be R10,000.

#### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	156,000	160,580
Interest Cost	11,000	10,450
Benefits Paid	(34,090)	(34,090)
Actuarial (gains)/losses	16,090	19,060
Present value of fund obligation at the end of the year - wholly unfunded	149,000	156,000
Less: Transfer to current portion	(35,000)	(34,090)
<b>Present value of fund obligation</b>	<b>114,000</b>	<b>121,910</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016	2015	2014
<b>Total liability</b>	<b>149,000</b>	<b>156,000</b>	<b>160,580</b>

#### Key actuarial assumptions used:

##### Rate of interest

Discount rate	7.34%	7.78%
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The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".

#### Valuation reports

The last valuation was performed on 30 June 2017.

#### Actuarial valuation method

The projected unit credit funding method has been used to value the liabilities.

### 16.4 Retirement funds

The municipality requested detailed employee and pensioner information as well as information on the municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the municipality's process to value the defined benefit liabilities, the municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the municipality. Without detailed pensioner data the municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

#### Cape joint retirement fund

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 100%.

Contributions paid recognised in the statement of financial performance

5,807,682

5,394,092

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### Defined contribution fund

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the statement of financial performance

Municipal Councillors Pension Fund  
SAMWU National Provident Fund

-	-
23,525	-
<b>23,525</b>	<b>-</b>

### 17 Accumulated surplus

	Capital replacement reserve	Accumulated surplus	Total
<b>Balance at 1 July 2015</b>	<b>9,186,800</b>	<b>70,511,240</b>	<b>79,698,040</b>
Current year deficit	-	(16,496,889)	(16,496,889)
Property, plant and equipment purchased	(5,582,005)	5,582,005	-
Transfer to capital replacement reserve	11,677,000	(11,677,000)	-
Offset of depreciation	-	252,695	252,695
Correction of error (Note34)	-	-	-
<b>Balance as at 30 June 2016</b>	<b>15,281,795</b>	<b>48,172,051</b>	<b>63,453,846</b>
Current year deficit	-	(15,441,191)	(15,441,191)
Property, plant and equipment purchased	(7,324,713)	7,324,713	-
Offset of depreciation	-	263,961	263,961
<b>Balance as at 30 June 2017</b>	<b>7,957,082</b>	<b>40,319,533</b>	<b>48,276,616</b>

### 18 Government grants and subsidies

#### Unconditional grants

Equitable share	<b>105,416,000</b>	<b>98,936,000</b>
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#### Conditional grants

National Government	3,495,301	4,296,937
Provincial Government	5,101,226	7,180,326
	<b>8,596,528</b>	<b>11,477,264</b>

<b>Total government grants and subsidies</b>	<b>114,012,528</b>	<b>110,413,264</b>
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Operating grants	111,585,528	110,413,264
Capital grants	2,427,000	-
	<b>114,012,528</b>	<b>110,413,264</b>

Revenue recognised per vote as required by Section 123(c) of the MFMA

Equitable share	<b>105,416,000</b>	<b>98,936,000</b>
Budget & Treasury	1,154,528	1,392,481
Executive & Council	-	387,794
Housing	800,000	3,300,051
Planning & Development	5,626,999.48	6,046,939
Public Safety	1,015,000	350,000
	<b>8,596,528</b>	<b>11,477,264</b>
	<b>114,012,528</b>	<b>110,413,264</b>

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<b>Equitable share</b>		
Opening balance	-	-
Current-year receipts	105,416,000	98,936,000
Transferred to revenue	(105,416,000)	(98,936,000)
	<u>-</u>	<u>-</u>

The Equitable Share is the unconditional share of the revenue raised nationally and is allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

### District Aids Council

Opening balance	162,596	550,390
Current-year receipts	250,000	-
Conditions met-transferred to revenue	-	(387,794)
Transferred back to National Treasury	(162,596)	-
Conditions still to be met - refer to note 13	<u>250,000</u>	<u>162,596</u>

The grant is from Department of Health to finance the costs of District Aids Councils in the campaign against AIDS and also to provide HIV /AIDS prevention care programs and services in the region.

### Finance management grant

Opening balance	-	-
Current-year receipts	1,250,000	1,250,000
Conditions met-transferred to revenue	(1,068,301)	(1,250,000)
Conditions still to be met - refer to note 13	<u>181,699</u>	<u>-</u>

The FMG is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

### Municipal systems improvement grant

Opening balance	46,063	259,885
Current-year receipts	-	940,000
Conditions met-transferred to revenue	-	(893,937)
Transferred back to National Treasury	(46,063)	(259,885)
Conditions still to be met - refer to note 13	<u>-</u>	<u>46,063</u>

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

### NCPA: EPWP: DMA bush clearance

Opening balance	-	-
Current-year receipts	1,000,000	1,000,000
Conditions met-transferred to revenue	(1,000,000)	(1,000,000)
Conditions still to be met - refer to note	<u>-</u>	<u>-</u>

The grant is used for clearance and vegetation control of areas in the DMA.

### NCPA: Environmental health recycling project

Opening balance	-	52,283
Conditions met-transferred to revenue	-	(52,283)
Conditions still to be met - refer to note 13	<u>-</u>	<u>-</u>

Grant is used for Frances Baard recycling projects.

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<b>NCPA: Firefighting equipment</b>		
Opening balance	665,000	315,000
Current-year receipts	-	350,000
Conditions met-transferred to revenue	(665,000)	-
Conditions still to be met - refer to note 13	-	<b>665,000</b>
Grant is used to enhance municipalities' capacity to deal with fire hazards.		
<b>NCPA: Housing accreditation grant</b>		
Opening balance	-	-
Current-year receipts	800,000	1,050,000
Conditions met-transferred to revenue	(800,000)	(1,050,000)
Conditions still to be met - refer to note 13	-	-
The grant is used to enable the District Municipality to obtain full accreditation to administer national housing programmes in terms of the delegation of functions from Department of Cooperative Governance, Human Settlements & Traditional Affairs.		
<b>NCPA: Housing project</b>		
Opening balance	-	-
Current-year receipts	-	2,250,051
Conditions met-transferred to revenue	-	(2,250,051)
Conditions still to be met - refer to note 13	-	-
<b>NCPA: Operation Kgotso Pula Nala</b>		
Opening balance	1,999,999	-
Current-year receipts	-	4,000,000
Conditions met-transferred to revenue	(1,999,999)	(2,000,001)
Conditions still to be met - refer to note 13	-	<b>1,999,999</b>
<b>NCPA: Tourism grant</b>		
Opening balance	200,000	-
Current-year receipts	-	200,000
Conditions met-transferred to revenue	(200,000)	-
Conditions still to be met - refer to note 13	-	<b>200,000</b>
<b>NEAR control centre</b>		
Opening balance	-	-
Current-year receipts	350,000	350,000
Conditions met-transferred to revenue	(350,000)	(350,000)
Conditions still to be met - refer to note 13	-	-
The grant is used to maintain effective functioning of the NEAR control centres and provide additional funds for training NEAR personnel.		
<b>Rural road asset management system grant</b>		
Opening balance	-	-
Current-year receipts	2,427,000	2,153,000
Conditions met-transferred to revenue	(2,427,000)	(2,153,000)
Conditions still to be met - refer to note 13	-	-
<b>SETA: Skills grant</b>		
Opening balance	-	-
Current-year receipts	86,227	90,198
Conditions met-transferred to revenue	(86,227)	(90,198)
Conditions still to be met - refer to note 13	-	-
The grant is used for training and capacity building of employees as per approved Skills Work Plan.		

# Frances Baard District Municipality

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Figures in Rand	2017	2016 Restated*
<b>Total government grants and subsidies</b>		
Opening balance	3,073,659	1,177,558
Current-year receipts	111,579,227	112,569,249
Conditions met-transferred to revenue	(114,012,528)	(110,413,263)
Transferred back to National Treasury	(208,659)	(259,885)
Conditions still to be met - refer to note	<b>431,699</b>	<b>3,073,659</b>
<b>19.1 Public contributions and donations</b>		
Opening balance	-	-
Current-year receipts	40,000	-
Conditions met-transferred to revenue	-	-
Transferred back to National Treasury	-	-
Conditions still to be met - refer to note 13	<b>40,000</b>	-
Tourism business plan competition		
<b>19 Rental of facilities &amp; equipment</b>		
Buildings	67,108	45,939
Land	40,320	39,890
Machinery/Equipment	902,400	557,941
	<b>1,009,828</b>	<b>643,770</b>
<b>20 Interest received</b>		
Standard Bank Kimberley Business Centre - Primary bank account	308,218	209,744
Call investment - ABSA	1,295,583	2,224,562
Investment - Other	4,248	76,446
Call investment - Nedcor	2,318,424	2,183,037
Call investment - Rand Merchant	970,288	884,939
Call investment - Standard Bank	1,908,472	2,287,407
	<b>6,805,233</b>	<b>7,866,135</b>
<b>21 Other income</b>		
Commission: insurance payments	12,900	11,532
Reversal of impairment	-	1,713,113
Insurance claims / replace stolen assets	37,385	301,493
Other	57,991	12,245
Private telephone calls / photo copies	25,633	32,241
Rentals of facilities	-	25,677
Tender fees	6,800	38,628
	<b>140,709</b>	<b>2,134,929</b>
<b>22 Employee related costs</b>		
Salaries and wages	38,456,522	34,334,808
Contributions for UIF, pensions and medical aids	7,288,242	7,172,698
Motor car and other allowances	4,010,426	4,305,063
Housing benefits and allowances	354,782	389,658
Scarcity allowance	294,881	-
Leave benefit	1,253,203	1,674,221
Annual bonus	2,666,043	2,527,155
Performance bonus	653,076	361,557
Other obligatory contributions (SDL, etc.)	793,984	720,414
Group insurance	522,919	476,154
Long service bonus	220,000	201,377
Post-retirement medical aid	568,000	580,573
	<b>57,082,078</b>	<b>52,743,677</b>
 Municipal Manager and all other directors are appointed on a 5-year fixed term contract. There are no post-employment or termination benefits payable to them at the end of the contract period.		
<b>Remuneration of the Municipal Manager - Ms ZM Bogatsu</b>		
Annual remuneration	1,638,363	1,776,349
Performance bonuses	175,235	301,252
	<b>1,813,598</b>	<b>2,077,601</b>

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<b>Remuneration of the Acting Director Financial Services - Ms. O Moseki</b>		
Annual remuneration	820,063	751,275
Performance bonuses	120,673	104,005
	<b>940,736</b>	<b>855,280</b>
<b>Remuneration of the Executive Director Administration - Mrs. KG Gaborone</b>		
Annual remuneration	94,021	-
Performance bonuses	-	-
	<b>94,021</b>	<b>-</b>
<b>Remuneration of Executive Director: Infrastructure Services - Mr PJ van der Walt</b>		
Annual remuneration	1,015,316	1,188,651
Performance bonuses	120,673	104,005
	<b>1,135,989</b>	<b>1,292,656</b>
<b>Remuneration of Executive Director: Planning &amp; Development - Mr FS Mdee</b>		
Annual remuneration	-	1,265,247
Performance bonuses	124,725	104,005
	<b>124,725</b>	<b>1,369,252</b>
The director retired on 30 June 2016		
<b>Remuneration of Executive Director: Planning &amp; Development - Mr F Netshivhodza (Acting)</b>		
Annual remuneration	235,170	-
Performance bonuses	-	-
	<b>235,170</b>	<b>-</b>
<b>23 Remuneration of councillors</b>		
Mayor	802,970	807,929
Speaker	658,609	650,515
MPAC Chairman	255,826	337,003
Mayoral committee members	2,714,663	2,821,013
Councillors	1,500,807	1,280,775
Other obligatory contributions (SDL, etc.)	17,614	90,418
	<b>5,950,489</b>	<b>5,987,653</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the municipality.		
The Executive Mayor makes use of a municipal vehicle for official duties.		
<b>24 Debt impairment</b>		
Contributions to debt impairment provision	-	-
Receivables from non-exchange transactions - Note 5	-	-
Bad debts written off	2,219	-
	<b>2,219</b>	<b>-</b>
<b>25 Depreciation and amortisation</b>		
Intangible assets	166,054	184,973
Property, plant and equipment	3,760,459	3,775,996
	<b>3,926,513</b>	<b>3,960,969</b>
<b>26 Contracted Services</b>		
Buildings (Repairs & maintenance)	333,623	344,837
Computer equipment (Repairs & maintenance)	123,353	170,636
Heritage assets (Repairs & maintenance)	345	-
Intangible assets (Licence fees)	2,330,324	1,796,974
Machinery & equipment (Repairs & maintenance)	239,110	418,943
Motor vehicles (Repairs & maintenance)	467,755	269,485
Office equipment (Repairs & maintenance)	441,620	519,736
	<b>3,936,130</b>	<b>3,520,611</b>

Repairs and maintenance for the 2015/16 financial has been reclassified as contracted services. The repairs and maintenance amount for 2015/16 was R3 520 611. Reclassification in terms of GRAP 1 par. 104.

# Frances Baard District Municipality

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<b>27 Finance charge</b>		
<b>Finance charges - external funding</b>		
Long-term liabilities	673,822	884,112
	<b>673,822</b>	<b>884,112</b>
<b>Finance charges - employee benefits</b>		
Employee benefits	1,975,000	1,513,138
<b>28 Grants and subsidies paid</b>		
Grants and subsidies paid to other municipalities	35,773,662	36,187,382
Grants paid to other organs of state	135,000	135,000
Other special projects	13,037,854	18,299,065
	<b>48,946,516</b>	<b>54,621,447</b>
<b>Grants and subsidies paid to other municipalities</b>		
<b>Dikgatlong Municipality</b>		
Electricity	-	200,641
Maintenance projects	3,207,998	2,498,753
Streets and stormwater	-	2,000,636
Water	10,315,147	256,293
	<b>13,523,145</b>	<b>4,956,323</b>
<b>Magareng Municipality</b>		
Maintenance projects	3,768,621	2,500,000
Sanitation	-	7,772,751
Truck and equipment	-	1,873,900
	<b>3,768,621</b>	<b>12,146,650</b>
<b>Phokwane Municipality</b>		
Maintenance projects	4,292,183	2,499,032
Sanitation	4,500,000	678,625
Streets and stormwater	-	7,432,307
Water	962,246	-
	<b>9,754,429</b>	<b>10,609,963</b>
<b>Sol Plaatje Municipality</b>		
Maintenance projects	3,727,466	2,500,000
Streets and stormwater	5,000,000	-
Water	-	5,974,445
	<b>8,727,466</b>	<b>8,474,445</b>
	<b>35,773,662</b>	<b>36,187,382</b>
<b>Grants paid to other organs of state</b>		
Northern Cape Tourism Authority	135,000	135,000
	<b>135,000</b>	<b>135,000</b>
<b>Other special projects</b>		
Communication projects	59,957	-
Disaster management	446,323	926,908
Employee wellness programmes	231,049	151,764
Environmental health projects	185,925	115,132
Financial management and support programmes	1,305,990	1,577,491
GIS projects	494,453	599,991
Housing awareness	-	2,293,442
IDP / PMS projects	33,929	42,457
Information technology projects	1,014	553
Internal audit	-	357,376
Local economic development	2,798,751	2,636,426
Operation Khotso Pula Nala	2,000,000	2,000,002
Planning and development projects	-	825,910
Political office administration	213,233	450,537
Project management projects	4,495	1,798,877
Spatial planning projects	404,791	2,025,184
Special Projects: Office of the Mayor and Speaker	82,331	101,134
Tourism projects	2,470,879	2,027,416



# Frances Baard District Municipality

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Youth unit	248,406	368,467
RAMS	2,056,329	-
	<b>13,037,854</b>	<b>18,299,065</b>
<b>29 General expenses</b>		
Accommodation	1,201,461	843,589
Audit fees	1,929,239	1,762,995
Bank charges	80,219	48,118
Books, printing and stationery	710,365	697,272
Cellphones	18,960	66,756
Cleaning materials	65,581	57,400
Cleaning motor vehicles	14,665	13,780
Conferences and seminars	192,590	147,783
Consultancy	2,190,196	1,345,867
Entertainment / refreshments	275,177	229,421
General expenses	170,649	399,410
General notices	718,119	946,917
Gifts	-	3,139
Insurance	316,970	402,638
Motor vehicle operating cost	538,348	524,837
Municipal services and taxes	2,011,704	2,266,507
Office requirements	501	4,360
Pauper burials	6,000	12,000
Postage	16,452	13,901
Protective clothing	43,617	32,791
Relocation costs	127,908	119,571
SALGA membership fees	679,999	628,254
Internal auditors' membership fees	6,805	8,079
Security services	609,094	589,826
Study bursaries	103,746	73,367
Training	764,363	938,984
Telephone / data lines	-	380,389
Transportation	469,239	583,380
	<b>13,261,969</b>	<b>13,141,331</b>
<b>30 Net cash flow to operating activities</b>		
Operating deficit for the year	(15,441,191)	(16,496,889)
<b>Adjustment for:</b>		
Depreciation	3,760,459	3,775,996
Amortisation	166,054	184,973
Loss on disposal of assets	429,444	216,455
Grants received	111,619,227	112,569,249
Grant expenditure	(114,221,187)	(110,413,263)
Operating lease income accrued	(281)	(2,247)
Contribution from/to employee benefits - current	4,653,172	4,562,933
Contribution from/to employee benefits - current - expenditure	(3,893,083)	(4,274,049)
Contribution from/to employee benefits - non-current	3,654,999	3,151,361
Contribution from/to employee benefits - non-current - expenditure	(1,885,674)	(1,869,288)
Actuarial losses	667,675	(227,716)
Movement in revaluation reserve	(263,961)	4,986,599
Other movement in accumulated surplus	263,961	111,427
<b>Changes in working capital</b>		
Inventory	(34,551)	20,536
Receivables from exchange transactions	(18,337)	(223,479)
VAT receivable	2,031,238	1,469,081
Payables from exchange transactions	3,143,309	(2,089,834)
	<b>(5,368,729)</b>	<b>(4,548,153)</b>

# Frances Baard District Municipality

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### 31 Commitments

#### Authorised capital expenditure

Property, plant and equipment

10,662,511	-
<b>10,662,511</b>	<b>-</b>

A service provider was appointed to contract and deliver a water tanker for disaster management services. The original date of delivery was end of May 2017. The delivery date could not be met and the date was moved to the end of October 2017.

### 32 Contingencies

None

### 33 Related parties

#### Related party loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. There are no outstanding loans as at the reporting date.

#### Compensation of key management personnel

The compensation of key management personnel is set out in note 22

#### Other related party transactions

The following purchases were made during the year where councillors or staff have an interest:

Name of Supplier	Related Person	Municipal Capacity	Amount Awarded	Amount Awarded
Inspired Change Consulting (PTY) LTD	D Mocumi	Chief Clerk: Archival Services	405,000.00	-

The following individuals charged with governance was identified which could result in related party transactions being incurred if transactions are entered into with them:

Related Person	Municipal Capacity	Amount Awarded	Amount Awarded
Ms V Ximba	Executive Mayor	-	-
Mr M B Silingile	Speaker	-	-
Mr M Mokgathanyane	Councillor	-	-
Ms C Mothibi	Councillor	-	-
Ms M Mathe	Councillor	-	-
Ms M Motsamai	Councillor	-	-
Ms N Shushu	Councillor	-	-
Ms D Bishop	Councillor	-	-
Mr V Ndlela	Councillor	-	-
Mr M Kaars	Councillor	-	-
Ms D Benjamin	Councillor	-	-
Mr P Louw	Councillor	-	-
Ms A Siwisa	Councillor	-	-
Ms A Moremong	Councillor	-	-
Mr J Musie	Councillor	-	-
Ms D Setholo	Councillor	-	-
Mr P Thabane	Councillor	-	-
Mr B Springbok	Councillor	-	-
Ms T Mpanza	Councillor	-	-
Ms L Duba	Councillor	-	-
Ms M Beylefeld	Councillor	-	-
Mr S Griqua	Councillor	-	-
Mr S N Kika	Councillor	-	-
Mr D M Macinga	Councillor	-	-
Ms M A Mahutle	Councillor	-	-
Ms H Morometse	Councillor	-	-
Mr K Zalisa	Councillor	-	-
Ms Z Bogatsu	Municipal Manager	-	-
Ms O Moseki	Acting Executive Director: Financial Services	-	-
Mrs KG Gaborone	Executive Director: Administration	-	-
Mr P van der Walt	Executive Director: Infrastructure Services	-	-
Mr FS Mdee	Executive Director: Planning & Development	-	-
Mr F Netshivhodza	Acting Executive Director: Planning & Development	-	-
Mr. WMS Calitz	Audit Committee Chairperson	-	-
Mr. T Mogoli	Audit Committee Member	-	-
Mr. G Botha	Audit Committee Member	-	-

No transactions were entered into with businesses in which councillors, management and/or those charged with governance have an interest in for the 2016/17 financial year.

# Frances Baard District Municipality

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### 34 Prior period error

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

#### Statement of financial position

Receivables from non-exchange transactions	Unidentified deposits of the previous year reclassified as receivables.	3,391
Property, plant and equipment	Correction of prior year opening balance, as raised by the Auditor General.	(102,185)
Property, plant and equipment	Transfer of asset to intangible assets.	(22,604)
Intangible assets	Transfer of asset from property, plant and equipment.	22,604
	The correction payables is due to the implementation of mSCOA at the being of 2016/17 financial year, which resulted in incorrect allocation of payables.	(12,632)
Payables from exchange transactions		<u>(111,427)</u>

#### Accumulated surplus

Balance as previously reported		70,511,240
Receivables from non-exchange transactions	Unidentified deposits of the previous year reclassified as receivables.	(3,391)
Property, plant and equipment	Correction of prior year opening balance, as raised by the Auditor General.	102,185
Property, plant and equipment	Transfer of asset to intangible assets.	22,604
Intangible assets	Transfer of asset from property, plant and equipment.	(22,604)
	The correction payables is due to the implementation of mSCOA at the being of 2016/17 financial year, which resulted in incorrect allocation of payables.	12,632
Payables from exchange transactions		<u>70,622,667</u>
<b>Restated amount</b>		<u><b>70,622,667</b></u>

#### Receivables from non-exchange transactions

Balance as previously reported		1,757,951
Allocation of un-identified deposits	Unidentified deposits of the previous year reclassified as receivables.	(3,391)
<b>Restated amount</b>		<u><b>1,754,561</b></u>

#### Payables from exchange transactions

Balance as previously reported		8,458,171
Correction of payables incorrectly disclosed	The correction payables is due to the implementation of mSCOA at the being of 2016/17 financial year, which resulted in incorrect allocation of payables.	(39,764)
Restatement of prior year payables incorrectly paid on the 2016/2017 year	The correction payables is due to the implementation of mSCOA at the being of 2016/17 financial year, which resulted in incorrect allocation of payables.	27,132
<b>Restated amount</b>		<u><b>8,445,539</b></u>

#### Accumulated surplus

Balance as previously reported		79,698,040
Un-allocated deposits	Unidentified deposits of the previous year reclassified	(3,391)
	Correction of prior year creditors' balance, due to misstatement as a result of the implementation of mSCOA.	187,806
Restatement of payables	Correction of prior year opening balance, as raised by the Auditor General.	102,185
Restatement of prior year depreciation		<u>79,984,640</u>
<b>Restated amount</b>		<u><b>79,984,640</b></u>

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### 35 Risk management

#### Financial risk management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

#### Foreign exchange currency risk

The municipality does not engage in foreign currency transactions.

#### Price risk

The municipality is not exposed to price risk.

#### Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2017	2016
1% (2016 - 1%) Increase in interest rates	454,385	551,736
0.5% (2016 - 0.5%) Decrease in interest rates	(227,192)	(275,868)

#### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term receivables and other debtors are individually evaluated annually at statement of financial position date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2017	2016
Investments	10,450,000	5,550,000
Receivables from exchange transactions	1,772,898	1,754,561
VAT receivable	3,362,592	5,393,830
Cash and cash equivalents	50,102,119	69,275,054
Long-term receivables	8,933,000	9,339,000
	<b>74,620,609</b>	<b>91,312,445</b>

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### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 Years
<b>2017</b>			
Capital repayments	2,179,033	2,484,589	-
Interest	673,822	222,490	-
Long-term liabilities - annuity loans	2,852,855	2,707,079	-
Payables from exchange transactions	11,588,848	-	-
Unspent conditional government grants and receipts	471,699	-	-
Bank overdraft	-	-	-
	<b>14,913,402</b>	<b>2,707,079</b>	<b>-</b>
<b>2016</b>			
Capital repayments	1,985,493	4,663,622	-
Interest	673,822	702,773	-
Long-term liabilities - annuity loans	2,659,315	5,366,395	-
Payables from exchange transactions	8,445,539	-	-
Unspent conditional government grants and receipts	3,073,659	-	-
Bank overdraft	-	-	-
	<b>14,178,513</b>	<b>5,366,395</b>	<b>-</b>

### 36 Financial instrument disclosure

#### Categories of financial instruments

2017

#### Financial assets

	At fair value	At amortised cost	Total
Investments			
Bank deposits		10,450,000	10,450,000
Cash and cash equivalents			
Call investment deposits	-	45,501,000	45,501,000
Cash floats	-	3,300	3,300
Primary bank account		4,597,819	4,597,819
Receivables from exchange transactions	-	1,772,898	1,772,898
	<b>-</b>	<b>62,325,017</b>	<b>62,325,017</b>

#### Financial liabilities

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	11,588,848	11,588,848
Unspent conditional government grants and receipts	-	471,699	471,699
Current portion of long-term liabilities	-	2,179,033	2,179,033
Long-term liabilities	-	2,484,589	2,484,589
	<b>-</b>	<b>16,724,169</b>	<b>16,724,169</b>

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### 2016

#### Financial assets

	At fair value	At amortised cost	Total
Investments			
Bank deposits	-	5,550,000	5,550,000
Cash and cash equivalents			
Call investment deposits	-	66,000,000	66,000,000
Cash floats	-	3,300	3,300
Primary bank account	-	3,271,754	3,271,754
Receivables from non-exchange transactions	-	-	-
	<u>-</u>	<u>76,579,615</u>	<u>76,579,615</u>

#### Financial liabilities

	At fair value	At amortised cost	Total
Payables from exchange transactions	-	8,445,539	8,445,539
Unspent conditional government grants and receipts	-	3,073,659	3,073,659
Current portion of long-term liabilities	-	1,988,393	1,988,393
Long-term liabilities	-	4,660,722	4,660,722
	<u>-</u>	<u>18,168,313</u>	<u>18,168,313</u>

### 37 Going concern

The municipality's cash flow forecast for the year to 30 June 2018 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future.

### 38 Events after reporting date

The municipality has no events after reporting date during the current financial year.

### 39 In-kind donations and assistance

Mr. G Botha served on the audit committee for the 2016/17 financial year, he is a government employee and therefore is not entitled to receive any compensation for duties performed as a member of the audit committee.

### 40 Private public partnership

The municipality has not entered into any private public partnerships during the financial year.

### 41 Unauthorised expenditure

Opening balance	6,455	-
Incurred during the year - capital	-	-
Incurred during the year - operational	-	6,455
Written off by council	(6,455)	-
<b>Unauthorised expenditure awaiting further action</b>	<u>-</u>	<u>6,455</u>

The expenditure was written off by council during the 2016/2017 financial year.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

	2017	2016 Restated*
<b>42 Fruitless and wasteful expenditure</b>		
Opening balance	5,610	216,856
Incurred during the year	19,654	42,077
Written off by council/recovered	(11,103)	(186,583)
Transfer to receivables for recovery	(12,954)	(66,740)
<b>Fruitless and wasteful expenditure awaiting further action</b>	<b>1,207</b>	<b>5,610</b>
<b>Details of expenditure – current year</b>		
Lateral Unison	750	-
Lateral Unison	2,500	-
Worldwide Travel	2,279	-
Lateral Unison	7,425	-
Zuri Concepts & Projects	1,200	-
Bonisetso Media House	5,500	-
University of Fort Hare	-	5,000
University of Fort Hare	-	25,000
University of Fort Hare	-	10,000
Lateral Unison PTY LTD	-	2,077
	<b>19,654</b>	<b>42,077</b>

Recoverability of all fruitless and wasteful expenditure will be evaluated by Council in terms of section 32 of MFMA. The Accounting Officer wrote letters to officials and the Speaker to councillors. Consolidated responses were taken to MPAC for further investigations.

### 43 Irregular expenditure

Opening balance	329,050	-
Incurred during the year	2,946,175	329,050
Irregular expenditure incurred in prior year but identified in current year	73,090	-
Written off by council	(407,541)	-
Transfer to receivables for recovery	(4,465)	-
<b>Irregular expenditure awaiting further action</b>	<b>2,936,309</b>	<b>329,050</b>
<b>Details of expenditure – current year</b>		
Shine The Way 1302 CC	28,500	-
Councillor Maribe	4,465	-
Pick n' Pay	49,990	-
Advertisement for construction of additional offices (Bid 07 / 16)	2,851,469	-
SenTech (Prior Year)	44,590	-
SenTech	40,250	-
	<b>3,019,265</b>	<b>-</b>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. The Accounting Officer wrote letters to officials and the Speaker to councillors. Consolidated responses were taken to MPAC for further investigations.

### 44 Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA contributions

Opening balance	-	-
Council subscriptions	679,999	628,254
Amount paid - current year	(679,999)	(628,254)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

#### Audit fees - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year audit fees	1,929,239	1,762,995
Amount paid - current year	(1,929,239)	(1,762,995)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

	2017	2016 Restated*
<b>VAT - [MFMA 125 (1)(b)]</b>		
Opening balance	5,396,847	6,862,911
Amounts received - current year	(4,809,851)	(4,854,334)
Amounts received - previous years	(5,392,599)	(4,973,929)
Amounts claimed - current year	6,928,406	8,362,199
	<b>2,122,803</b>	<b>5,396,847</b>

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

### **PAYE, SDL and UIF - [MFMA 125 (1)(b)]**

Opening balance	3,269	-
Current year payroll deductions and council contributions	12,367,334	10,523,848
Amount paid - current year	(12,259,086)	(10,520,579)
<b>Balance unpaid (included in creditors)</b>	<b>111,517</b>	<b>3,269</b>

### **Pension and medical aid deductions - [MFMA 125 (1)(b)]**

Opening balance	(2)	-
Current year payroll deductions and council contributions	12,703,879	9,356,677
Amount paid - current year	(12,703,877)	(9,356,679)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>(2)</b>

### **Interest charged on outstanding debtors - [MFMA 64 (2)(g)]**

In terms of section 64 (2)(g) of the MFMA the municipality must charge interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework. The municipality does not charge interest on long outstanding debtors, as the municipality does not deliver basic services. Amendment to be made to the policy for the 2017/18 financial year.

### **Revenue not disclosed per source in the SDBIP - [MFMA 1]**

In terms of section 1 of the MFMA the municipality must project for each month revenue to be collected, by source. The SDBIP of the municipality discloses the revenue to be collected by vote and not by source. Amendment to be made to the 2017/18 SDBIP to disclose revenue by source.

#### **45 Deviation from supply chain management regulations**

Supply Chain Management Policy has been amended and adopted by Council with an effective date of 23 September 2015 for implementation.

The following deviations were allowed in terms of the Supply Chain Policy for the year under review.

2017 Supplier	Service	Amount
Esri SA	Maintenance renewal of Arc-gis licences	114,000
PWC	Baud bar code labels	2,787
		<b>116,787</b>
2016 Supplier	Service	Amount
Summat Training institute	MFMA internship programme / training	279,300
Sage VIP Payroll	VIP payroll upgrade	114,717
Altimax	Review annual financial statements	146,661
Celebrity Heating and Cooling	Service and maintenance of air conditioners	R12 433.35 per service, R320.00 per hour labour & cost + 20% for parts
Tletse Trading Enterprises	Catering for district youth summit	49,500
Ous Meisies	Ous Meisies	49,750
Lexis Nexis	On-line library package	53,210
Letsebele Transport and Trading	Razor mech fence	847,440
		<b>1,540,578</b>

#### **46 Reconciliation of available cash and investment resources**

Cash and cash equivalents - note 7	50,102,119	69,275,054
Investments - note 3	10,450,000	5,550,000
	<b>60,552,119</b>	<b>74,825,054</b>
Less:		
Payables from exchange transactions	(11,588,848)	(8,445,539)
Unspent conditional government grants and receipts - note	(471,699)	(3,073,659)
Current employee benefits	(10,650,721)	(9,440,722)
Cash reserves to cover expenditure for three months	-	(30,000,000)
<b>Resources available</b>	<b>37,840,851</b>	<b>23,865,134</b>
<b>Allocated to:</b>		
Capital replacement reserve	7,957,082	15,281,795
Employee benefits	29,700,999	27,713,911
<b>Resources available/(required) for working capital requirements</b>	<b>182,769</b>	<b>(19,130,572)</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand

2017

2016  
Restated\*

### 47 Utilisation of long-term liabilities reconciliation

Long-term liabilities - note 14

4,663,622

6,649,115

Used to finance property, plant and equipment - at cost

(4,663,622)

(6,649,115)

Cash set aside for the repayment of long-term liabilities

-

-

**Cash invested for repayment of long-term liabilities**

-

-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

## Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand

#### 11 Property, plant and equipment

Reconciliation of property, plant and equipment at 30 June 2017

	Cost / revaluation			Accumulated depreciation / impairment					Carrying value		
	Opening balance	Additions	Revaluation	Disposal	Closing balance	Opening balance	Depreciation	Revaluation / impairment		Disposal	Closing balance
Community assets											
Land and buildings	151,676	-	-	-	151,676	101,694	7,661	-	-	109,354	42,322
Security measures	898,471	103,676	-	-	1,002,147	625,883	107,523	-	-	733,406	268,741
	1,050,147	103,676	-	-	1,153,823	727,576	115,184	-	-	842,760	311,062
Land and Buildings											
Buildings - Other	42,520,005	916,331	-	-	43,436,336	17,513,806	763,158	-	-	18,276,964	25,159,372
Land - other	8,105,000	-	-	-	8,105,000	-	-	-	-	-	8,105,000
Work in Progress	2,655,893	2,078,905	-	-	4,734,797	-	-	-	-	-	4,734,797
	53,280,898	2,995,236	-	-	56,276,133	17,513,806	763,158	-	-	18,276,964	37,995,169
Other assets											
Computer equipment	4,745,288	445,876	-	(69,302)	5,121,863	3,202,846	452,542	-	(59,351)	3,596,037	1,525,825
Emergency equipment	2,250,157	1,754,136	-	-	4,004,293	954,129	291,169	-	-	1,245,298	2,758,995
Furniture and fittings	3,197,243	54,393	-	(24,635)	3,227,001	2,490,502	180,135	-	(23,046)	2,647,591	579,409
Motor vehicle	9,063,110	1,854,782	-	(1,616,946)	9,300,947	4,117,058	1,462,735	-	(1,200,037)	4,321,190	4,921,190
Office equipment	3,691,250	50,169	-	(13,944)	3,727,476	2,572,068	340,618	-	(12,949)	2,899,737	827,738
Plant and machinery	2,309,050	66,444	-	-	2,375,494	1,832,704	154,918	-	-	1,987,622	387,872
	25,256,098	4,225,801	-	(1,724,827)	27,757,072	15,169,308	2,882,117	-	(1,295,383)	16,756,042	11,001,030
	79,587,143	7,324,712	-	(1,724,827)	85,187,028	33,410,890	3,760,459	-	(1,295,383)	35,875,767	49,311,261

Reconciliation of property, plant and equipment at 30 June 2016

	Cost / revaluation			Accumulated depreciation / impairment					Carrying value		
	Opening balance	Additions	Revaluation	Disposal	Closing balance	Opening 11-46	Depreciation	Revaluation / impairment		Disposal	Closing balance
Community assets											
Land and buildings	151,676	-	-	-	151,676	92,452	9,241			101,694	49,982
Security measures	898,471	-	-	-	898,471	495,713	130,169			625,883	272,588
	1,050,147	-	-	-	1,050,147	588,166	139,410	-	-	727,576	322,570
Land and Buildings											
Buildings - Other	43,422,266	-	(902,261)	-	42,520,005	20,087,084	500,733	(3,074,011)	-	17,513,806	25,006,199
Land - other	3,519,260	-	4,585,740	-	8,105,000	-	-	-	-	-	8,105,000
Work in Progress	576,988	2,078,905	-	-	2,655,893	-	-	-	-	-	2,655,893
	47,518,514	2,078,905	3,683,479	-	53,280,897	20,087,084	500,733	(3,074,011)	-	17,513,806	35,767,091
Other assets											
Computer equipment	4,806,214	433,106	-	(494,033)	4,745,288	3,089,127	558,984	-	(445,265)	3,202,846	1,542,441
Emergency equipment	1,292,097	972,214	-	(14,154)	2,250,157	838,551	128,949	-	(13,371)	954,129	1,296,028
Furniture and fittings	3,070,789	158,956	-	(32,502)	3,197,243	2,297,985	220,132	-	(27,615)	2,490,502	706,741
Motor vehicle	7,659,903	1,755,448	-	(352,240)	9,063,110	2,807,139	1,551,980	-	(242,060)	4,117,058	4,946,052
Office equipment	3,902,308	86,981	-	(298,039)	3,691,250	2,395,754	436,126	-	(259,811)	2,572,068	1,119,182
Plant and machinery	2,289,305	19,744	-	-	2,309,050	1,805,031	227,673	-	-	1,832,704	476,346
	23,020,617	3,426,449	-	(1,190,967)	25,256,098	13,033,586	3,123,844	-	(988,122)	15,169,308	10,086,790
	71,589,277	5,505,354	3,683,479	(1,190,967)	79,587,142	33,708,836	3,763,988	(3,074,011)	(988,122)	33,410,690	46,176,452

## FRANCES BAARD DISTRICT MUNICIPALITY

## APPENDIX A

## APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2017

## BUDGET SUMMARY

R	Description	2016/17					2015/16						
		Original Budget	Budget Adjustments	Final adjust-ments budget	Actual Outcome	Unau- thorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unau- thorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
<b>Financial Performance</b>	Property rates	-	-	-	-	-	-	-	-	-	-	-	-
	Service charges	-	-	-	-	-	-	-	-	-	-	-	-
	Investment revenue	5,443	300,000	5,743,350	6,805,233	-	1,061,883	118.5%	125.0%	-	-	-	7,866,135
	Transfers recognised - operational	112,991	200,000	113,190,522	114,012,528	-	822,006	100.7%	100.9%	-	-	-	110,413,264
	Other own revenue	1,211	-	1,211,110	1,150,537	-	(60,573)	95.0%	95.0%	-	-	-	2,778,699
	<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>119,645</b>	<b>500,000</b>	<b>120,144,982</b>	<b>121,968,299</b>	<b>-</b>	<b>1,823,317</b>	<b>101.5%</b>	<b>101.9%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,058,098</b>
	Employee costs	61,214,629	-	61,214,629	57,082,078	-	(4,132,551)	93.2%	93.2%	-	-	-	52,743,677
	Remuneration of councillors	6,714,580	-	6,714,580	5,950,489	-	(764,091)	88.6%	88.6%	-	-	-	5,987,653
	Debt impairment	3,000	-	3,000	2,219	-	(781)	74.0%	74.0%	-	-	-	-
	Depreciation & asset impairment	3,826,620	-	3,826,620	3,926,513	99,893	99,893	102.6%	102.6%	-	-	-	3,960,969
	Finance charges	2,165,810	-	2,165,810	2,648,822	483,012	483,012	122.3%	122.3%	-	-	-	2,397,250
	Materials and bulk purchases	4,406,400	444,508	4,850,908	3,936,130	-	(914,778)	81.1%	89.3%	-	-	-	-
	Transfers and grants	61,335,440	300,000	61,635,440	48,946,516	-	(12,688,924)	79.4%	79.8%	-	-	-	54,621,447
	Other expenditure	20,602,144	(121,040)	20,481,104	14,916,723	219,444	(5,564,381)	72.8%	72.4%	-	-	-	14,323,380
	<b>Total Expenditure</b>	<b>160,268,623</b>	<b>623,468</b>	<b>160,892,091</b>	<b>137,409,490</b>	<b>802,350</b>	<b>(23,482,602)</b>	<b>85.4%</b>	<b>85.7%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134,034,376</b>
<b>Surplus/(Deficit)</b>	<b>(40,623,641)</b>	<b>(123,468)</b>	<b>(40,747,109)</b>	<b>(15,441,191)</b>	<b>(802,350)</b>	<b>25,305,918</b>	<b>37.9%</b>	<b>38.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,976,278)</b>	
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-	
Contributions recognised - capital & contributed as	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(40,623,641)</b>	<b>(123,468)</b>	<b>(40,747,109)</b>	<b>(15,441,191)</b>	<b>(802,350)</b>	<b>25,305,918</b>	<b>37.9%</b>	<b>38.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,976,278)</b>	
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) for the year</b>	<b>(40,623,641)</b>	<b>(123,468)</b>	<b>(40,747,109)</b>	<b>(15,441,191)</b>	<b>(802,350)</b>	<b>25,305,918</b>	<b>37.9%</b>	<b>38.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,976,278)</b>	
<b>Capital expenditure &amp; funds sources</b>													
<b>Capital expenditure</b>													
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-	
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowing	-	-	-	-	-	-	-	-	-	-	-	-	
Internally generated funds	19,036,000	(6,187,987)	12,848,013	8,565,813	-	(4,282,200)	66.7%	45.0%	-	-	-	5,582,005	
<b>Total sources of capital funds</b>	<b>19,036,000</b>	<b>(6,187,987)</b>	<b>12,848,013</b>	<b>8,565,813</b>	<b>-</b>	<b>(4,282,200)</b>	<b>66.7%</b>	<b>45.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,582,005</b>	
<b>Cash flows</b>													
Net cash from (used) operating	(21,732,645)	36,960	(21,695,685)	(11,669,670)	-	(741,117)	53.8%	-	-	-	-	4,082,377	
Net cash from (used) investing	(4,178,984)	(144,180)	(4,323,164)	(4,782,288)	-	(24,647)	110.6%	-	-	-	-	(2,927,209)	
Net cash from (used) financing	(1,111,453)	-	(1,111,453)	(1,784,602)	-	(264,062)	160.6%	-	-	-	-	(1,606,934)	
<b>Cash/cash equivalents at the year end</b>	<b>66,992,929</b>	<b>6,599,517</b>	<b>60,352,272</b>	<b>69,275,054</b>	<b>-</b>	<b>(452,408)</b>	<b>114.8%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,482,577</b>	

FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION

R	Description	2016/17					2015/16						
		Original Budget	Budget Adjustments	Final adjust-ments budget	Actual Outcome	Un- authorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unau- thorised expenditure	Expenditure authorised in terms of section 32 of MEMA	Balance to be recovered	Restated Audited Outcome
Revenue - Standard	<b>Governance and administration</b>	103,993,350	300,000	104,293,350	104,665,899	-	372,549	100.4%	100.6%				100,801,334
	Executive and council	420,000	-	420,000	-	-	(420,000)	-	-				387,794
	Budget and treasury office	103,573,350	300,000	103,873,350	104,665,899	-	792,549	100.8%	101.1%				100,413,540
	Corporate services	-	-	-	-	-	-	-	-				-
	<b>Community and public safety</b>	2,257,522	2,257,522	2,257,522	1,815,000	-	(442,522)	80.4%	80.4%				3,650,051
	Community and social services	-	-	-	-	-	-	-	-				-
	Sport and recreation	-	-	-	-	-	-	-	-				-
	Public safety	1,457,522	-	1,457,522	1,015,000	-	(442,522)	69.6%	69.6%				350,000
	Housing	800,000	-	800,000	800,000	-	-	100.0%	100.0%				3,300,051
	Health	-	-	-	-	-	-	-	-				-
	<b>Economic and environmental services</b>	13,394,113	13,594,113	13,594,113	15,287,399	-	1,693,286	112.5%	114.1%				16,606,880
	Planning and development	13,394,113	200,000	13,594,113	15,287,399	-	1,693,286	112.5%	114.1%				16,606,880
	Road transport	-	-	-	-	-	-	-	-				-
	Environmental protection	-	-	-	-	-	-	-	-				-
	<b>Trading services</b>	-	-	-	-	-	-	-	-				-
	Electricity	-	-	-	-	-	-	-	-				-
	Water	-	-	-	-	-	-	-	-				-
	Waste water management	-	-	-	-	-	-	-	-				-
	Waste management	-	-	-	200,000	-	200,000	0.0%	0.0%				-
	<b>Other</b>	-	-	-	121,968,299	-	1,823,314	101.5%	101.9%				121,058,265
<b>Total Revenue - Standard</b>		119,644,985	16,151,635	120,144,985	121,968,299	-	1,823,314	101.5%	101.9%			-	121,058,265
Expenditure - Standard	<b>Governance and administration</b>	69,888,110	708,018	70,596,128	62,254,064	-	(8,342,064)	88.2%	89.1%	-	-	-	58,339,306
	Executive and council	27,458,694	50,000	27,508,694	25,388,917	-	(2,119,777)	92.3%	92.5%	-	-	-	22,314,198
	Budget and treasury office	22,535,636	537,000	23,072,636	20,862,937	-	(2,209,699)	90.4%	92.6%	-	-	-	20,664,283
	Corporate services	19,893,780	121,018	20,014,798	16,002,210	-	(4,012,588)	80.0%	80.4%	-	-	-	15,360,825
	<b>Community and public safety</b>	11,869,160	(217,100)	11,652,060	10,825,257	-	(826,803)	92.9%	91.2%	-	-	-	11,920,822
	Community and social services	-	-	-	-	-	-	-	-				-
	Sport and recreation	-	-	-	-	-	-	-	-				-
	Public safety	5,727,740	173,300	5,901,040	5,276,741	-	(624,299)	89.4%	92.1%				5,139,509
	Housing	6,141,420	(390,400)	5,751,020	5,548,516	-	(202,504)	96.5%	90.3%				6,781,314
	Health	-	-	-	-	-	-	-	-				-
	<b>Economic and environmental services</b>	72,866,250	152,070	73,018,320	56,463,704	-	(16,554,616)	77.3%	77.5%	-	-	-	63,926,410
	Planning and development	69,495,740	152,070	69,647,810	53,443,637	-	(16,204,173)	76.7%	76.9%				61,438,098
	Road transport	-	-	-	-	-	-	-	-				-
	Environmental protection	3,370,510	-	3,370,510	3,020,067	-	(350,443)	89.6%	89.6%				2,488,311
	<b>Trading services</b>	-	-	-	-	-	-	-	-	-	-		-
	Electricity	-	-	-	-	-	-	-	-				-
	Water	-	-	-	-	-	-	-	-				-
	Waste water management	-	-	-	-	-	-	-	-				-
	Waste management	-	-	-	-	-	-	-	-				-
	<b>Other</b>	5,645,103	(20,000)	5,625,103	7,866,464	-2,241,361	2,241,361	139.8%	139.4%				3,368,448
<b>Total Expenditure - Standard</b>		160,268,623	622,988	160,891,611	137,409,490	-2,241,361	(23,482,121)	85.4%	85.7%	-	-	-	137,554,986
<b>Surplus/(Deficit) for the year</b>		(40,623,638)	15,528,647	(40,746,626)	(15,441,191)	2,241,361	25,305,435	37.9%	38.0%	-	-	-	(16,496,721)

**BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE**

R	Description	2016/17					2015/16						
		Original Budget	Budget Adjust-ments	Final adjust-ments budget	Actual Outcome	Unau-thesised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unau-thesised expenditure	Expenditure authorised in terms of section 32 of MEWA	Balance to be recovered	Restated Audited Outcome
Revenue by Vote													
	Vote 1 - Executive & Council	420,000	-	420,000	-	-	(420,000)	-	-	-	-	-	387,794
	Vote 2 - Budget & Treasury	103,873,350	300,000	103,873,350	104,665,899	-	792,549	100.8%	101.1%	-	-	-	100,413,540
	Vote 3 - Corporate Services	1,457,522	-	1,457,522	1,015,000	-	(442,522)	69.6%	69.6%	-	-	-	350,000
	Vote 4 - Planning & Development	-	200,000	200,000	200,000	-	-	100.0%	#DIV/0!	-	-	-	893,937
	Vote 5 - Project Management & Advisory Services	14,194,113	-	14,194,113	16,087,399	-	1,893,286	113.3%	113.3%	-	-	-	19,012,994
	Total Revenue by Vote	119,644,985	500,000	120,144,985	121,968,299	-	1,823,314	101.5%	101.9%	-	-	-	121,058,265
Expenditure by Vote to be appropriated													
	Vote 1 - Executive & Council	27,458,694	50,000	27,508,694	25,388,917	-	(2,119,777)	92.3%	92.5%	-	-	-	22,314,198
	Vote 2 - Budget & Treasury	22,535,636	537,000	23,072,636	20,862,937	-	(2,209,699)	90.4%	92.6%	-	-	-	20,664,283
	Vote 3 - Corporate Services	28,992,030	290,838	29,282,868	24,299,018	-	(4,983,850)	83.0%	83.8%	-	-	-	22,988,645
	Vote 4 - Planning & Development	20,091,573	252,050	20,343,623	14,778,141	-	(5,565,482)	72.6%	73.6%	-	-	-	18,345,798
	Vote 5 - Project Management & Advisory Services	61,190,690	(506,900)	60,683,790	52,080,477	-	(8,603,313)	85.8%	85.1%	-	-	-	53,242,062
	Total Expenditure by Vote	160,268,623	622,988	160,891,611	137,409,490	-	(23,482,121)	85.4%	85.7%	-	-	-	137,554,987
	Surplus/(Deficit) for the year	(40,623,638)	(122,988)	(40,746,626)	(15,441,191)	-	25,305,435	37.9%	38.0%	-	-	-	(16,496,722)

**BUDGETED FINANCIAL PERFORMANCE**

R	Description	2016/17					2015/16					Restated Audited Outcome	
		Original Budget	Budget Adjust-ments	Final adjust-ments budget	Actual Outcome	Unau-thesised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unau-thesised expenditure	Expenditure authorised in terms of section 32 of MEMA		Balance to be recovered
Revenue By Source													
	Property rates	-	-	-	-	-	-	-	-	-	-	-	-
	Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-
	Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	-
	Service charges - water revenue	-	-	-	-	-	-	-	-	-	-	-	-
	Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-	-
	Service charges - refuse revenue	-	-	-	-	-	-	-	-	-	-	-	-
	Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-
	Rental of facilities and equipment	1,081,110	-	1,081,110	1,009,828	-	(71,282)	93.4%	93.4%	-	-	-	643,770
	Interest earned - external investments	5,443,350	300,000	5,743,350	6,805,233	-	1,061,883	118.5%	125.0%	-	-	-	7,866,135
	Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-
	Dividends received	-	-	-	-	-	-	-	-	-	-	-	-
	Fines	-	-	-	-	-	-	-	-	-	-	-	-
	Licences and permits	-	-	-	-	-	-	-	-	-	-	-	-
	Agency services	-	-	-	-	-	-	-	-	-	-	-	-
	Transfers recognised - operational	112,990,522	200,000	113,190,522	114,012,528	-	822,006	100.7%	100.9%	-	-	-	110,413,264
	Other revenue	100,000	-	100,000	140,709	-	40,709	140.7%	140.7%	-	-	-	2,134,929
	Gains on disposal of PPE	30,000	-	30,000	-	-	(30,000)	-	-	-	-	-	-
	Total Revenue (excluding capital transfers and contributions)	119,644,982	500,000	120,144,982	121,968,299	-	1,823,316	101.5%	101.9%	-	-	-	121,058,098
Expenditure By Type													
	Employee related costs	61,214,629	-	61,214,629	57,082,078	-	(4,132,551)	93.2%	93.2%	-	-	-	52,743,677
	Remuneration of councillors	6,714,580	-	6,714,580	5,950,489	-	(764,091)	88.6%	88.6%	-	-	-	5,987,653
	Debt impairment	3,000	-	3,000	2,219	-	(781)	74.0%	74.0%	-	-	-	-
	Depreciation & asset impairment	3,826,620	-	3,826,620	3,926,513	99,893	99,893	102.6%	102.6%	-	-	-	3,960,969
	Finance charges	2,165,810	-	2,165,810	2,648,822	483,012	483,012	122.3%	122.3%	-	-	-	2,397,250
	Bulk purchases	-	-	-	-	-	-	-	-	-	-	-	-
	Other materials	4,406,400	444,508	4,850,908	3,936,130	-	(914,778)	81.1%	89.3%	-	-	-	-
	Contracted services	-	-	-	-	-	-	-	-	-	-	-	-
	Transfers and grants	61,335,440	300,000	61,635,440	48,946,516	-	(12,688,924)	79.4%	79.8%	-	-	-	3,520,611
	Other expenditure	20,392,144	-121,040	20,271,104	14,487,279	-	(5,783,825)	71.5%	71.0%	-	-	-	54,621,447
	Loss on disposal of PPE	210,000	-	210,000	429,444	219,444	219,444	204.5%	204.5%	-	-	-	14,106,924
	Total Expenditure	160,268,623	623,468	160,892,091	137,409,490	802,350	(23,482,602)	85.4%	85.7%	-	-	-	137,554,987
	Surplus/(Deficit)	(40,623,641)	(123,468)	(40,747,109)	(15,441,191)	(802,350)	25,305,918	37.9%	38.0%	-	-	-	(16,496,889)
	Transfers recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-
	Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-
	Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-
	Surplus/(Deficit) after capital transfers & contributions	(40,623,641)	(123,468)	(40,747,109)	(15,441,191)	(802,350)	-	-	-	-	-	-	(16,496,889)
	Taxation	-	-	-	-	-	-	-	-	-	-	-	-
	Surplus/(Deficit) after taxation	(40,623,641)	(123,468)	(40,747,109)	(15,441,191)	(802,350)	-	-	-	-	-	-	(16,496,889)
	Attributable to minorities	-	-	-	-	-	-	-	-	-	-	-	-
	Surplus/(Deficit) attributable to municipality	(40,623,641)	(123,468)	(40,747,109)	(15,441,191)	(802,350)	-	-	-	-	-	-	(16,496,889)
	Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-
	Surplus/(Deficit) for the year	(40,623,641)	(123,468)	(40,747,109)	(15,441,191)	(802,350)	-	-	-	-	-	-	(16,496,889)

**BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

R	Description	2016/17					2015/16						
		Original Budget	Budget Adjust-ments	Final adjust-ments budget	Actual Outcome	Unau- thorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unau- thorised expenditure	Expenditure authorised in terms of section 32 of MEMA	Balance to be recovered	Restated Audited Outcome
Capital expenditure - Vote Multi-year expenditure	Vote 1 - Executive & Council	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 2 - Budget & Treasury	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 3 - Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 4 - Planning & Development	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 5 - Project Management & Advisory Services	-	-	-	-	-	-	-	-	-	-	-	-
	Capital multi-year expenditure	-	-	-	-	-	-	-	-	-	-	-	-
	Single-year expenditure	-	-	-	-	-	-	-	-	-	-	-	-
	Vote 1 - Executive & Council	79,100	1,000	80,100	55,453	-	(24,647)	69%	70%	-	-	-	29,811
	Vote 2 - Budget & Treasury	1,746,000	380,000	2,126,000	1,861,938	-	(264,062)	88%	107%	-	-	-	1,952,827
	Vote 3 - Corporate Services	5,164,900	-290,417	4,874,483	601,901	-	(4,272,582)	12%	12%	-	-	-	2,967,785
Capital single-year expenditure	Vote 4 - Planning & Development	46,000	21,430	67,430	56,049	-	(11,381)	83%	122%	-	-	-	139,588
	Vote 5 - Project Management & Advisory Services	12,000,000	-6,300,000	5,700,000	5,990,471	290,471	290,471	105%	50%	-	-	-	491,994
	Capital single-year expenditure	19,036,000	(6,187,987)	12,848,013	8,565,813	-	(4,282,200)	67%	45%	-	-	-	5,582,005
	Total Capital Expenditure - Vote	19,036,000	(6,187,987)	12,848,013	8,565,813	-	(4,282,200)	67%	45%	-	-	-	5,582,005
	Capital Expenditure - Standard												
	Governance and administration												
	Executive and council	2,860,000	278,962	3,138,962	2,397,845	-	(741,117)	76%	84%	-	-	-	2,347,987
	Budget and treasury office	79,100	1,000	80,100	55,453	-	(24,647)	69%	70%	-	-	-	29,811
	Corporate services	1,746,000	380,000	2,126,000	1,861,938	-	(264,062)	88%	107%	-	-	-	1,952,827
	Community and public safety	1,034,900	-102,038	932,862	480,454	-	(452,408)	52%	46%	-	-	-	365,348
Economic and environmental services	Community and social services	4,120,000	(188,379)	3,931,621	113,245	-	(3,818,376)	3%	3%	-	-	-	2,592,796
	Sport and recreation	-	-	-	-	-	-	-	-	-	-	-	-
	Public safety	-	-	-	-	-	-	-	-	-	-	-	-
	Housing	4,120,000	-188,379	3,931,621	113,245	-	(3,818,376)	3%	3%	-	-	-	2,592,796
	Health	-	-	-	-	-	-	-	-	-	-	-	-
	Economic and environmental services												
	Planning and development	12,040,000	-6,278,570	5,761,430	5,977,098	217,467	215,668	104%	50%	-	-	-	641,222
	Road transport	12,030,000	-6,278,570	5,751,430	5,968,897	217,467	217,467	104%	50%	-	-	-	631,582
	Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
	Trading services	10,000	-	10,000	8,202	-	(1,798)	82%	82%	-	-	-	9,640
Total Capital Expenditure - Standard	Electricity	16,000	-	16,000	77,624	61,624	61,624	485%	485%	-	-	-	-
	Water	-	-	-	-	-	-	-	-	-	-	-	-
	Waste water management	-	-	-	-	-	-	-	-	-	-	-	-
	Waste management	-	-	-	-	-	-	-	-	-	-	-	-
	Other	16,000	-	16,000	77,624	61,624	61,624	485%	485%	-	-	-	120
	Total Capital Expenditure - Standard	19,036,000	(6,187,987)	12,848,013	8,565,813	279,091	(4,282,200)	67%	45%	-	-	-	5,582,005
	Funded by:												
	National Government	-	-	-	-	-	-	-	-	-	-	-	-
	Provincial Government	-	-	-	-	-	-	-	-	-	-	-	-
	District Municipality	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-
	Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-
	Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
	Internally generated funds	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Funding	19,036,000	(6,187,987)	12,848,013	8,565,813	279,091	(4,282,200)	67%	45%	-	-	-	5,582,005	
		19,036,000	(6,187,987)	12,848,013	8,565,813	279,091	(4,282,200)	67%	45%	-	-	-	5,582,005



FRANCES BAARD DISTRICT MUNICIPALITY

APPENDIX A

APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2017

R	Description	2016/17					2015/16				
		Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome		
CASH FLOW FROM OPERATING ACTIVITIES	Receipts										
	Ratepayers and other	1,181,110	-	1,181,110	923,541	(257.57)	78.2%	78.2%	2,291,945		
	Government - operating	111,813,000	-	111,813,000	111,619,227	(194)	99.8%	99.8%	112,569,249		
	Government - capital	-	-	-	-	-	-	-	-		
	Interest	5,443,350	-	5,443,350	6,805,233	1,361.88	125.0%	125.0%	7,866,135		
	Dividends	-	-	-	-	-	-	-	-		
	Payments										
	Suppliers and employees	(74,710,368)	-	(74,710,368)	(18,014,314)	56,696.05	24.1%	24.1%	(26,118,721)		
	Finance charges	(2,165,810)	-	(2,165,810)	(673,822)	1,491.99	31.1%	31.1%	(884,112)		
	Transfers and Grants	(61,664,974)	-	(61,664,974)	(48,946,516)	12,718.46	79.4%	79.4%	(54,621,447)		
	NET CASH FROM/(USED) OPERATING ACTIVITIES	(20,103,693)	-	(20,103,693)	51,713,349	71,817.04	-257.2%	-257.2%	41,103,050		
	CASH FLOWS FROM INVESTING ACTIVITIES	Receipts									
		Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	
		Decrease (Increase) in non-current debtors	-	-	-	406,000	406.00	0.0%	0.0%	1,099,717	
		Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	
		Decrease (increase) in non-current investments	-	-	-	(4,900,000)	(4,900.00)	0.0%	0.0%	(300,000)	
		Payments									
		Capital assets	(15,228,800)	2,380,787	(12,848,013)	(7,324,712)	5,523.30	57.0%	48.1%	(5,582,006)	
		NET CASH FROM/(USED) INVESTING ACTIVITIES	(15,228,800)	2,380,787	(12,848,013)	(11,818,712)	1,029.30	92.0%	77.6%	(4,782,289)	
CASH FLOWS FROM FINANCING ACTIVITIES		Receipts									
		Short term loans	-	-	-	-	-	-	-	-	
		Borrowing long term/refinancing	-	-	-	-	-	-	-	-	
		Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	
		Payments									
		Repayment of borrowing	(1,800,000)	1,080,000	(720,000)	(1,985,494)	(1,265.49)	275.8%	110.3%	(1,784,602)	
		NET CASH FROM/(USED) FINANCING ACTIVITIES	(1,800,000)	1,080,000	(720,000)	(1,985,494)	(1,265.49)	275.8%	110.3%	(1,784,602)	
		NET INCREASE/ (DECREASE) IN CASH HELD									
			Cash/cash equivalents at the year begin:	(37,132,493)	3,460,787	(33,671,706)	37,909,143				34,536,158
			Cash/cash equivalents at the year end:	78,769,193	-9,494,139	69,275,054	69,275,054				87,482,573
			Cash/cash equivalents at the year end:	41,636,701	-6,033,352	35,603,348	50,102,119	14,498.77	140.7%	120.3%	69,275,054

## Notes

[illegible]

[illegible]

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