

# ANNUAL REPORT 2017/18

Comprehensive report on the activities and financial performance of the FBDM

DRAFT



**FRANCES BAARD**  
District Municipality / Distriksmunisipaliteit  
Masepala Wa Sedika / U Masepala We Sithili

**Frances Baard District Municipality**

# **Annual Report 2017/2018**



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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
RBIG	-	Regional Bulk Infrastructure Grant
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**

An innovative municipality that aims to improve the quality of life of communities through integrated planning.

## **Mission**

- To promote shared services and capacity building in local municipalities
- To promote effective community and stakeholder management
- To promote social and economic development, and;
- To utilize available resources economically and effectively

## **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



Mr PW Marekwa  
Executive Mayor

In the 2017/18 financial year the district municipality had to deal more and more with the economic challenges facing not only our district, but the country at large. We had to tighten the belt much more than we ever had in the past, to ensure that we serve our communities to the best of our abilities.

It is a reality that the financial position of the district municipality has declined over the years as accumulated reserves were more and more utilised to supplement the deficit. A reality that we cannot overlook.

It therefore falls on the shoulders of the Council to give the political guidance to ensure that we steer this ship out of the stormy waters that we are currently sailing. Like never before the role we play as political leaders is of utmost importance.

This year we have also reviewed the vision and mission of the district municipality. A process that included the local municipalities and in turn they had to revise their respective vision and mission to align to the district municipality.

Much as the district municipality has been struggling in terms of its financial position, the situation is not better at our local municipalities. Most of our local municipalities have been struggling with financial and technical capacity constraints. It therefore requires us to assist these municipalities, especially in areas such as integrated development planning and financial management. I am happy to report that despite the bleak financial outlook, we have managed to continue to assist our local municipalities without fail.

We introduced a programme to fund certain operation and maintenance (O&M) functions in the local municipalities. The district municipality also employs an EPWP officer to concentrate on programmes to assist with the creation of work opportunities. The infrastructure department continues to give technical support within the Dikgatlong, Magareng and Phokwane local municipalities on a daily basis.

In terms of basic services, it is estimated that about 5,493 households in the district have no access to water and about 16,317 households lack access to proper sanitation. This is mainly due to the high cost to eradicate backlogs and the dependency of local municipalities in the district on grant funding for infrastructure provision. The availability of energy also remains a serious resource challenge, despite the fact that in the last ten years access to electricity has significantly improved.

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 in the year under review.

We will remain focussed on assisting our local municipalities in the delivery of quality services to the communities in the district. It is our duty as political leaders to overcome the challenges and to ensure a better life for our constituencies.

I have to thank the entire administration and council of Frances Baard District Municipality, without whom we would have not achieved what we have achieved. To our partners in provincial and national government, I want to express my gratitude for the unfailing support. To our local councils and all stakeholders, without your invaluable support and contribution our municipality will not be where it is today.

*The Executive Mayor*

## 1.2 Executive summary

### Municipal Manager's Overview

This annual report is a reflection of our performance for the year under review as well as a strategic focus on our agenda on development.

Our five departments have made strides in ensuring efficiency in all our daily operations for a better outcome. We are continuing to consolidate our supportive role with our local municipalities to ensure integrated planning and utilisation of resources for basic services provision to our communities.

We had to improve our audit outcome for the 2017/18 financial year to a clean audit but we remained stagnant with an unqualified audit with findings. This challenges us to do better in the 2018/19 financial year and also take with us all our local municipalities.

The review of our IDPs remains essential in order to ensure effective service delivery and drive all developmental goals to stimulate growth within our district. We have a lot to do in the creation of jobs and in attracting investors into our region. With opportunities in mining, agriculture and tourism, we still have a lot to do in order to contribute to the growth of our economy in line with the National Development Plan. We recorded successes in small medium enterprise development in areas of training on entrepreneurial development and support through the direct support funding (grant).

Through our geographic information system (GIS) and spatial development, we are assisting our local municipalities to plan accordingly for human settlements and eradicate the backlogs in the provision of housing. The safety of our environment is our main priority and we have increased our capacity to cover the entire district in the improvement of water quality, mitigating emissions and the general municipal health services.

Much appreciation to Council, the executive management team and the entire staff of FBDM for their commitment, support, dedication and a sense of service towards our communities. As a team, we have displayed devotion and lived up to our motto, *Re direla setshaba*.

I would like to express my greater gratitude to the audit committee for keeping us focussed at all times and the valuable support and advice to both management and Council.



Municipal Manager  
Ms Z.M Bogatsu

A handwritten signature in black 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 have to continuously adapt and align itself to its mandate. 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). Each of the local municipalities exercises and performs powers and functions to provide municipal services on an equitable and sustainable manner. The respective district municipality, continues to assist local municipalities in building the capacity that enables 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 foresee 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 distribute resources within a district according to need; 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. Water and sanitation
2. Electricity
3. Housing
4. Roads and storm water
5. Township establishment
6. Disaster Management
7. Environmental Management
8. Local Economic Development
9. Youth Development
10. Education
11. Clean Audit

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

Municipal area	Top four priority areas
Dikgatlong	Housing and land is rated highest followed by water and sanitation, roads and storm water and electricity.
Magareng	Water and sanitation is rated highest followed by unemployment, land development and education.
Phokwane	Land and housing is rated highest followed by roads and storm water, health services and unemployment.
Sol Plaatje	Roads (paving and resealing) is rated the highest followed by stormwater channels upgrade (across the city but specifically in Galeshewe), electricity upgrade of substations and electrification of houses and local economic development.
District-wide	The combined priorities for the district shows water and sanitation, electricity, housing and roads and storm water are the highest areas of focus.

The annual budget in respect of the 2017/18 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, ZF Mgcawu and Pixley-ka-Seme districts to the one side and the North West province and Free State on the other.

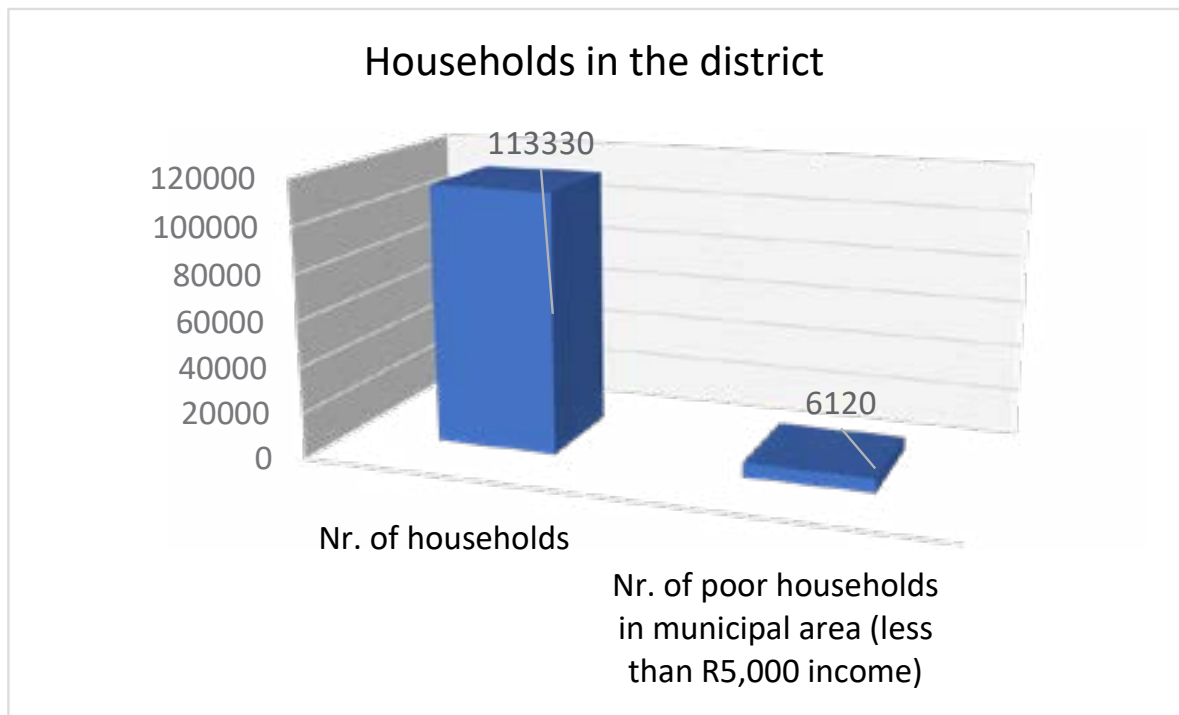
A total of 65% of the population fall within the potentially economically active group, with an equal distribution between male (49.6%) and female (50.4%). The district has an unemployment rate of 39.4%.

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*).

Population Details			
Population			
Age	Male	Female	TOTAL
Age: 0 - 34	65,677	60,626	126,303
Age: 35 - 70+	126,554	134,885	261,439
<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>• Establishment 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

R3.5m was allocated to one category B municipality for capital projects in the 2017/18 financial year. Three projects to the value of R7m were 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

- Water reticulation in town - replacement of steel/asbestos pipes in Barkly West. This project was rolled over from the previous financial year. The project is in retention and snags are to be rectified in the retention period; and
- Co-funding for the upgrading of the water treatment works in Windsorton and a pipeline to Holpan RBIG project. The project is still in progress.

### Magareng Local Municipality

FBDM provides co-funding for the project on the upgrading of water treatment works project together with the Department Water and Sanitation. This is a roll over project from the previous financial year and is currently in the implementation phase. Construction started in Jan 2018 and it is estimated that the project will run over into the 2019/20 financial year. Project progress is slow and additional funding had to be requested.

### Phokwane Local municipality

The provision of water supply for 338 stands in Kingston. This project was rolled over from the previous financial year. The project is in retention and monies will be paid out in the 2018/19 financial year.

An amount of R10m was allocated to the operation and maintenance programme for the 2017/18 financial year. 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 water infrastructure and gravel roads.

Frances Baard District Municipality received an EPWP incentive grant of R1,168m for the 2017/18 financial year. Expenditure and employment created under the following projects are reported against the allocated grant:

- **Maintenance of streets and storm water in Warrenton**

This project covers the maintenance of streets and storm water drainage in Warrenton, including pothole repairs, grading of roads and cleaning of storm water infrastructure. The duration of the project was for the entire year and started in July 2017. Data was received from the municipality for capturing and the project is reported on EPWP reporting system. A total of 75 work opportunities was created.

- **Operation and maintenance of water and waste water treatment works at Dikgatlong Municipality**

This project includes grass cutting, fencing and cleaning of screens and grit channels at all the water and waste water treatment works in Dikgatlong Municipality using manual labour. The duration of the project was estimated at six months and some of the activities started in December 2017. The project was reported on the EPWP reporting system and a total of 53 work opportunities were created for community members in the local municipal area. The project lasted for 4 months.

- **Youth Entrepreneurship Development Programme (YEDP)**

The YEDP seeks to capacitate young graduates in business development and give them work experience in local economic development. FBDM employs graduates for periods of up to 24 months. The programme started in November 2014 and accommodates approximately 15 graduates in a two-year cycle. The programme is on-going, and it is reported monthly on the EPWP reporting system.

Significant progress was made about the devolution of municipal health services (MHS) from the Phokwane and Sol Plaatje municipalities. FBDM signed a memorandum of understanding with Phokwane municipality to render MHS in their area of jurisdiction on behalf of the district municipality until 30 June 2018. FBDM will then render MHS in this area from 1 July 2018. FBDM also negotiated a service level agreement with Sol Plaatje municipality to render MHS in their area of jurisdiction on its behalf for a period of 3 years. The SLA was signed in June 2018 and the local municipality will be authorized by FBDM to continue to render MHS services in the Sol Plaatje municipal area. The district municipality also reviewed its air quality management plan internally.

The district municipality spent an amount of R249,550 to assist destitute families within the Phokwane, Magareng and Dikgatlong local municipalities and continued to enable municipalities to deliver sustainable human settlements. The Frances Baard District Municipality again won the award for Best Level 2 Accredited Municipality in the Province and the country. This was the third time that the district has won the award.

The annual district global entrepreneurship week held in November 2017 attracted just over 300 entrepreneurs (emerging and existing). They were given training sessions during the week which were geared towards giving entrepreneurs an opportunity to build the skills and relationships that will help their business ventures grow. The district municipality also completed a study to determine the status of all incubation and SMME supporting centres as well as giving a strategy to be followed in the incubation of businesses in the district. A strategy was completed that outlines and aims to guide the district municipality and local municipalities in the development of informal businesses. As part of the ongoing Youth Entrepreneurship Development Programme (YEDP), 16 graduates were capacitated this year.

The restoration of the Ganspan Waterfowl Nature Reserve is continuing as further specialist studies were conducted to look at the biodiversity and geo-technical studies requirements for the establishment of the nature reserve. An environmental impact assessment must still be conducted and will be concluded in 2018/19. This will pave the way for obtaining approval to develop the pan as a wetlands reserve.

The district municipality assisted with the review of the land use schemes of Dikgatlong and Phokwane local municipalities. At the time of preparing the annual report both councils had to still adopt the land use schemes prior to gazetting. In 2017/18 the district planning tribunal processed land-use and land development applications for Magareng, Dikgatlong, and Phokwane Municipalities. The tribunal received seventeen (17) land development applications of which six (6) were approved, one (1) was dismissed and ten (10) have been put in abeyance.

The district municipality assisted Dikgatlong Local Municipality with the verification of ownership of properties on its asset register, which were raised in the audit findings of the Auditor-General. The district municipality co-funded a project with Sol Plaatje local municipality to capture high resolution oblique imagery which the local municipality uses for the valuation of properties. The project was completed successfully and imagery has been uploaded for use in the system for use by the local municipality in its daily operations.

## 1.5 Financial Overview

The municipality has always strived to maintain its healthy financial position and continues to monitor its financial status and as such it is showing improved financial results on an annual basis. Improved results afford the municipality an opportunity to invest in capital projects at our local municipalities as well as maintaining their infrastructure assets.

The following initiatives were embarked on to improve the financial management of the municipality during the financial year under review:

- The implementation of the National Treasury issued Municipal Cost Containment Regulations No. 41445 dealing with cost containment measures. The municipality has adopted its own cost containment policy with the issued draft regulations in the current financial year and has now further strengthened policies in support of cost containment. Cost curtailment is now a rooted principle and is no longer seen as a short-term intervention, but rather part of the organisational culture; and
- The municipality improved on cash management from the 2016/17 financial year. Cash balances increased from deficit of R19,172,935 (2016/17) to a favourable amount of R969,686 in 2017/18 financial year. A current ratio of 3.60 improved from 2.69 in the previous financial year and a cost coverage ratio improved from 5 to 6 months in the financial year under review. This indicates the municipality's ability to settle all current liabilities from current assets.

The municipality had a surplus of R7,273,895 for the year under review (an improvement from the previous year's deficit of R15,441,191). The results are due to the decrease on employee related costs as the municipality still has vacancy in the critical positions (Director: Infrastructure Services, Director: Planning & Development and Director: Finance). The municipality has addressed this issue and the vacancies has been advertised.

The financial position has not shifted materially from the 2016/2017 financial year. Current assets have increased by R3,015,943 to which investment was a main contributor with a decreased of R4,400,000 from 2016/17 financial year. The municipality is however experiencing challenge in the collection of outstanding amounts due to it which exposes it to cash flow risk. The repairs and maintenance budget of the municipality is in line with the National Treasury norm of 8% of the asset values. The municipality adhered to its repayments on the external loans and will be settling the account by 31 December 2018.

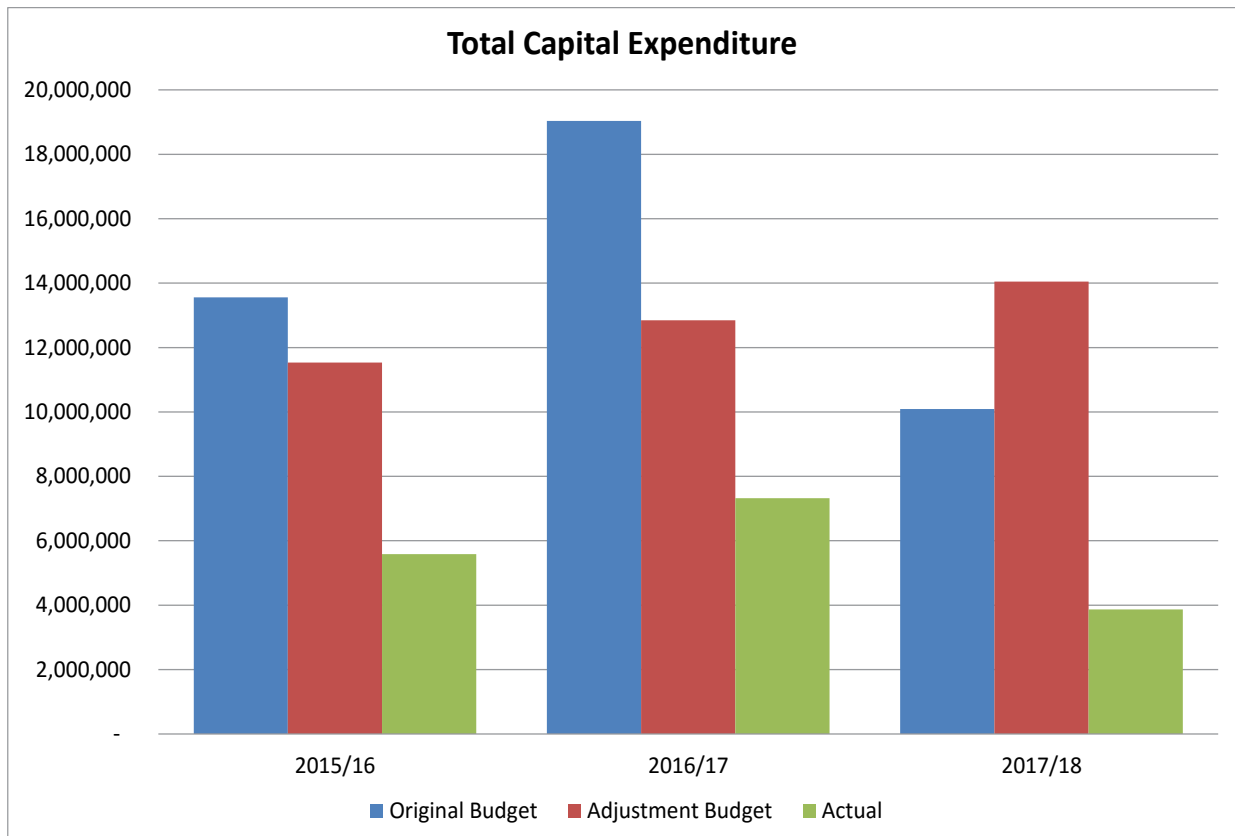
It is crucial that we rely on the report of the Auditor General which assessed the financial viability of the municipality and found it to be viable in the year under review, despite challenges experienced.

Financial Overview - 2017/18			R'000
Details	Original Budget	Adjustment Budget	Actual
<b>Income</b>			
<b>Grants</b>	118,569	118,698	117,699
<b>Taxes, Levies and tariffs</b>			
<b>Other</b>	6,989	6,989	7,119
<b>Sub-Total</b>	125,558	125,687	124,818
<b>Less Expenditure</b>	135,249	143,133	117,544
<b>Net Total*</b>	(9,690)	(17,445)	7,274
*Note: surplus/(deficit)			

Operating Ratios	
Detail	%
Employee Cost	54.86%
Repairs & Maintenance	1.24%
Finance Charges & Depreciation	3.68%

The employee costs currently stands at 55% of the total budget of the municipality. This is a concern to the municipality as this competes with the capital expenditure geared towards provision of services to our communities. It is also important to highlight that since the municipality has a statutory mandate to support the local municipalities, it employed dedicated personnel with highly technical skills to live up to the challenge of supporting our local municipalities.

Total Capital Expenditure 2015/16 - 2017/18			
Detail	2015/16	2016/17	2017/18
Original Budget	13,556	19,036	10,087
Adjustment Budget	11,679	12,848	14,050
Actual	5,582	7,325	3,865



Actual expenditure incurred on fixed assets represents an efficiency rate of 38%. 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

The district municipality continuously strives to maintain and enhance the effectiveness of its systems and processes. Through its electronic records management system (MunAdmin) the municipality strives to simplify the administration function and in the same breath strengthen the move towards a green economy.

In 2017/18 the municipality implemented a process to improve the effectiveness of systems through the electronic distribution of council agendas, creating of electronic personnel files and the creation of a register for all contracts. Employees are also given regular training on the use of the system to improve productivity and thereby effectiveness. The municipality spent 100% of its employee bursary budget for the year.

The adopted a firewall policy to protect the internal network of the municipality against unauthorised access. National Treasury through the MFMA requires that municipalities update their budget related policies to align them to mSCOA and amendments to the budget due to cost containment measures. The municipality reviewed several finance policies in the 2017/18 financial year, which includes the following:

- budget policy;
- virement policy;
- credit control and debt collection policy;
- cellular phone and 3G allowance policy;
- subsistence and travel policy;
- tariff policy; and
- fleet management policy.

The municipality also adopted a cost containment policy to reduce the municipal budget on non-service delivery expenditures. Human resource related policies that were reviewed in 2017/18 included the recruitment and selection policy, study assistance policy, motor vehicle allowance policy and the employee wellness policy.

In June 2018 the municipality conducted a team building as part of its employee assistance programme. The purpose of the team building was to contribute towards employee motivation and building trust amongst employees, thereby ensuring better productivity.

Through the workplace skills plan the municipality conducted employee training that was focussed on ensuring the improvement of knowledge and the development of skills to increase productivity of employees. All senior managers meet the MFMA Competency Regulation.

The district municipality succeeded in the timely preparation and submission of financial statements to the Auditor-General in terms of Section 126(1)(a) of the MFMA and successfully implemented mSCOA. The mSCOA implementation date set by National Treasury was 01 July 2017 but the district municipality managed to implement the financial system by 01 July 2016 already. The supply chain unit is fully capacitated to function according to the approved legislative and policy directives.

A well-developed and properly implemented performance management system is a powerful tool for building a high performance municipality and bridging the gap between planning and implementation. To this end the municipality continued the development of its performance management system which has resulted in the municipality complying with most of the key requirements as expected from a reliable performance management system. The involvement of senior managers, line managers and supervisors maintained transparency and administrative justice in performance management within the municipality was also raised to a higher level. The performance management system also promoted fair and supportive outcomes in respect of expectations and no unexpected surprises occurred during the 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	Audit/Performance committee considers draft annual report of municipality and entities (where relevant)	August
6	Mayor tables the unaudited annual report	
7	Municipality submits draft annual report including consolidated annual financial statements and performance report to Auditor-General.	
8	Annual performance report as submitted to Auditor-General to be provided as input to the IDP Analysis Phase	Sept. - Oct.
9	Auditor-General assesses draft annual report including consolidated annual financial statements and performance data	
10	Municipalities receive and start to address the Auditor-General's comments	November
11	Mayor tables annual report and audited Financial Statements to Council complete with the Auditor-General's Report	
12	Audited annual report is made public and representation is invited	
13	Oversight committee assesses annual report	
14	Council adopts oversight report	December
15	Oversight report is made public	
16	Oversight report is submitted to relevant provincial councils	
17	Commencement of draft budget/ IDP finalisation for next financial year. Annual report and oversight reports to be used as input.	January

This annual report is intended to provide information on how well the financial performance of the municipality, upcoming changes projected for the next year, and the administration of the municipality. Concerned parties 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. The alignment of the IDP, budget, performance plans of directors, line managers and project management is bringing benefit of ensuring that the organisation has an effective system of performance management.

# 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).

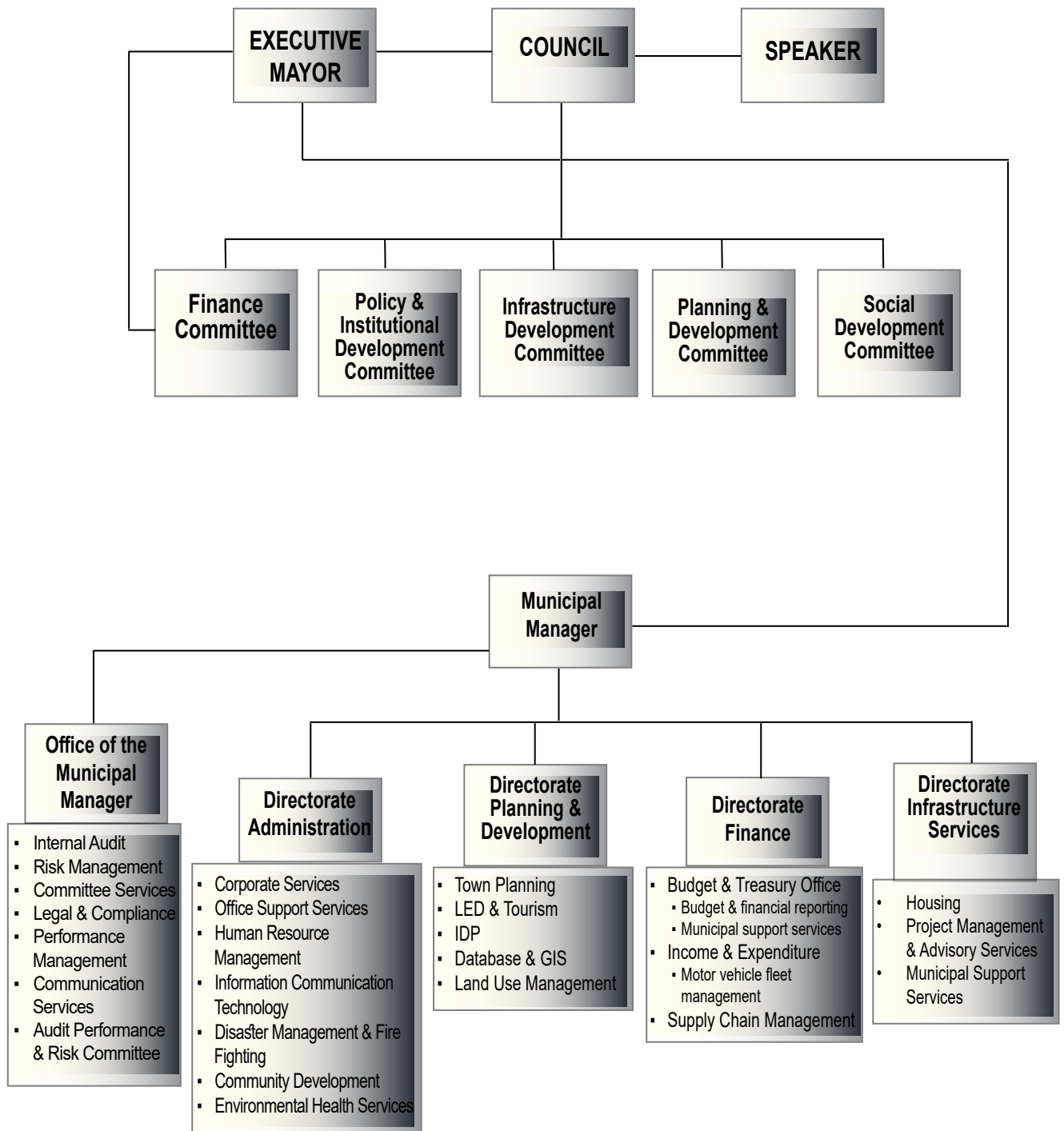
The Executive Mayor is the political head and fulfils his governance role in collaboration with the councillors. The Mayoral Committee functions in a manner similar to that of a cabinet with its main function to ensure integration of the work of the Council across political portfolios and departments.

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





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
28 August 2017	√	√	×
23 November 2017	√	√	√
15 February 2018	√	√	√
27 March 2018	√	√	×
28 May 2018	√	×	√
26 June 2018	√	×	√
<b>Total</b>	<b>6</b>	<b>5</b>	<b>4</b>

The meetings above include 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 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 audit annual plan an amount 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 had an opportunity to liaise with the external auditor prior to the commencement of the 2017/18 audit cycle and was party to the discussion of the audit engagement letter and audit strategy. This is an improvement from the prior year in terms of our timeous communication with the external auditor.

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 2017/2018 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 improve 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.

## **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 risk assessment reports were 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 report by internal audit. Weaknesses on reported performance information were addressed by management throughout the year with an additional layer of reviews performed by a performance review committee. 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 2017-18 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 2018 and made recommendations for consideration by management. The increased pressure with mSCOA and a new annual financial statement application is evident in the low quality of the draft annual financial statements submitted to the audit committee.

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

The committee will consider the draft audit report and may take note of the audit opinion expressed. (To be finalized by 30 November 2018)

### **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 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.

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

A draft report was submitted to the audit committee on 28 August 2018 and based on the assurance reports obtained from the performance management review committee and internal audit additional work will be required to enable the accounting officer to submit a credible performance report for the financial year.

## **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 maintain current audit outcomes.



.....  
**Mr.W.M.S.Calitz**  
**Chairperson of the Audit, Performance and Risk Committee**  
**28 August 2018**



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 Mokgathanyane  
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 2017/18 financial year

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Monthly Finance Report: May 2017	<ol style="list-style-type: none"> <li>Council took note of the contents of the report.</li> <li>Council approved that a comprehensive report on the Mayoral Student Financial Assistance for 2015/16 FY and 2016/17 FY be submitted to the Executive Mayor.</li> </ol>	19 July 2017	Report was submitted and resolved to not budget for in 2018/19.	
MOA for annual contribution to Diamonds & Dorings Festival	<ol style="list-style-type: none"> <li>Council took note of the critical role played by Diamonds &amp; Dorings in promoting the social economic development of the FBDM region.</li> <li>Council approved that a Memorandum of Agreement (MoA) be signed for the 2017/18 financial year between Sol Plaatje Local Municipality (SPM) and Frances Baard District Municipality (FBDM) to facilitate the transfer, spending and reporting on the R300 000.00 (three hundred thousand rand).</li> </ol>	19 July 2017	The money was transferred for the music festival.	
Budget process plan for the 2017/18 financial year	Council approved the proposed budget process plan in respect of the 2017/18 financial year.	19 July 2017	Adopted and implemented	
IDP framework (2017/18-2021/22) and process plan for the District Integrated Development Plan Review 2017/18; Planning 2018/19	<ol style="list-style-type: none"> <li>Council resolved that the matter be put in abeyance pending a workshop on the District IDP Framework (2017/18-2021/22) and IDP Process Plan for the IDP Review 2017/2018; Planning 2018/2019 for councillors.</li> <li>Council further resolved that a workshop be held on 24 July 2017 and that it should be followed by a special council meeting to consider the adoption of the District IDP Framework (2017/18-2021/22) and IDP Process Plan for the IDP Review 2017/2018; Planning 2018/2019.</li> </ol>	19 July 2017	Approved by Council, workshop was not required	
IDP framework (2017/18-2021/22) and process plan for the District Integrated Development Plan Review 2017/18; Planning 2018/19	Council approved the District IDP Framework (2017/18-2021/22) and IDP Process Plan for the IDP Review 2017/2018; Planning 2018/2019.	24 July 2017	No action required	
Request for Council to authorise a payment to Sol Plaatje Local Municipality (SPLM) for rendering of municipal health services	<ol style="list-style-type: none"> <li>Council resolved to commitment R500,000 (five hundred thousand rand) from the 2017/18 budget through an adjustment budget to the SPLM for the rendering of MHS in the Sol Plaatje municipal area on behalf of the FBDM.</li> <li>Council resolved to approve that a Service Level Agreement be entered into between FBDM and SPLM.</li> </ol>	30 Aug 2017	Amount was paid to SPLM	
Monthly finance report: June 2017	<ol style="list-style-type: none"> <li>Council took note of the contents of the report.</li> <li>Council resolved that administration should investigate the possibility of doing away with travel agencies and for the municipality to do travel &amp; accommodation bookings directly.</li> </ol>	20 Sep 2017	Assessment concluded that it is impossible to book and pay for travel and accommodation during the specified time. Travel agency in better position to deal with booking and cancellation during the busy periods.	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Annual/fourth quarter institutional/municipal performance report for the 2016/17 financial year.	<ol style="list-style-type: none"> <li>Council took note of the annual/fourth quarter municipal institutional performance report for the period 01 July 2016 to 30 June 2017.</li> <li>Council mandated MPAC to investigate the circumstances around the purchase and non-utilisation of the fire truck by the municipality.</li> </ol>	20 Sep 2017	The matter was finalised	
Adoption of infrastructure procurement and delivery management policy	<ol style="list-style-type: none"> <li>Council took note of the report.</li> <li>Council adopted the Infrastructure Procurement and Delivery Management Policy.</li> </ol>	20 Sep 2017	Adopted, is being implemented	
Amendment of supply chain management policy	<ol style="list-style-type: none"> <li>Council took note of the report.</li> <li>Council approved the amendment of the Supply Chain Management Policy of the Frances Baard District Municipality.</li> </ol>	20 Sep 2017	Adopted, is being implemented	
Quarterly Report – Housing (01 April 2017 – 30 June 2017)	<ol style="list-style-type: none"> <li>Council took note of the contents of the report.</li> <li>Council resolved that the Executive Mayor should have a meeting with the MEC for COGHSTA to discuss the housing accreditation matter.</li> </ol>	20 Sep 2017	The implementation of resolution has not been completed	
Writing-off of redundant furniture and office equipment	<ol style="list-style-type: none"> <li>Council resolved that the matter be referred back to the committee.</li> <li>Council resolved that the committee members should inspect the furniture and office which is due to be written before making recommendations to Council.</li> </ol>	20 Sep 2017	Furniture was handed over to Dikgatlong and Magareng local municipalities	
Special adjustment budget in respect of the 2016/17 financial year	<ol style="list-style-type: none"> <li>Council approved the special adjustment budget as per recommended resolution tabled;</li> <li>Council resolved that the special adjustment budget of Frances Baard District Municipality for the financial year 2016/2017 be approved as set out in the related schedules.</li> <li>Council resolved that the other related supporting documentation to the approved budget be updated according to the adjustments made;</li> <li>Council resolved that a hard and electronic copy of the complete special adjustment budget be submitted to National, Provincial Treasury and Department of Cooperative Governance, Human Settlement and Traditional Affairs respectively for information.</li> </ol>	20 Sep 2017	Special adjustment budget was adopted and implemented	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Annual financial statements for the 2016/17 financial year	1. Council took note of submission of the 2016/17 annual financial statements as set out in the related schedules.	20 Sep 2017	No action required	
Proposed template for council items	Council adopted the proposed standard template for council items as the only template that will be used for items tabled in committees and council meetings.	20 Sep 2017	No action required	
Monthly Finance Report: August 2017	1. Council took note of the contents of the report. 2. Council resolved that the practice of obtaining the Executive Mayor's authorisation before any councillor in the Mayoral Committee or Councillor delegated by the Executive Mayor undertakes an official trip should be upheld.	22 Nov 2017	Implemented	
Writing-off of redundant furniture and other equipment	1. Council approved to write off the attached list of redundant assets per asset category identification; and 2. Council approved, subject to recommendation 1 above, that the assets be donated to the local municipalities, non-profit organisations and / or schools in the Frances Baard district in term of the Asset Management and Supply Chain Management policies. 3. Council resolved that the furniture /equipment to be written off should be donated to Dikgatlong and Magareng local municipalities. 4. Council resolved that the sealing machine that is due to be written off should be donated to Dikgatlong Local Municipality.	22 Nov 2017	The assets were donated to the specified recipients	
Quarterly Report – Human Resources: (01 July 2017 – 30 September 2017)	1. Council took note of the contents of the report. 2. Council resolved that a consolidated report on how the scarce skills incentives were implemented and be tabled at the next committee meeting.	22 Nov 2017	Implemented	
Quarterly Report – Youth Coordination (01 July 2017 – 30 September 2017)	1. Council noted the contents of the report. 2. Council resolved that the Manager: Youth Coordination should draft a programme outlining activities to be embarked on by the unit in the future and submit it to the next committee meeting for perusal and inputs by the committee.	22 Nov 2017	Programmes completed	
The utilisation of the old clinic in Jan Kempdorp for the establishment of a satellite fire station to serve Phokwane and Magareng local municipalities	1. Council resolved that the old clinic building in Jan Kempdorp currently leased to the Department of Safety and Liaison be used for the establishment of its satellite station for the fire services function. 2. Council took note that the termination date of the lease contract will be 31 January 2018. 3. Council resolved not to pursue its intention to transfer the old clinic building in Jan Kempdorp to the Department of Safety and Liaison.	22 Nov 2017	The Department of Safety and Liaison has still not vacated the building	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Audit report for the financial year ended 30 June 2017	<ol style="list-style-type: none"> <li>Council took note of the unqualified audit report with findings as expressed by the Auditor General for the 2016/17 financial year.</li> <li>Council resolved that the audited financial statements, performance report and Auditor-General's report be included in the annual report for submission during February 2018 to Council as per legislative requirements; and</li> <li>Council resolved that the final printer's proof of the annual report be submitted to the relevant Senior Manager of the Auditor-General of South Africa for verification purposes.</li> </ol>	06 Dec 2017	The Auditor-General's report was included in the annual report for 2016/17. The final printed annual report for 2016/17 was submitted to the Auditor-General of South Africa.	
Annual report for the financial year ended 30 June 2017	Council took note of the draft annual report for 2016/17 FY.	06 Dec 2017	No action required	
Schedule of council and committee meetings for 2018	<ol style="list-style-type: none"> <li>Council resolved that the January 2018 Council meeting be held on 24 January 2018.</li> <li>Council will approve the schedule of Council and committee meetings in the Council meeting of 24 January 2018 to allow the administration to table the omitted schedule of meetings.</li> </ol>	06 Dec 2017	Schedule was re-submitted to Council on 24/01/2018 and approved	
First and second quarter municipal institutional/corporate performance report for the 2017/18 financial year.	<ol style="list-style-type: none"> <li>Council approved the first quarter performance report for the period 01 July 2017 to 30 September 2017.</li> <li>Council approved the second quarter performance report for the period 01 October 2017 to 31 December 2017.</li> </ol>	24 Jan 2018	No action required	
Mid-year budget and performance review: adjustments budget in respect of the 2017/18 financial year	<ol style="list-style-type: none"> <li>Council considered the content of the report;</li> <li>Council considered the approval of the adjustment budget as per recommended resolution tabled;</li> <li>Council approved the adjustment budget of Frances Baard District Municipality for the financial year 2017/18, and indicative for the projected outer years 2018/19 and 2019/20 as set out in the related schedules.</li> <li>Council resolved that the other related supporting documentation to the approved budget be updated according to the adjustments made; and</li> <li>Council resolved that a hard and electronic copy of the complete adjustment budget be submitted to National Treasury, Provincial Treasury and Department of Cooperative Governance, Human Settlement and Traditional Affairs respectively for information.</li> </ol>	24 Jan 2018	All returns regarding mid-term reports and adjustment budgets submitted to National and Provincial Treasury	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Annual assessment on the performance of the audit, performance and risk committee	Council took note of the annual performance assessment by the audit, performance and risk committee.	24 Jan 2018	No action required	
Approval of the 2017/18 audit, performance and risk committee charter	Council approved the audit, performance and risk committee charter for 2017/18 financial period.	24 Jan 2018	No action required	
Approval of the MFMA circular no.65 on internal audit and audit committee	Council approved MFMA circular no. 65 on internal audit and the audit committee for implementation	24 Jan 2018	No action required	
Schedule of council and committee meetings for 2018	<ol style="list-style-type: none"> <li>Council considered and approved the recommended schedule of meetings for 2018.</li> <li>Council resolved that the Speaker should ensure that there is a calendar of council meetings for the entire district for alignment with local municipalities.</li> </ol>	24 Jan 2018	Schedule was circulated to Managers, meetings are convened according to the schedule	
Quarterly Report – Infrastructure Projects: (01 October 2017 – 31 December 2017	<ol style="list-style-type: none"> <li>Council took note of the contents of the report.</li> <li>Council mandated the Executive Mayor and Chairperson of the committee to engage the local municipalities at a political level regarding the underspending of funds of O&amp;M projects.</li> <li>The committee approved that the Infrastructure Development Committee should sit on a monthly basis to ensure that reports on service delivery projects are discussed and that the projects are monitored.</li> </ol>	27 Feb 2018	Infrastructure Development Committee meeting takes place on a monthly basis	
Writing-off of redundant ICT equipment	<ol style="list-style-type: none"> <li>Council approved the writing-off of computers in the computer lab as per attached annexure and the list above-mentioned.</li> <li>Council approved, subject to recommendation 1 above, that the assets, non-profit organisation and/or schools in the Frances Baard district in terms donated to the local municipalities, non-profit organisations and /or schools in the Frances Baard district in term of the Asset Management and Supply Chain Management policies.</li> </ol>	27 Feb 2018	Items were written off and donated	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Amendment of the Service Delivery and Budget Implementation Plan (SDBIP) - 2017/18 financial year	Council approved the amendments to the 2017/18 FY Service Delivery and Budget Implementation Plan (SDBIP) in line with the approved adjustment budget.	27 Feb 2018	Amended SDBIP was advertised on municipal website as per legislation	
Approval to extend the electronic records managements systems contract indefinitely	<ol style="list-style-type: none"> <li>Council took note of the contents of the report.</li> <li>Council approved the electronic and records management systems contract indefinitely with MunComp Systems.</li> <li>Council resolved that the service level agreement must stipulate that the contract can be terminated with a three (3) months' notice if the municipality so desires.</li> </ol>	27 Feb 2018	Electronic and records management systems contract was approved. SLA was adjusted to stipulate that the contract can be terminated with a three (3) months' notice if the municipality so desires.	
Monthly finance report: January 2018	<ol style="list-style-type: none"> <li>Council took note of the contents of the report.</li> <li>Council resolved that the Executive Mayor must be taken through the section 71 report when it is submitted to her.</li> </ol>	28 Mar 2018	The executive mayor was taken through the section 71 report and requested to ask clarity from the Acting CFO should she have further questions	
Adoption of firewall policy	Council resolved to refer the firewall policy back to the Policy and Institutional Development Committee for consideration.	28 Mar 2018	Item taken back to the Policy & Institutional Committee and tabled to Council meeting of April 2018	
Amendment of finance policies	Council resolved to refer the policies back to the Policy and Institutional Development Committee for consideration.	28 Mar 2018	Policies were adopted on 28 May 2018	
Adoption of cost containment policy	Council resolved to refer the cost containment policy back to the Policy and Institutional Development Committee.	28 Mar 2018	Policies were adopted on 28 May 2018	
Monthly report for environmental health: January 2018	<ol style="list-style-type: none"> <li>Council took note of the contents of the report.</li> <li>Council mandated the Executive Mayor to write to the MEC for Health on concerns of the water quality that does not conform to water quality standards.</li> </ol>	28 Mar 2018	Bilaterals between the MEC and the Executive Mayor took place	
Audit performance and risk oversight committee reports on the annual report for the financial year ended 30 June 2017	<ol style="list-style-type: none"> <li>Council having fully considered the annual report of the Frances Baard District Municipality adopted the Audit Performance and Risk Committee oversight report.</li> <li>Council having fully considered the annual report of the Frances Baard District Municipality adopted the oversight committee report.</li> <li>Council approved the 2016/17 annual report without reservations.</li> </ol>	28 Mar 2018	No action required	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
District Integrated Development Plan Review 2017/18; Planning 2018/2019.	Council approved the draft district IDP review 2017/18, planning 2018/19.	28 Mar 2018	No action required	
Draft budget for the 2018/19 financial year	<ol style="list-style-type: none"> <li>Council approved the draft annual budget of the municipality for the financial year 2018/19 and indicative of the projected outer years 2019/20 and 2020/21 as set out in the related schedules.</li> <li>Council resolved that further refinement of the draft budget with regards to prescribed supporting documentations and consideration of issues raised in the item be made before final adoption of the budget in May 2018.</li> </ol>	28 Mar 2018	Budget was adopted	
Review of the staff establishment	Council resolved that the matter should be put in abeyance so that councillors should be properly engaged around the current staff establishment and the need for a review.	25 Apr 2018	Engagements took place and the item was tabled to Council in May 2018	
Adoption of firewall policy	Council adopted the firewall policy.	25 Apr 2018	The policy is being implemented	
Amendment of finance policies	Council resolved that the matter be referred back to the Policy and Institutional Development Committee for its consideration and to make recommendations to Council in its next sitting	25 Apr 2018	Policies were adopted on 28 May 2018	
Adoption of cost containment policy	<ol style="list-style-type: none"> <li>Council resolved to put the matter in abeyance pending a workshop for councillors on cost containment.</li> <li>Subject to 1 above, Council resolved that the envisaged workshop should take place before the adoption of the 2018/19 financial year budget.</li> </ol>	25 Apr 2018	The policy was adopted on 28 May 2018	
Quarterly Report – Housing (January 2018 – March 2018)	<ol style="list-style-type: none"> <li>Council noted the content of the report.</li> <li>Council resolved to mandate FBDM's Executive Mayor to liaise with the Mayor of Dikgatlong Local Municipality to agree on a date approaching the MEC for COGHSTA to discuss the problems experienced at the Buffer zone project.</li> </ol>	29 May 2018	Not implemented but challenges on the project have been attended to	
Housing Unit: Human Settlements Sector Plan and chapter of the IDP for 2017/18	<ol style="list-style-type: none"> <li>Council approved the Frances Baard District Municipality Human Settlements Sector Plan for 2017/2018.</li> <li>Council approved the Frances Baard District Municipality Human Settlements Chapter of the IDP for 2017 / 2018.</li> </ol>	29 May 2018	No action required	
Progress report on the progress of infrastructure projects in category B municipalities	<ol style="list-style-type: none"> <li>Council noted the content of the report.</li> <li>Council mandated the Committee Chairperson and the Municipal Manager to come up with a suitable date in May 2018 for site visits to all FBDM funded projects.</li> </ol>	29 May 2018	Site visits took place in July/August 2018	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Amendment of budget policy	<ol style="list-style-type: none"> <li>Council noted the content of the report.</li> <li>Council approved the amendment of the Budget Policy; and</li> <li>Council approved the implementation of the Budget Policy upon approval.</li> </ol>	29 May 2018	Policy implemented	
Amendment of credit control & debt collection policy	<ol style="list-style-type: none"> <li>Council took note of the report;</li> <li>Council approved the amendment of the Credit Control &amp; Debt Collection Policy of the Frances Baard District Municipality; and</li> <li>Council approved the implementation of the Credit Control &amp; Debt Collection Policy upon approval.</li> </ol>	29 May 2018	The policy was adopted on 28 May 2018	
Amendment of virement policy	<ol style="list-style-type: none"> <li>Council took note of the report;</li> <li>Council approved the amendment of the Virement Policy, of the Frances Baard District Municipality; and</li> <li>Council approved the implementation of the Virement Policy upon approval.</li> </ol>	29 May 2018	The policy was adopted on 28 May 2018	
Adoption of cost containment policy	<ol style="list-style-type: none"> <li>Council took note of the report;</li> <li>Council adopted the Cost Containment Policy.</li> <li>Council approved the implementation of the Cost Containment Policy upon approval from 01 July 2018 in line with the 2018/19 adopted budget.</li> </ol>	29 May 2018	The policy was adopted on 28 May 2018	
The study assistance policy	<ol style="list-style-type: none"> <li>Council took note of the report;</li> <li>Council approved the recommended the Study Assistance Policy.</li> </ol>	29 May 2018	The policy is being implemented as approved	
Employee assistance policy	<ol style="list-style-type: none"> <li>Council noted the report.</li> <li>ouncil approved the recommended review of the Employee Wellness Assistance Policy.</li> </ol>	29 May 2018	The policy is being implemented as approved	
Writing-off of redundant equipment	<ol style="list-style-type: none"> <li>Council approved to write off the attached list of redundant assets per asset category identification;</li> <li>Council resolved to donate the OKI MX1100 line printer to Magareng Local Municipality to assist with the printing of their monthly statements.</li> </ol>	29 May 2018	Assets were written off and donated	
Review of the staff establishment	<ol style="list-style-type: none"> <li>Council took note of the report.</li> <li>Council approved the recommended review of the staff establishment.</li> <li>Council approved the reviewed staff establishment.</li> </ol>	29 May 2018	Reviewed staff establishment is being effected	
Amendment of fleet management policy	<ol style="list-style-type: none"> <li>Council took note of the report;</li> <li>Council approved the amendment of the Fleet Management Policy of the Frances Baard District Municipality; and</li> <li>Council approved the implementation of the Fleet Management Policy upon approval.</li> </ol>	29 May 2018	The policy was adopted on 28 May 2018	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
Amendment of tariff policy	<ol style="list-style-type: none"> <li>Council took note of the report;</li> <li>Council approved the amendment of the Fleet Management Policy of the Frances Baard District Municipality; and</li> <li>Council approved the implementation of the Fleet Management Policy upon approval.</li> </ol>	29 May 2018	The policy was adopted on 28 May 2018	
Amendment of cellular phone allowance & 3G policy	<ol style="list-style-type: none"> <li>Council took note of the report;</li> <li>Council approved the amendment of the Cellular Phone and 3G Policy, of the Frances Baard District Municipality; and</li> <li>Council approved the implementation of the Cellular Phone Allowance &amp; 3G Policy upon approval.</li> </ol>	29 May 2018	The policy was adopted on 28 May 2018	
Amendment of subsistence & travel policies	<ol style="list-style-type: none"> <li>Council took note of the report;</li> <li>Council approved the amendment of the Subsistence &amp; Travel Policy of the Frances Baard District Municipality; and</li> <li>Council approved the implementation of the Subsistence &amp; Travel Policy upon approval.</li> </ol>	29 May 2018	The policy was adopted on 28 May 2018	
Motor allowance policy.	<ol style="list-style-type: none"> <li>Council took note of the report;</li> <li>Council adopted the Motor Allowance Policy.</li> <li>Council resolved that SALGA be requested to investigate the matter relating to motor vehicle allowances and its co-relation with the TASK grading system.</li> </ol>	29 May 2018	SALGA is yet to advise the municipality	
Review the recruitment and selection policy	<ol style="list-style-type: none"> <li>Council took note of the report.</li> <li>Council approved the review of the Recruitment and Selection Policy.</li> </ol>	29 May 2018	No action required	
Second quarter municipal institutional/corporate performance and mid – term report for the 2017/18 FY	<ol style="list-style-type: none"> <li>Council approved the corrections made on the second quarter performance report for the period 01 October 2017 to 31 December 2017.</li> <li>Council approved the corrections made on the mid-term review report of January 2018.</li> </ol>	29 May 2018	No action required	
Annual budget for the 2018/19 financial year	<ul style="list-style-type: none"> <li>Council resolved that the annual budget of the municipality for the financial year 2018/19 as per budget related resolutions of the budget document and indicative for the projected outer years 2019/20 and 2020/21 be approved as set out in the related schedules.</li> <li>Council approved the amended IDP for the budget year 2018/2019 as a separate item to Council;</li> <li>Council approved that the R300,000 for SAMSRAs be included in 2018/19 final budget;</li> <li>Council resolved that R475 000.00 be budgeted for Diamonds and Dorings be included in the 2018/19 Financial Year budget.</li> <li>Council approved the measurable performance objectives for revenue, expenditure and capital from each source reflected in Tables SA4 to SA6 for the budget year 2018/2019;</li> <li>Council noted the approved policies for Budget policy, Virement policy and Credit Control &amp; Debt Collection policy, Tariff policy, Cell phone &amp; 3G allowance policy, Virement policy and Tariff policy for the budget year 2018/2019 as submitted for amendments to Council on 29 May 2018 for adoption in line with MFMA circulars; and</li> <li>Council noted of the SDBIP will be tabled to the Executive Mayor within the prescribed time frame as stipulated in the MFMA for approval.</li> </ul>	29 May 2018	<ul style="list-style-type: none"> <li>No action required</li> <li>No action required</li> <li>Amounts as per resolution included in budget</li> <li>Amounts as per resolution included in budget</li> <li>No action required</li> <li>Approved policies implemented</li> <li>No action required</li> </ul>	

Item submitted to Council	Resolution	Date	Action taken	Reason for non-implementation
District Integrated Development Plan Review 2017/18; Planning 2018/2019.	<ol style="list-style-type: none"> <li>Council approved and adopted the district IDP review 2017/18; Planning 2018/19.</li> <li>Council approved and adopted the proposed vision and mission.</li> </ol>	29 May 2018	No action required	
Request for council to rectify property description on council resolution	<ol style="list-style-type: none"> <li>Council took note of the content of the report.</li> <li>Council took note of the attached rectified fixed asset report description- Roads Department, in particular for Ritchie (3.2 Outspan: Ritchie), that is attached herewith as annexure A 1.</li> <li>Council approved the rectification of the property description for Ritchie (3.2 Outspan: Ritchie) as it appears on the duly rectified Fixed Assets report description-Roads Department, attached herewith as annexure A 1.</li> <li>The correction should be approved to read as follows: <ul style="list-style-type: none"> <li>Outspan: Ritchie</li> <li>Remainder of the Farm Doorns, no. 131</li> <li>Measured 0,9290 hectares</li> <li>Title deed T1739/1976, dated 5 December 1980 (Kimberley)</li> <li>Endorsement T7960/1993, dated 22 July 1993 (Kimberly)</li> <li>Municipal valuation: R 30 000.00</li> </ul> </li> </ol>	29 May 2018	Forwarded resolution to Department of Public Works to continue process of transfer of assets.	
Housing unit: implementation protocol agreement between the Department Of Cooperative Governance Human Settlements And Traditional Affairs and Frances Baard District Municipality for 2018/19	<ol style="list-style-type: none"> <li>Council took note of the contents of the item.</li> <li>Council mandated the Executive Mayor to urgently meet with the MEC to resolve the issues relating to the IP, taking into account that we may lose the allocation once more.</li> </ol>	29 May 2018	Follow-up correspondence sent to the office of the MEC and HOD to assist in securing MIG	
Review of the District Air Quality Management Plan	<ol style="list-style-type: none"> <li>Council took note of the report.</li> <li>Council took note of the recommended review of the District's Air Quality Management Plan.</li> <li>Subject to 1 above, Council adopted the District Air Quality Management Plan.</li> </ol>	20 Jun 2018	District air quality management plan was adopted and implemented	
Writing-off of vehicle: (CBY 226 NC)	<ol style="list-style-type: none"> <li>Council noted and approved the writing off of the Chevrolet Cruze with registration CBY 226 NC.</li> <li>Council resolved that the Chevrolet Cruze with registration CBY 226 NC be donated to the Phokwane municipality on condition the municipality undertake to take out a vehicle insurance on the vehicle within 30 days of the receipt of the vehicle.</li> </ol>	20 Jun 2018	All documents were signed and handed over to Phokwane local municipality. The FBDM awaits submission of all other paper work for handover.	

## 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) who exercise fiduary duty to support and advise the municipal manager on strategic 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.

## 2.2.1 Top Administrative Structure

### Tier 1



Ms ZM Bogatsu  
Municipal Manager

### Tier 2



Ms Onneile Moseki  
Acting Chief Financial  
Officer



Ms Kealeboga Gaborone  
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 of the Municipal Manager	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 Lesego Ngwira
	GIS Manager, Mr Matthews Makinta
	Snr. Town Planner, Mr Freddy Netshivhodza
Corporate & Community Services	Development Planner, Ms Ogomoditse Gopane
	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

We are informed by section 42 of the Constitution to co-operate with organs of state in mutual trust and good faith and do so through established structures for the promotion of 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:

- **MinTech**

This forum meets on a quarterly basis and must prepare a report to the MinMEC, which then submits a final report to the Cabinet committee. The MinTech involves the heads of departments that contribute towards the implementation of the Outcome 7 which states “Vibrant, equitable and sustainable rural communities contributing to food security for all”, that forms part of the 12 outcomes. The MinTech focuses on joint planning, coordination, implementation, monitoring and evaluation of the rural development programmes.

- **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 coordinates 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 and includes 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 is a platform for 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 is for all communicators within the district to meet 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; and
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.

## 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 56 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. Council is the highest decision making body and decisions taken by Council flow from recommendations made by the administration. The Municipal Public Accounts Committee (MPAC), 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; and
- 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 human settlements 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 municipality has a Supply Chain Management Policy which it implements and maintains. The municipality strives to always comply with the supply chain management policy and all applicable pieces of legislation.

We have introduced internal control which prompts all our prospective service providers to declare if they are employed by the state as this was our major concern in the recent past. 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 municipality have the fraud and risk management policies and strategies in place and both are aligned to the King Code IV of Corporate Governance and Public Sector Risk Management Framework. The risk management processes of the FBDM were endorsed by the Audit, Performance and Risk Committee (APRC) to be adequate and that significant progress has been made 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.

Risk management is not a new function but it has continued to mature into a fully-fledged risk management function 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

<b>Municipal Website: Content and currency of material</b>		
<b>Documents published on the Municipality's Website</b>	<b>Yes / No</b>	<b>Publishing date</b>
Current annual and adjustment budgets and all budget-related documents	Yes	Jul 2017 - June 2018
All current budget-related policies	Yes	As and when reviewed
The previous annual report (2016/17)	Yes	Mar 2018
The annual report (2017/18) published / to be published	Yes	Apr 2019
All current performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act (2017/18) and resulting scorecards	Yes	Aug 2017
All service delivery agreements (2017/18)	Yes	Jul 2017 (SDBIP)
All long-term borrowing contracts (2017/18)		Jun 2018
All supply chain management contracts above a prescribed value (above R200,000) for 2016/17	Yes	Jun 2018
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 2017/18	Yes	List of disposed assets placed on website
Contracts agreed in 2017/18 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 2017/18	No	n/a
All quarterly reports tabled in the council in terms of section 52 (d) during 2017/18	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 2017/18 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 compilation of prioritised project lists annually.	Developed prioritised project lists	Timeous submission of prioritised project lists (Magareng, Dikgatlong, Phokwane & Sol Plaatje local municipalities).
	To support the provision of potable water, sanitation facilities, electricity and streets and storm-water to all households in the district by 2021/2022	Percentage spending of allocated funds	100% of allocated funds spent (annually)
		Monitoring of projects	Quarterly monitoring reports
	To support operation and maintenance of infrastructure in the local municipalities annually	Percentage spending of allocated funds	100% of allocated funds spent (annually)
	To support improved infrastructure planning in LM's in the district by 2021/2022.	Municipal Roads Asset Management System (RRAMS) implemented	Electronic system to assist with RRAMS function in the district
		Developed electricity master plans	Electricity masterplans for 3 local municipalities
		Developed road master plans	Road master plans for 3 local municipalities
		Developed water & sanitation master plans	Water and sanitation masterplans for 3 local municipalities
		Developed District Integrated Transport Plan (DITP)	DITP for the district.
	To create job opportunities for the unemployed through the promotion of EPWP principles in the LM's in the district annually.	Achieved EPWP target as per the annual EPWP incentive agreement.	Annual EPWP target set as per DORA and EPWP Incentive Agreement.
Number of jobs created through projects other than the EPWP incentive agreement		A total of 150 work opportunities (annually)	
To provide office space in FBDM to ensure a conducive working environment	A completed building extension	One (1) completed block extension by 2018	

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 in the district are Sol Plaatje, Dikgatlong, Magareng and 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. The manager has three engineering technicians as well as an EPWP coordinator and an administrative officer as support.

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 Services Department which is headed by a manager for infrastructure support. The manager has three engineering technicians as well as an EPWP coordinator and an administrative officer as support. The support provided to local municipalities 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 R20,5 million for infrastructure development. Of this amount, R10,5 million was allocated for capital projects and R10 million for operation and maintenance of critical infrastructure.

### 3.1.2 Capital Programme

An allocation of R3 500 000 was made to category B municipalities for capital projects in the current financial year. One (1) project in the local municipalities was funded through this allocation. An amount of R7 million was rolled over from the previous financial year for three (3) other projects. The projects funded is as follows:

Municipality	Activity	Funding allocation (R)
Dikgatlong	Water reticulation in town - replacement of steel/asbestos pipes in Barkly West. (roll over)	1,000,000
	Co-funding for the upgrading of water treatment works in Windsorton and a Pipeline to Holpan RBIG project.	3,500,000
Phokwane	Kingston – Provision of water supply for 338 stands (roll over)	1,000,000
Magareng	Co-funding of the upgrading of water treatment works project RBIG project (roll over).	5,000,000

### 3.1.3 Operation and Maintenance

Smaller municipalities struggle with revenue collection and this results in low expenditure on infrastructure maintenance. This has a huge negative effect on service delivery. The district municipality allocated an amount of R10 million for operation and maintenance to the local municipalities. During the 2017/18 financial year R9,677,529 million was spent on these important service delivery funding allocations. The following is a breakdown of the amounts spent:

Municipality	Project Description	Allocation	Amount spent
Dikgatlong	Operation and Maintenance	2,500,000	2,399,516
Magareng	Operation and Maintenance	2,500,000	2,500,000
Phokwane	Operation and Maintenance	2,500,000	2,278,013
Sol Plaatje	Operation and Maintenance	2,500,000	2,500,000
<b>TOTAL</b>		<b>10,000,000</b>	<b>9,677,529</b>

### Number of people employed\*

During the 2017/18 financial year 191 job opportunities were created in the region :

Labour	Male	Female	Disabled people
Capital projects	50	5	0
Operation and maintenance projects	89	47	0
<b>Total</b>	<b>139</b>	<b>52</b>	<b>0</b>

\*. This is an indication of the number of people employed in projects throughout the district. The funding is provided by the district municipality but the local municipalities are mostly responsible for the recruitment of labour.

### 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 R1,168,000 for the 2017/18 financial year. 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*	300,000	117,658	44	31	0
Waste water and water treatment works in Dikgatlong*	268,000	268,000	37	16	0
Youth entrepreneurship development programme	600,000	580,218	2	13	0
<b>TOTAL: EPWP</b>	<b>1,168,000</b>	<b>965,876</b>	<b>83</b>	<b>60</b>	<b>0</b>

\* These projects are reported against the incentive grant allocation but the labour figures forms part of the 191 job opportunities reported.

### 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 2017/18 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 and 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

GOAL	OBJECTIVES	OUTCOME	
		Indicator	Target
Facilitate the creation of sustainable human settlements in the district	Facilitate the reduction of the Housing backlog by 2022	Review Human Settlements Sector Plans annually	8 final documents (4 HSP & 4 Chapters) (Annually)
		Facilitate Subsidy application process	Compilation and capturing of forms for HSS System in 3 local municipalities
		Monitor human settlements development in 3 local municipalities	<ul style="list-style-type: none"> <li>Monthly Accreditation reports to Coghsta (Annually)</li> <li>Quarterly Accreditation reports to National Department of Human Settlements (Annually)</li> </ul>
		Update the National Housing Needs Register	Compilation and capturing of forms for NHNR System in 3 LM's
	Capacitate the consumers of human settlements	Consumer education to stakeholders	8 workshops conducted (Annually)

### 3.1.5.1 Human Settlements Sector Plans

The annual review of the Human Settlements Sector Plans and chapters of the IDP for the three local municipalities, Dikgatlong, Magareng, Phokwane as well as the integrated plan and chapter for the district for 2017/18 was completed. The review process involved consultation of various stakeholders including the Department of Cooperative Governance, Human Settlements and Traditional Affairs (CoGHSTA) and all local municipalities within the district. The plan was completed and approved by the Council of the district municipality.

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 Housing Consumer Education

Nine (9) housing consumer education sessions were conducted for the year 2017/18. Emphasis for the financial year remained on educating housing beneficiaries on their role and responsibilities as home owners and the value of owning a house. The details of these are briefly outlined below:

Project	Date
Title Deeds Workshop - Windsorton	02 August 2017
Title Deeds Workshop - Phokwane	26 October 2017
Home Maintenance and Title Deeds – Ikhutseng	13 November 2017
	14 November 2017
	20 November 2017
Subsidy Administration - Delpportshoop	06 & 07 February 2018
Subsidy Administration - Delpportshoop	05 June 2018
	19 June 2018

Employees: Housing Services					
Job Level	2016/17	2017/18			
	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	5	1.92	21%
14 - 18**	2	4	1	0.17	4%
19 - 26	0	0	0	0	0
<b>Total</b>	<b>8</b>	<b>13</b>	<b>6</b>	<b>2.08</b>	<b>16%</b>

\* 1 post vacant; 3 x post unfunded  
\*\* 1 x post vacant; 2 x post unfunded

Financial Performance 2017/18: Housing Services						R'000
Details	2016/17	2017/18				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	–	–	–	–	–	
Expenditure:						
Employees	4,172	4,062	4,888	3,722	-24%	
Repairs and maintenance	–	–	–	–	–	
Other <sup>1</sup>	1,297	932	991	821	-17%	
<b>Total Operational Expenditure</b>	<b>5,469</b>	<b>4,994</b>	<b>5,880</b>	<b>4,543</b>	<b>-23%</b>	
<b>Net Operational Expenditure</b>	<b>4,669</b>	<b>4,194</b>	<b>5,080</b>	<b>4,543</b>	<b>-11%</b>	

### 3.1.6 Project Management & Advisory Services

Employees: Programme Management & Advisory Services					
Job Level	2016/17	2017/18			
	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	4	2	2	0	0
14 - 18	1	4	4	0	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>7</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.

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

Special Projects Expenditure 2017/18: Programme Management & Advisory Services					
R '000					
Special Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>20 316</b>	<b>10 037</b>	<b>15 316</b>	<b>-33%</b>	<b>15 316</b>
Water reticulation in town - replacement of steel/asbestos pipes in Barkly West. (Roll over)	1 000	0	833	-20%	833
Co-funding for the upgrading of water treatment works in Windsorton and a Pipeline to Holpan RBIG project.	3 500	0	3 473	-1%	3 473
Kingston – Provision of water supply for 338 stands (Roll over)	1 000	737	568	-76%	568
Co-funding of the upgrading of water treatment works RBIG project (Roll over)	5 000	0	5 000	0%	5 000
Implementation of the Rural Roads Asset Management System (RRAMS)	2 516	0	2 213	-14%	2 213
Building of additional offices for FBDM	7 300	9 300	3 229	-126%	3 229

1 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:

#### **Water reticulation in town - replacement of steel/asbestos pipes in Barkly West.**

Barkly West town experienced frequent leakages and breakages of water pipelines and needed financial and technical assistance from FBDM to address these problems. The Dikgatlong local municipality lost revenue due to the high water losses because of the old pipes which are made of steel and asbestos. Through this project some of the old steel and asbestos pipes in Barkly West were replaced. Three (3) years ago the whole project was estimated the total project cost at R42m. FBDM allocated R3,6m and R2,8m 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, was not completed by mid-July due to delays caused by community and labour disputes as well as poor workmanship. An amount of R1m was therefore rolled-over to the 2017/18 financial year. The project was only completed in the second quarter of the 2017/18 financial year and is currently in retention.

#### **Co-funding for the upgrading of water treatment works in Windsorton and a Pipeline to 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 population has grown significantly and could no longer be supplied with water from a nearby borehole. Both these communities will be supplied with water from the Windsorton Water Treatment Plant. FBDM has provided counter-funding of R5m in the 2016/17 financial year for the project. The estimated completion date was November 2017, but due to a variation in scope and delays with the approvals from the Department of Water and Sanitation the completion date was extended. The district municipality however allocated a further R3,5m towards the project in the budget for the 2017/18 financial year which was spent on the project. The project is still continuing in the 2018/19 financial year due to inadequate funding to complete the works.

### **Kingston – Provision of water supply for 338 stands**

FBDM originally provided 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 1,7m to a project which will supply water to 338 sites in a newly formalized area in Kingston. The R 1,7m 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 and the project is in retention.

### **Co-funding of the upgrading of the Magareng water treatment works RBIG project**

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). The total project cost has escalated to R54,8m from the initial cost which was calculated in 2014 when the implementation readiness study was conducted. Magareng municipality had to provide co-funding and the R5m from FBDM was used as part of this co-funding. The R5m for the 2017/18 financial year was rolled over from the 2016/17 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 only started in May/June 2017. The project is in progress as it is a multi-year project.

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

This grant was set up by the Department of Transport to assist rural district municipalities to set up a rural roads asset management system and to 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 started in the 2015/16 financial and will continue into the future. The contract with the service provider came to an end in June 2018, therefore FBDM will appoint a new service provider for the following three financial years.

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

Additional offices were required for the growing staff component 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 was March 2018. However, the contractor encountered huge cash-flow problems and progress was very slow. The project was not completed at the end of the 2017/18 financial year and therefore an amount of R3m was rolled over to complete the project in the 2018/19 financial year.

Financial Performance 2017/18: Programme Management & Advisory Services					
R'000					
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	–	–	–	–	–
Expenditure:					
Employees	3,908	3,940	4,669	3,715	-20%
Repairs and maintenance	–	–	–	–	–
Other <sup>1</sup>	40,128	23,486	25,618	24,950	-3%
<b>Total Operational Expenditure</b>	<b>44,036</b>	<b>27,426</b>	<b>30,287</b>	<b>28,664</b>	<b>-5%</b>
<b>Net Operational Expenditure</b>	<b>29,651</b>	<b>15,474</b>	<b>18,335</b>	<b>16,915</b>	<b>-8%</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. To achieve these goals, the district has facilitated the preparation of the following planning instruments:
- The establishment of the District Planning Tribunal (DMPT) - has been operational since 16 November 2016;
- Reviewed 2012 Dikgatlong Integrated Zoning Scheme; and
- Reviewed 2013 Phokwane Integrated Zoning Scheme

#### Geographic Information System (GIS)

GIS provides spatial information to all stakeholders for planning and resource allocation purposes. For the financial year 2017/18 the project has been carried in Sol Plaatje Municipality to capture high resolution oblique imagery to be used for valuation and planning purposes.

#### 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 six (6) graduates to local municipalities as interns;
- Hosted the Small Business Week that promotes entrepreneurship in the district;
- Developed district Incubation strategy;
- Developed district Informal Sector strategy
- Phokwane business centre was launched;
- Facilitated the funding process of 31 SMMEs in the district through Economic Growth and Development fund;
- Facilitated the participation of the 8 SMMEs at the Trade Expos.
- Provided financial support to the Magareng Tourism Association to promote tourism;
- Provide financial support towards Sol Plaatje Municipality for Diamonds and Dorings music festival;
- Developed Biodiversity and Geo-technical Study;
- Provided support to the Northern Cape Tourism Authority (NCTA) for the promotion and marketing of tourism in the Province;
- 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.

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

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 and rural areas in accordance with approved plans by 2022	Processed land development applications submitted to the DMPT	100% processed land development applications received from three local municipalities (Magareng, Dikgatlong and Phokwane).
		Reviewed SDFs	4 SDFs
		Reviewed land use schemes	1 Land use scheme
	To facilitate the development of Brown and Green field development by 2022	Township establishments	100% completed township establishments

Employees: Town Planning Services					
Job Level	2016/17	2017/18			
	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	1	1	0	0
14 - 18	3	3	2	0.13	4%
19 - 26	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>0.13</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.

Financial Performance 2017/2018: Town Planning Services						R'000
Details	2016/17	2017/18				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
<b>Total Operational Revenue</b>	–	–	–	–	–	
Expenditure:						
Employees	1,071	1,885	2,504	1,695	-32%	
Repairs and Maintenance	–	9	9	–	–	
Other <sup>1</sup>	499	755	760	428	-44%	
<b>Total Operational Expenditure</b>	<b>1,570</b>	<b>2,640</b>	<b>3,264</b>	<b>2,124</b>	<b>-35%</b>	
<b>Net Operational Expenditure</b>	<b>1,570</b>	<b>2,640</b>	<b>3,264</b>	<b>2,124</b>	<b>-35%</b>	

Special Projects Expenditure 2017//2018: Town Planning Services						R' 000
Special Projects	2017/18					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
<b>Total All</b>	<b>632</b>	<b>0</b>	<b>339</b>	<b>-86%</b>	<b>339</b>	
Review Dikgatlong land use scheme.	250	0	156	-60%	156	
Review Dikgatlong land use scheme.	250	0	163	-53%	163	
District Municipal Planning Tribunal (DMPT).	132	0	20	-560%	20	

### Review Dikgatlong land use scheme

Frances Baard District Municipality (FBDM) and Dikgatlong Municipality identified a need to review an outdated 2012 Dikgatlong Integrated Zoning Scheme to comply with the Spatial Planning and Land Use Management Act of 2013. The land use scheme determines, regulates the use and development of land in an area. The land use scheme has been completed, however, the Council had not adopted the scheme in the year under review, for it to be gazetted.

### Review Phokwane land use scheme

Frances Baard District Municipality (FBDM) and Phokwane Municipality identified a need to review an outdated 2013 Phokwane Integrated Zoning Scheme to comply with the Spatial Planning and Land Use Management Act of 2013. The land-use scheme determines, regulates the use and development of land in an area. The land use scheme has been completed, however, the Council had not adopted the scheme in the year under review, for it to be gazetted.

### District Municipal Planning Tribunal

Frances Baard District Municipality and the three local municipalities namely, Phokwane, Dikgatlong and Magareng have agreed to establish a District Municipal Planning Tribunal and committed to continuously receive and dispose of land development applications and land use applications. The tribunal assessed 17 applications of which 6 were approved, one (1) was dismissed and 10 have been referred back to the applicants to furnish outstanding documents. The type of the applications received include township establishments, rezoning, subdivisions, consolidations and application for a servitude of habitat.

\* Includes the major cost drivers i.e. printing, advertising, accommodation, travelling, motor vehicle usage, etc.

### 3.2.2 Geographic Information System (GIS)

GOAL	OBJECTIVES	OUTCOME	
		Indicator	Target
Provision of reliable spatial information as a planning and management tool to enhance service delivery in the District	To promote the use of GIS as a tool in the district by 2022	Access and utilization of GIS in the district	4 local municipalities
		Promote training and awareness of GIS in the district	4 local municipalities

Employees: Geographic Information System Services					
Job Level	2016/17	2017/18			
	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	1	1	1	0	0
14 - 18	1	1	1	0	0
19 - 26	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 2017/2018: Geographic Information System Services						R'000
Details	2016/17	2017/18				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
Total Operational Revenue	–	–	–	–	–	
Expenditure:						
Employees	1,019	1,087	1,230	1,113	-10%	
Repairs and Maintenance	198	318	318	145	-54%	
Other <sup>1</sup>	560	448	451	387	-14%	
<b>Total Operational Expenditure</b>	<b>1,777</b>	<b>1,853</b>	<b>1,999</b>	<b>1,644</b>	<b>-18%</b>	
<b>Net Operational Expenditure</b>	<b>1,777</b>	<b>1,853</b>	<b>1,999</b>	<b>1,644</b>	<b>-18%</b>	

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

Special Projects Expenditure 2017/2018: Geographic Information System Services					
R' 000					
Special Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	326	0	326	0%	326
Pictometry project for Sol Plaatje Municipality	326	0	326	0%	326

### Pictometry project for Sol Plaatje Municipality

The local municipality needed to capture high resolution oblique imagery that is used for valuation of properties and also to assist with future planning. The district municipality co-funded the project which was implemented using a service provider. The project was completed successfully and imagery has been uploaded for use in the system for use by the local municipality in its daily operations.

### 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. In achieving the objectives of the LED unit, the following project were planned for 2017/18 financial year:

- Global entrepreneur week, to promote Entrepreneurship in the district.
- Trade and investment opportunities promoted
- Capacitated YEDP graduates
- Develop district incubation strategy
- Develop district informal strategy

GOAL	OBJECTIVES	OUTCOME		
		Indicator	Target	
Facilitate growth, development and diversification of the district economy by optimizing all available resources	To build a diverse economic base by 2022	Established Agri-Park farmer productions units	2 Farmer production units	
		Established Incubators	2 Incubators established	
		Secured funds for the development of a business cluster	1 funded business cluster	
		Promoted trade and investment	4 exhibition platforms participated at annually	
		Developed business retention framework	1 business retention framework	
	To develop learning and skillful economies by 2022	SMMEs business skills developed	200 SMMEs trained on business skills	
			2 SMME workforce (labour force) training programs	
		Entrepreneur awareness expo hosted	1 entrepreneur awareness expo annually	
	To develop inclusive economies by 2022	Development of business support centres	3 business support centres	
		Promote and empower LMs on the informal economy strategy	2 Workshops for LMs LED officials	
	4 workshops on Development of Informal business trading zones			

GOAL	OBJECTIVES	OUTCOME	
		Indicator	Target
Facilitate growth, development and diversification of the district economy by optimizing all available resources	To develop inclusive economies by 2022	Capacitated emerging farmers	1 emerging farmer development program implemented annually Annual social labour plan district impact report
		Capacitated small-scale miners	2 small scale miners development program
		District EPWP enterprise development framework implementation	Implementation of the District EPWP enterprise development framework
		SMMEs supported through the Economic Growth Development Fund (EGDF)	40 SMMEs supported through the EGDF annually
	To facilitate the development of enterprises by 2022	Implementation of women economic empowerment programs	3 women empowerment programs
		Capacitated enterprises	<ul style="list-style-type: none"> <li>▪ 1 business development programme (annually)</li> <li>▪ 1 mentorship program annually</li> </ul>
		Developed and coordinated district economy	2 economic district reports annually
	To facilitate and improve economic coordination in the District by 2022	Incentives policy facilitation workshops	2 economic district reports annually 2 incentives policy facilitation workshops hosted annually

Employees: Local Economic Development / Tourism Services					
Job Level	2016/17	2017/18			
	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	4	3	3	0	0%
14 - 18	1	2	2	0.14	7%
19 - 26	0	0	0	0	0%
Interns*	8	14	12	n/a	n/a
<b>Total</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>0.14</b>	<b>2%</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. Two (2) interns were terminated during the 2017/18 financial year.

Financial Performance 2017/18: Local Economic Development Services					
					R'000
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	–	–	200	200	100%
Expenditure:					
Employees	2,595	2,854	3,111	1,960	-37%
Repairs and Maintenance	–	4	4	–	–
Other <sup>1</sup>	2,953	2,893	2,896	1,770	-39%
<b>Total Operational Expenditure</b>	<b>5,548</b>	<b>5,751</b>	<b>6,011</b>	<b>3,729</b>	<b>-38%</b>
<b>Net Operational Expenditure</b>	<b>5,548</b>	<b>5,751</b>	<b>6,011</b>	<b>3,729</b>	<b>-38%</b>

Special Projects Expenditure 2017/2018: Local Economic Development Services					
					R' 000
Special Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	1543	0	761	-103%	761
Youth Entrepreneurial Development Program (YEDP)	195	0	100	-95%	100
Leadership and business management program	600	0	0	-100%	0
Develop district incubation strategy	220	0	199	-11%	199
Phokwane business support centre	0	0	0	0%	0
Trade and investment promotion	513	0	451	-14%	451
Coordinating structures	15	0	11	-36%	11

### Phokwane Business Centre

Developmental institutions that are meant to assist SMMEs are all based in Kimberley and this brings about challenges of access for SMMEs in Phokwane. The envisaged business support centre can create an enabling environment for these enterprises, including access to finance, entrepreneurial skills development, training, business support, mentoring and coaching. 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 business support centre would be a real and active one-stop-centre for SMMEs.

### District incubation Strategy

Our intention is to facilitate and coordinate local economic development by creating an enabling operating environment for SMMEs located in the district. The envisaged operating environment would be guided by an incubation hub strategy that promotes SMMEs' viability and sustainability. Business incubators are facilities that have been established for the purpose of providing business support services to SMMEs by means of providing physical facilities (such as office space, technical equipment and specialised facilities), business development services (such as business strategy support, mentorship and training) and funding (such as grants, equity) required for investment and growth.

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

The main aim of incubators is to strengthen the capacity of SMMEs to operate on their own. The goals of a business incubator are to create jobs, increase economic development and to develop national and international networks for the businesses that it houses. The ultimate goal of a business incubator is to produce successful firms that will exit the program financially viable and sustainable. The business incubator's graduates have the potential to create jobs, commercialise new technologies, and strengthen the local and national economy. The district incubation strategy has been identified as one of the instruments of creating an enabling environment for SMME development within the district. The purpose of the incubation strategy will be to guide stakeholders in their efforts to develop, implement and support incubation activities in the district. The resulting strategy is one that will be informed by the vision and objectives as stated by the district and local municipalities LED strategies.

<b>Jobs Created during 2017/18 by LED Initiatives (Excluding EPWP projects)</b>				
<b>Total Jobs created / Top 3 initiatives</b>	<b>Jobs created No.</b>	<b>Jobs lost/displaced by other initiatives No.</b>	<b>Net total jobs created in year No.</b>	<b>Method of validating jobs created/lost</b>
Total (all initiatives)				
2015/16	0	0	0	n/a
2016/17	14	0	14	Registers
2017/18	143	0	143	Registers

### **3.2.3.1 Tourism**

We have put in considerable effort to try and position ourselves in the travel market as the preferred South African and international destination for extreme sports, adventure, nature and heritage experiences. The following projects were planned for 2017/18 financial year, and were meant to support this objective:

- NCTA support grant;
- Support to Dikgatlong tourism association;
- Support to Magareng tourism association;
- Support to the hosting of Diamonds and Dorings;
- N18 tourism route implementation;
- Development of Arts and Craft centre;
- School business plan competition for tourism students;
- Restoration of Ganspan-pan nature reserve (specialist studies); and
- N12 promotion.

Special Projects Expenditure 2017/2018: Tourism					
R' 000					
Special Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	2,502	0	1,325	-89%	1,325
Dikgatlong Tourism Association	80	0	0	-100%	0
Arts and Craft Centre	550	0	0	-100%	0
Tourism and Business Studies Competition	600	0	390	-54%	390
Restoration of Ganspan-pan nature re-serve (specialist studies)	800	0	514	-56%	514
N12 Promotional Campaign	70	0	57	-23%	57
Indaba trade expo	239	0	248	4%	248
Tourism Promotion	145	0	112	-29%	112
Tourism Association	18	0	4	-350%	4

### 3.3 Corporate Services

#### 3.3.1 Environmental Health

GOAL	OBJECTIVES	OUTCOME	
		Indicator	Target
To render and to support sustainable municipal health and environmental planning and management in the District	To monitor and enforce national environmental health norms and standards in the Frances Baard District	Number of water samples collected	420 samples (annually)
		Number of inspections at food premises	400 inspections (annually)
		Number of surface swabs collected	120 swabs (annually)
		Number of food handlers trained	150 food handlers (annually)
		Number of inspections at non-food premises	150 inspections (annually)
	To implement and monitor environmental planning and management in the Frances Baard District by 2022	Number of awareness campaigns implemented	60 campaigns (annually)
		Number of environmental calendar days celebrated	5 environmental calendar days (annually)
		Updating of atmospheric emissions inventory	1 updated inventory (annually)
		Number of ambient air quality monitoring reports	4 monitoring reports (quarterly)
		Review of Environmental Management Framework	1 reviewed EMF

<b>Employees: Environmental Health Services</b>					
<b>Job Level</b>	<b>2016/17</b>	<b>2017/18</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	0	0	0	0	0
9 - 13	4	0	0	0	0
14 - 18	1	8*	5	0.02	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>8</b>	<b>5</b>	<b>0.02</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.

\* Three (3) new positions added to organogram)

<b>Financial Performance 2016/17: Environmental Health 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>
<b>Total Operational Revenue</b>	-	-	-	-	-
Expenditure:					
Employees	2,445	2,598	3,576	2,927	-18%
Repairs and Maintenance	-	15	15	-	-
Other <sup>1</sup>	459	620	1,133	889	-22%
<b>Total Operational Expenditure</b>	<b>2,905</b>	<b>3,233</b>	<b>4,724</b>	<b>3,815</b>	<b>-19%</b>
<b>Net Operational Expenditure</b>	<b>2,905</b>	<b>3,233</b>	<b>4,724</b>	<b>3,815</b>	<b>-19%</b>

<b>Special Projects 2017/18: Environmental Health Services</b>					
<b>R' 000</b>					
<b>Special Projects</b>	<b>2017/18</b>				
	<b>Budget</b>	<b>Adjustment Budget</b>	<b>Actual Expenditure</b>	<b>Variance from original budget</b>	<b>Total Project Value</b>
<b>Total All</b>	<b>107</b>	<b>76</b>	<b>66</b>	<b>-62%</b>	<b>66</b>
Environmental calendar days	34	0	30	-13%	30
Environmental health awareness campaigns	73	76	36	-103%	36

\* Includes the major cost drivers i.e. printing, advertising, accommodation, travelling, motor vehicle usage, etc.

## **Environmental calendar days**

Five environmental calendar days were celebrated in the district in which the communities participated. The aim of these celebrations is to sensitize the communities on the importance of conserving the environment for the benefit of future generations.

## **Environmental health awareness campaigns**

- **Sanitation awareness campaigns**

Sixteen sanitation campaigns were conducted in communities and schools to increase the good hand-washing practices with soap to promote behavioural change through motivation, information and education.

- **Air quality awareness campaigns**

Sixteen campaigns were conducted at schools and in communities to create awareness on the different air pollutants and the diseases that they can cause.

- **Waste management awareness campaigns**

16 campaigns were held in collaboration with NGOs and CDWs in the communities. Strategic areas where illegal dumping occurs, were cleaned and the waste was disposed off on the landfill sites.

## **Water quality monitoring**

A total of 420 water samples were collected at various sampling points in the district which included schools. Although failures are still experienced, there was a significant improvement of water quality at Magareng.

## **The following programmes were rolled-out during the 2017/18 financial year:**

- **Devolution of municipal health services**

Significant progress was made about the devolution of municipal health services (MHS) from the Phokwane and Sol Plaatje municipalities. FBDM signed a memorandum of understanding with Phokwane municipality to render MHS in their area of jurisdiction on behalf of the district municipality until 30 June 2018. FBDM will then render MHS in this area from 1 July 2018. FBDM also negotiated a service level agreement with Sol Plaatje municipality to render MHS in their area of jurisdiction on its behalf for a period of 3 years. The SLA was signed in June 2018 and the local municipality will be authorized by FBDM to continue to render MHS services in the Sol Plaatje municipal area.

- **Review of air quality management plan**

The district municipality is the atmospheric emissions authority and has developed an air quality management plan in 2010 for the district. The National Environmental Management: Air Quality Act, 2004 however requires that the air quality management plan be reviewed every five years. The plan was reviewed internally, which coincided with the development of the Northern Cape Air Quality Management Plan. Updated information was populated into the district AQMP. The main objective of the reviewed plan will be the protection of the environment and human health, in a sustainable (economic, social and ecological) development framework, through reasonable measures of air pollution control. As prescribed by the Air Quality Act (AQA).

- **Listeriosis outbreak control**

During 2017 a national outbreak of listeriosis occurred and municipalities had to implement mitigation measures to mitigate the spread of the disease. One suspected case of listeriosis was investigated in Hartswater during March 2018. Samples of the polony that was consumed by the affected family was collected and sent to the laboratory in Johannesburg for analysis. The results were positive and the family received medical treatment. Health education was also provided to the family. A pamphlet with information on the disease was developed and distributed to schools, clinics and communities in the district. Three radio talks were held where the communities were sensitized on the disease and they also had the opportunity to pose questions regarding the disease. Communities were urged to take the re-called products back to the retailers for refunds. Containers were provided at strategic points where the community could dispose re-called products.

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

- **Armed Forces Day Celebrations**

The Armed Forces Day celebrations took place during February 2018 in Kimberley. An environmental health sub-committee was established. The objective was to plan for the prevention of the possible outbreak of environmental health related diseases and in the case of an outbreak, to contain it as effectively as possible.

### 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 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 support local municipalities by developing integrated institutional capacity for Disaster Risk Management by 2022	Number of disaster management forums established in local municipalities	1 x per local municipality
		Number of volunteers trained	20 annually
	To assist local municipalities through the implementation Response and Recovery mechanisms by 2022	Number of requests or disastrous incidents responded to.	Local Municipalities
	To develop Institutional capacity and acquire resources for firefighting services for 3 local municipalities in the district by 2022	Establish firefighting satellite stations	Phokwane, Magareng & Dikgatlong
	To safeguard council's assets by continuously maintaining and upgrading physical security systems	Percentage maintenance of FBDM security systems	100%

#### 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
Magareng	22

Twenty-two (22) volunteers from Magareng Local Municipality were trained on veld firefighting techniques. The training took place over three days. Two days were used for theory and one day on practical firefighting techniques. 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.

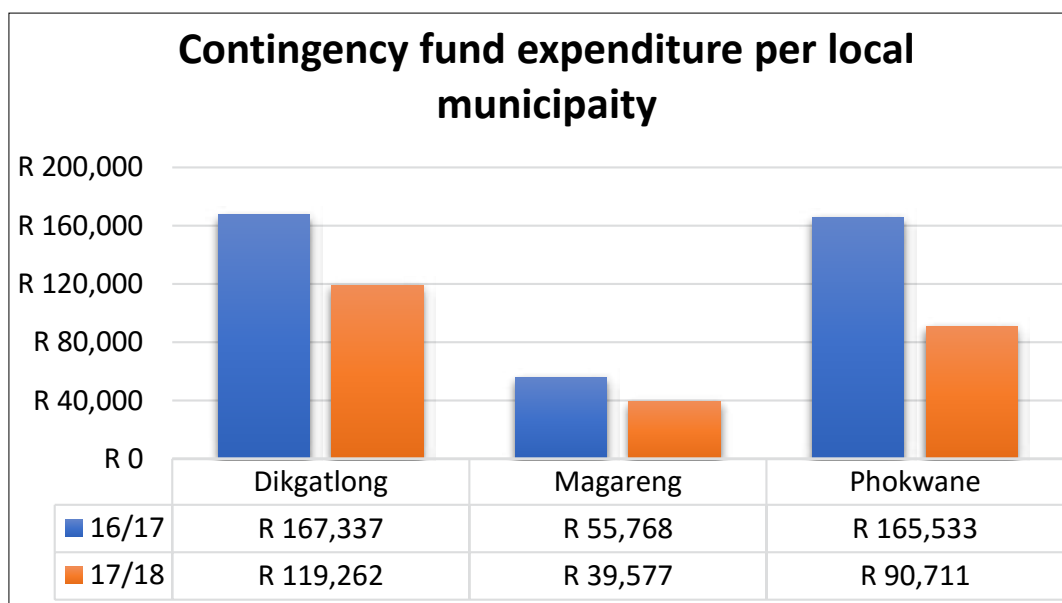
### 3.3.2.2 Other activities for 2017/18

- A total of 64% of the contingency fund for response and recovery was utilized to assist community members with rehabilitation and social relief to communities residing within 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 a decrease in weather related incidents (gale-force winds and thunderstorms) and veldfires;
- 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
- A total of 98% spending of the Disaster Conditional Grant. The spending of the grant depends upon the number of request for assistance received from the local municipalities.

Types of fires experienced in 2017/18	Number
Shack fires	24
Veld fires	16
Structural fires (RDP houses)	2
Structural fires (Privately owned / businesses)	2
Weather related incidents	3

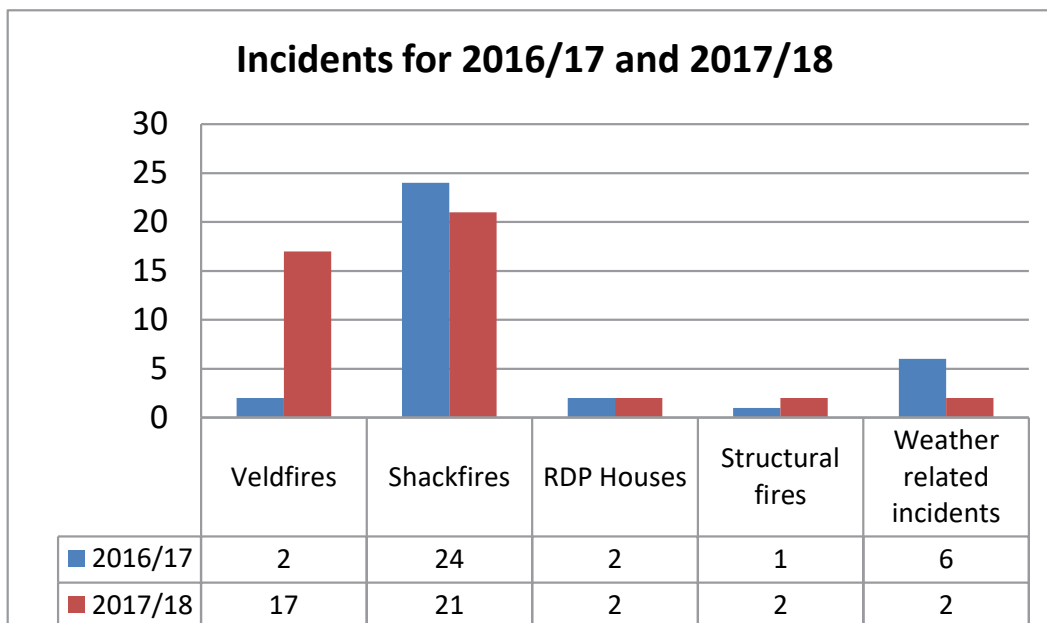
### 3.3.2.3 Contingency Fund

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.



Expenditure per municipality from the contingency fund is as follows:

Dikgatlong	48%
Phokwane	36%
Magareng	16%



The graph above shows that there was an increase in veldfire and shack fire incidents. Assistance were given to destitute families in the Magareng, Phokwane and Dikgatlong local municipalities.

### 3.3.2.4 Achievements

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

Increase in the capacity and support to local municipalities through the recruitment of disaster management volunteers (20 for Magareng; 20 for Dikgatlong; and 20 for Phokwane municipalities). Twenty-two (22) volunteers from Magareng were trained. The total amount of the conditional grant for disaster management 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.

#### **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. There were no progress on this project for the 2017/18 financial year.

<b>Employees: Fire Fighting &amp; Disaster Management Services</b>					
<b>Job Level</b>	<b>2016/17</b>	<b>2017/18</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (full-time 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	5	5	5	0	0
9 - 13	3	5	3	1.08	22%
14 - 18	1	1	1	0	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>9*</b>	<b>11</b>	<b>9</b>	<b>1.08</b>	<b>10%</b>

<b>Financial Performance 2017/18: Fire Fighting &amp; Disaster Management Services</b>					
<b>R'000</b>					
<b>Details</b>	<b>2016/17</b>	<b>2017/18</b>			
	<b>Actual</b>	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Actual</b>	<b>Variance to Budget</b>
<b>Total Operational Revenue</b>	1,015	368	368	318	-14%
<b>Expenditure:</b>					
Fire fighters	–	–	–	–	–
Other employees	3,177	4,661	4,492	3,663	-18%
Repairs and Maintenance	124	310	285	203	-29%
Other <sup>1</sup>	1,869	2,069	2,608	1,824	-30%
<b>Total Operational Expenditure</b>	<b>5,170</b>	<b>7,040</b>	<b>7,385</b>	<b>5,690</b>	<b>-23%</b>
<b>Net Operational Expenditure</b>	<b>4,155</b>	<b>6,672</b>	<b>7,017</b>	<b>5,372</b>	<b>-23%</b>

<b>Capital Expenditure 2017/18: Fire Fighting &amp; Disaster Management Services</b>					
<b>R' 000</b>					
<b>Capital Projects</b>	<b>2017/18</b>				
	<b>Budget</b>	<b>Adjustment Budget</b>	<b>Actual Expenditure</b>	<b>Variance from original budget</b>	<b>Total Project Value</b>
<b>Total All</b>	<b>3 800</b>	<b>1 900</b>	<b>3 800</b>	<b>0%</b>	<b>3 800</b>
Procurement of 10 000 litre water tanker	3 800	1 900	3 800	0%	3 800

#### **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.

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

Special Projects 2017/18: Fire Fighting & Disaster Management Services					
					R' 000
Special Projects	2017/18				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
<b>Total All</b>	<b>417</b>	<b>20</b>	<b>315</b>	<b>-32%</b>	<b>315</b>
Volunteer Training	67	0	65	-3%	65
Contingency Fund	350	20	250	-40%	250

### 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 249,550 and is broken down per municipal area as follows:

Municipal area	Assistance provided (R)
Magareng	39,577
Dikgatlong	119,262
Phokwane	90,711

## 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 - 17 female, 10 male.

The Executive Mayor is the political head of the municipality and fulfils his oversight role collectively with a 27-member council. Seventeen (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 municipality 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. She is also 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, except for the months August and October, 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. However, council convenes special meetings if and when it is necessary to do so.

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 function of the provincial department and the district municipality is still only accredited at level 2.

Employees: The Executive and Council					
Job Level	2016/17	2017/18			
	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	1	1	1	0	0
9 - 13	8	8	8	0	0
14 - 18	2	2	2	0	0
19 - 26	0	0	0	0	0
<b>Total</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>0</b>

Financial Performance 2017/18: The Executive and Council					
					R'000
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	–	–	–	–	–
Expenditure:					
Employees	13,991	12,857	14,823	13,677	-8%
Remuneration of Councillors	5,950	6,956	6,963	7,310	5%
Repairs and Maintenance	<b>91</b>	<b>173</b>	<b>147</b>	<b>83</b>	<b>-44%</b>
Other <sup>1</sup>	2,346	3,757	3,828	2,313	-40%
<b>Total Operational Expenditure</b>	<b>22,378</b>	<b>23,744</b>	<b>25,761</b>	<b>23,382</b>	<b>-9%</b>
<b>Net Operational Expenditure</b>	<b>22,378</b>	<b>23,744</b>	<b>25,761</b>	<b>23,382</b>	<b>-9%</b>

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

### 3.4.2 Human Resource Services

Goal	Objectives	Outcome	
		Indicator	Target
To provide a fully effective Human Resources Management function to FBDM and offer support to local municipalities	To develop the human resource strategy	A fully developed Human Resource Strategy	1 HR strategy by 2018
	To perform the human Resource function in FBDM	Percentage compliance with HRM policies and prescripts.	100% compliance
		Timeously submitted WSP	Annually
		Percentage implementation of WSP	100%
	To provide human resource support to local municipalities	Established HR forum	2 sittings annually
	To support and promote growth and skills development initiatives for communities within the district by 2022	Percentage implementation of planned learnerships, internships and skills programmes	100% implementation of annual planned learnerships, internships and skills programmes

Employees: Human Resource Services					
Job Level	2016/17	2017/18			
	Employees	Posts	Employees	Vacancies (full-time 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	2	1	0.17	8%
14 - 18	1	3	3	0.18	6%
19 - 26	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>0.35</b>	<b>7%</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 2017/18: Human Resource Services					
					R'000
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	–	–	–	–	–
Expenditure:					
Employees	2,528	2,633	2,965	1,940	-35%
Repairs and Maintenance	–	–	–	–	–
Other <sup>1</sup>	1,676	2,612	2,619	1,561	-40%
<b>Total Operational Expenditure</b>	<b>4,204</b>	<b>5,245</b>	<b>5,584</b>	<b>3,501</b>	<b>-37%</b>
<b>Net Operational Expenditure</b>	<b>4,204</b>	<b>5,245</b>	<b>5,584</b>	<b>3,501</b>	<b>-37%</b>

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

Goal	Objectives	Outcome	
		Indicator	Target
To render an enabling ICT environment and support within the district	To provide an effective ICT environment within the Frances Baard District Municipality by 2022	Percentage improvement of the ICT environment within the Frances Baard District Municipality	100% completion for identified annual programs
	To provide ICT structure support to the local municipalities by 2022	Establishment of a direct connectivity link with the local municipalities	Dikgatlong & Magareng local municipalities
		Shared ICT system/services with local municipalities	Dikgatlong & Magareng local municipalities
		Percentage improvement of the ICT environment in the local municipality	Magareng local municipality

Employees: ICT Services					
Job Level	2016/17	2017/18			
	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	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.

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

Capital Expenditure 2017/18: ICT Services						R' 000
Capital Projects	2017/18					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value	
<b>Total All</b>	<b>240</b>	<b>197</b>	<b>106</b>	<b>-32%</b>	<b>302</b>	
ICT environment audit software	60	90	0	-100%	0	
ICT call logging system	60	0	0	-100%	0	
Mounted projectors	50	40	39	-28%	39	
Desktop (replacement)	70	67	67	-4%	67	
Desktop (new)	36	34	34	-6%	34	
Laptop (new)	33	51	47	30%	47	
Laptop (replacement)	60	60	52	-15%	52	
Server space	30	65	63	52%	63	

Financial Performance 2017/18: ICT Services						R'000
Details	2016/17	2017/18				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget	
<b>Total Operational Revenue</b>	–	–	–	–	–	
Expenditure:						
Employees	1,309	2,633	1,830	1,783	-3%	
Repairs and Maintenance	1,385	1,425	1,461	1,160	-21%	
Other <sup>1</sup>	<b>785</b>	<b>1,007</b>	<b>1,294</b>	<b>960</b>	<b>-26%</b>	
<b>Total Operational Expenditure</b>	<b>3,480</b>	<b>5,061</b>	<b>4,586</b>	<b>3,903</b>	<b>-15%</b>	
<b>Net Operational Expenditure</b>	<b>3,480</b>	<b>5,061</b>	<b>4,586</b>	<b>3,903</b>	<b>-15%</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
Facilitation of effective and efficient system of budgeting and reporting, in compliance with applicable legislation	To ensure compliance with all accounting and legislative reporting requirements	100% Compliance to budgeting and reporting requirements	11 section 71 reports; (Annually)
			1 section 72 report (Annually)
			1 section 52 report (Annually)
			1 annual financial statement
	To provide financial management support to the local municipalities in the district	100% Implementation of support programme to the local municipalities	Magareng, Dikgatlong and Phokwane support reports
	To ensure long-term financial sustainability of the municipality	Sound financial management practice according to National Treasury guidelines	100% compliance
	To ensure effective debt collection and implementation of revenue generation strategies	100% collection of debtors	100% compliance
	To ensure the proper management of cash resources to meet financial liabilities	100% compliance to National Treasury guidelines	100% compliance
To ensure proper systems of supply chain management	100% Compliance with supply chain management system	Implemented annual procurement plan	
		SCM monthly reports	

Employees: Financial Services					
Job Level	2016/17	2017/18			
	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	4	0.54	11%
9 - 13	9	8	7*	0	0
14 - 18	4	6	6	0	0
19 - 26	0	0	0	0	0
Interns	5	5	5	0	0
<b>Total</b>	<b>18</b>	<b>19</b>	<b>17</b>	<b>0.54</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.

\* One (1) new position created in 2017/18

Financial Performance 2017/18: Financial Services					
					R'000
Details	2016/17	2017/18			
	Actual	Original Budget	Adjustment Budget"	Actual	Variance to Budget
<b>Total Operational Revenue</b>	104,666	111,288	111,288	111,605	100%
Expenditure:					
Employees	12,909	13,523	14,409	9,567	66%
Repairs and Maintenance	–	–	–	–	–
Other <sup>1</sup>	7,533	9,137	8,632	7,173	83%
<b>Total Operational Expenditure</b>	<b>20,442</b>	<b>22,661</b>	<b>23,138</b>	<b>16,740</b>	<b>72%</b>
<b>Net Operational Expenditure</b>	<b>(84,224)</b>	<b>(88,628)</b>	<b>(88,150)</b>	<b>(94,865)</b>	<b>108%</b>

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

### 3.4.5 Year-on-year comparison report of FBDM's institutional performance for 2016/17 & 2017/18

#### Year on Year Comparison Report of FBDM's Annual Institutional Performance (2016/17 FY and 2017/18 FY)

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN		2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE	TARGET	ACTUAL PERFORMANCE	TARGET	ACTUAL PERFORMANCE		
<b>KPA 1: SUSTAINABLE MUNICIPAL INFRASTRUCTURE DEVELOPMENT AND BASIC SERVICE DELIVERY.</b>								
<b>1.1 Improved access to sustainable basic services in the district</b>								
<b>KPI 1:</b> Percentage support and assistance in identification, prioritisation and review of projects.	4 (100%)	4 (100%)	N/A		100%	100%	N/A	N/A
<b>KPI 2:</b> Actual spending and %progress in the provision of potable water to households in the district.	R 16 900 000 (100%)	R 9 662 435 (57%)	Funds have been rolled over to the 2017/18 FY.		R10 500 000	R9 874 339	The variance in the expenditure is due to the retention monies as well as savings on the implemented projects.	The retention funds will be paid out in 2018/19 as per the service Level Agreement (SLA)
<b>KPI 3:</b> Amount (R)/% spent in the provision of sanitation to households in the district.	R6 550 000 (100%)	R5 792 166 (88%)	The funds were rolled over and reallocated to the Kingston water supply project for 338 stands in the 2017/18 FY.					
<b>KPI 4:</b> Actual spending and %progress in the provision of electricity to households in the district.	R350 000 (100%)	R322 793 (100%) Project(s) completed with a saving.	N/A					
<b>KPI 5:</b> Actual spending and %progress on roads related projects in the local municipalities of the district.	R 5000 000 (100%)	R 5000 000 (100%)	N/A					
<b>KPI 6:</b> Amount(R) % spent on support to LM's in maintenance of municipal infrastructure in the district.	R17 000 000 (100%)	R16 996 271 (100%) Project(s) completed with a saving.	N/A		R10 000 000 (100%)	R9 677 529 (96.7%)	Local Municipalities did not utilise all the funds allocated.	Improve the political oversight on project implementation.
<b>KPI 7:</b> Amount (R) % spent on the DORA grant in supporting LM's with roads asset management in the district.	R2 427 000 (100%)	R2 427 000 (100%)	N/A		R2 516 000 (100%)	R2 208 481 (88%)	The contract value on the project was lower than the funding allocation, which resulted in a saving.	N/A
<b>For the 2017/18 financial year, No sanitation projects were planned. The Kingston water supply project is now reported under KPI 2 (Potable water)</b>								
<b>No electricity related projects were planned for in 2017/18 FY.</b>								
<b>No roads construction projects were planned for in 2017/18 FY.</b>								

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE		TARGET	ACTUAL PERFORMANCE		
The objective is addressed in KPI 5 with the focus being job creation instead of expenditure.							
<b>KPI 8:</b> Amount (R) % spent on Grants (DoRA & EPWP) in supporting LMs in the district.	R 1 000 000 (100%)	R 1 000 000 (100%)	N/A	8 (100%)	72.2 (903%)	Additional FTEs were created, which exceeded the target as per the EPWP incentive agreement with the department of public works.	N/A
<b>KPI 9:</b> Number of jobs created through EPWP targets, achieved as per EPWP incentive agreements. (FTE's) for 2017/18 FY.	7 (100%)	56.71 (810%)	N/A	8 (100%)	72.2 (903%)	Additional FTEs were created, which exceeded the target as per the EPWP incentive agreement with the department of public works.	N/A
<b>KPI 10:</b> Percentage progress/amount spent on the extension of the existing office buildings in FBDM.	R5 700 000 (100%)	R2 995 236 (53%)	The contractor to provide the municipality with a new program and cash flow projections.	R7 300 000 (100%)	R2 229 112 (35%)	The construction is running behind schedule because of the contractor's cash flow challenges.	The project was rolled over to 2018/19 FY.
<b>1.2 Facilitation of the creation of sustainable human settlements in the district.</b>							
<b>KPI 11:</b> Percentage facilitation in the reduction of the housing backlog.	100%	100%	N/A	100%	100%	N/A	N/A
<b>KPI 12:</b> Number /% of consumer education workshops conducted.	8 (100%)	14 (175%)	N/A	8 (100%)	9 (112.5%)	One additional workshop was hosted.	N/A
<b>KPA 2: LOCAL ECONOMIC DEVELOPMENT (LED)</b>							
<b>2.1 Facilitation of Growth and Diversification of the District Economy.</b>							
<b>KPI 13:</b> Percentage progress/Number of projects in support of diversification in the district economy.	2 (100%)	2 (100%)	N/A	4 (100%)	4 (86%)	Two (2) LED Forum, two (2) agriculture and three (3) mining committee meetings did not quorate.	Rotation of meeting venues to different stakeholders in all three committees.
<b>KPI 14:</b> Percentage progress/Number of programmes in the facilitation of SMME development by the implementation of the SMME support policy.	4 (100%)	4 (100%)	N/A	4 (100%)	4 (100%)		
<b>The KPI 14 of 2016/17 was incorporated into KPI 10 and KPI 12 of 2017/18 in order to align with the National LED Framework.</b>							

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN	KPI (DESCRIPTION)	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE			TARGET	ACTUAL PERFORMANCE		
	Was not applicable for the 2016/17 FY.			KPI 10: Percentage progress in the implementation of programmes/projects aimed at developing learning and skilful economies during 2017/18 FY.	2 (100%)	2 (50%)	The business management training planned for beneficiaries of the EGDF could not take place as scheduled as the appointment of beneficiaries by the Department of Economic Development and Tourism took longer than expected.	The project will be implemented in the 2018/19 FY
KPI 15: Percentage completion of two (2) LED incentive policies for local municipalities in the district.	(100%)	(100%)	N/A	The project was completed in the 2016/17 FY				
	Was not applicable for the 2016/17 FY.			KPI 11: Percentage progress in the implementation of programmes/projects aimed at developing inclusive economies during 2017/18 FY	2 (100%)	2 (100%)	N/A	N/A
KPI 16: Percentage support and coordination to LED structures in the district.	16 (100%)	16 (100%)	N/A	The KPI was incorporated into KPI 9 in 2017/18 F/Y.				
	Was not applicable for the 2016/17 FY.			KPI 12: Percentage progress in the implementation of programmes / projects aimed at developing and supporting enterprises during 2017/18 FY	1 (100%)	1 (100%)	N/A	N/A
	Was not applicable for the 2016/17 FY.			KPI 13: Percentage progress in the implementation of economic governance in the district during 2017/18 FY.	100%	50%	Two economic analysis reports could not be developed due to relevant consultative forums not taking place.	The consultative forums will be rotated to different stakeholder's localities to facilitate and promote effective stakeholder participation.
2.2 Development of a Vibrant Tourism Sector Economy in the District.								
KPI 17: Percentage support in the development of tourism in the district. (Programmes & Projects)	5 (100%)	5 (100%)	N/A	KPI 14: Percentage progress on the programme to support and promote Tourism development in the district.	100%	77.8%	The support to Dikgatlong Tourism Association (DTA) was discontinued due to non-compliance of condition set by FBDM.	N/A
KPI 18: Percentage facilitation in the establishment of a vibrant destination brand in the district.	3 (100%)	3 (100%)	N/A	KPI 15: Percentage progress in the establishment and expansion of a destination brand in the district.	3 (100%)	3 (100%)	N/A	N/A

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE		TARGET	ACTUAL PERFORMANCE		
KPI 19: Percentage facilitation of strategic partnerships and participation of Tourism role players in the district.	3 (100%)	3 (100%)	N/A	4 (100%)	4 (100%)	N/A	N/A
<b>KPA 3: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION.</b>							
<b>3.1 Environmental Health Management in the District.</b>							
KPI 20: Percentage progress on the programme of implementing effective and sustainable municipal health services in the district.	100%	106.7%	N/A	100%	111.6%	<ul style="list-style-type: none"> <li>Additional food handlers were trained due to the increase of public events.</li> <li>Additional water samples had to be collected as initial samples failed the quality test.</li> </ul>	N/A
KPI 21: Percentage progress on the programme to improve environmental planning and management in the district.	100%	93.2%	The IWMP will be finalized in the 2017/2018 FY.	100%	106.9%	Additional awareness campaigns were rolled out.	N/A
<b>3.2 Disaster Management</b>							
KPI 22: Percentage completion of projects and programmes aimed at disaster management capacity building in 3 local municipalities of the district.	100%	100%	N/A	100%	100%	N/A	N/A
KPI 23: Percentage implementation of response recovery mechanisms for the District. (Three L/M's) as per the DDMP.	100%	100%	N/A	100%	100%	N/A	N/A
KPI 24: Percentage completion of projects and programmes aimed at fire-fighting capacity building in the 3 participating municipalities in the district.	100%	92%	The fire tanker will be delivered in the first quarter of 2017/2018 FY.	100%	50%	An agreement has not been reached between FBDM and the Department of Safety and Liaison for them to vacate the building which was identified to be used as a satellite fire station.	The project has been rolled over to the 2018/19 FY.

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN	KPI (DESCRIPTION)	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE			TARGET	ACTUAL PERFORMANCE		
KPI 25: Percentage maintenance and sustainable upgrading of the security systems in FBDM.	100%	100%	N/A	KPI 22: Percentage maintenance of the security systems in FBDM.	100%	100%	N/A	N/A
<b>3.3 Human Resource Development in the district.</b>								
KPI 26: Percentage compliance with HR support functions.	100%	98.1%	All vacancies to be filled in the first quarter of 2017/18 FY.	KPI incorporated into KPI 25 in 2017/18 FY				
KPI 27: Percentage compliance in providing support to the 3 LMs in the FBDM on HR management.	100%	100%	N/A	KPI incorporated into KPI 25 in 2017/18 FY				
Was not applicable for the 2016/17 FY.								
KPI was incorporated into KPI 26 of 2017/18								
KPI was incorporated into KPI 26 of 2017/18								
<b>3.4 Records Management.</b>								
KPI 28: Percentage compliance with the National Archives Act in FBDM and LM's in the district.	100%	100%	N/A	KPI 26: Percentage compliance with the Provincial Archives Act in FBDM and LM's for 2017/18 FY.	100%	100%	N/A	N/A
KPI 29: Percentage of an effective and cost-efficient office support function rendered to FBDM.	100%	100%	N/A	KPI 27: Percentage provision of an effective and cost-efficient office support functions rendered to FBDM 2017/18 FY.	100%	100%	N/A	N/A
KPI 30: Percentage maintenance of buildings and management of contractors in FBDM.	100%	97.1%	The project will be undertaken in the 2017/18 FY	KPI 28: Percentage maintenance of buildings and management of contractors in FBDM.	100%	100%	N/A	N/A
<b>3.5 Information Communication Technology (ICT)</b>								
<b>3.5 Information Communication Technology (ICT)</b>								

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN	KPI (DESCRIPTION)	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE			TARGET	ACTUAL PERFORMANCE		
<b>KPI 31:</b> Percentage accessibility to effective ICT support in FBDM.	100%	94%	Draft IT policies submitted to council during FY 2017/18 FY. The Chief risk officer was appointed to review the ISO in the 2017/18 FY.	<b>KPI 29:</b> Percentage improvement and maintenance of ICT infrastructure in FBDM in the 2017/18 FY.	100%	83.3%	The acquisition of the service was not finalised on the planned schedule.	Project to be funded in 2018/19 FY
<b>KPI 32:</b> Percentage ICT support in three (3) LM's for the 2016/17 FY.	100%	42%	MOUs entered in with two (2) LMs.	<b>KPI 30:</b> Percentage implementation of ICT support programmes in the three LM's.	100%	100%	N/A	N/A
<b>KPI 33:</b> Percentage improved ICT systems to accommodate MSCOA for 2016/2017 FY.	100%	100%	N/A					
<b>3.6 Integrated Development Planning (IDP)</b>								
<b>KPI 34:</b> Percentage facilitation of IDP preparation and review in FBDM in compliance with relevant legislation and policies.	100%	100%	N/A	<b>KPI 31:</b> Percentage facilitation of IDP preparation and review in FBDM in compliance with relevant legislation and policies by 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 35:</b> Percentage support to LMs in the facilitation of IDP preparation and review in compliance with relevant legislation and policies by 2016/17.	3/100%	3/100%	N/A	<b>KPI 32:</b> Percentage assistance and support to LM's in the preparation and review of their IDP's.	3/100%	3/100%	N/A	N/A
<b>KPI 36:</b> To facilitate and support the development and review of sector plans for 2016/17 FY.	5 (100%)	5 (100%)	N/A					
<b>3.7 Performance management (PMS)</b>								
<b>KPI 37:</b> Percentage support and assistance to three (3) LMs on performance management systems.	100%	100%	N/A	<b>KPI 33:</b> Percentage Implementation of a support programme for the provision of assistance to the 3 LM's on PMS compliance.	100%	25%	Only three visits were undertaken to the LM's due to capacity constraints.	The increase in human resource capacity of PMS function is prioritised for the first quarter in 2018/19 FY.
<b>KPI 38:</b> Percentage compliance with a functional institutional performance system in FBDM for 2016/17 FY.	100%	100%	N/A	<b>KPI 34:</b> Percentage compliance with a functional institutional performance management system in FBDM for 2017/18 FY.	100%	85.7%	Performance plans of section 56 managers and MM were at a draft stage and were not finalised.	The performance plans will be finalised by July 2018.

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN	KPI (DESCRIPTION)	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE			TARGET	ACTUAL PERFORMANCE		
<b>3.8 Town and Regional Planning</b>								
<b>KPI 39:</b> Percentage facilitation of the development of urban areas in accordance with approved spatial plans in the 3 LMs for the 2016/17 FY.	100%	100%	Chairperson was appointed, processing of zoning applications will be expedited in 2016/17 FY	<b>KPI 35:</b> Percentage facilitation of the development of urban areas in accordance with approved spatial plans. (3 L/M's) for 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 40:</b> Percentage facilitation of the preparation of township establishments and informal settlements upgrading in local municipalities. (2 LMs)	4/100%	4/100%	N/A	<b>KPI 40 of 2016/17 was incorporated in KPI 35 of the 2017/18 FY SDBIP.</b>				
<b>3.9 Geographical Information System (GIS)</b>								
<b>KPI 41:</b> Percentage creation of integrated GIS services in the District for the 2016/17 FY.	100%	100%	N/A	<b>KPI 36:</b> Percentage creation of integrated GIS services in the district for the 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 42:</b> Percentage improvement on GIS as a planning tool in the district for the 2016/17 FY.	100%	100%	N/A	<b>KPI 37:</b> Percentage enhancement with the use of GIS as a planning tool for the 2017/18 FY.	100%	83.3%	The GIS strategy and policy are still a draft awaiting inputs from all stakeholders in the district.	The GIS strategy and policy to be completed in the 2018/19 FY.
<b>KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION</b>								
<b>4.1 Communication</b>								
<b>KPI 43:</b> The percentage implementation of communication activities implemented in order to sustain a positive public opinion about service delivery in the district.	100%	85%	The PAIA training for FBDM officials was discontinued as SAHRC PAIA unit seized to exist.	<b>KPI 43 and 44 of 2016/17 have been revised and merged to KPI 38 in 2017/18 FY</b>				
<b>KPI 44:</b> Percentage implementation of communication programmes facilitated to improve on the collaboration of government activities to achieve effective communication networks in the district.	100%	70%	The programme will be facilitated directly from the political office of FBDM from the 2017/18 FY.					

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN		KPI (DESCRIPTION)	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE				TARGET	ACTUAL PERFORMANCE		
<b>KPI 43 and 44 of 2016/17 have been revised and merged to KPI 38 in 2017/18 FY</b>									
<b>KPI 45:</b> Percentage implementation of a support plan for staff morale and motivation in FBDM	100%	100%	N/A		<b>KPI 38:</b> Percentage provision of information to improve public understanding and facilitation of collaboration of government activities.	100%	90.4%	The district communication forum could not be compiled as only a minimum number of the members attended the meeting for compilation of the report.	2018/19 FY schedule of DCF meetings to be adopted at first meetings.
<b>4.2 Risk management.</b>									
<b>KPI 46:</b> Percentage implementation of fraud management services to ensure effective systems are in place for FBDM, Magareng and Digkatlong LMs in the 2016/17 FY.	100%	109.2%	N/A		<b>KPI 39:</b> Percentage support towards the improvement of staff engagement to successfully implement the goals of FBDM for 2017/18 FY.	100%	100%	N/A	N/A
<b>4.2 Risk management.</b>									
<b>KPI 47:</b> Percentage assistance and guidance regarding the design and implementation of risk management processes in the district for the 2016/17 FY.	100%	100%	N/A		<b>KPI 40:</b> Percentage implementation of policies, procedures, strategies and implementation plans necessary to minimise identified risks in FBDM and 2 LMs for the 2017/18 FY.	100%	100%	N/A	N/A
<b>4.3 Internal Audit</b>									
<b>KPI 48:</b> Percentage compliance with quarterly assessments to evaluate and contribute to the establishment of effective control processes in FBDM	100%	100%	N/A		<b>KPI 41:</b> Percentage implementation of a fraud prevention policy, strategy, and implementation plan for FBDM and the 2 LMs for the 2017/18 FY.	100%	100%	N/A	N/A
<b>4.3 Internal Audit</b>									
<b>KPI 48 and KPI 49 of 2016/17 were revised and split into KPI's 42 – 45 of 2017/18 FY.</b>									
<b>KPI 49:</b> Percentage capacity building and support in internal audit within the local municipalities (2 LMs) of the district.									
<b>KPI 48 and KPI 49 of 2016/17 were revised and split into KPI's 42 – 45 of 2017/18 FY.</b>									

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE		TARGET	ACTUAL PERFORMANCE		
KPI 48 and 49 of 2016/17 were revised and split into KPIs 42 – 45 of 2017/18 FY.	KPI 42: Percentage evaluation and contribution to the implementation and improvement of the efficiency and effectiveness of internal controls and safeguarding of assets of FBDM and the 2LM's.	100%	61.1%	100%	100%	1) The roll-over of the MSCOA audits were done closer to year-end and the operational plan was not amended. 2) The APRC charter was taken to the APRC only by the 25th June 2018 due to unavailability for an earlier sitting by the committee.	1) Roll over was approved in 2018 / 19 FY of MSCOA Audit. 2) The APRC charter will be part of the agenda of the 1 <sup>st</sup> quarter of 2018/19 and thereafter be recommended to council for approval.
	KPI 43: Percentage evaluation of the implementation of Performance Management Systems in FBDM and the 2 LM's.	100%	100%	100%	100%	N/A	N/A
	KPI 44: Percentage assessment of matters relating to compliance with legislation to ensure sustainable management of financial affairs and performance management in FBDM and in the 2 LM's. (IDP)	100%	54.3%	100%	100%	DORA audits must cover the entire financial period and could therefore only be performed after the end of the financial year 2017/18.	DORA audits for FBDM and locals were approved for roll-over in the first quarter of 2018/19 FY.
	KPI 45: Percentage assessment of matters relating to compliance with legislation in contributing to the reliability and integrity of financial and non-financial information in FBDM and the 2 LM's.	100%	108.3%	100%	100%	An additional meeting was convened to consider the risk management and performance management of FBDM, because of the need thereof.	N/A
	<b>4.5 Legal and compliance</b>						
KPI 50: Percentage implementation of procedures for comprehensive legal services in FBDM and 3 LMs (upon request) for the 2016/17 FY.	100%	100%	N/A	100%	100%	N/A	N/A
KPI 51: Percentage legal assistance with contracts in FBDM and 3 LMs (upon request) for the 2016/17 FY.	100%	100%	N/A	100%	100%	N/A	N/A

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN	KPI (DESCRIPTION)	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE			TARGET	ACTUAL PERFORMANCE		
<b>4.5 Council and committee services</b>								
<b>KPI 52:</b> To support FBDM management in complying with local government legislation and initiatives by 2016/17.	100%	100%	N/A				Was not applicable for the 2016/17 FY.	
<b>KPI 53:</b> To ensure timely, efficient and effective implementation of council resolution by 2016/17.	100%	100%	N/A	<b>KPI 48:</b> Percentage facilitation of council and committee meetings to ensure timely implementation of Council resolutions in FBDM for the 2017/2018 FY.	100%	133.3%	Additional special Council meetings were convened based on the need.	N/A
<b>KPI 54:</b> To ensure efficient and effective coordination of DIGF meetings by 2016/17 FY.	100%	100%	N/A				Was not applicable for the 2016/17 FY.	
<b>KPI 55:</b> Percentage coordination of Back to Basics programme in FBDM for the 2016/17 FY.	100%	100%	N/A				Was not applicable for the 2016/17 FY.	
<b>4.6 Youth Services</b>								
<b>KPI 56:</b> To ensure proper coordination and monitoring of youth development policies and programmes by 2016/17.	100%	100%	N/A	<b>KPI 49:</b> Percentage implementation of planned youth development initiatives in the district by 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 57:</b> To create good relations and partnerships with youth organisations and non-governmental organisations in the district by 2016/17.	100%	100%	N/A	<b>KPI 50:</b> Percentage development of initiatives to strengthen and support organised youth structures in the district by 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 58:</b> To ensure that there is a link on government programmes for young people by 2016/17.	100%	100%	N/A	<b>KPI 51:</b> Percentage implementation of the district youth skills development plan by 2017/18 FY.	100%	100%	N/A	N/A
<b>4.7 Special Programmes</b>								
<b>KPI did not exist in the 2016/17 FY SDBIP.</b>								
				<b>KPI 52:</b> Percentage coordination and monitoring of special programmes in the district.	100%	50%	Poor co-ordination and communication between government departments impacted on the implementation of special programmes.	Improve relations and communication with relevant government departments.

KPI (DESCRIPTION)	2016/17 FY PERFORMANCE		MITIGATION STEPS TAKEN	KPI (DESCRIPTION)	2017/18 FY PERFORMANCE		REASONS FOR DEVIATION	IMPROVEMENT PLAN
	TARGET	ACTUAL PERFORMANCE			TARGET	ACTUAL PERFORMANCE		
<b>KPA 5: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT</b>								
<b>KPI 59:</b> Percentage implementation of sound financial management practices to ensure long-term financial sustainability.	100%	100%	N/A	<b>KPI 53:</b> Percentage implementation of activities to ensure long-term financial sustainability of the municipality during 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 60:</b> Percentage compliance with all financial legislative requirements and related guidelines from National Treasury.	100%	100%	N/A	<b>KPI 54:</b> Percentage compliance with all accounting and legislative requirements during 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 61:</b> Percentage compliance with legislative requirements for a sound supply chain management system and stores function in the municipality.	100%	100%	N/A	<b>KPI 55:</b> Percentage adherence to systems of supply chain management during 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 62:</b> Percentage compliance with the effective management of Council's financial/cash resources.	100%	98.7%	N/A	<b>KPI 57:</b> Percentage implementation of processes and activities to ensure proper management of cash resource to meet financial liabilities during 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 63:</b> Percentage implementation of debt collection and revenue generating strategies for the 2016/17 FY.	100%	100%	N/A	<b>KPI 56:</b> Percentage implementation of revenue generating and debt collection strategies during 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 64:</b> Percentage implementation of mSCOA for the 2016/17 FY.	100%	100%	N/A	<b>KPI 59:</b> Percentage implementation of mSCOA BY 01 July 2017 and ensuring its maintenance during 2017/18 FY.	100%	100%	N/A	N/A
<b>KPI 65:</b> Percentage support to LMs with financial management in developing financially self-sustained municipalities in the district.	100%	100%	N/A	<b>KPI 58:</b> Percentage financial management support to four (4) LMs during 2017/18 FY.	100%	100%	N/A	N/A

# Chapter 4 - Organisational Development Performance

## 4.1 Introduction

The core of human resource management and development hinges on the underlying appreciation of how different elements of human capital management function fit together to create meaning and value for the municipality.

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 one percent (0.8%) of the council's annual budget has been dedicated to capacity development for officials and the staff retention and scarce/critical skills management policy was implemented.

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. 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 good understanding of its legal obligations and focus towards the realization of its constitutional mandate.

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 a functional Local Labour Forum that sat on 4 quarterly meetings and a number of special LLF meetings within the 2017/18 financial year.

The municipality remains attentive to an effective recruitment and selection process. The staff establishment was reviewed in the 2017/18 to ensure that it provides for human capital that appropriately supports the achievement of the objectives as set out in the IDP.

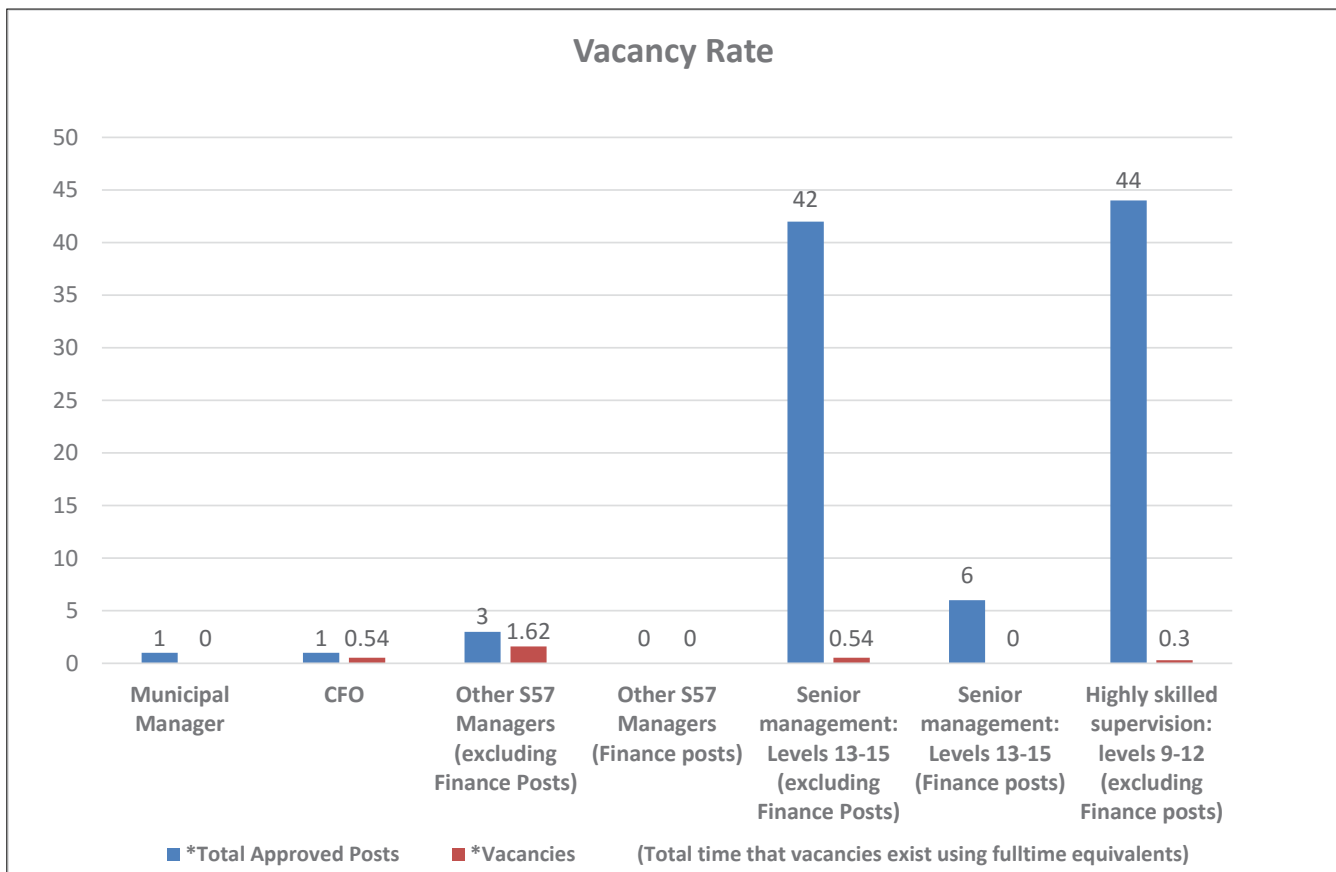
Employment Equity plan is a critical tool used by the municipality in recruitment and selection processes. 2017/18 was the last year of the three year cycle plan and plans are in place for the development of the cycle of 2018/19, 2019/20 and 2020/2021. Challenges encountered with the implementation of the EE plan will serve as lesson learned and improvement processes are underway.

There has been evident growth in the focus of employee health and wellness where the municipality has invested more time and resources in corporate wellness programmes for both councillors and officials.

Employees					
Description	2016/17	2017/18			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Municipal Manager & Section 56 Managers	3	5	2	3	32%
Housing Services (includes 1 intern)	8	13	6	7	16%
Programme Management & Advisory Services (incl. Director and secretary)	7	8	8	0	0%
Town & Regional Planning Services (includes secretary to Director)	3	4	3	1	3%
Integrated Development Planning (IDP)	1	1	1	0	0%
Geographic Information System Services	2	2	2	0	0%
Local Economic Development Services (includes 15 interns)	22	20	18	2	2%
Environmental Health Services	5	8	5	3	0%
Fire Fighting & Disaster Management	9	11	9	2	10%
Executive & Council <sup>1</sup>	11	11	11	0	0%
Office of Municipal Manager (includes 3 interns)	14	18	13	5	4%
Corporate & Human Resource Services	30	36	34	2	1%
ICT Services (includes 2 interns)	5	5	5	0	0%
Financial Services (includes 5 interns)	22	23	21	2	3%
<b>Totals</b>	<b>142</b>	<b>165</b>	<b>138</b>	<b>27</b>	<b>71%</b>

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

Vacancy Rate: 2017/18			
Designations	Total Approved Posts	Vacancies (Total time that vacancies exist using full-time equivalents)	Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
CFO	1	0.54	54.00
Other S57 Managers (excluding Finance Posts)	3	1.62	54.00
Other S57 Managers (Finance posts)	0	0	0
Senior management: Levels 13-15 (excluding Finance Posts)	42	0.54	1.29
Senior management: Levels 13-15 (Finance posts)	6	0	0.00
Highly skilled supervision: levels 9-12 (excluding Finance posts)	44	0.3	0.68
Highly skilled supervision: levels 9-12 (Finance posts)	7	0.18	2.57
<b>Total</b>	<b>104</b>	<b>3.18</b>	<b>3.06</b>



Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate
2015/16	24	19	79%
2016/17	36	31	86%
2017/18	13	16	123%

## 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 2017/2018, FBDM had exceeded the norm by 20%. This 55% (R 57,840,105) includes among others the remuneration of both councillors and officials.

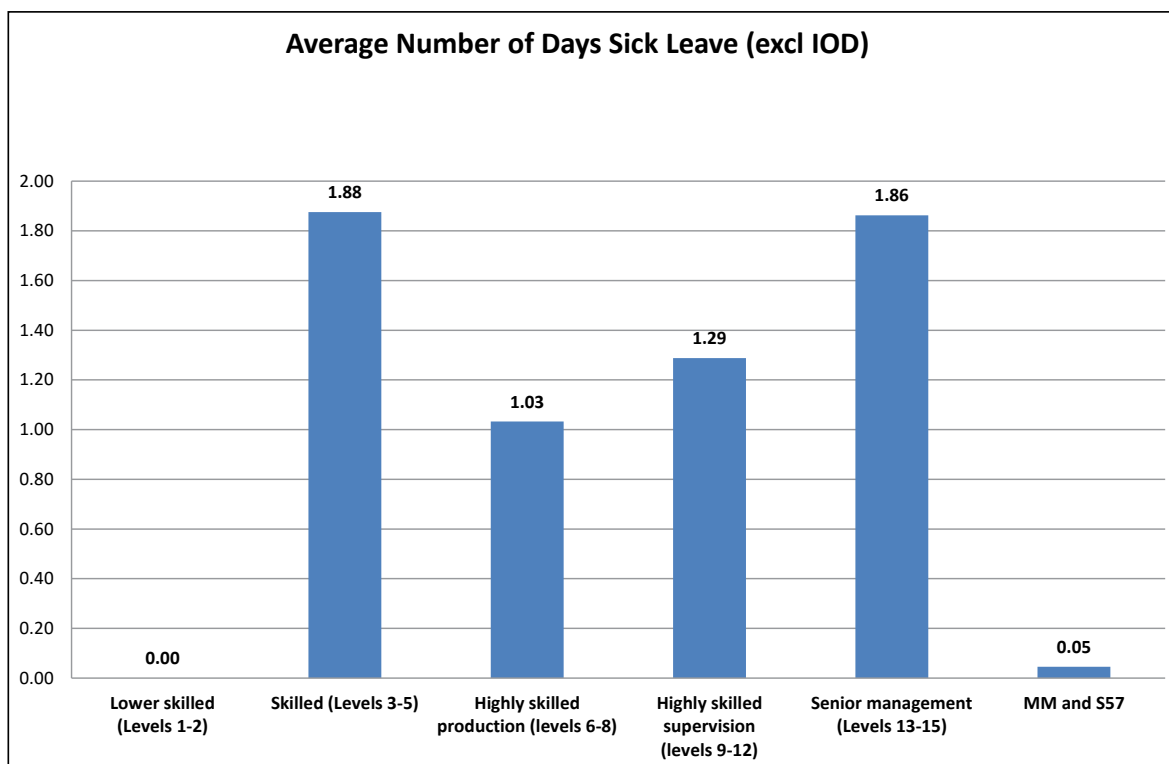
HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Recruitment and selection policy	100%	100%	29 May 2018
2	Study assistance policy	100%	100%	29 May 2018
3	Motor vehicle allowance policy	100%	100%	29 May 2018
4	Employee wellness policy	100%	100%	29 May 2018

### 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 R '0
Required basic medical attention only	9	1	11%	1.8	3,332
Temporary total disablement	0	0	0	0	0
Permanent disablement	0	0	0	0	0
Fatal	0	0	0	0	0
<b>Total</b>	<b>9</b>	<b>1</b>	<b>11%</b>	<b>1.8</b>	<b>3.332</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)	287	0%	38	52	1.88	107
Highly skilled production (levels 6-8)	158	8%	14	18	1.03	105
Highly skilled supervision (levels 9-12)	197	18%	28	34	1.29	179
Senior management (Levels 13-18)	285	4%	37	46	1.86	354
MM and S57	7	0%	2	3	0.05	11
<b>Total</b>	<b>934</b>	<b>31%</b>	<b>119</b>	<b>153</b>	<b>6.10</b>	<b>756</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



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
None				

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 (R)	Proportion of beneficiaries within group %
MM and S57	Female	3	2	194 385	67%
	Male	1	1	63 465	100%
<b>Total</b>		<b>4</b>	<b>3</b>	<b>257 850</b>	
Has the statutory municipal calculator been used as part of the evaluation process ?					Yes

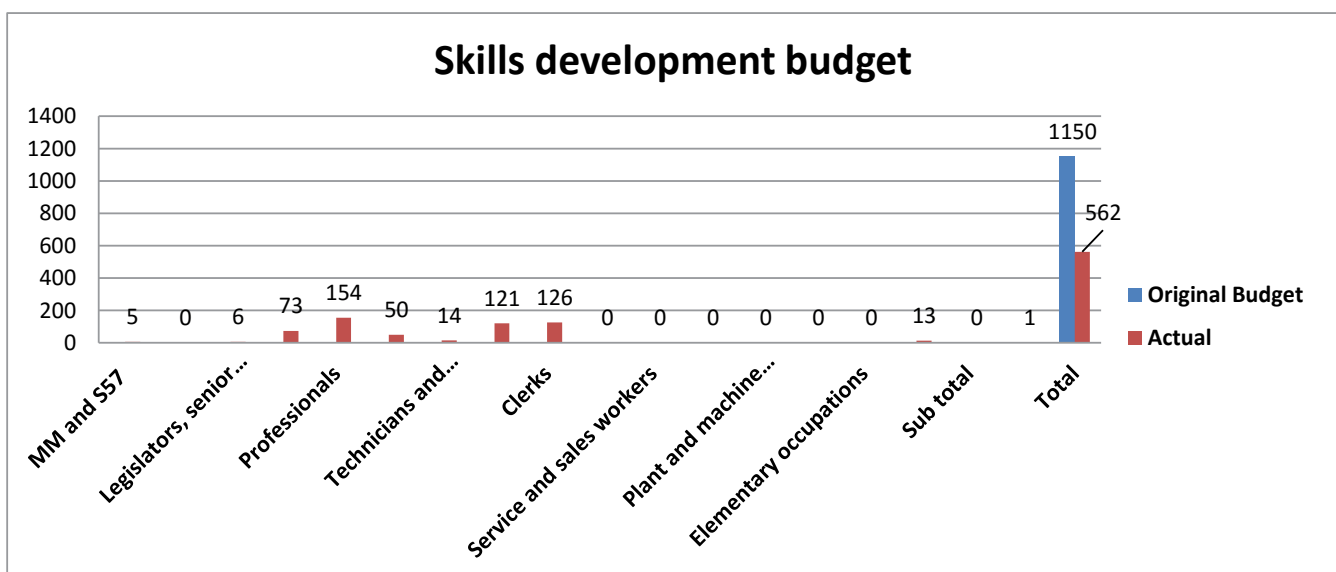
#### 4.4 Capacitating the municipal workforce

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: number of officials whose performance agreements comply with Regulation 14(4) (Regulation 14(4) (f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4) (e))
Financial Officials	0	0	0	0	0	0
Accounting officer	1	0	1	0	0	0
Chief financial officer	0	0	0	0	0	0
Senior managers	0	0	3	0	0	0
Any other financial officials	22	0	22	0	0	0
<b>Supply Chain Management Officials</b>						
Heads of supply chain management units	1	0	1	0	0	0
Supply chain management senior managers	0	0	0	0	0	0
<b>TOTAL</b>	<b>24</b>	<b>0</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</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 2017/18				
			Learnerships	Skills programmes & other short courses	Other forms of training	Total	
		No.	Actual	Actual	Actual	Original Budget	Actual
MM and S57	Female	2	0	5	0	1,150	5
	Male	1	0	0	0		0
Legislators, senior officials and managers	Female	21	0	0	6		6
	Male	27	0	73	0		73
Professionals	Female	20	0	150	4		154
	Male	17	0	50	0		50
Technicians and associate professionals	Female	17	0	4	10		14
	Male	5	1	30	90		120
Clerks	Female	23	0	126	0		126
	Male	18	0	0	0		0
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	0	0		0
	Male	5	0	0	13		13
Sub total	Female	91	0	0	0	0	
	Male	76	1	0	0	0	
<b>Total</b>		<b>167</b>	<b>1</b>	<b>438</b>	<b>123</b>	<b>1,150</b>	<b>562</b>
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.						%*	

Note: The total original budget is made up of training and bursaries. The training budget was R950 000.00 and the bursaries budget R200 000.00 for the 2017/18 financial year.



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.

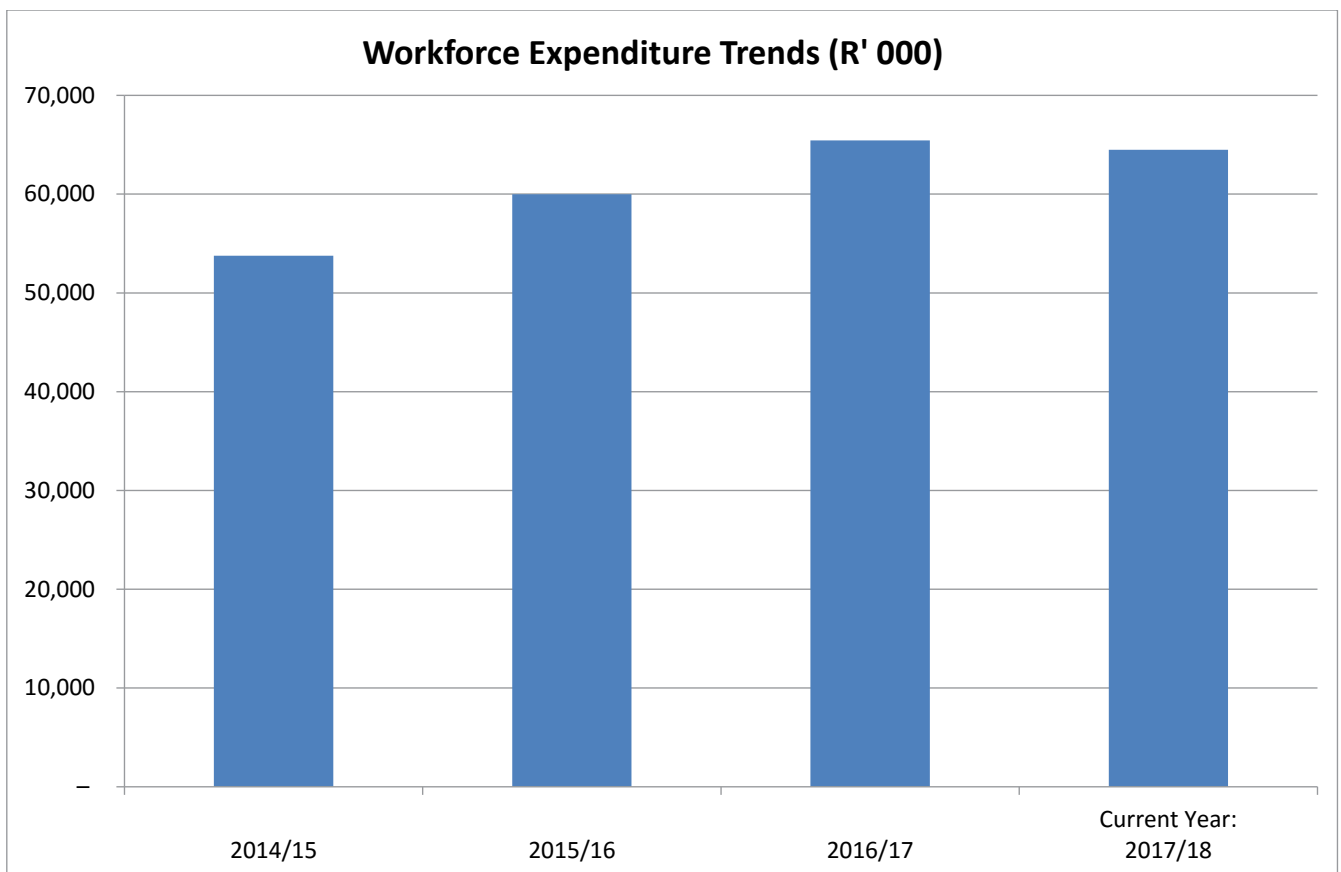
All service providers used for training are accredited and through the assessment of the impact of training 99% of training provided has positively contributed to skills, knowledge and productivity of employees. All senior managers meet the MFMA Competency Regulations.

**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**

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, risk management professionals, 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	7
	Male	5
Highly skilled production (TASK 9 - 13)	Female	7
	Male	1
Highly skilled supervision (TASK 14 -18)	Female	9
	Male	7
Senior management (TASK 19 - 26)	Female	None
	Male	None
MM and S57	Female	None
	Male	None
<b>Total</b>		<b>36</b>

Employees whose salary levels exceed the grade determined by job evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
Chief tourism clerk	1	6	7	Job description aligned to the senior tourism clerk
Senior clerk: Stores	1	4	6	Job description aligned to the senior clerk: stores

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

The overall financial viability of the municipality was assessed to be sound in the financial year under review by the Auditor-General who 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.

The main source of revenue is still operating grants from government. The growth in income is limited to the current inflation rate and an increase in the GDP that is expected to be less than 1%. The low economic growth has a negative impact on the operations of the municipality's ability to sustain a high level of involvement in the district. The municipality does not render basic services that can generate revenue.

Considering that 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. Notwithstanding the negative economic growth forecast, the municipality was able to spend R24,795,809 (2016/17: R38,663,697) towards infrastructure assets, repairs & maintenance, advisory services and creation of job opportunities to make a difference in the lives of many people in the district.

The liquidity ratio which is used to measure the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities is standing at the norm 1:3. The decrease in liquidity from 2.4 to 1.8 is due to a decrease in monetary assets which is a result of investments in call accounts. Even though the liquidity is decreasing the municipality is still within the norm and can cover each liability 1.8 times by an asset. It further indicates that the municipality can meet its short to medium term commitments.

The cost coverage explains how many months expenditure can be covered by the cash and other liquid assets available to the municipality excluding utilisation of grants. The decreasing trend over the past three financial years is due to various factors i.e. economic climate in the country, high unemployment rate, etc. The decrease in investments from which the municipality generated interest decreased over the past year. The allocations the municipality gives to the local municipalities increased on a yearly basis, which causes the reserves of the municipality to deplete which has a further impact on the cost coverage.

Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure. There was a decline in the capital charges to operating expenditure of 0,4% during the 2016/17 financial year to 1,3% during the 2017/18 financial year. The municipality is paying its long-term loan and has not incurred any additional loans which is the reason for the decline in the ratio above.

## 5.2 Statement of financial performance

Financial Summary						
R' 000						
Description	2016/17	Current Year: 2017/18			2017/18 Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
<b>Financial Performance</b>						
Property rates	–	–	–	–	–	–
Service charges	–	–	–	–	–	–
Investment revenue	6,805	5,262	5,262	5,830	9.75%	9.75%
Transfers recognised - operational	114,013	118,569	118,698	117,699	-0.74%	-0.85%
Other own revenue	1,151	1,727	1,727	1,289	-34.01%	-34.01%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>121,968</b>	<b>125,558</b>	<b>125,687</b>	<b>124,818</b>	<b>-0.59%</b>	<b>-0.70%</b>
Employee costs	59,488	66,558	71,240	57,917	-14.92%	-23.00%
Remuneration of councillors	5,950	6,369	6,376	6,567	3.01%	2.91%
Debt impairment	2	3	3	88		
Depreciation & asset impairment	3,927	3,290	3,290	3,877	15.14%	15.14%
Finance charges	674	487	487	451	-7.96%	-7.96%
Materials and bulk purchases	5,207	1,055	1,305	1,455	27.47%	10.30%
Transfers and grants	38,664	22,995	25,195	24,796	7.26%	-1.61%
Other expenditure	23,497	34,491	35,236	22,392	-54.03%	-57.36%
<b>Total Expenditure</b>	<b>137,409</b>	<b>135,249</b>	<b>143,133</b>	<b>117,544</b>	<b>-15.06%</b>	<b>-21.77%</b>
<b>Surplus/(Deficit)</b>	<b>(15,441)</b>	<b>(9,690)</b>	<b>(17,445)</b>	<b>7,274</b>	<b>233.22%</b>	<b>339.84%</b>
Transfers recognised - capital	–	–	–	–	–	–
Contributions recognised - capital & contributed assets	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(15,441)</b>	<b>(9,690)</b>	<b>(17,445)</b>	<b>7,274</b>	<b>233.22%</b>	<b>339.84%</b>
Share of surplus/ (deficit) of associate	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>(15,441)</b>	<b>(9,690)</b>	<b>(17,445)</b>	<b>7,274</b>	<b>233.22%</b>	<b>339.84%</b>
<b>Capital expenditure &amp; funds sources</b>						
<b>Capital expenditure</b>	<b>(7,325)</b>	<b>(10,087)</b>	<b>(14,050)</b>	<b>(3,865)</b>	<b>-171.43%</b>	<b>-278.07%</b>
Transfers recognised - capital	–	–	–	–	–	–
Public contributions & donations	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–
Internally generated funds	(7,325)	(10,087)	(14,050)	(3,716)	-171.43%	-278.07%
<b>Total sources of capital funds</b>	<b>(7,325)</b>	<b>(10,087)</b>	<b>(14,050)</b>	<b>7,325</b>	<b>237.71%</b>	<b>291.81%</b>

Financial Summary							R' 000
Description	2016/17	Current Year: 2017/18			2017/18 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget	
<b>Financial position</b>							
Total current assets	66,849	43,395	33,480	63,833	32.02%	47.55%	
Total non current assets	58,654	74,944	72,689	58,161	-28.86%	-24.98%	
Total current liabilities	24,890	22,767	24,890	17,719	-28.49%	-40.47%	
Total non current liabilities	32,186	30,011	32,186	28,490	-5.34%	-12.97%	
Community wealth/equity	68,427	65,561	49,094	75,785	13.49%	35.22%	
<b>Cash flows</b>							
Net cash from (used) operating	(5,341)	1,115	(6,640)	1,952	42.90%	440.22%	
Net cash from (used) investing	(11,847)	(10,087)	(14,050)	1,226	238.63%	293.09%	
Net cash from (used) financing	(1,985)	(2,224)	(2,224)	(2,208)	-0.70%	-0.70%	
<b>Cash/cash equivalents at the year end</b>	<b>50,102</b>	<b>40,354</b>	<b>27,188</b>	<b>51,072</b>	<b>29.36%</b>	<b>52.40%</b>	
<b>Cash backing/surplus reconciliation</b>							
Cash and investments available	60,552	45,904	27,188	57,122	19.64%	52.40%	
Application of cash and investments	1,421	8,675	9,896	3,867	-124.32%	-155.90%	
<b>Balance - surplus (shortfall)</b>	<b>59,132</b>	<b>37,228</b>	<b>17,292</b>	<b>53,254</b>	<b>30.09%</b>	<b>67.53%</b>	
<b>Asset management</b>							
Asset register summary (WDV)	49,311	60,796	64,759	49,390	-23.09%	-31.12%	
Depreciation & asset impairment	3,927	3,290	3,290	3,877	15.14%	15.14%	
Renewal of Existing Assets	862	730	697	56	-1196.49%	-1137.88%	
Repairs and Maintenance	5,207	4,269	4,400	1,455	-193.46%	-202.47%	
<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	2016/17	2017/18			2017/18 Variance		
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget	
<b>Operating Cost</b>							
Water	–	–	–	–	–	–	
Waste Water (Sanitation)	–	–	–	–	–	–	
Electricity	–	–	–	–	–	–	
Waste Management	–	–	–	–	–	–	
Housing	5,549	5,250	6,136	4,543	-15.56%	-35.06%	
Component A: sub-total	5,549	5,250	6,136	4,543	-15.56%	-35.06%	
Waste Water (Stormwater Drainage)	–	–	–	–	–	–	
Roads	–	–	–	–	–	–	
Transport	–	–	–	–	–	–	
Component B: sub-total	–	–	–	–	–	–	
Planning	57,377	43,326	45,766	39,245	-10.40%	-16.61%	
Local Economic Development	–	–	–	–	–	–	
Component B: sub-total	57,377	43,326	45,766	39,245	-10.40%	-16.61%	
Planning (Strategic & Regulatory)	–	–	–	–	–	–	
Local Economic Development	–	–	–	–	–	–	
Component C: sub-total	–	–	–	–	–	–	
Community & Social Services	–	–	–	–	–	–	
Environmental Protection	3,020	3,519	5,010	2,815	-25.02%	-77.98%	
Health	–	–	–	–	–	–	
Security and Safety	–	–	–	–	–	–	
Sport and Recreation	–	–	–	–	–	–	
Corporate Policy Offices and Other	71,464	83,153	86,221	70,940	-17.22%	-21.54%	
Component D: sub-total	74,484	86,672	91,231	73,755	-17.51%	-23.69%	
<b>Total Expenditure</b>	<b>137,409</b>	<b>135,249</b>	<b>143,133</b>	<b>117,544</b>	<b>-15.06%</b>	<b>-21.77%</b>	

### 5.3 Grants

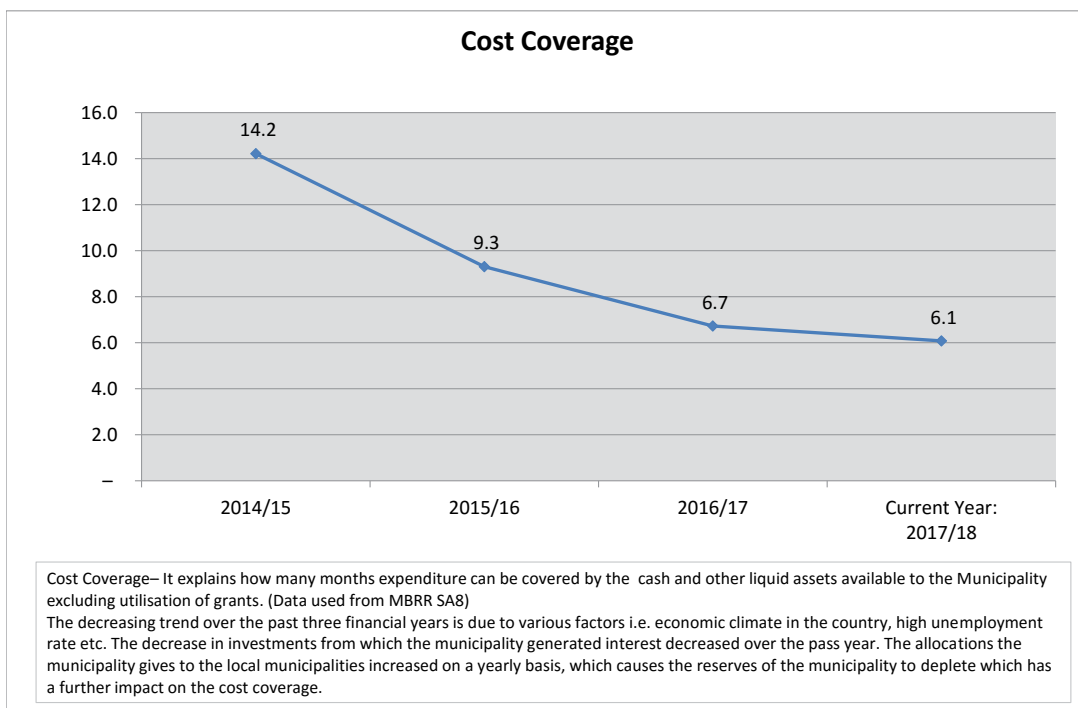
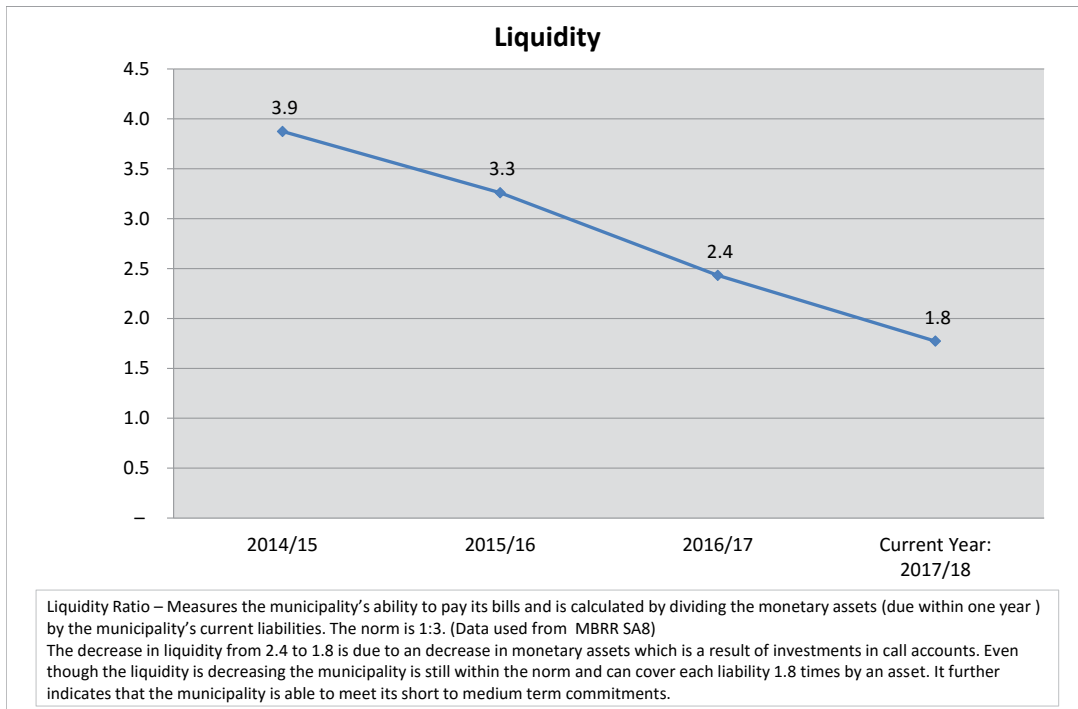
Grant Performance							R' 000
Description	2016/17	2017/18		2017/18 Variance			
	Actual	Budget	Adjustment Budget	Actual	Original Budget (%)	Adjustments Budget (%)	
<b>Operating Transfers and Grants</b>							
<b>National Government:</b>	<b>109,911</b>	<b>117,251</b>	<b>117,251</b>	<b>117,049</b>	<b>-0.17%</b>	<b>-0.17%</b>	
Equitable share	105,416	112,317	112,317	112,317	0.00%	0.00%	
Municipal Systems Improvement	–	–	–	–	–	–	
Department of Water Affairs	–	–	–	–	–	–	
Finance Management Grant	1,068	1,250	1,250	1,250	0.00%	0.00%	
Municipal Systems Improvement	–	–	–	–	–	–	
Extended Public Works Programme	1,000	1,168	1,168	966	-20.93%	-20.93%	
Road Asset Management Grant	2,427	2,516	2,516	2,516	0.00%	0.00%	
<b>Provincial Government:</b>	<b>4,101</b>	<b>1,618</b>	<b>1,947</b>	<b>610</b>	<b>-165.38%</b>	<b>-165.38%</b>	
Housing	800	800	800	–	0.00%	0.00%	
NC Tourism - Contribution Tourism Month	200	–	200	–	0.00%	0.00%	
District Aids Council	–	–	–	–	0.00%	0.00%	
NEAR Control Centre	350	368	368	345	-6.52%	-6.52%	
NCPA Firefighting Equipment	665	350	350	–	0.00%	0.00%	
SETA - Skills Grant	86	100	100	100	0.15%	0.15%	
Operation Khotso Pula Nala	2,000	–	–	–	0.00%	0.00%	
Department of Economic Development and Tourism Grant	–	–	129	164	100.00%	100.00%	
<b>District Municipality:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	
<b>Other grant providers:</b>	<b>40</b>	<b>50</b>	<b>50</b>	<b>40</b>	<b>(0)</b>	<b>200</b>	
Koopmansfontein Electricity Self-build Scheme	–	–	–	–	–	–	
ABSA	40	50	50	40	-25.00%	25.00%	
<b>Total Operating Transfers and Grants</b>	<b>114,053</b>	<b>118,919</b>	<b>119,248</b>	<b>117,699</b>	<b>-1%</b>	<b>-1%</b>	

<b>Grants Received From Sources Other Than Division of Revenue Act (DoRA)</b>						
<b>Details of Donor</b>	<b>Actual Grant 2016/17</b>	<b>Actual Grant 2017/18</b>	<b>2017/18 Municipal Contribution</b>	<b>Date Grant terminates</b>	<b>Date municipal contribution terminates</b>	<b>Nature and benefit from the grant received, include description of any contributions in kind</b>
<b>Parastatals</b>						
NCPA - Housing Accreditation Grant	800,000	-	4,194,240	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	86,227	100,150	100,000	Ongoing	Ongoing	To be used for training and capacity building of employees as per approved skills work plan.

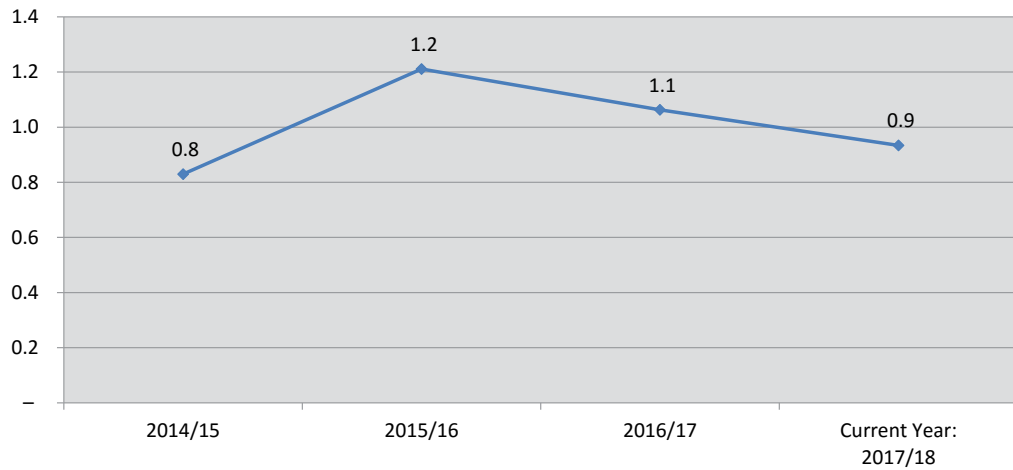
<b>Repair and Maintenance Expenditure: 2017/18</b>				
	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Actual</b>	<b>Budget variance</b>
Repairs and maintenance expenditure	1,055	1,305	1,455	-10.30%

The repairs and maintenance budget will be sufficient to cater for the repairs needed by the district municipality as the municipality does not have infrastructure assets.

## 5.4 Financial ratios based on key performance indicators

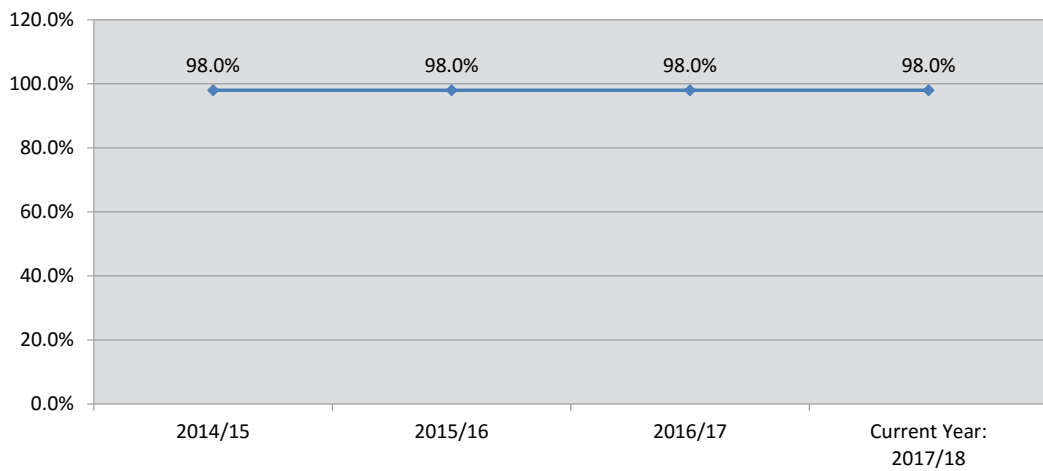


### Debt Coverage



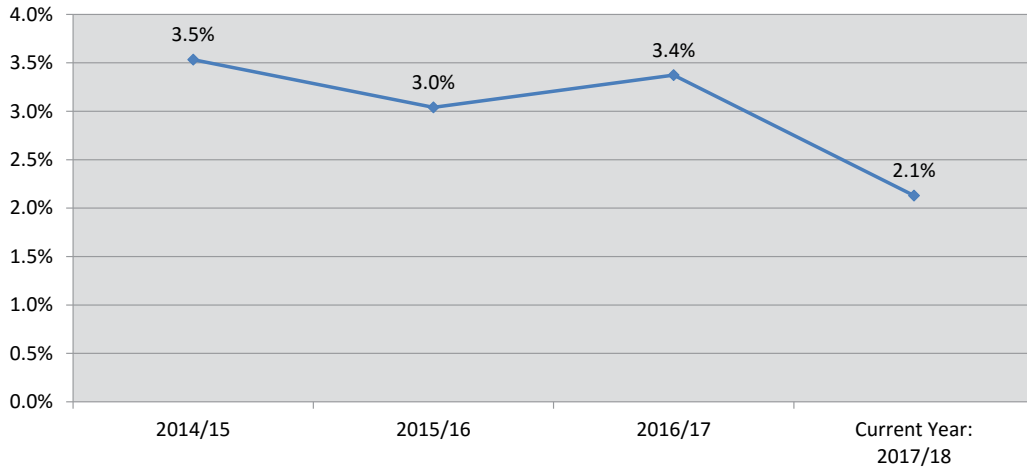
Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality. (Data used from MBRR SA8). There was a slight decrease in debt coverage during 2017/18, 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 2017/18 financial year, which is an indication of good internal controls being implemented within the municipality.

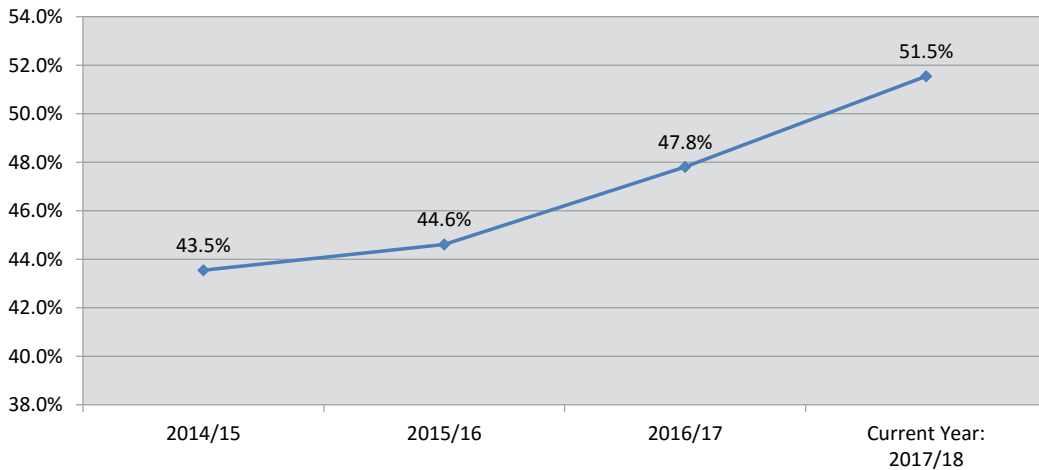
### Capital Charges to Operating Expenditure



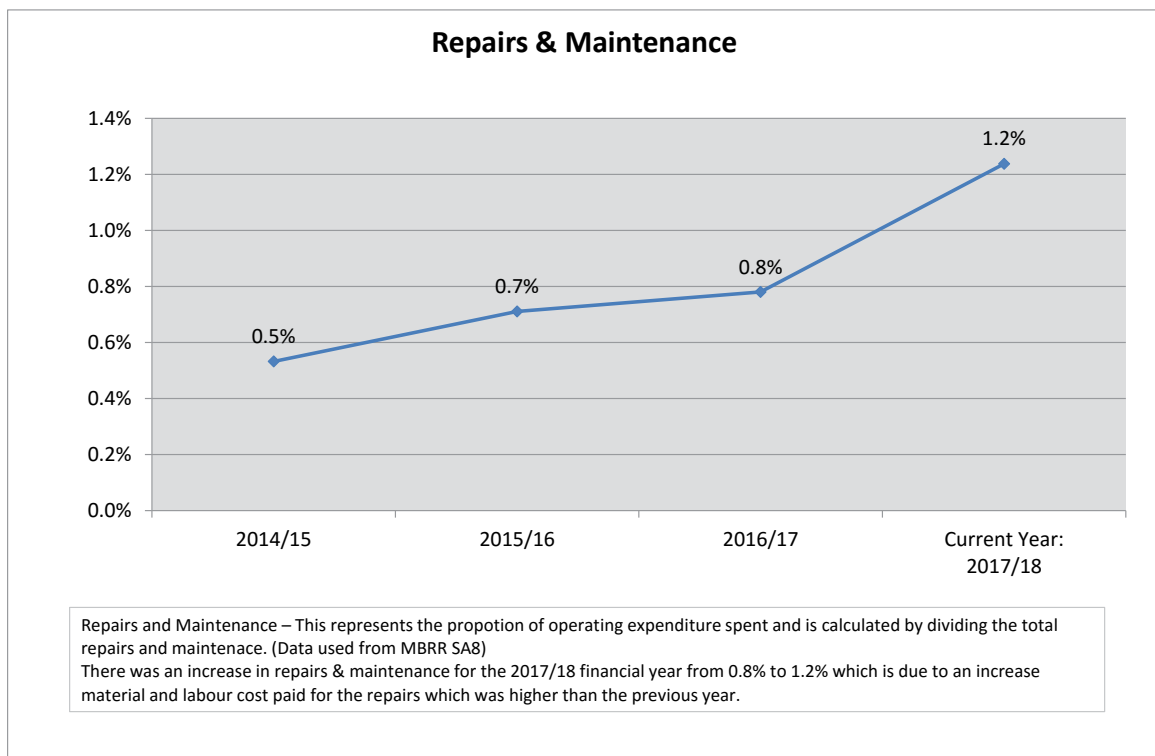
Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure. (Data used from MBRR SA8)

There was a decline in the capital charges to operating expenditure of 0,4% during the 2016/17 financial year to 1,3% during the 2017/18 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 2018, the employee costs were 51.5% 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 practitioners 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 of the municipality. To ensure that the district municipality maintains a healthy financial position, appropriate financial ratios, benchmarks are used to assist the 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 1.5:1 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 in the past and is not expected to experience any cash flow problem over the short term period.

## 5.5 Cash flow management and investments

The district municipality's cash and cash equivalent amounts to R51m which is an increase of R1m as compared to the previous financial year. The district municipality's cashflow is improving as we have reduced on the allocations to local municipalities.

<b>Cash Flow Outcomes</b>				
<b>R'000</b>				
<b>Description</b>	<b>2016/17</b>	<b>Current Year: 2017/18</b>		
	<b>Audited Outcome</b>	<b>Original Budget</b>	<b>Adjusted Budget</b>	<b>Actual</b>
<b>Cash flow from operating activities</b>				
<b>Receipts</b>				
Ratepayers and other	5,268	588	588	681
Government - operating	111,411	118,401	118,401	117,434
Government - capital	–	–	–	–
Interest	6,805	5,262	5,262	5,830
Dividends	–	–	–	–
<b>Payments</b>				
Suppliers and employees	(89,487)	(100,345)	(105,579)	(96,746)
Finance charges	(674)	(487)	(487)	(451)
Transfers and Grants	(38,664)	(22,305)	(24,825)	(24,796)
<b>Net cash from/(used) operating activities</b>	<b>(5,341)</b>	<b>1,115</b>	<b>(6,640)</b>	<b>1,952</b>
<b>Cash flows from investing activities</b>				
<b>Receipts</b>				
Proceeds on disposal of PPE	(28)	–	–	182
Decrease (Increase) in non-current debtors	–	–	–	–
Decrease (increase) other non-current receivables	406	–	–	554
Decrease (increase) in non-current investments	(4,900)	–	–	10,450
<b>Payments</b>				
Capital assets	(7,325)	(10,087)	(14,050)	(3,910)
<b>Net cash from/(used) investing activities</b>	<b>(11,847)</b>	<b>(10,087)</b>	<b>(14,050)</b>	<b>7,276</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	(1,985)	(2,224)	(2,224)	(2,208)
<b>Net cash from/(used) financing activities</b>	<b>(1,985)</b>	<b>(2,224)</b>	<b>(2,224)</b>	<b>(2,208)</b>
<b>Net increase/ (decrease) in cash held</b>	<b>(19,173)</b>	<b>(11,196)</b>	<b>(22,914)</b>	<b>7,020</b>
Cash/cash equivalents at the year begin:	69,275	51,550	50,102	50,102
Cash/cash equivalents at the year end:	50,102	40,354	27,188	57,122

## 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 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 during the financial year.

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 GRAP, including any interpretations and directives issued by the 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 27	Agriculture
GRAP 31	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 and are effective.

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2018
GRAP 2 (Revised)	Cash Flow Statements	1 April 2018
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2018
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2018
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2018
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2018
GRAP 11 (Revised)	Construction Contracts	1 April 2018
GRAP 12 (Revised)	Inventories	1 April 2018
GRAP 13 (Revised)	Leases	1 April 2018
GRAP 14 (Revised)	Events after the reporting date	1 April 2018
GRAP 16 (Revised)	Investment Property	1 April 2018
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2018

Standard	Description	Effective Date
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2018
GRAP 21 (Revised)	Impairment of non-cash-generating assets	1 April 2018
GRAP 23 (Revised)	Revenue from Non-Exchange Transactions	1 April 2018
GRAP 26 (Revised)	Impairment of cash-generating assets	1 April 2018
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2018
GRAP 25 (Revised)	Employee Benefits	1 April 2018
GRAP 104 (Revised)	Financial Instruments	1 April 2018

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 20 (Revised)	Related Parties	01 April 2019

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.

#### **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 18	<b>Segment reporting</b> Information to a large extent is already included in the notes to the annual financial statements.	01 April 2020
GRAP 32	<b>Service concession arrangements: Grantor</b> No significant impact is expected as the municipality does not participate in such business transactions.	01 April 2019
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.	01 April 2019
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.	01 April 2019
GRAP 107	<b>Mergers</b> No significant impact is expected as the municipality does not participate in such business transactions.	01 April 2019
GRAP 108	<b>Statutory receivables</b> No significant impact is expected as the municipality does not participate in such business transactions.	01 April 2019
GRAP 109	<b>Accounting by principals and agents</b> No significant impact is expected as the municipality does not participate in such business transactions.	01 April 2019
GRAP 110	<b>Living and non-living resources</b> No significant impact is expected as the municipality does not participate in such business transactions.	01 April 2020

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 matters of emphasis. The municipality is committed to aligning itself 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 2016/17

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 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)	

### Auditor-General opinion of financial statements 2017/18

The district municipality achieved an unqualified audit opinion with findings and is working towards obtaining a clean audit to align itself 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 2017/18	
<b>Audit Report Status*:</b>	Unqualified audit opinion with matters
<b>Non-Compliance Issues</b>	<b>Remedial Action Taken</b>
<ul style="list-style-type: none"> <li>• Underspending of budget</li> <li>• Irregular expenditure</li> </ul>	Both matters were disclosed in the annual financial statements and addressed.
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)** .....

Date: 30 November 2018

## 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:	One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. Section 1 of the MFMA defines a "vote" as: a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and b) which specifies the total amount that is appropriated for the purposes <i>of the department or functional area concerned</i>

# **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. P Marekwa *	FT	Mayoral Committee	PR	78	22
Cllr. O Buda *	FT	MPAC	Sol Plaatje	78	22
Cllr. BV Ximba	FT	Mayoral Committee	PR	22	78
Cllr. MB Silingile **	FT	MPAC	PR	61	39
Cllr. KC Mothibi	FT	Finance, Mayoral	PR	22	78
Cllr. ME Motsamai	FT	Social Development, Mayoral	PR	33	67
Cllr. EM Mathe	FT	Policy & Institutional Development, Mayoral	PR	6	94
Cllr. ME Mokgatlhanyane	FT	Infrastructure Development, Mayoral	PR	17	83
Cllr. LN Shushu	FT	Planning & Development, Mayoral	Sol Plaatje	17	83
Cllr. PD Bishop	PT	MPAC, Policy & Institutional Development	Sol Plaatje	11	89
Cllr. M Kaars	PT	Finance, MPAC	PR	22	78
Cllr. KM Sebege		Social Development	Sol Plaatje	72	28
Cllr. B Springbok	PT	Finance	Sol Plaatje	0	100
Cllr. AM Siwisa	PT	Finance, Planning & Development	PR	44	56
Cllr. AO Moremong	PT	Fiance	Phokwane	39	61
Cllr. PJF Louw	PT	Planning & Development	PR	61	39
Cllr. JS Musie	PT	Planning & Development	Phokwane	33	67
Cllr. AK Zalisa	PT	Planning & Development	Magareng	0	100
Cllr. MJ Beylefeld	PT	Infrastructure Development	Sol Plaatje	6	94
Cllr. LF Duba	PT	Infrastructure, Policy & Institutional Development	Sol Plaatje	67	33
Cllr DM Macinga	PT	Infrastructure Development	Dikgatlong	55	45
Cllr. TD Setholo	PT	Infrastructure Development	Sol Plaatje	6	94
Cllr. MP Thabane **	PT	Social Development	Sol Plaatje	61	39
Cllr. D Benjamin	PT	Social Development	Sol Plaatje	22	78
Cllr. H Morometsi	PT	Social Development	Phokwane	94	6
Cllr. TH Mpanza **	PT	Social Development	Sol Plaatje	67	33
Cllr. VE Ndlela	PT	Policy & Institutional Development, MPAC	PR	28	72
Cllr. SH Griqua	PT	Policy & Institutional Development, MPAC	Sol Plaatje	0	100
Cllr. MA Mahutie	PT	Policy & Institutional Development, MPAC	Dikgatlong	33	67
Cllr. SN Kika	PT	Finance, MPAC	Sol Plaatje	6	94

\* Started later in the FY

\*\* Resigned during the FY

## 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

<b>Municipal Functions</b>	
<b>MUNICIPAL FUNCTIONS</b>	<b>Function Applicable to Municipality (Yes / No)*</b>
<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 wastewater 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 2017/18

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2017/18	Recommendations adopted (enter Yes) If not adopted (provide explanation)
2017/08/28	<p><b>Review of the draft AFS:</b></p> <ul style="list-style-type: none"> <li>The committee advised management to refer to GRAP standards on how to disclose repairs and maintenance. This should be disclosed by class and by nature as per the amended GRAP standards and requires a prior year error.</li> <li>A note for disclosure of inventory consumed must be included in accordance with GRAP 12.</li> <li>Maturity of the fixed deposit date must be corrected to 30 June 2018.</li> <li>Management must consider the risk of disclosing the full account numbers to the call investments</li> </ul>	The recommendations have been adopted
2017/11/23	Paragraph 25 and 31 on the draft audit report in relation to the annual financial statements must be revisited as it does not reflect fair presentation of the municipality.	The recommendations have been adopted
	Management to apply their mind when replacing the three motor vehicles which will be fully depreciated.	
	To create fraud response plan mechanisms with reporting activities in a case where fraud is identified.	
	<p>Proper root cause identification to be established for each risk and the amended risk register with the reviewed action plan be re-submitted to the APRC.</p> <ul style="list-style-type: none"> <li>To consider the legislative requirements in the event of hacking.</li> <li>To make a distinction between permanent and temporary changes in relation to change requests.</li> </ul>	The municipality will also look into addressing the emergency exit plan in the new building which is currently erected.
2018/02/15	<p><b>Audit Action Plan:</b></p> <ul style="list-style-type: none"> <li>The target dates to be revised to be more realistic as some of the issues can be dealt with sooner.</li> <li>Matters relating to revenue be attended to urgently.</li> <li>Management must guard against recurrence of irregular expenditure.</li> <li>Root causes to be properly identified as well as internal controls.</li> </ul>	The recommendations have been adopted
	<p><b>mSCOA:</b></p> <p>Total expenditure on all seven segments be reported and to remove Vote codes that are not utilised</p>	

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2017/18	Recommendations adopted (enter Yes) If not adopted (provide explanation)
2018/03/27	To revise the construction contract to ensure that the contractors abide to the contract and fast track of the construction.	The recommendations have been adopted
	<b>Strategic risk register:</b> <ul style="list-style-type: none"> <li>• SR 1: Municipal manager to report to Council on the implications of fruitless expenditures that result in the re- advertisements of recruitment for HOD positions.</li> <li>• SR 4: Management to decide whether internal audit be withdrawn as a strategic issue and be addressed at an operational level.</li> <li>• SR 5: To consider Cyber Security Act when developing information technology policies.</li> <li>• SR 6: To list the existence of the disciplinary board and its functions as part of the existing controls.</li> <li>• SR 8: To indicate the existence of the PMS Review Committee as part of the existing controls on performance management system.</li> <li>• To look at the issue of demarcation as well as the risks associated with it.</li> <li>• To look at a proactive identification and management of risks that have not occurred but are perceived to occur in the future.</li> </ul>	
2018/05/28	<b>Draft Budget 2018/19:</b> <ul style="list-style-type: none"> <li>• To inform council of the new version of MSCOA.</li> <li>• To ensure that there is consistency of reporting of matters around the issue of whether challenges are encountered or not as this read differently on the budget speech and well as in relation to MSCOA</li> </ul>	The recommendations have been adopted
	To consider whether delays of construction of the building qualifies as a disclosure in accordance with GRAP 17 and address this during preparations of the financial statement; if not, provide reasons thereof.	
	<b>Update to changes in GRAP standards:</b> To take note of Directive 5 and that there are 7 accounting standards adopted with effective dates.	The recommendations have been adopted
	To check applicability of GRAP 110 on living and non-living resources and whether there is a likelihood of this in future.	GRAP 110 currently not applicable
	Council to consider existence of the disciplinary board and look at the requirements of the regulations on financial misconduct procedures and criminal proceedings.	The recommendations have been adopted

<b>Municipal Audit Committee Recommendations</b>		
<b>Date of Committee</b>	<b>Committee recommendations during 2017/18</b>	<b>Recommendations adopted (enter Yes) If not adopted (provide explanation)</b>
<b>2018/05/28</b>	To conduct an assessment on the impact to local economic development and changes to environmental health.	The recommendations have been adopted and currently addressed.
	To consider the risk of local municipalities not putting efforts on what is expected from them as this leads to non-performance on FBDM.	
	To disclose the irregular expenditure paid to Macronym 37 in the annual financial statements.	
	To check impact on financial disclosure to the findings of annual declaration of interest by officials and councillors.	
	To take note of the effective date of GRAP 20 and ensure proper application to the accounting policy as well as alignment to the SCM policy.	The recommendations have been adopted and currently addressed.
	To do assessment on the ICT environment to check whether the municipality is not over regulating itself with the requirements not necessarily applicable to FBDM.	

## Appendix E - Disclosures of Financial Interests

Disclosures of Financial Interests		
Period 1 July 2017 to 30 June 2018 of 2017/18		
Position	Name	Description of Financial interests* (Nil / Or details)”
<b>(Executive) Mayor</b>	V.B. Ximba	None declared
<b>Member of MayCo / Exco</b>	M.B. Silingile	None declared
	M.E. Motsamai	None declared
	N.L. Shushu	None declared
	E.M. Mathe	None declared
	M.E. Mokgathanyane	None declared
	K.C. Mothibi	None declared
<b>Councillor</b>	P.D. Bishop	None declared
	D Benjamin	None declared
	A.K. Zalisa	None declared
	E.M. Mathe	None declared
	M.P. Thabane	None declared
	B. Springbok	None declared
	M.J. Beylefeld	None declared
	D.T. Setlholo	None declared
	M.A. Mahutie	None declared
	L.F. Duba	None declared
	A.O. Moremong	None declared
	M. Kaars	None declared
	A.M Siwisa	None declared
	P.J.F Louw	None declared
	J.S Musie	None declared
	D.M Macinga	None declared
	H Morometsi	None declared
	T.H Mpanza	None declared
	V.E Ndlela	None declared
	S.H Griqua	None declared
S.N Kika	None declared	

## Appendix E - Disclosures of Financial Interests

Disclosures of Financial Interests		
Period 1 July 2017 to 30 June 2018 of 2016/17		
Position	Name	Description of Financial interests* (Nil / Or details)"
Municipal Manager	M.M. Bogatsu	None declared
Chief Financial Officer (Acting)	O Moseki	None declared
Other S57 Officials	P. van der Walt	None declared

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

Revenue Collection Performance by Vote						
						R' 000
Vote Description	2016/17	Current Year: 2017/18		2017/18 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustment Budget
Vote 1 - Executive & Council	–	–	–	–	–	–
Vote 2 - Budget & Treasury	104,666	111,288	111,288	111,605	0.28%	0.28%
Vote 3 - Corporate Services	1,015	368	368	345	-6.12%	-6.12%
Vote 4 - Planning & Development	200	50	179	204	308.16%	14.07%
Vote 5 - Project Management Services	16,087	13,852	13,852	12,663	-8.58%	-8.58%
<b>Total Revenue by Vote</b>	<b>121,968</b>	<b>125,558</b>	<b>125,687</b>	<b>124,818</b>	<b>-0.59%</b>	<b>-0.69%</b>

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

Revenue Collection Performance by Source						
R '000						
Description	2016/17	2017/18		2017/18 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	1,010	1,227	1,227	1,003	-22.34%	-22.34%
Interest earned - external investments	6,805	5,262	5,262	5,830	9.75%	9.75%
Interest earned - outstanding debtors	–	–	–	–	–	–
Dividends received	–	–	–	–	–	–
Fines	–	–	–	–	–	–
Licences and permits	–	–	–	–	–	–
Agency services	–	–	–	–	–	–
Transfers recognised - operational	114,013	118,569	118,698	117,699	-0.74%	-0.85%
Other revenue	141	500	500	286	-74.99%	-74.99%
Gains on disposal of PPE	–	–	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>121,968</b>	<b>125,558</b>	<b>125,687</b>	<b>124,818</b>	<b>-0.59%</b>	<b>-0.70%</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	8,268	8,268	8,268	-	-	-	
Equitable Share - Levy replacement	104,049	104,049	104,049	-	-	-	
Finance Management	1,250	1,250	1,250	-	-	-	
Municipal Systems Improvement	-	-	-	-	-	-	
Roads asset management	2,516	2,516	2,516	-	-	-	
Kgotso Pula Nala	-	-	-	-	-	-	
NEAR Control Centre	368	368	345	-	-	-	
SETA - Skills Grant	100	100	100	-	-	-	
NCPA - EPWP	1,168	1,168	966	-	-	-	
Tourism Grant	-	200	204	-	-	-	
NCPA- District Aids Council	-	-	-	-	-	-	
Public Contributions	-	-	-	-	-	-	
NCPA- Housing Grants	800	800	-	-	-	-	
NCPA - Firefighting Equipment	350	350	-	-	-	-	
<b>Total</b>	<b>118,869</b>	<b>119,069</b>	<b>117,699</b>	-	-	-	

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

Capital Expenditure - New Assets Programme*							
Description	2016/17	2017/18			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class	–	–	–	–	–	–	–
Heritage assets - Total	104	–	–	–	–	–	–
Buildings	–	–	–	–	–	–	–
Other	104	–	–	–	–	–	–
Investment properties - Total	–	–	–	–	–	–	–
Housing development	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
Other assets	6,359	8,767	12,763	3,809	7,157	1,900	–
General vehicles	1,343	–	1,900	3	735	–	–
Specialised vehicles	–	–	–	–	–	–	–
Plant & equipment	1,821	233	228	13	2,021	1,900	–
Computers - hardware/equipment	96	463	505	449	3	–	–
Furniture and other office equipment	105	743	802	104	1,378	–	–
Abattoirs	–	–	–	–	–	–	–
Markets	–	–	–	–	–	–	–
Civic Land and Buildings	–	–	–	–	–	–	–
Other Buildings	2,995	7,328	9,328	3,240	3,020	–	–
Other Land	–	–	–	–	–	–	–
Surplus Assets - (Investment or Inventory)	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
Intangibles	–	590	590	–	–	–	–
Computers - software & programming	–	590	590	–	–	–	–
Total Capital Expenditure on new assets	6,463	9,357	13,353	3,809	7,157	1,900	–
Specialised vehicles	–	–	–	–	–	–	–
Refuse	–	–	–	–	–	–	–
Fire	–	–	–	–	–	–	–
Conservancy	–	–	–	–	–	–	–
Ambulances	–	–	–	–	–	–	–

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

Capital Expenditure - Upgrade/Renewal Programme*							
Description	R '000						
	2016/17	2017/18			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>862</b>	<b>480</b>	<b>477</b>	<b>40</b>	<b>893</b>	–	–
General vehicles	–	–	–	–	–	–	–
Specialised vehicles	–	–	–	–	–	–	–
Plant & equipment	512	350	350	21	–	–	–
Computers - hardware/ equipment	350	130	127	19	215	–	–
Furniture and other office equipment	–	–	–	–	678	–	–
Abattoirs	–	–	–	–	–	–	–
Markets	–	–	–	–	–	–	–
Civic Land and Buildings	–	–	–	–	–	–	–
Other Buildings	–	–	–	–	–	–	–
Other Land	–	–	–	–	–	–	–
Surplus Assets - (Investment or Inventory)	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
<b>Intangibles</b>	–	–	<b>220</b>	–	–	–	–
Computers - software & programming	–	250	220	–	–	–	–
Other (list sub-class)	–	–	–	–	–	–	–
<b>Total Capital Expenditure on renewal of existing assets</b>	<b>862</b>	<b>480</b>	<b>697</b>	<b>40</b>	<b>893</b>	–	–
<b>Specialised vehicles</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: 2017/18				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2017/18 R' 000	Total Amount committed over previous and future years
Dikgatlong Municipality	Water Pipes Capital	Grant	1,694	Determined according to the needs of the municipalities specified in the IDP and availability of funding by FBDM.
Dikgatlong Municipality	Water Pipes Capital	Grant	1,779	
Dikgatlong Municipality	Water Pipes Capital	Grant	1,000	
Dikgatlong Municipality	Water Operational Grant	Grant	789	
Dikgatlong Municipality	Waste Water Operational Project	Grant	455	
Dikgatlong Municipality	Maintenance- Municipal Infrastructure	Grant	464	
Dikgatlong Municipality	Maintenance- Ecelctricity Infrastructure	Grant	1,691	
Magareng Municipality	Water Capital Project	Grant	5,000	
Magareng Municipality	Water Operational Grant	Grant	650	
Magareng Municipality	Waste Water Operational Prjoeect	Grant	550	
Magareng Municipality	Maintenance- Municipal Infrastructure	Grant	400	
Magareng Municipality	Maintenance- Ecelctricity Infrastructure	Grant	2,500	
Phokwane Municipality	Water Capital Project	Grant	88	
Phokwane Municipality	Water Capital Project	Grant	500	
Phokwane Municipality	Water Capital Project	Grant	149	
Phokwane Municipality	Water Operational Grant	Grant	445	
Phokwane Municipality	Waste Water Operational Project	Grant	253	
Phokwane Municipality	Maintenance- Municipal Infrastructure	Grant	879	
Phokwane Municipality	Maintenance- Ecelctricity Infrastructure	Grant	700	
Sol Plaatje Municipality	Maintenance- Municipal Infrastructure	Grant	1,000	
Sol Plaatje Municipality	Maintenance- Municipal Infrastructure	Grant	1,500	

**VOLUME II  
ANNUAL FINANCIAL  
STATEMENTS**

# FRANCES BAARD DISTRICT MUNICIPALITY



[These financial statements have been audited]

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## FRANCES BAARD DISTRICT MUNICIPALITY

### Annual Financial Statements for the year ended 30 June 2018

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**FRANCES BAARD DISTRICT MUNICIPALITY**

**Annual Financial Statements for the year ended 30 June 2018**

**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 6
	Phokwane	Grade 3
	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	
<b>Chief financial officer</b>	Vacant	
<b>Other heads of departments</b>	Director: Administration	Mrs. KG Gaborone
	Director: Planning & Development	Vacant
	Director: Infrastructure Services	Vacant
<b>Registered office</b>	51 Drakensberg Avenue Carters Glen Kimberley	
<b>External auditors</b>	Auditor-General of South Africa Private Bag X5013 Kimberley	
<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	Chairperson
	Mr. T Mogoli	Member
	Mr. G Botha	Member

**FRANCES BAARD DISTRICT MUNICIPALITY**

**Annual Financial Statements for the year ended 30 June 2018**

**General information**

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<b>Principal banker</b>	Standard Bank Cnr of Bultfontein & Lennox Street Po Box 626 Kimberley 8300	
<b>Relevant legislation</b>	Municipal Finance Management Act Division of Revenue Act The Income Tax Amendment Act Value Added Tax Amendment Act Municipal Structures Act Municipal Systems Act Municipal Planning and Performance Management Regulations Housing Act Skills Development Levies Amendment Act Employment Equity Act Unemployment Insurance Act Basic Conditions of Employment Act Supply Chain Management Regulations	
<b>Executive Mayor</b>	Mr P Marekwa	Proportional
<b>Speaker</b>	Ms U Buda	Sol Plaatje Municipality
<b>Mayoral Committee</b>	Mr M Mokgathlanyane Ms C Mothibi Ms M Mathe Ms M Motsamai Ms BV Ximba	Proportional Proportional Proportional Proportional Proportional
<b>MPAC Chairperson</b>	Ms D Bishop	Sol Plaatje Municipality
<b>Part Time Councillors</b>	Vacant Mr M Kaars Ms D Benjamin Mr P Louw Ms A Siwisa Ms A Moremong Mr J Musie Ms D Setholo Mr B Springbok Ms KM Sebego Ms L Duba Ms M Beylefeld Mr S Griqua Mr S N Kika Ms LN Shushu Mr D M Macinga Ms M A Mahutie Ms H Morometse Mr K Zalisa	Proportional Proportional Proportional Proportional Proportional Phokwane Municipality Phokwane Municipality Proportional Proportional Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Dikgatlong Dikgatlong Phokwane Municipality Magareng

## FRANCES BAARD DISTRICT MUNICIPALITY

### Annual Financial Statements for the year ended 30 June 2018

#### Approval of Annual Financial Statements

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I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018 which are set out on pages 1 to 94 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 2019 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 2018.

The annual financial statements set out on pages 1 to 94, which have been prepared on the going concern basis, were approved by the accounting officer and were signed on her behalf by:



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*Ms. ZM Bogatsu*  
**Municipal Manager**

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31-Aug-18  
**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 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information 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 2018, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (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, 2017 (Act No. 3 of 2017) (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 this auditor's 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) and 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.

#### Material underspending

7. 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 R32 644 495

#### Irregular expenditure

8. As disclosed in note 38.3 to the financial statements, irregular expenditure to the amount of R3 551 500 was incurred due to non-compliance with SCM Regulations.

#### 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 in the financial statements. 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 the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with 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 the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has 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 the 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 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 this 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 development priorities 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 development priorities presented in the annual performance report of the municipality for the year ended 30 June 2018:

Development priority	Pages in the annual performance report
KPA 1: Sustainable municipal infrastructure development and basic services	X – X

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance 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.

**KPA 1: Sustainable municipal infrastructure development and basic services**

19. I did not raise any material findings on the usefulness and reliability of the reported performance information for this development priority.

## Other matters

20. I draw attention to the matters below.

### Achievement of planned targets

21. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year.

### Adjustment of material misstatements

22. 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 services. 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 the audit of compliance with legislation

### Introduction and scope

23. 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.

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

### Annual financial statements, performance and annual report

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA . Material misstatements of non-current assets, current assets and disclosures identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

### Procurement and contract management

26. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c).

27. A person in service of the municipality whose business partners had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e) and the code of conduct for councillors issued in terms of the Municipal Systems Act.

#### Other information

28. 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 and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
29. 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.
30. 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 development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
31. 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.

## Internal control deficiencies

32. 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 on it. 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.
33. Material misstatements were identified in the annual financial statements and the annual performance report. These misstatements were subsequently corrected by the municipality resulting in the unqualified audit opinion expressed. As a result, the processes in place at the municipality were not effective in identifying the material misstatements identified by the auditor.
34. Monitoring of compliance by management was not sufficient as material non-compliance was identified by the auditor.

*Auditor General*

Kimberley

29 November 2018



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 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 this 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’s 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 this auditor’s report. However, future events or conditions may cause a municipality to cease continuing 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, where applicable, related safeguards.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

	Note	Actual	
		2018 R	2017 Restated R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>63 832 831</b>	<b>66 848 774</b>
Inventories	2	341 561	337 673
Receivables from Exchange Transactions	3	1 883 331	1 772 108
VAT Receivable	4	3 663 078	3 362 592
Investments	5	6 050 000	10 450 000
Cash and Cash Equivalents	6	51 071 805	50 102 119
Operating Lease Receivables	7	4 056	5 282
Current Portion of Long-term Receivables	8	819 000	819 000
<b>Non-Current Assets</b>		<b>58 161 176</b>	<b>58 653 683</b>
Property, Plant and Equipment	9	49 389 894	49 311 261
Intangible Assets	10	579 865	597 005
Heritage Assets	11	631 417	631 417
Long-term Receivables	12	7 560 000	8 114 000
<b>Total Assets</b>		<b>121 994 008</b>	<b>125 502 457</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>17 718 740</b>	<b>24 889 511</b>
Consumer Deposits	13	570	570
Provisions	14	8 490 003	8 994 111
Payables from Exchange Transactions	15	6 566 088	13 244 099
Unspent Conditional Grants and Receipts	16	206 662	471 699
Current Portion of Long-term Liabilities	17	2 455 416	2 179 033
<b>Non-Current Liabilities</b>		<b>28 489 808</b>	<b>32 185 589</b>
Long-term Liabilities	17	-	2 484 589
Employee Benefit Liabilities	18	28 380 898	29 586 999
Non-current Provisions	19	108 910	114 001
<b>Total Liabilities</b>		<b>46 208 548</b>	<b>57 075 099</b>
<b>Total Assets and Liabilities</b>		<b>75 785 460</b>	<b>68 427 357</b>
<b>NET ASSETS</b>		<b>75 785 460</b>	<b>68 427 356</b>
Reserves	20	27 732 436	27 996 397
Accumulated Surplus / (Deficit)	21	48 053 024	40 430 960

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

		Actual	
	Note	2018 R	2017 Restated R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Transfers and Subsidies	<b>22</b>	117 698 568	114 012 528
<b>Revenue from Exchange Transactions</b>			
Sales of Goods and Rendering of Services	<b>23</b>	285 736	140 709
Rental from Fixed Assets	<b>24</b>	1 003 158	1 009 828
Interest, Dividends and Rent on Land Earned	<b>25</b>	5 830 289	6 805 233
<b>Total Revenue</b>		<b><u>124 817 752</u></b>	<b><u>121 968 299</u></b>
<b>EXPENDITURE</b>			
Employee Related Costs	<b>26</b>	57 917 444	59 488 404
Remuneration of Councillors	<b>27</b>	6 566 732	5 950 489
Depreciation and Amortisation	<b>28</b>	3 877 476	3 926 513
Impairment Losses	<b>29</b>	88 121	2 219
Interest, Dividends and Rent on Land	<b>30</b>	451 109	673 822
Contracted Services	<b>31</b>	12 504 137	9 628 704
Inventory Consumed	<b>32</b>	1 454 790	5 207 187
Transfers and Subsidies Paid	<b>33</b>	24 795 809	38 663 697
Operational Costs	<b>34</b>	9 858 846	13 439 011
Loss on Disposal of Property, Plant and Equipment	<b>35</b>	29 393	429 444
<b>Total Expenditure</b>		<b><u>117 543 857</u></b>	<b><u>137 409 490</u></b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b><u>7 273 895</u></b>	<b><u>(15 441 191)</u></b>
<b>Refer to Budget Statement for explanation of budget variances</b>			

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018**

	Capital Replacement Reserve	Revaluation Reserve	Total Funds & Reserves	Accumulated Surplus/(Deficit)	Total Net Assets
	R	R	R	R	R
<b>2017</b>					
Balance at 30 June 2016	15 281 795	20 303 275	35 585 070	48 283 478	83 868 548
Change in Accounting Policy (Note N/A)			-	-	-
Correction of Error (Note 36)	-	-	-	-	-
<b>Restated Balance</b>	<b>15 281 795</b>	<b>20 303 275</b>	<b>35 585 070</b>	<b>48 283 478</b>	<b>83 868 548</b>
Surplus / (Deficit) for the year			-	(15 441 191)	(15 441 191)
Other Transfers to/from Accumulated Surplus			-	-	-
Transfers to/from Accumulated Surplus	(7 324 713)	(263 961)	(7 588 674)	7 324 713	(263 961)
Transfers to/from Reserves	-	-	-	-	-
Depreciation Offsets	-	-	-	263 961	263 961
<b>Balance at 30 June 2017</b>	<b>7 957 082</b>	<b>20 039 314</b>	<b>27 996 397</b>	<b>40 430 960</b>	<b>68 427 356</b>
<b>2018</b>					
Change in Accounting Policy (Note N/A)			-	-	-
Correction of Error (Note 36)			-	84 208	84 208
<b>Restated Balance</b>	<b>7 957 082</b>	<b>20 039 314</b>	<b>27 996 397</b>	<b>40 515 168</b>	<b>68 511 565</b>
Surplus / (Deficit) for the year			-	7 273 895	7 273 895
Other Transfers to/from Accumulated Surplus			-	-	-
Transfers to/from Accumulated Surplus	-	(263 961)	(263 961)	-	(263 961)
Transfers to/from Reserves	-	-	-	-	-
Depreciation Offsets	-	-	-	263 961	263 961
<b>Balance at 30 June 2018</b>	<b>7 957 082</b>	<b>19 775 353</b>	<b>27 732 436</b>	<b>48 053 024</b>	<b>75 785 460</b>

Details on the movement of the Funds and Reserves are set out in Note 20 and Note 21.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Actual 2018 R	2017 Restated R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Transfers and Subsidies		117 433 532	111 410 567
External Interest and Dividends Received		5 830 289	6 805 233
Other Receipts		681 170	3 236 680
VAT Receivable / Payable		-	2 031 238
<b>Payments</b>			
Employee Related Costs		(59 339 805)	(58 349 053)
Remuneration of Councillors		(6 566 732)	(5 950 489)
External Interest and Dividends Paid		(451 109)	(673 822)
Suppliers Paid		(20 680 405)	(11 728 493)
Other Payments		(34 654 655)	(52 122 703)
VAT Receivable / Payable		(300 486)	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b><u>1 951 799</u></b>	<b><u>(5 340 842)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	9	(3 716 156)	(7 352 599)
Purchase of Intangible Assets	10	(149 000)	-
Proceeds on Disposal of Property, Plant and Equipment	35	33 142	(1)
Decrease / (Increase) in Current Investments	5	4 400 000	(4 900 000)
Decrease / (Increase) in Long-term Receivables	13	554 000	406 000
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b><u>1 226 092</u></b>	<b><u>(11 846 599)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowings	17	(2 208 206)	(1 985 494)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b><u>(2 208 206)</u></b>	<b><u>(1 985 494)</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b><u>969 686</u></b>	<b><u>(19 172 935)</u></b>
Cash and Cash Equivalents at Beginning of Period		50 102 119	69 275 054
Cash and Cash Equivalents at End of Period	6	51 071 805	50 102 119

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2018**

30 June 2018

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Actual > Budget	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL POSITION</b>										
<b>Current Assets</b>										
Inventories	300 000	37 673	337 673	-	337 673	341 561	-	3 888	101,15	113,85
Receivables from Exchange Transactions	2 000 000	3 135 490	5 135 490	-	5 135 490	1 883 331	-	(3 252 159)	36,67	94,17
VAT Receivable	-	-	-	-	-	3 663 078	-	3 663 078	0,00	0,00
Cash and Cash Equivalents	45 903 607	(18 715 427)	27 188 180	-	27 188 180	51 071 805	-	23 883 626	187,85	111,26
Operating Lease Receivables	-	-	-	-	-	4 056	-	4 056	0,00	0,00
Current Portion of Long-term Receivables	741 000	78 001	819 001	-	819 001	819 000	-	(1)	100,00	110,53
<b>Non-Current Assets</b>										
Property, Plant and Equipment	59 173 904	(9 876 861)	49 297 043	-	49 297 043	49 389 894	-	92 851	100,19	83,47
Intangible Assets	990 454	(393 450)	597 004	-	597 004	579 865	-	(17 139)	97,13	58,55
Heritage Assets	-	-	-	-	-	631 417	-	631 417	0,00	0,00
Long-term Receivables	9 229 417	(484 000)	8 745 417	-	8 745 417	7 560 000	-	(1 185 417)	86,45	81,91
<b>Total Assets</b>	<b>118 338 381</b>	<b>(26 218 574)</b>	<b>92 119 808</b>	<b>-</b>	<b>92 119 808</b>	<b>121 994 008</b>	<b>-</b>	<b>29 874 200</b>	<b>132,43</b>	<b>103,09</b>
<b>Current Liabilities</b>										
Consumer Deposits	-	-	-	-	-	570	-	570	0,00	0,00
Provisions	-	-	-	-	-	8 490 003	-	8 490 003	0,00	0,00
Payables from Exchange Transactions	22 767 164	2 123 173	24 890 337	-	24 890 337	6 566 088	-	(18 324 249)	26,38	28,84
Unspent Conditional Grants and Receipts	-	-	-	-	-	206 662	-	206 662	0,00	0,00
Current Portion of Long-term Liabilities	-	-	-	-	-	2 455 416	-	2 455 416	0,00	0,00
<b>Non-Current Liabilities</b>										
Long-term Liabilities	2 486 701	(2 112)	2 484 589	-	2 484 589	-	-	(2 484 589)	0,00	0,00
Employee Benefit Liabilities	-	-	-	-	-	28 380 898	-	28 380 898	0,00	0,00
Non-current Provisions	27 524 000	2 176 999	29 700 999	-	29 700 999	108 910	-	(29 592 089)	0,37	0,40
<b>Total Liabilities</b>	<b>52 777 865</b>	<b>4 298 060</b>	<b>57 075 925</b>	<b>-</b>	<b>57 075 925</b>	<b>46 208 548</b>	<b>-</b>	<b>(10 867 377)</b>	<b>80,96</b>	<b>87,55</b>
<b>Total Assets and Liabilities</b>	<b>65 560 516</b>	<b>(30 516 634)</b>	<b>35 043 882</b>	<b>-</b>	<b>35 043 882</b>	<b>75 785 460</b>	<b>-</b>	<b>40 741 577</b>	<b>216,26</b>	<b>115,60</b>
<b>Net Assets (Equity)</b>										
Statutory Funds	-	-	-	-	-	-	-	-	0,00	0,00
Reserves	26 971 000	(3 890 581)	23 080 419	-	23 080 419	27 732 436	-	4 652 017	120,16	102,82
Accumulated Surplus / (Deficit)	38 589 516	(26 626 053)	11 963 463	-	11 963 463	48 053 024	-	36 089 561	401,66	124,52
<b>Total Net Assets</b>	<b>65 560 516</b>	<b>(30 516 634)</b>	<b>35 043 882</b>	<b>-</b>	<b>35 043 882</b>	<b>75 785 460</b>	<b>-</b>	<b>40 741 578</b>	<b>216,26</b>	<b>115,60</b>

**Financial Position: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Receivables from Exchange Transactions:

The budget is underspent as the adjustment budget includes the VAT receivable of R3 135 000.

VAT Receivable:

The budget is overspent as the adjustment budget includes the VAT receivable as part of Receivables from Exchange Transactions of R3 135 000.

Cash and Cash Equivalents:

The variance is due to an improvement in cash flow which result from increased investments and lower spending as a result of cost containment measures implemented.

Operating Lease Receivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Intangible Assets:

The variance is due to savings on capital spending and procurement on other capital items did not materialise.

Heritage Assets:

NT Budget Template not aligned to GRAP and does not provide for Heritage Assets. Budget was captured under other assets.

Long-term Receivables:

The variance is due to the outcome from the actuarial valuation which is based on the fair value method of calculation.

Provisions:

The variance is due to the budget amount being included under trade payables.

Payables from Exchange Transactions:

The variance is due to the expenditure amount which excludes provisions.

Unspent Conditional Grants and Receipts:

The variance is due to the budget amount being included under trade payables.

Current Portion of Long-term Liabilities:

The variance is due to the budget amount being included under trade payables.

Long-term Liabilities:

Loan is due to be settled 18/19 that is why there is no movement to date.

Retirement Benefit Liabilities:

Under budgeted for Employee Benefit Liabilities due to a cap amount incorrectly applied to retired employees that influence the valuation.

Non-current Provisions:

It was under-budgeted for Provision for Rehabilitation of Landfill Sites, which were restated during the current financial year.

Reserves:

The variance is due to the decrease in the reserve being lower than anticipated.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Difference between budget and actual	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
<b>FINANCIAL PERFORMANCE</b>										
<b>Revenue from Non-exchange Transactions</b>										
Transfers and Subsidies	118 569 000	128 910	118 697 910	128 910	118 826 820	117 698 568	-	(1 128 252)	99,05	99,27
<b>Revenue from Exchange Transactions</b>										
Sales of Goods and Rendering of Services	500 000	-	500 000	-	500 000	285 736	-	(214 264)	57,15	57,15
Rental from Fixed Assets	1 227 260	-	1 227 260	-	1 227 260	1 003 158	-	(224 102)	81,74	81,74
Interest, Dividends and Rent on Land Earned	5 262 000	-	5 262 000	-	5 262 000	5 830 289	-	568 289	110,80	110,80
Gains on Disposal of Property, Plant and Equipment	2 029 330	(2 029 330)	-	(2 029 330)	(2 029 330)	-	-	2 029 330	0,00	0,00
<b>Total Revenue</b>	127 587 590	(1 900 420)	125 687 170	(1 900 420)	123 786 750	124 817 752	-	1 031 002	100,83	97,83
<b>Expenditure</b>										
Employee Related Costs	65 844 680	5 394 880	71 239 560	5 394 880	76 634 440	57 917 444	-	(18 716 996)	75,58	87,96
Remuneration of Councillors	6 369 050	6 910	6 375 960	6 910	6 382 870	6 566 732	183 862	183 862	102,88	103,10
Depreciation and Amortisation	3 290 420	-	3 290 420	-	3 290 420	3 877 476	587 056	587 056	117,84	117,84
Impairment Losses	3 000	-	3 000	-	3 000	88 121	85 121	85 121	2 937,35	2 937,35
Interest, Dividends and Rent on Land	487 000	-	487 000	-	487 000	451 109	-	(35 891)	92,63	92,63
Contracted Services	19 234 780	411 320	19 646 100	411 320	20 057 420	12 504 137	-	(7 553 283)	62,34	65,01
Inventory Consumed	1 061 210	243 780	1 304 990	243 780	1 548 770	1 454 790	-	(93 980)	93,93	137,09
Transfers and Subsidies Paid	22 994 500	3 129 613	26 124 113	3 129 613	29 253 726	24 795 809	-	(4 457 917)	84,76	107,83
Operational Costs	17 743 190	(3 371 743)	14 371 447	(3 371 743)	10 999 704	9 858 846	-	(1 140 858)	89,63	55,56
Statutory Payments other than Taxes	250 000	-	250 000	-	250 000	-	-	(250 000)	0,00	0,00
Loss on Disposal of Property, Plant and Equipment	250 000	-	250 000	-	250 000	29 393	-	(220 607)	11,76	11,76
<b>Total Expenditure</b>	137 527 830	5 814 760	143 342 590	5 814 760	149 157 350	117 543 857	856 039	(31 613 493)	78,81	85,47
<b>Surplus/(Deficit for the Year)</b>	<b>(9 940 240)</b>	<b>(7 715 180)</b>	<b>(17 655 420)</b>	<b>(7 715 180)</b>	<b>(25 370 600)</b>	<b>7 273 895</b>	<b>(856 039)</b>	<b>32 644 495</b>	<b>-</b>	<b>-</b>

**Financial Performance: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

**Sales of Goods and Rendering of Services:**

The sale of goods and rendering of services was less than expected due to the low demand for the goods & services.

**Rental from Fixed Assets:**

The rental of facilities and equipment was less than expected due to the low demand for the services.

**Interest, Dividends and Rent on Land Earned:**

The income from external investments was more than anticipated as more money was invested in call accounts during the financial year.

**Gains on Disposal of Property, Plant and Equipment:**

No gains were made on disposal of fixed assets sold during the year.

**Employee Related Costs:**

The under spending on the employee related cost is due to the vacant positions which have not been filled.

**Depreciation and Amortisation:**

The depreciation & amortisation on assets was higher than expected due to acquisition of new assets.

**Impairment Losses:**

No debtors were impaired for the year, as debtors are deemed to be able to repay the municipality.

**Contracted Services:**

Savings realised by not appointing unnecessary contractors due to cost containment measures. Repairs and Maintenance Budget is included under Contracted Services.

**Transfers and Subsidies Paid:**

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.

**Operational Costs:**

Operational cost was less than the budgeted amount due to cost containment measures implemented during the financial year.

**Loss on Disposal of Property, Plant and Equipment:**

The loss on disposal of PPE was lower than anticipated.

Additional funds were received after the finalisation of the Adjustment Budget, late February to June 2016, which resulted in the major portion of the virements recorded in the table above.

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Difference between budget and actual	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>										
Executive and Council	194 500	-	194 500	-	194 500	74 100	-	(120 400)	38,10	38,10
Finance and Administration	2 030 400	62 789	2 093 189	-	2 093 189	394 814	-	(1 698 375)	18,86	19,45
Community and Social Services	10 500	-	10 500	-	10 500	3 986	-	(6 514)	37,97	37,97
Environmental Protection	5 000	-	5 000	-	5 000	2 430	-	(2 570)	48,61	48,61
Planning and Development	7 846 500	2 000 000	9 846 500	-	9 846 500	3 240 825	-	(6 605 675)	32,91	41,30
<b>Total Capital Expenditure</b>	<b>10 086 900</b>	<b>2 062 789</b>	<b>12 149 689</b>	<b>-</b>	<b>12 149 689</b>	<b>3 716 156</b>	<b>-</b>	<b>(8 433 533)</b>	<b>30,59</b>	<b>36,84</b>
<b>Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual</b>										
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:										
Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.										
Executive and Council:										
Savings realised on capital items budgeted for and not procured.										
Finance and Administration:										
Savings realised on capital items budgeted for and not procured - Budget rolled over to 2018/19 for procurement										
Corporate Services:										
Savings realised on capital items budgeted for and not procured - Budget rolled over to 2017/18 for completion of water tanker.										
Community and Social Services:										
Savings realised on capital items budgeted for and not procured.										
Planning and Development:										
Savings realised on capital items budgeted for and not procured - Budget rolled over to 2018/19 for procurement for new offices.										

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Difference between budget and actual	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>										
<b>Cash Flows from/(used in) Operating Activities</b>										
Property Rates	-	-	-	-	-	-	-	-	0.00	0.00
Transfers and Subsidies	118 401 000	128 910	118 529 910	-	118 529 910	117 433 532	-	(1 096 378)	99,08	99,18
External Interest and Dividends Received	5 262 000	-	5 262 000	-	5 262 000	5 830 289	-	568 289	110,80	110,80
Other Receipts	588 000	-	588 000	-	588 000	681 170	-	93 170	115,85	115,85
VAT Receivable / Payable	-	-	-	-	-	-	-	-	0.00	0.00
Employee Related Costs	(66 558 180)	(1 448 200)	(68 006 380)	-	(68 006 380)	(59 339 805)	-	8 666 575	0.00	0.00
Remuneration of Councilors	(6 369 050)	318 453	(6 050 598)	-	(6 050 598)	(6 566 732)	-	(516 135)	0.00	0.00
External Interest and Dividends Paid	(487 000)	-	(487 000)	-	(487 000)	(451 109)	-	35 891	0.00	0.00
Suppliers Paid	(15 586 990)	(716 369)	(16 303 359)	-	(16 303 359)	(20 680 405)	-	(4 377 046)	0.00	0.00
Other Payments	(42 703 860)	2 659 750	(40 044 110)	-	(40 044 110)	(34 654 655)	-	5 389 455	0.00	0.00
VAT Receivable / Payable	-	-	-	-	-	(300 486)	-	(300 486)	0.00	0.00
<b>Cash Flows from/(used in) Investing Activities</b>										
Purchase of Property, Plant and Equipment	(10 086 900)	(3 962 810)	(14 049 710)	-	(14 049 710)	(3 716 156)	-	10 333 554	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	(149 000)	-	(149 000)	0.00	0.00
Purchase of Investment Property	-	-	-	-	-	-	-	-	0.00	0.00
Purchase of Heritage Assets	-	-	-	-	-	-	-	-	0.00	0.00
Purchase of Biological Assets	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	33 142	-	33 142	0.00	0.00
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	104 106	-	104 106	0.00	0.00
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Heritage Assets	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Investments in Associates	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	554 000	-	554 000	0.00	0.00
<b>Cash Flows from/(used in) Financing Activities</b>										
Proceeds from Borrowings	-	-	-	-	-	-	-	-	0.00	0.00
Repayment of Borrowings	(2 223 632)	-	(2 223 632)	-	(2 223 632)	(2 208 206)	-	15 426	0.00	0.00
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	-	0.00	0.00
<b>Cash and Cash Equivalents at End of the Year</b>	<b>(19 764 612)</b>	<b>(3 020 267)</b>	<b>(22 784 879)</b>	<b>-</b>	<b>(22 784 879)</b>	<b>(3 430 314)</b>	<b>-</b>	<b>19 354 565</b>	<b>0.00</b>	<b>0.00</b>

**Cash Flow: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

**External Interest and Dividends Received:**

The interest received from investments was higher than anticipated due to increase in investments made during the year.

**Other Receipts:**

Income from other receipts was higher than anticipated.

**Employee Related Costs:**

The variance is due to the vacancies which could not be filled for the year under review.

**Remuneration of Councillors:**

The variance is due to increase in councillor upper limits.

**External Interest and Dividends Paid:**

Over budgeted for external interest paid as interest on DBSA loan was lower than expected.

**Suppliers Paid:**

NT Budget Template not aligned to GRAP requirements - Councillor Remuneration included in Suppliers Paid below.

**Other Payments:**

It was not budgeted for Interest and Penalties on late payments made.

**VAT Receivable / Payable:**

NT Budget Template not aligned to GRAP requirements - Employee Costs and Councillor Remuneration above included in Suppliers Paid.

**Purchase of Property, Plant and Equipment:**

It was not budgeted for the effect of changes in outstanding payables.

**Purchase of Intangible Assets:**

Purchase of Property, Plant and Equipment from roll overs from 2017/18 increased the actual outcome.

**Decrease / (Increase) in Long-term Receivables:**

It was not budgeted for the change in Long-term Receivables.

**Cash and Cash Equivalents at End of the Year:**

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2017/18	2016/17
	R	R
<b>Net surplus/(deficit) per the statement of financial performance</b>	<b>7 273 895</b>	<b>(15 441 191)</b>
<b>Revenue from Non-exchange Transactions</b>		
Transfers and Subsidies	1 128 252	(822 006)
<b>Revenue from Exchange Transactions</b>		
Sales of Goods and Rendering of Services	214 264	(40 709)
Rental from Fixed Assets	224 102	71 285
Interest, Dividends and Rent on Land Earned	(568 289)	(1 061 883)
Gains on Disposal of Property, Plant and Equipment	(2 029 330)	30 000
<b>Expenditure</b>		
Employee Related Costs	(18 716 996)	(3 543 512)
Remuneration of Councillors	183 862	(666 141)
Depreciation and Amortisation	587 056	99 893
Impairment Losses	85 121	(781)
Finance Costs	(35 891)	(97 178)
Contracted Services	(7 553 283)	(3 727 386)
Inventory Consumed	(93 980)	(1 882 830)
Grants and Subsidies Paid	(4 457 917)	(8 920 555)
Operational Costs	(1 140 858)	(5 652 109)
Statutory Payments other than Taxes	(250 000)	(210 000)
Loss on Disposal of Property, Plant and Equipment	(220 607)	219 444
<b>Net surplus/deficit per approved budget</b>	<b>(25 370 600)</b>	<b>(41 645 660)</b>

# FRANCES BAARD DISTRICT MUNICIPALITY

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018

### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No.

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

#### 1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### 1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2017 and 30 June 2018 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

#### 1.3 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial

##### 1.3.1 Revenue Recognition

Accounting Policy 10.2 on Revenue from Exchange Transactions and Accounting Policy 10.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the 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*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, 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 is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

### 1.3.2 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade 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 is performed per service-identifiable categories across all classes of debtors.

### 1.3.3 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, and 5.2, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to 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.

### 1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy N/A on Impairment of Assets, Accounting Policy 5.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 9 and 10 to the Annual Financial Statements, if applicable.

### 1.3.5 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

### 1.3.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

### 1.3.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

## 1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Assumption*.

### 1.5 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:

- GRAP 18 Segment Reporting (effective 1 April 2020)
- GRAP 20 Related Party Disclosures (effective 1 April 2019)
- GRAP 32 Service Concession Arrangement Grantor (effective 1 April 2019)
- GRAP 108 Statutory Receivables (effective 1 April 2019)
- GRAP 109 Accounting by Principals and Agents (effective 1 April 2019)
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (effective 1 April 2019)

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate disclosure:

- GRAP 20 Related Party Disclosures

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality, except for:

- GRAP 108 Statutory Receivables:-  
It is expected that the Standard will affect the valuation of Receivables from Non-Exchange Transactions, but the extent cannot be determined at this stage.
- GRAP 109 Accounting by Principals and Agents:-  
The effect of this Standard on accounting for transactions between the municipality, another function of government or private sector and third parties, can only be determined once it becomes effective.

## 2. NET ASSETS

### 2.1.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. Subsequent adjustments to the Revaluation Reserve are made in accordance with GRAP 17 (Property, Plant and Equipment).

### 2.1.2 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 in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in Surplus or Deficit and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

### 3. PROPERTY, PLANT AND EQUIPMENT

#### 3.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

#### 3.2 Subsequent Measurement

##### Plant and Equipment

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

##### Revaluation Model:

##### Buildings and Land

During the current year the municipality opted to adopt the application of the *Revaluation Model* for its buildings and land based on the conclusion that this is the more prudent approach for the municipality to follow.

Subsequent to initial recognition Buildings and Land are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by experienced valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

#### 3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years
	<b>Community</b>	
	Security Measures	5 - 10
	<b>Land and Buildings</b>	
	Land	Indefinite
	Buildings	5-32
	<b>Other</b>	
	Computer Equipment	5 - 27
	Emergency Equipment	5 - 27
	Furniture and Fittings	4 - 30
	Motor Vehicles	5 - 15
	Office Equipment	5 - 27
	Plant and Machinery	4 - 17

### **3.4 Land**

Land is stated at fair value and is not depreciated as it is deemed to have an indefinite useful life.

### **3.5 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

### **3.6 Derecognition**

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

## **4. HERITAGE ASSETS**

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

### **4.1 Initial Recognition**

Heritage Assets are initially recognised at cost.

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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

### **4.2 Subsequent Measurement**

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

### **4.3 Derecognition**

The gain or loss arising from the derecognition of an item of Heritage Assets is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

## **5. INTANGIBLE ASSETS**

### **5.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with GRAP 31 (*Intangible Assets*). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible Assets are initially recognised at cost.

Where an Intangible 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.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s)

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

## 5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years
	Computer Software	10
	Computer Software Licences	10

## 5.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

# 6. INVESTMENT PROPERTY

## 6.1 Initial Recognition

At initial recognition, the municipality measures Investment Property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

## 6.2 Subsequent Measurement

During the current year the municipality reviewed its application of the *Fair Value Model* and concluded that based on a lack of commercial substance for such valuations, the more prudent approach for the municipality would be to carry these assets at their cost prices. The municipality has no intention of selling its land and buildings and thus the *Cost Model* would represent the value of all land and buildings more fairly. The change has resulted in the municipality's Annual Financial Statements providing reliable and more relevant information about the value of Buildings and Land, based on the intended use of these assets in line with all valuation method of all other assets.

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is recognised in Surplus or Deficit.

## 6.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

## 7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

### 7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

### 7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its 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.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

## 8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

### Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### 8.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Vaule
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

### 8.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

### 8.3 Initial and Subsequent Measurement

#### 8.3.1 Financial Assets:

##### Financial Assets measured at Amortised Cost

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

### **Financial Assets measured at Cost**

*Financial Assets at Cost* are initially measured at the transaction amount and transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at cost less any impairment.

### **Financial Assets measured at Fair Value**

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

## **8.3.2 Financial Liabilities:**

### **Financial Liabilities measured at Fair Value**

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

### **Financial Liabilities held at Amortised Cost**

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

## **8.4 Impairment of Financial Assets**

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

### **8.4.1 Financial Assets at Amortised Cost**

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

### **8.4.2 Financial Assets at Cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

## **8.5 Derecognition of Financial Assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

### **8.6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

## **9. INVENTORIES**

### **9.1 Initial Recognition**

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus 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.

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.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

### **9.2 Subsequent Measurement**

#### **9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods**

Consumable stores distributed at no charge or for a nominal charge are valued at the lower of cost and current replacement cost. The cost is determined using the *weighted average Method*.

#### **9.2.2 Other Arrangements**

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

## **10. REVENUE RECOGNITION**

### **10.1 General**

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

### **10.2 Revenue from Exchange Transactions**

#### **10.2.1 Rentals Received**

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

## 10.2.2 Finance Income

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

## 10.2.3 Sale of Goods (including Houses)

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

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 10.3 Revenue from Non-exchange Transactions

### 10.3.1 Public Contributions

Revenue from public contributions 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 are brought into use.

### 10.3.2 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

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.

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.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

### 10.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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 as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

## 11. PROVISIONS

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

## 12. EMPLOYEE BENEFIT LIABILITIES

### 12.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### *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.

#### *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.

#### *Provision for Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### 12.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

### 12.2.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### 12.2.2 Defined Benefit Plans

#### Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

#### Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

#### Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the *Projected Unit Credit Method* basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

### **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.

### **12.3 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.

## **13. LEASES**

### **13.1 The Municipality as Lessor**

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

## **14. GRANTS-IN-AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

## **15. VALUE ADDED TAX**

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

## **16. UNAUTHORISED EXPENDITURE**

Unauthorised Expenditure is expenditure that has not been budgeted for, 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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

## 17. 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 (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

## 18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

## 19. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the *First-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

## 20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

## 21. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

## 22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

## 23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

## 24. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2017 to 30 June 2018.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**2018**  
R  
**2017**  
R

**1. GENERAL INFORMATION**

Frances Baard District Municipality is a local government institution in the Northern Cape, Kimberley, and has 4 local municipalities under its jurisdiction. The registered address of its office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report ended 30 June 2018. The principal activities of the municipality are disclosed in the Annual Report.

**2. INVENTORIES**

Consumables	341 561	337 673
<b>Total Inventories</b>	<b>341 561</b>	<b>337 673</b>
<b>Reconciliation:</b>		
Opening balance	337 673	303 121
Purchases	355 214	370 318
Issues	(351 326)	(335 766)
Closing Balance	341 561	337 673

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Stores issues amounted to R351 326 for the current year (2017: R335 766)

No Inventories have been pledged as collateral for Liabilities of the municipality.

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2018</b>			
Service Debtors:	950 367	88 121	862 247
Other Service Charges	950 367	88 121	862 247
Prepayments and Advances	671 014	-	671 014
Rent	-	-	-
Subscriptions	671 014	-	671 014
Other Debtors	350 071	-	350 071
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	-	-	-
<b>Total Receivables from Exchange Transactions</b>	<b>1 971 452</b>	<b>88 121</b>	<b>1 883 331</b>
<b>As at 30 June 2017</b>			
Service Debtors:	326 178	-	326 178
Other Service Charges	326 178	-	326 178
Prepayments and Advances	1 246 322	-	1 246 322
Rent	565 493	-	565 493
Subscriptions	680 828	-	680 828
Other Debtors	196 310	-	196 310
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	3 297	-	3 297
<b>Total Receivables from Exchange Transactions</b>	<b>1 772 108</b>	<b>-</b>	<b>1 772 108</b>

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The impairment on debtors of R88 120,53 is based on long outstanding debtors, who owe the municipality for more than 120 days.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R                      2017  
R

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2018**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Other Service Charges:</b>					
Gross Balances	165 606	187 980	113 937	482 845	950 367
Less: Provision for Impairment	-	-	-	88 121	88 121
<b>Net Balances</b>	<b>165 606</b>	<b>187 980</b>	<b>113 937</b>	<b>394 724</b>	<b>862 247</b>
<b>Prepayments and Advances:</b>					
Gross Balances	-	-	671 014	-	671 014
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>671 014</b>	<b>-</b>	<b>671 014</b>
<b>Other Debtors</b>					
Gross Balances	-	350 071	-	-	350 071
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>350 071</b>	<b>-</b>	<b>-</b>	<b>350 071</b>
<b>Unauthorised, Irregular, Fruitless and Wasteful:</b>					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**2018**  
**R**

**2017**  
**R**

As at 30 June 2018 Receivables of R1 717 725 were past due, accounts older than 90 days were assessed and impaired in accordance with the municipal policy. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total Past Due</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	538 050	784 950	482 845	1 805 845
Less: Provision for Impairment	-	-	88 121	88 121
<b>Net Balances</b>	<b>538 050</b>	<b>784 950</b>	<b>394 724</b>	<b>1 717 725</b>

**As at 30 June 2017**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Other Service Charges:</b>					
Gross Balances	(411 865)	12 900	163 696	561 448	326 178
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>(411 865)</b>	<b>12 900</b>	<b>163 696</b>	<b>561 448</b>	<b>326 178</b>

**Prepayments and Advances:**

Gross Balances	565 493	-	680 828	-	1 246 322
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>565 493</b>	<b>-</b>	<b>680 828</b>	<b>-</b>	<b>1 246 322</b>

**Other Debtors**

Gross Balances	-	196 310	-	-	196 310
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>196 310</b>	<b>-</b>	<b>-</b>	<b>196 310</b>

**Unauthorised, Irregular, Fruitless and Wasteful:**

Gross Balances	-	3 297	-	-	3 297
Less: Provision for Impairment	-	-	-	-	-
<b>Net Balances</b>	<b>-</b>	<b>3 297</b>	<b>-</b>	<b>-</b>	<b>3 297</b>

As at 30 June 2017 Receivables of R1 618 480 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total Past Due</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	212 507	844 524	561 448	1 618 480
Less: Provision for Impairment	-	-	-	-
<b>Net Balances</b>	<b>212 507</b>	<b>844 524</b>	<b>561 448</b>	<b>1 618 480</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>4. VAT RECEIVABLE</b>		
Vat Receivable	<u><b>3 663 078</b></u>	<u><b>3 362 592</b></u>
<p>VAT Payable is the Net Payable from all VAT Control Accounts and agree to the VAT201 Returns.</p> <p>Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.</p> <p>No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.</p>		
<b>5. INVESTMENTS</b>		
Total Bank deposits	<u>100 000</u>	<u>10 450 000</u>
	<u>100 000</u>	<u>10 450 000</u>
Current Investments Movement during year:		
Opening Balance	10 450 000	5 550 000
Invested	100 000	4 900 000
Redeemed/withdrawn	(4 500 000)	-
<b>Closing Balance</b>	<u><b>6 050 000</b></u>	<u><b>10 450 000</b></u>
Fixed deposit at Nedbank until 27 June 2019		
<b>6. CASH AND CASH EQUIVALENTS</b>		
Current Investments	51 001 000	45 501 000
Bank Accounts	67 505	4 597 819
Cash and Cash Equivalents	3 300	3 300
<b>Total Bank, Cash and Cash Equivalents</b>	<u><b>51 071 805</b></u>	<u><b>50 102 119</b></u>
Bank Overdraft	-	-
<b>Net Bank, Cash and Cash Equivalents</b>	<u><b>51 071 805</b></u>	<u><b>50 102 119</b></u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>6.1 Current Investment Deposits</b>		
Call Deposits	51 001 000	45 501 000
<b>Total Current Investment Deposits</b>	<b>51 001 000</b>	<b>45 501 000</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6,00 % to 8,50 % (2017: 6,00 % to 8,50 %) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 6,00 % to 8,50 % (2017: 6,00 % to 8,50 %) per annum.

Deposits attributable to Unspent Conditional Grants	206 662	471 699
Deposits attributable to Capital Replacement Reserve.	7 957 082	7 957 082
Deposits attributable to Payables	6 566 088	13 244 099
Deposits attributable to Current Provisions	8 490 003	8 994 111
Deposits attributable to Consumer Deposits	570	570
Deposits available for Operations	27 780 594	14 833 440
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>51 001 000</b>	<b>45 501 000</b>

**6.2 Bank Accounts**

Cash in Bank	67 505	4 597 819
Bank Overdraft	-	-
<b>Total Bank Accounts</b>	<b>67 505</b>	<b>4 597 819</b>

The Municipality has the following bank accounts:

**Primary Bank Account**

*Standard Bank - Kimberley Business Centre - Primary Account:*

Cash book balance at beginning of year	4 597 819	3 271 754
Cash book balance at end of year	67 505	4 597 819
Bank statement balance at beginning of year	5 121 872	3 271 754
Bank statement balance at end of year	1 520 139	5 121 872

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**Investment Account**

**ABSA - NOTICE DEPOSIT**

Cash book balance at beginning of year	7 000 000	-
Cash book balance at end of year	9 000 000	7 000 000

**ABSA - CALL DEPOSIT**

Cash book balance at beginning of year	5 501 000	17 500 000
Cash book balance at end of year	3 001 000	5 501 000
Bank statement balance at beginning of year	12 501 000	17 500 000
Bank statement balance at end of year	12 001 000	12 501 000

**FNB - CALL DEPOSIT**

Cash book balance at beginning of year	-	-
Cash book balance at end of year	3 500 000	-

**FNB - NOTICE DEPOSIT**

Cash book balance at beginning of year	-	-
Cash book balance at end of year	10 000 000	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	13 500 000	-

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
<b>NEDBANK - CALL DEPOSIT</b>		
Cash book balance at beginning of year	8 000 000	20 500 000
Cash book balance at end of year	4 500 000	8 000 000
<b>NEDBANK - NOTICE DEPOSIT</b>		
Cash book balance at beginning of year	8 500 000	-
Cash book balance at end of year	11 000 000	8 500 000
Bank statement balance at beginning of year	16 500 000	20 500 000
Bank statement balance at end of year	15 500 000	16 500 000
<b>RMB</b>		
Cash book balance at beginning of year	5 000 000	12 500 000
Cash book balance at end of year	-	5 000 000
Bank statement balance at beginning of year	5 000 000	12 500 000
Bank statement balance at end of year	-	5 000 000
<b>STANDARD BANK - NOTICE DEPOSIT</b>		
Cash book balance at beginning of year	9 000 000	-
Cash book balance at end of year	10 000 000	9 000 000
<b>STANDARD BANK - CALL DEPOSIT</b>		
Cash book balance at beginning of year	2 500 000	15 500 000
Cash book balance at end of year	-	2 500 000
Bank statement balance at beginning of year	11 500 000	15 500 000
Bank statement balance at end of year	10 000 000	11 500 000

**6.3 Cash and Cash Equivalents**

Cash Floats and Advances	3 300	3 300
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>3 300</b>	<b>3 300</b>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**7. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	5 282	5 000
Operating Lease - Straightlining	-	281
Operating Lease Revenue effected	(1 225)	-
<b>Total Operating Lease Receivables</b>	<b>4 056</b>	<b>5 282</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**2018**  
**R**                      **2017**  
**R**

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of 60 months (2017/18: 60 months), with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The property rental income earned by the municipality from its investment property, all of which is leased out under operating leases, amounted to R44 714 (2017: R40 320). Direct operating expenses arising on the investment property in the period amounted to R0 (2017: R0).

The property rental income earned by the municipality from its Investment Property, all of which is leased out under operating leases, amounted to R44 714 (2017: R40 320).

**7.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	1 946	1 802
2 to 5 years	516	2 462
More than 5 years	-	-
<b>Total Operating Lease Arrangements</b>	<b>2 462</b>	<b>4 264</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R0 (2017: increase of R-281) in current year income.

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**8. CURRENT PORTION OF LONG-TERM RECEIVABLES**

Employee Benefits	819 000	819 000
<b>Total Current Portion of Long-term Receivables</b>	<b>819 000</b>	<b>819 000</b>

FRANCES BAARD DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2018

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2017</b>	<b>8 105 000</b>	<b>29 894 169</b>	-	<b>311 062</b>	<b>11 001 030</b>	<b>49 311 261</b>
Cost	8 105 000	5 651 128	-	1 153 823	27 757 072	42 667 023
- Completed Assets	8 105 000	-	-	1 153 823	26 002 937	35 261 760
- Under Construction	-	5 651 128	-	-	1 754 136	7 405 264
Revaluation	-	42 520 005	-	-	-	42 520 005
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-18 276 964	-	-842 760	-16 756 043	-35 875 767
- Cost	-	-	-	-842 760	-16 756 043	-17 598 803
- Revaluation	-	-18 276 964	-	-	-	-18 276 964
Acquisition of Assets						
- Cost	-	-	-	9 430	475 979	487 043
- Capital Under Construction	-	3 229 112	-	-	-	3 229 112
Increases/Decreases in Revaluation	-	-	-	-	-	-
Depreciation:	-	-545 249	-	-118 113	-2 912 021	-3 705 228
- Based on Cost	-	-	-	-118 113	-2 912 021	-3 025 633
- Based on Revaluation	-	-545 249	-	-	-	-679 595
Carrying value of Disposals:	-	-	-	-	-62 535	-62 535
- Cost	-	-	-	-	-877 798	-877 798
- Accumulated Depreciation	-	-	-	-	815 264	815 264
- Based on Cost	-	-	-	-	815 264	815 264
<b>Carrying values at 30 June 2018</b>	<b>8 105 000</b>	<b>32 580 061</b>	-	<b>202 380</b>	<b>8 502 453</b>	<b>49 389 894</b>
Cost	8 105 000	8 880 241	-	1 163 253	27 355 253	45 503 746
- Completed Assets	8 105 000	-	-	1 163 253	25 601 117	34 869 370
- Under Construction	-	8 880 241	-	-	1 754 136	10 634 376
Revaluation	-	42 520 005	-	-	-	42 520 005
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-18 820 184	-	-960 873	-18 852 800	-38 633 856
- Cost	-	-	-	-960 873	-18 852 800	-19 813 673
- Revaluation	-	-18 820 184	-	-	-	-18 820 184

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2017

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra-structure	Community	Other	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2016</b>	<b>8 105 000</b>	<b>27 662 091</b>	-	<b>322 570</b>	<b>10 086 790</b>	<b>46 176 452</b>
Cost	8 105 000	2 655 893	-	1 050 147	25 256 098	37 067 138
- Completed Assets	8 105 000	-	-	1 050 147	25 256 098	34 411 245
- Under Construction	-	2 655 893	-	-	-	2 655 893
Correction of error (Note 36)	-	-	-	-	-	-
Change in Accounting Policy	-	-	-	-	-	-
Revaluation	-	42 520 005	-	-	-	42 520 005
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	(17 513 806)	-	(727 576)	(15 169 308)	(33 410 690)
- Cost	-	-	-	(727 576)	(15 169 308)	(15 896 884)
- Revaluation	-	(17 513 806)	-	-	-	(17 513 806)
Acquisition of Assets						
- Cost	-	-	-	103 676	2 471 665	2 575 341
- Capital Under Construction	-	2 995 236	-	-	1 754 136	4 749 371
- Revaluation	-	-	-	-	-	-
Increases/Decreases in Revaluation	-	-	-	-	-	-
Depreciation:	-	(763 158)	-	(115 184)	(2 882 117)	(3 760 459)
- Based on Cost	-	-	-	(115 184)	(2 882 117)	(2 997 302)
- Based on Revaluation	-	(763 158)	-	-	-	(763 158)
Carrying value of Disposals:						
- Cost	-	-	-	-	(429 444)	(429 444)
- Accumulated Depreciation	-	-	-	-	(1 724 827)	(1 724 827)
- Based on Cost	-	-	-	-	1 295 383	1 295 383
	-	-	-	-	1 295 383	1 295 383
<b>Carrying values at 30 June 2017</b>	<b>8 105 000</b>	<b>29 894 169</b>	-	<b>311 062</b>	<b>11 001 030</b>	<b>49 311 261</b>
Cost	8 105 000	5 651 128	-	1 153 823	27 757 072	42 667 023
- Completed Assets	8 105 000	-	-	1 153 823	26 002 937	35 261 760
- Under Construction	-	5 651 128	-	-	1 754 136	7 405 264
Revaluation	-	42 520 005	-	-	-	42 520 005
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	(18 276 964)	-	(842 760)	(16 756 043)	(35 875 767)
- Cost	-	-	-	(842 760)	(16 756 043)	(17 598 803)
- Revaluation	-	(18 276 964)	-	-	-	(18 276 964)

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

2018  
R                      2017  
R

**9 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use**

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

**9.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation**

No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.

**9.3 Assets pledged as security**

The municipality did not pledge any of its assets as security.

**9.4 Impairment of Property, Plant and Equipment**

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

**9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed**

There was no change (2016/17: R0) in the estimated useful life of various assets of the municipality for the financial year.

**9.6 Land and Buildings carried at Fair Value**

The municipality's Land and Buildings are accounted for according to the fair value model. Revaluation is done every four years, and therefore no fair value was determined for the year under review.

**9.7 Delayed Projects**

Project Details	Delayed or Halted		
<b>Infrastructure Unit:</b>			
Project 1: Additional Offices	Delayed	(1 754 136)	5 651 128
<b>Reason:</b> Project experienced some delays and went beyond the projected completion date. These delays are beyond the control of the municipality, however the projects will be completed within the cost limits of the original contract amounts.			
<b>Fire Fighting &amp; Disaster Management</b>			
Project 1: Water Tanker	Delayed	1 754 136	#REF!
<b>Reason:</b> Project experienced some delays in completing the project by the projected due date. These delays are beyond the control of the municipality, however the projects will be completed within the cost limits of the original contract amounts.			

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

			2018 R	2017 R
<b>9.8 Expenditure incurred to repair and maintain</b>				
	2018 R	2017 R	2018 R	2017 R
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:				
Information and Communication Infrastructure			37 617	-
- Contracted Services	37 617	-		
Computer Equipment			18 682	123 353
- Contracted Services	18 682	123 353		
Furniture and Office Equipment			422 580	441 620
- Contracted Services	422 580	441 620		
Heritage Assets			-	-
- Contracted Services	-	-		
Machinery and Equipment			274 058	239 110
- Contracted Services	274 058	239 110		
Other Assets - Buildings			330 129	333 623
- Contracted Services	322 728	333 623		
- Other Operational Costs	7 401	-		
Transport Assets			47 510	467 755
- Contracted Services	47 510	467 755		
<b>Total Expenditure related to Repairs and Maintenance Projects</b>			<b>1 130 577</b>	<b>1 605 461</b>
<b>Total Repairs and Maintenance related to assets of Frances Baard District Municipality</b>			<b>1 130 577</b>	<b>1 605 461</b>

**10 INTANGIBLE ASSETS**

At Cost less Accumulated Amortisation and Accumulated Impairment Losses			<b>579 865</b>	<b>597 005</b>
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The movement in Intangible Assets is reconciled as follows:

At Cost less Accumulated Amortisation and Accumulated Impairment Losses			<b>579 865</b>	<b>597 004</b>
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The movement in Intangible Assets is reconciled as follows:

			Software Purchased	Total
<b>Carrying values at 01 July 2017</b>			<b>597 004</b>	<b>597 004</b>
Cost			1 555 958	1 555 958
Accumulated Amortisation			(958 954)	(958 954)
Acquisitions:			149 000	149 000
Purchased			149 000	149 000
Amortisation:			(166 139)	(166 139)
Purchased			(166 139)	(166 139)
Internally Developed			-	-
<b>Carrying values at 30 June 2018</b>			<b>579 865</b>	<b>579 865</b>
Cost			1 704 958	1 704 958
Accumulated Amortisation			(1 125 093)	(1 125 093)

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	2018 R	2017 R
	Software Purchased	Total
<b>Carrying values at 01 July 2016</b>	<b>763 058</b>	<b>763 058</b>
Cost	1 600 854	1 600 854
Accumulated Amortisation	(837 795)	(837 795)
Acquisitions:	-	-
Amortisation:	(166 053)	(166 053)
Purchased	(166 053)	(166 053)
Disposals:	(1)	(1)
At Cost	(44 896)	(44 896)
At Accumulated Amortisation	44 895	44 895
<b>Carrying values at 30 June 2017</b>	<b>597 004</b>	<b>597 004</b>
Cost	1 555 958	1 555 958
Accumulated Amortisation	(958 954)	(958 954)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 28).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

#### **10.1 Significant Intangible Assets**

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

#### **10.2 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

#### **10.3 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

#### **10.4 Work-in-Progress**

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

#### **10.5 Delayed Projects**

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

#### **10.8 Expenditure incurred to repair and maintain**

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	1 940 338	2 330 324
	<b>1 940 338</b>	<b>2 330 324</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**11 HERITAGE ASSETS**

**30 June 2018**

**Reconciliation of Carrying Value**

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2017</b>	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
<b>Carrying values at 30 June 2018</b>	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

**11 HERITAGE ASSETS (Continued)**

**30 June 2017**

**Reconciliation of Carrying Value**

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
<b>Carrying values at 01 July 2016</b>	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
<b>Carrying values at 30 June 2017</b>	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

**11 HERITAGE ASSETS (Continued)**

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

**11.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

**11.2 Heritage Assets measured after recognition using the Revaluation Model**

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

**11.3 Work-in-Progress**

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

**11.4 Delayed Projects**

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

**12.8 Expenditure incurred to repair and maintain**

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	-	345
Inventory Consumed	-	-
Labour	-	-
Other Operational Costs	-	-
	=	= 345

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	<b>2018</b>	<b>2017</b>
	<b>R</b>	<b>R</b>
<b>12 LONG-TERM RECEIVABLES</b>		
Employee Benefits	8 379 000	8 933 000
Total Long Term Receivables	8 379 000	8 933 000
Less: Current Portion transferred to Current Receivables:-	819 000	819 000
Employee Benefits	819 000	819 000
<b>Non-Current Portion of Long Term Receivables</b>	7 560 000	8 114 000

**EMPLOYEE BENEFITS RECEIVABLES**

Municipality managed an agency service on behalf of the Department of Roads and Public Works until 30 June 2011. The service has been transferred back to the department from 01 July 2011. As per the 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 employees 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 21.

**13 CONSUMER DEPOSITS**

Other Deposits	570	570
Rental Properties	570	570
<b>Total Consumer Deposits</b>	<b>570</b>	<b>570</b>

**CONSUMER DEPOSITS - RENTAL PROPERTIES**

Consumer deposits comprise deposits for properties rented out by the municipality.

No interest is paid on Consumer Deposits held.

**14 PROVISIONS**

Performance Bonus	281 430	534 788
Current Portion of Employee Benefit Liabilities (See Note 18):	2 124 000	2 441 000
Post-retirement Medical Aid Benefits Liability	2 004 000	2 024 000
Long-term Service Liability	120 000	417 000
Current Portion of Non-Current Provisions (See Note 20):	6 084 573	6 018 323
Ex-gratia Pension	35 000	35 000
Leave	6 049 573	5 983 323
<b>Total Provisions</b>	<b>8 490 003</b>	<b>8 994 111</b>

The movement in provisions is reconciled as follows:

**Current Provisions:**

**Performance Bonus:**

Opening Balance	534 788	423 018
Increases	-	653 076
Reductions	(257 851)	(541 306)
Reversals	4 493	-
<b>Balance at end of year</b>	<b>281 430</b>	<b>534 788</b>

**Performance Bonuses** accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Medical Aid</b>	<b>Long-term Service</b>
	<b>R</b>	<b>R</b>
<b>30 June 2018</b>		
Opening Balance	2 024 000	417 000
Reversals	-	-
Interest cost	-	-
Current service cost	(20 000)	-
Actual employer benefit payments	-	(297 000)
Actuarial loss/ (gain) recognised in the year	-	-
<b>Balance at end of year</b>	<b><u>2 004 000</u></b>	<b><u>120 000</u></b>

	<b>Medical Aid</b>	<b>Long-term Service</b>
	<b>R</b>	<b>R</b>
<b>30 June 2017</b>		
Opening Balance	2 024 000	193 000
Reversals	-	-
Interest cost	-	-
Current service cost	-	(112 189)
Actual employer benefit payments	-	-
Actuarial loss/ (gain) recognised in the year	-	336 189
<b>Balance at end of year</b>	<b><u>2 024 000</u></b>	<b><u>417 000</u></b>

**Current Portion of Non-Current Provisions:**

**Staff Benefit Provisions:**

	<b>Leave Provision</b>	<b>Ex-gratia Pension</b>
	<b>R</b>	<b>R</b>
<b>30 June 2018</b>		
Opening Balance	5 983 323	35 000
Increases	(669 901)	-
Payments Made	736 152	-
Other Reductions	-	-
Reversals	-	-
Increases (Passage of Time/Discounted Rate)	-	-
<b>Balance at end of year</b>	<b><u>6 049 573</u></b>	<b><u>35 000</u></b>

	<b>Leave Provision</b>	<b>Ex-gratia Pension</b>
	<b>R</b>	<b>R</b>
<b>30 June 2017</b>		
Opening Balance	5 983 323	35 000
Increases	-	-
Payments Made	-	-
Other Reductions	-	-
Reversals	-	-
Increases (Passage of Time/Discounted Rate)	-	-
<b>Balance at end of year</b>	<b><u>5 983 323</u></b>	<b><u>35 000</u></b>

**Ex-gratis Pensions** 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.

**Leave Provision** 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.

**Long Service Award** 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.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**15 PAYABLES FROM EXCHANGE TRANSACTIONS**

Advance Payments	20 210	18 259
Bonus	1 696 191	1 656 611
Other Payables	44 073	2 163 699
Control, Clearing and Interface Accounts	16 963	2 163 699
Unallocated Deposits	27 109	-
Retentions	336 603	356 419
Trade Creditors	4 469 012	9 049 111
<b>Total Payables</b>	<b>6 566 088</b>	<b>13 244 099</b>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

**16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**16.1 Conditional Grants from Government**

	<b>206 662</b>	<b>471 699</b>
National Government	206 662	181 699
Provincial Government	-	250 000
Public Corporations	-	40 000
<b>Total Conditional Grants and Receipts</b>	<b>206 662</b>	<b>471 699</b>

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 22 for the reconciliation of Grants from Government and Note N/A for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**17 LONG-TERM LIABILITIES**

<b>Long-Term Liabilities</b>	2 455 416	4 663 622
Development Bank of South Africa	2 455 416	4 663 622
<b>Less: Current Portion transferred to Current Liabilities:-</b>	<b>(2 455 416)</b>	<b>(2 179 033)</b>
Development Bank of South Africa	(2 455 416)	(2 179 033)
<b>Non-Current Portion of Long-term Liabilities</b>	<b>-</b>	<b>2 484 589</b>

**17.1 Summary of Arrangements**

The fixed term loan is 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.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**17.2 Obligations under Borrowings**

Annuity and Bullet Loans	2 455 416	2 484 589
	2 455 416	2 484 589
<b>Current Portion transferred to Current Liabilities:-</b>	<b>2 455 416</b>	<b>2 179 033</b>
Annuity and Bullet Loans	2 455 416	2 179 033
<b>Total Borrowings</b>	<b>2 455 416</b>	<b>4 663 622</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**17.3 Obligations under Borrowings**

The obligations under DBSA Loan is as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2018 R	2017 R	2018 R	2017 R
<b>Amounts payable under borrowings:</b>				
Within one year	2 677 906	2 659 315	2 677 906	2 659 315
In the second to fifth years, inclusive	-	2 707 079	-	2 707 079
Over five years	-	-	-	-
	<u>2 677 906</u>	<u>5 366 395</u>	<u>2 677 906</u>	<u>5 366 395</u>
Less: Future Finance Obligations	222 490	(702 773)	222 490	(702 773)
<b>Present Value of Minimum Lease Obligations</b>	<u><b>2 900 396</b></u>	<u><b>4 663 622</b></u>	<u><b>2 455 416</b></u>	<u><b>4 663 622</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)			(2 455 416)	(2 179 033)
<b>Borrowings due for settlement after 12 months (Non-current Portion)</b>			<u><u>-</u></u>	<u><u>2 484 589</u></u>

**18 EMPLOYEE BENEFIT LIABILITIES**

<b>Employee Benefit Liabilities</b>	30 504 898	32 027 999
Post-retirement Health Care Benefits Liability	28 513 999	30 074 999
Long Service Awards Liability	1 990 899	1 953 000
<b>Less: Current Portion of Employee Benefit Liabilities</b>	(2 124 000)	(2 441 000)
Post-retirement Health Care Benefits Liability	(2 004 000)	(2 024 000)
Long Service Awards Liability	(120 000)	(417 000)
<b>Non-Current Portion of Employee Benefit Liabilities</b>	<u><b>28 380 898</b></u>	<u><b>29 586 999</b></u>

**18.1 Post-retirement Health Care Benefits Liability**

Opening balance	30 074 999	30 074 999
Interest cost	3 002 000	-
Current service cost	742 000	-
Actual employer benefit payments	(1 862 965)	-
Actuarial loss/ (gain) recognised in the year	(3 442 035)	-
Balance at end of Year	<u>28 513 999</u>	<u>30 074 999</u>
Transfer to Current Provisions	2 004 000	2 024 000
<b>Total Post-retirement Health Care Benefits Liability</b>	<u><b>30 517 999</b></u>	<u><b>32 098 999</b></u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2018 by Mr N Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	62	62
In-service Non-members (Employees)	36	36
Continuation Members (Retirees, widowers and orphans)	44	47
<b>Total Members</b>	<u><b>142</b></u>	<u><b>145</b></u>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

The liability in respect of past service has been estimated as follows:

In-service Members	9 144 000	7 933 000
In-service Non-members	585 000	809 000
Continuation Members	18 784 999	21 332 999
<b>Total Liability</b>	<b>28 513 999</b>	<b>30 074 999</b>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

The Current-service Cost for the year ending 30 June 2018 is estimated to be R3 002 000, whereas the cost for the ensuing year is estimated to be R3 537 354 (30 June 2017: R2 701 999 and R3 002 000 respectively).

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount Rate	Yield Curve	
Health Care Cost Inflation Rate	Equal to CPI + 1	
Net Effective Discount Rate	Yield Curve Based	
Expected Return on Plan Assets	0,00%	0,00%
Expected Rate of Salary Increase	7,36%	7,36%
Expected Return on Reimbursement Rights	0,00%	0,00%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Opening balance	30 074 999	27 792 000
Interest cost	3 002 000	2 701 999
Current service cost	742 000	568 000
Actual employer benefit payments	(1 862 965)	(1 739 395)
Actuarial loss/ (gain) recognised in the year	(3 442 035)	752 395
Benefits paid	-	-
Actuarial losses / (gains)	-	-
<b>Total Recognised Benefit Liability</b>	<b>28 513 999</b>	<b>30 074 999</b>

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	28 513 999	30 074 999
Fair value of plan assets	-	-
	28 513 999	30 074 999
Present value of unfunded obligations	-	-
	28 513 999	30 074 999
Unfunded Accrued Liability	-	-
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
<b>Total Benefit Liability</b>	<b>28 513 999</b>	<b>30 074 999</b>

**The history of fair values are as follows:**

	2018 R	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	28 513 999	30 074 999	27 792 000	26 916 547	25 036 299
<b>Deficit</b>	<b>28 513 999</b>	<b>30 074 999</b>	<b>27 792 000</b>	<b>26 916 547</b>	<b>25 036 299</b>
Experienced adjustments on Plan Liabilities	(1 919 000)	2 356 040	41 820	6 739 754	(1 526 436)

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

<b>Increase:</b>		
Effect on the aggregate of the current service cost and the interest cost	1	4 320 000
Effect on the defined benefit obligation	1	33 815 000

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	(1)	(3 277 000)
Effect on the defined benefit obligation	(1)	(26 963 000)

The effect of a 20% movement in the withdrawal rate is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	1	4 125 000
Effect on the defined benefit obligation	1	33 081 000

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	(1)	(3 442 000)
Effect on the defined benefit obligation	(1)	(27 716 000)

The municipality expects to make a contribution of R3 395 000 (42551: R3,744,000) to the Defined Benefit Plans during the next financial year.

Refer to Note 42, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

**18.2 Long Service Awards Liability**

Opening Balance	1 953 000	1 792 000
Increases	493 000	374 000
Payments Made	(455 101)	(112 189)
Other Reductions	(297 000)	(100 811)
Reversals	297 000	-
Increases (Passage of Time/Discounted Rate)	-	-
Balance at end of Year	<u>1 990 899</u>	<u>1 953 000</u>
Transfer to Current Provisions	120 000	417 000
<b>Total Long Service Awards Liability</b>	<b><u>2 110 899</u></b>	<b><u>2 370 000</u></b>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 95 (2017: 96) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2018 is estimated to be R432 000, whereas the cost for the ensuing year is estimated to be R428 000 (30 June 2017: R374 000 and R493 000 respectively).

	2018 R	2017 R
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>		
Discount Rate	8,53%	8,00%
Cost Inflation Rate	7,19%	7,06%
Net Effective Discount Rate	1,25%	0,88%
Expected Return on Plan Assets	8,00%	8,00%
Expected Rate of Salary Increase	7,36%	6,50%
Expected Return on Reimbursement Rights	1,69%	1,41%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>		
Opening Balance	1 953 000	1 792 000
Increases	493 000	374 000
Payments Made	(455 101)	(112 189)
Other Reductinos	(297 000)	(100 811)
Reversals	297 000	-
Increases (Passage of Time/Discounted Rate)	-	-
<b>Total Recognised Benefit Liability</b>	<b><u>1 990 899</u></b>	<b><u>1 953 000</u></b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	1 990 899	1 953 000
	1 990 899	1 953 000
Present value of unfunded obligations	-	-
	1 990 899	1 953 000
<b>Total Benefit Liability</b>	<b>1 990 899</b>	<b>1 953 000</b>

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	230 000	220 000
Interest cost	202 000	154 000
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	61 000	-
	493 000	374 000
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 26)</b>	<b>493 000</b>	<b>374 000</b>

**The history of experienced adjustments is as follows:**

	2018 R	2017 R	2016 R	2015 R	2014 R
Present Value of Defined Benefit Obligation	1 990 899	1 953 000	1 792 000	1 608 517	1 278 285
<b>Deficit</b>	<b>1 990 899</b>	<b>1 953 000</b>	<b>1 792 000</b>	<b>1 608 517</b>	<b>1 278 285</b>
Experienced adjustments on Plan Liabilities	-	368 596	(117 352)	321 056	379 886

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

**Increase:**

Effect on the aggregate of the current service cost and the interest cost	135 800	120 500
Effect on the defined benefit obligation	674 285	639 781

**Decrease:**

Effect on the aggregate of the current service cost and the interest cost	(121 700)	(107 700)
Effect on the defined benefit obligation	(611 740)	(579 307)

The municipality expects to make a contribution of R428 000 (2017: R432 000) to the defined benefit plans during the next financial year.

**19 NON-CURRENT PROVISIONS**

Ex-gratia Pension	108 910	114 001
<b>Total Non-current Provisions</b>	<b>108 910</b>	<b>114 001</b>

The movement in Non-current Provisions are reconciled as follows:

**Staff Benefit Provisions:**

**Ex-Gratia Pension**

	2018	2017
Opening Balance	114 001	114 001
Increases	29 000	-
Payments Made	-34 090	-
<b>Balance at end of year</b>	<b>108 910</b>	<b>114 001</b>

**20 RESERVES**

Capital Replacement Reserve	7 957 082	7 957 082
Revaluation Reserve	19 775 353	20 039 314
<b>Total Reserves</b>	<b>27 732 436</b>	<b>27 996 397</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**20.1 Capital Replacement Reserve**

The Capital Replacement Reserve arises from cash backed accumulated surplus for the replacement of capital infrastructure/equipment.

**Reconciliation of the Capital Replacement Reserve:**

Opening Balance	7 957 082	15 281 795
Purchases	-	-
Transfers to/from Accumulated Surplus	-	(7 324 713)
Transfers to/from Reserves	-	-
<b>Balance at end of year</b>	<b><u>7 957 082</u></b>	<b><u>7 957 082</u></b>

**20.2 Revaluation Reserve**

The Revaluation Reserve arises on the revaluation of Land and Buildings and qualifying Community Assets. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

**Reconciliation of Revaluation Reserve**

Opening Balance	20 039 314	20 303 275
Current Period Revaluation Increases/Decrease	-	-
Transfers to/from Accumulated Surplus	(263 961)	(263 961)
Disposal of Asset	-	-
<b>Balance at end of year</b>	<b><u>19 775 353</u></b>	<b><u>20 039 314</u></b>

**21 ACCUMULATED SURPLUS**

Accumulated Surplus / (Deficit) due to the results of Operations	48 053 024	40 430 960
<b>Total Accumulated Surplus</b>	<b><u>48 053 024</u></b>	<b><u>40 430 960</u></b>

**Reconciliation of Accumulated Surplus:**

Opening Balance	40 430 960	48 283 478
Correction of Prior Period Error	84 208	-
Transfers to/from Accumulated Surplus/(Deficit)	-	(15 441 191)
Transfers to/from Reserves	-	7 324 713
Depreciation Offsets	263 961	263 961
Accumulated Surplus As Per Financial Performance	7 273 895	-
<b>Total Accumulated Surplus</b>	<b><u>48 053 024</u></b>	<b><u>40 430 960</u></b>

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**22 TRANSFERS AND SUBSIDIES RECEIVED**

<b>Capital Grants</b>	-	2 627 000
Monetary Allocations	-	2 627 000
<b>Operational Grants</b>	117 698 568	111 385 528
Monetary Allocations	117 698 568	111 385 528
<b>Total Government Grants and Subsidies</b>	<b><u>117 698 568</u></b>	<b><u>114 012 528</u></b>

Housing grant of R800 000 was retracted during the 2017/18 financial year, as the Implementation Protocol (IP) was not signed. The municipality and COGSTA could not come to an agreement on the IP, as the original IP sent to the municipality would reduce municipal functions and lead to the municipality being down graded to Grade 1.

**22.1 Capital Grants**

	Monetary Allocations	
	2018	2017
Departmental Agencies and Accounts	-	200 000
National Governments	-	2 427 000
<b>Total Capital Grants Received</b>	<b><u>-</u></b>	<b><u>2 627 000</u></b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**22.2 Operational Grants**

	<b>Monetary Allocations</b>	
	<b>2018</b>	<b>2017</b>
Departmental Agencies and Accounts	-	86 227
SETA: Skills grant	100 150	-
National Governments	4 111 462	1 068 301
National Revenue Fund	112 317 000	105 416 000
ABSA	40 000	-
Provincial Government	1 129 956	4 814 999
<b>Total Operational Grants Received</b>	<b><u>117 698 568</u></b>	<b><u>111 385 528</u></b>

**22.3 Calculation of Cash Flow:**

Government Grants and Subsidies Income	117 698 568	114 012 528
Opening Balance of Unspent Government Grants	(471 699)	(3 073 659)
Closing Balance of Unspent Government Grants (reconcile with note 16)	206 662	471 699
<b>Total Receipts for Government Grants and Subsidies</b>	<b><u>117 433 532</u></b>	<b><u>111 410 567</u></b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**22.4 Reconciliation per Grant Source**

**22.4.1 National Governments**

Balance unspent at beginning of year	-	181 699
Current year receipts	117 601 001	-
Conditions met - transferred to Revenue	(117 394 338)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 16)	<u>206 662</u>	<u>181 699</u>

**22.4.2 National Revenue Fund - Fuel Levy & Equitable Share**

Current year receipts	112 317 000	105 416 000
Conditions met - transferred to Revenue	(112 317 000)	(105 416 000)
Conditions still to be met - transferred to Current Liabilities (see Note 16)	<u>-</u>	<u>-</u>

This grant has been used to fund operational expenses within the municipality.

**22.4.3 SETA: Skills grant**

Balance unspent at beginning of year	-	-
Current year receipts	100 150	-
Conditions met - transferred to Revenue	(100 150)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 16)	<u>-</u>	<u>-</u>

LGSETA: This grant has been used to fund training within the municipality No funds have been withheld.

**22.4.4 Provincial Government**

Balance unspent at beginning of year	250 000	250 000
Current year receipts	1 129 956	4 814 999
Conditions met - transferred to Revenue	(1 129 956)	(4 814 999)
Other Adjustments/Refunds	(250 000)	-
Conditions still to be met - transferred to Current Liabilities (see Note 16)	<u>-</u>	<u>250 000</u>

These grants were used for contingency measures put in place for disasters within the municipal area and creation of jobs. The adjustment made of R250 000 will be paid over to the Department of Health, amount has been transferred to Payables

**22.4.5 Public Corporations**

Balance unspent at beginning of year	40 000	40 000
Current year receipts	164 080	-
Conditions met - transferred to Revenue	(204 080)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Assets (see Note )	<u>-</u>	<u>40 000</u>

These grants were used for special projects within units such as Tourism and LED.

**23 SALES OF GOODS AND RENDERING OF SERVICES**

Other Revenue	285 736	140 709
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**24 RENTAL FROM FIXED ASSETS**

**Straight-lined Operating Lease Revenue**

Other Fixed Assets	958 445	107 428
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**Other Rental income**

Ad-hoc Rental Income from Other Fixed Assets	44 714	902 400
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**Total Rental of Facilities and Equipment**

<u>1 003 158</u>	<u>1 009 828</u>
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Rental income generated are at market related premiums. All rental income recognised is therefore market related.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**25 INTEREST, DIVIDENDS AND RENT ON LAND EARNED**

**External Investments:**

Bank Account	270 247	308 218
Other Deposits	5 560 042	6 497 015
<b>Total Exchange Interest Earned</b>	<b>5 830 289</b>	<b>6 805 233</b>
<b>Total Interest, Dividends And Rent On Land Earned</b>	<b>5 830 289</b>	<b>6 805 233</b>

**25.1 Calculation of Cash Flow:**

External Interest Income	5 830 289	6 805 233
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**26 EMPLOYEE RELATED COSTS**

Salaries and Wages

Basic	40 232 404	38 325 206
Long Service Awards	291 000	119 189

13th Cheque	4 493	653 076
Leave Payments	736 152	1 253 203
Overtime	195 570	131 315

Allowances

13th Cheque Allowance	2 982 849	2 666 043
Cellular and Telephone	204 938	190 721
Housing Benefits	370 687	354 782
Scarcity Allowance	803 676	294 881
Travel or Motor Vehicle	3 651 989	3 819 705

Social Contributions

Bargaining Council	13 588	-
Group Life Insurance	462 086	522 919
Medical	1 809 658	1 699 015
Pension	5 642 909	5 391 554
Unemployment Insurance	210 180	197 673

Post-retirement Benefit

Current Service Cost	742 910	568 000
Interest Cost	2 344 000	1 975 000
Actuarial Gains and Losses	(2 781 644)	1 326 121

<b>Total Employee Related Costs</b>	<b>57 917 444</b>	<b>59 488 404</b>
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**26.1 Calculation of Cash Flow:**

Employee Related Costs Expenditure		57 917 444	59 488 404
Opening Balance of Current Employee Benefit Liabilities	Note 14	2 441 000	1 992 000
Closing Balance of Current Employee Benefit Liabilities	Note 14	(2 124 000)	(2 441 000)
Opening Balance of Current Staff Benefit Provisions	Note 14	6 018 323	7 414 633
Closing Balance of Current Staff Benefit Provisions	Note 14	(6 084 573)	(6 018 323)
Opening Balance of Non-current Employee Benefit Liabilities	Note 18	29 586 999	27 713 911
Closing Balance of Non-current Employee Benefit Liabilities	Note 18	(28 380 898)	(29 586 999)
Opening Balance of Non-current Staff Benefit Provisions	Note 19	114 001	114 001
Closing Balance of Non-current Staff Benefit Provisions	Note 19	(108 910)	(114 001)

<b>Total Payments for Employee Related Costs</b>		<b>59 379 384</b>	<b>58 562 626</b>
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No advances were made to employees.

**Remuneration of Section 56 Employees:**

**Remuneration of the Municipal Manager - Ms ZM Bogatsu**

Annual Remuneration	1 373 622	1 312 404
Bonus	99 369	109 367
Performance Bonus	130 920	175 235
Car and Other Allowances	764 860	216 592
Company Contributions to UIF, Medical and Pension Funds	232 523	-
<b>Total</b>	<b>2 601 295</b>	<b>1 813 598</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Remuneration of the Acting Director Financial Services - Ms. O Moseki**

Annual Remuneration	302 423	601 668
13th Cheque	53 333	48 508
Performance Bonus	63 466	120 673
Car and Other Allowances	54 910	169 888
Company Contributions to UIF, Medical and Pension Funds	44 102	-
<b>Total</b>	<b>518 233</b>	<b>940 736</b>

**Remuneration of the Executive Director Administration - Mrs. KG Gaborone**

Annual Remuneration	1 466 021	92 021
Car and Other Allowances	19 500	2 000
<b>Total</b>	<b>1 485 521</b>	<b>94 021</b>

**Remuneration of Executive Director: Infrastructure Services - Mr PJ van der Walt**

Annual Remuneration	268 178	919 316
Performance Bonus	63 466	120 673
Car and Other Allowances	105 225	96 000
<b>Total</b>	<b>436 869</b>	<b>1 135 989</b>

**Remuneration of Acting Executive Director: Infrastructure Services - Mr D Makaleni**

Annual Remuneration	147 100	-
Car and Other Allowances	46 460	-
Company Contributions to UIF, Medical and Pension Funds	32 452	-
<b>Total</b>	<b>226 013</b>	<b>-</b>

**Remuneration of Executive Director: Planning & Development - Mr FS Mdee**

Performance Bonus	-	124 725
<b>Total</b>	<b>-</b>	<b>124 725</b>

**Remuneration of Acting Executive Director: Planning & Development - Mr F Netshivhodza**

Annual Remuneration	245 621	178 893
13th Cheque	46 258	-
Car and Other Allowances	78 551	56 277
Company Contributions to UIF, Medical and Pension Funds	48 741	-
<b>Total</b>	<b>419 171</b>	<b>235 170</b>

**Summary of Remuneration of Section 56 Employees:**

All Managers	5 687 102	4 344 239
<b>Total Remuneration of Section 56 Employees</b>	<b>5 687 102</b>	<b>4 344 239</b>

One senior manager, Mr P van der Walt, went on retirement during the financial year.

**27 REMUNERATION OF COUNCILLORS**

Executive Mayor	877 096	802 970
Speaker	598 855	658 609
Mayoral committee members	3 260 180	2 714 663
MPAC Chairperson	-	255 826
Total for All Other Councillors	1 830 601	1 518 420
<b>Total Councillors' Remuneration</b>	<b>6 566 732</b>	<b>5 950 489</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Remuneration of Councillors:**

***In-kind Benefits***

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 has use of a municipal owned vehicle for official duties.

Refer to Appendix G for more detail.

**28 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	3 711 338	3 760 459
Amortisation: Intangible Assets	166 138	166 054

<b>Total Depreciation and Amortisation</b>	<b>3 877 476</b>	<b>3 926 513</b>
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**28.1 Depreciation: Property, Plant and Equipment**

Community Assets	683 170	-
Computer Equipment	545 794	452 542
Furniture and Office Equipment	549 458	511 125
Machinery and Equipment	385 585	570 900
Other Assets	-	763 158
Transport Assets	1 547 330	1 462 735
	<b>3 711 338</b>	<b>3 760 459</b>

**29 IMPAIRMENT LOSSES**

Impairment Losses on Current Assets	88 121	2 219
<b>Total Impairment Losses</b>	<b>88 121</b>	<b>2 219</b>

**29.1 Impairment Losses on Debtors**

<b>Bad Debts Written Off</b>	88 121	2 219
	<b>88 121</b>	<b>2 219</b>

**30 INTEREST, DIVIDENDS AND RENT ON LAND PAID**

Interest Paid	451 109	673 822
Borrowings	451 109	673 822
Total Interest Expense	451 109	673 822

<b>Total Interest, Dividends and Rent on Land</b>	<b>451 109</b>	<b>673 822</b>
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**30.1 Calculation of Cash Flow:**

Finance Cost Expenditure	451 109	673 822
<b>Total Payments for Finance Costs</b>	<b>451 109</b>	<b>673 822</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**31 CONTRACTED SERVICES**

Outsourced Services	6 071 880	4 621 309
Consultants and Professional Services	1 879 052	3 868 433
Contractors	4 553 205	1 138 962

<b>Total Contracted Services</b>	<b>12 504 137</b>	<b>9 628 704</b>
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**31.1 Outsourced Services**

Burial Services	3 600	6 000
Business and Advisory	4 892 705	3 463 439
Catering Services	314 477	542 777
Cleaning Services	18 084	-
Security Services	843 014	609 094

	<b>6 071 880</b>	<b>4 621 309</b>
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**31.2 Consultants and Professional Services**

Business and Advisory	1 853 862	2 092 593
Infrastructure and Planning	-	1 769 315
Legal Cost	25 190	6 525

	<b>1 879 052</b>	<b>3 868 433</b>
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**31.3 Contractors**

Catering Services	28 912	119 503
Employee Wellness	230 866	4 475
Event Promoters	312 783	394 147
Exhibit Installations	236 954	236 595
Graphic Designers	54 520	39 278
Maintenance of Buildings and Facilities	322 988	-
Maintenance of Equipment	762 570	-
Maintenance of Computer Software	1 977 956	-
Sports and Recreation	238 100	226 574
Stage and Sound Crew	387 555	118 390

	<b>4 553 205</b>	<b>1 138 962</b>
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**31.4 Calculation of Cash Flow:**

Expenditure for Inventory Consumed	Note 32	1 454 790	5 207 187
Expenditure for Contracted Services	Note 31	12 504 137	9 628 704
Opening Balance of Payables: Exchange Transactions	Note 15	11 587 488	8 445 539
Closing Balance of Payables: Exchange Transactions	Note 15	(4 869 898)	(11 587 488)
Opening Balance of Inventories	Note 2	(337 673)	(303 121)
Closing Balance of Inventories	Note 2	341 561	337 673
Other Transfers of Assets	Note 9	-	-

<b>Total for Suppliers Paid</b>	<b>20 680 405</b>	<b>11 728 493</b>
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**32 INVENTORY CONSUMED**

Materials and Supplies	1 454 790	5 207 187
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	<b>1 454 790</b>	<b>5 207 187</b>
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**33 TRANSFERS AND SUBSIDIES PAID**

<b>Capital Grants</b>	10 269 390	20 935 007
Allocations In-kind	10 269 390	20 935 007
Monetary Allocations	-	-
<b>Operational Grants</b>	14 526 419	17 728 690
Allocations In-kind	12 646 220	16 164 588
Monetary Allocations	1 880 199	1 564 102

<b>Total Transfers and Subsidies Paid</b>	<b>24 795 809</b>	<b>38 663 697</b>
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**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**33.1 Capital Grants**

	Allocations In-kind		Monetary Allocations	
	2018	2017	2018	2017
Local Municipalities	10 210 942	20 935 007	-	-
Non-profit Institutions	58 449	-	-	-
<b>Total Capital Grants Paid</b>	<b>10 269 390</b>	<b>20 935 007</b>	<b>-</b>	<b>-</b>

**33.2 Operational Grants**

	Allocations In-kind		Monetary Allocations	
	2018	2017	2018	2017
Departmental Agencies and Accounts	-	-	192 537	185 000
Local Municipalities	12 301 328	15 045 032	1 439 357	966 665
Households	249 550	415 255	228 595	82 331
Non-profit Institutions	95 341	106 969	19 711	330 106
Private Enterprises	-	597 332	-	-
<b>Total Operational Grants Paid</b>	<b>12 646 220</b>	<b>16 164 588</b>	<b>1 880 199</b>	<b>1 564 102</b>

**34 OPERATIONAL COSTS**

Included in General Expenses are the following:

Advertising, Publicity and Marketing	998 491	1 347 105
Bank Charges, Facility and Card Fees	68 404	80 219
Bargaining Council	-	12 841
Bursaries (Employees)	156 460	103 746
Cleaning Services	9 560	14 665
Communication	32 842	38 338
Entertainment	274 619	203 914
External Audit Fees	1 928 678	1 929 239
External Computer Service	361 577	399 543
Honoraria (Voluntarily Workers)	-	570 640
Insurance Underwriting	341 074	316 970
Learnerships and Internships	-	764 363
Licences	20 092	14 938
Municipal Services	1 256 924	2 011 704
Printing, Publications and Books	86 654	91 499
Professional Bodies, Membership and Subscription	671 194	686 804
Registration Fees	194 556	192 590
Resettlement Cost	234 700	127 908
Samples and Specimens	-	135 796
Signage	-	15 478
Skills Development Fund Levy	550 557	500 207
Toll Gate Fees	20 056	-
Transport Provided as Part of Departmental Activities	74 088	43 915
Travel and Subsistence	2 178 779	3 512 034
Uniform and Protective Clothing	48 633	43 617
Wet Fuel	992	-
Workmen's Compensation Fund	349 915	280 936
<b>Total Operational Costs</b>	<b>9 858 846</b>	<b>13 439 011</b>

**34.1 Calculation of Cash Flow:**

Expenditure for Operational Costs	Note 34	(9 858 846)	(13 459 005)
Expenditure for Transfers and Subsidies Paid	Note 33	(24 795 809)	(38 663 697)
<b>Total for Other Payments</b>		<b>(34 654 655)</b>	<b>(52 122 703)</b>

**34.2 Travel and Subsistence**

	2 178 779	3 512 034
<b>Domestic</b>		
Accommodation	1 218 446	1 767 578
Daily Allowance	144 221	101 342
Food and Beverage (Served)	100 796	89 496
Transport without Operator	363 575	174 465
Transport with Operator	351 741	1 379 153
	<b>2 178 779</b>	<b>3 512 034</b>

No other extra-ordinary expenses were incurred.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**35 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT**

Property, Plant and Equipment	(29 393)	(429 444)
<b>Total Gains / (Losses) on Disposal of Capital Assets</b>	<b>(29 393)</b>	<b>(429 444)</b>
<b>Total Losses on Disposal of Capital Assets</b>	<b>29 393</b>	<b>429 444</b>

**36 mSCOA Reclassification**

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

The implementation of MSCOAs as stated above resulted in certain reclassification of descriptions and figures. Other corrections were also made during the previous financial years. Details of the corrections are described below:

**36.1 Reclassification of Accumulated Surplus**

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		<b>Accumulated Surplus</b>
<b>Balances published as at 30 June 2016</b>		<b>63 565 272</b>
Correction of Error:-		(15 281 795)
Capital Replacement Reserve reclassified to Reserves from Acc Surplus as per MSCOAs	(15 281 795)	
<b>Restated Balances as at 30 June 2016</b>		<b>48 283 478</b>
Transactions incurred for the Year 2016/17		(15 441 191)
Correction of Error:-		7 588 674
Capital Replacement Reserve reclassified to Reserves from Acc Surplus as per MSCOAs	7 324 713	
Depreciation Offsets	263 961	
<b>Restated Balances as at 30 June 2017</b>		<b>40 430 960</b>

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	<b>Prior Year 2016/17 Audited</b>	<b>MSCOAs Reclassification</b>	<b>MSCOAs Restated Amount</b>	<b>Correction of Error</b>	<b>Restated Amount 2016/17</b>
Transfers and Subsidies	114 012 528	-	114 012 528	-	114 012 528
Sales of Goods and Rendering of Services	-	140 709	140 709	-	140 709
Income from Agency Services	-	-	-	-	-
Rental from Fixed Assets	1 009 828	-	1 009 828	-	1 009 828
Interest, Dividends & Rent on Land Exchange	-	6 805 233	6 805 233	-	6 805 233
Interest Earned - External Investments	6 805 233	(6 805 233)	-	-	-
Other Income	140 709	(140 709)	-	-	-
	<b>121 968 299</b>	<b>-</b>	<b>121 968 299</b>	<b>-</b>	<b>121 968 299</b>

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	<b>Sales of Goods and Rendering of Services</b>	<b>Other Income</b>
<b>Balance previously reported</b>	-	<b>140 709</b>
Other Income reclassified to Sale of Goods and Rendering of Services as per MSCOAs	140 709	(140 709)
<b>Restated Balance now reported</b>	<b>140 709</b>	<b>-</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	Interest, Dividends & Rent on Land Exchange	Interest Earned - External Investments
<b>Balance previously reported</b>	-	<b>6 805 233</b>
Interest Earned External Investments reclassified to Interest, Dividends and Rent on Land as per MSCOA	6 805 233	(6 805 233)
<b>Restated Balance now reported</b>	<b>6 805 233</b>	<b>-</b>

**36.2 Reclassification of Expenditure**

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2016/17 Audited	MSCOA Reclassification	MSCOA Restated Amount	Correction of Error	Restated Amount 2016/17
Employee Related Costs	57 082 078	2 406 326	59 488 404	-	59 488 404
Remuneration of Councillors	5 950 489	-	5 950 489	-	5 950 489
Depreciation and Amortisation	3 926 513	-	3 926 513	-	3 926 513
Debt Impairment	2 219	(2 219)	-	-	-
Impairment Losses	-	2 219	2 219	-	2 219
Actuarial Losses	1 225 310	(1 225 310)	-	-	-
Finance charges - external funding	673 822	(673 822)	-	-	-
Finance charges - employee benefits	1 975 000	(1 975 000)	-	-	-
Interest, Dividends and Rent on Land	-	673 822	673 822	-	673 822
Contracted Services	3 936 130	5 692 574	9 628 704	-	9 628 704
Inventory Consumed	-	5 207 187	5 207 187	-	5 207 187
Transfers and Subsidies Paid	48 946 516	(10 282 819)	38 663 697	-	38 663 697
General expenses	13 261 969	(13 261 969)	-	-	-
Operational Costs	-	13 439 011	13 439 011	-	13 439 011
Loss on Disposal of PPE	429 444	-	429 444	-	429 444
	<b>137 409 490</b>	<b>0</b>	<b>137 409 490</b>	<b>-</b>	<b>137 409 490</b>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Employee Related Costs	Actuarial Losses	Finance charges - employee benefits
<b>Balance previously reported</b>	<b>57 082 078</b>	<b>1 225 310</b>	<b>1 975 000</b>
Actuarial Losses reclassified to Employee Related Cost as per MSCOA	1 225 310	(1 225 310)	-
Finance Charges Employee Benefits reclassified to Employee Cost as per MSCOA	1 975 000	-	(1 975 000)
Employee related cost reclassified as operational cost	(793 984)	-	-
<b>Restated Balance now reported</b>	<b>59 488 404</b>	<b>-</b>	<b>-</b>

	Debt Impairment	Impairment Losses	Finance charges - external funding
<b>Balance previously reported</b>	<b>2 219</b>	<b>-</b>	<b>673 822</b>
Debt Impairment reclassified to Impairment Losses as per MSCOA	(2 219)	2 219	-
Finance Charge reclassified to Interest, Dividends and Rent on Land	-	-	(673 822)
<b>Restated Balance now reported</b>	<b>-</b>	<b>2 219</b>	<b>-</b>

	Interest, Dividends and Rent on Land	Contracted Services	Inventory Consumed
<b>Balance previously reported</b>	<b>-</b>	<b>3 936 130</b>	<b>-</b>
Finance Charge reclassified to Interest, Dividends and Rent on Land	673 822	-	-
Operational cost reclassified as inventory consumed	-	-	5 207 187
Repairs and Maintenance, and operational cost reclassified as contracted services	-	5 692 574	-
<b>Restated Balance now reported</b>	<b>673 822</b>	<b>9 628 704</b>	<b>5 207 187</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	Transfers and Subsidies Paid	General Expenses	Operational Costs
<b>Balance previously reported</b>	<b>48 946 516</b>	<b>13 261 969</b>	-
Transfers and subsidies reclassified as contract services and operational cost	(10 282 819)		(596 948)
General expenditure reclassified as operational cost		(13 261 969)	13 241 974
Employee related cost reclassified as operational cost			793 984
<b>Restated Balance now reported</b>	<b>38 663 697</b>	<b>-</b>	<b>13 439 011</b>

**36.3 Reclassification of Statement of Financial Position**

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2016/17 Audited	MSCOA Reclassification	MSCOA Restated Amount	Correction of Error	Restated Amount 2016/17
<b>Current Assets</b>					
Inventories	337 673	-	337 673	-	337 673
Receivables from Exchange Transactions	1 772 898	(790)	1 772 108	-	1 772 108
VAT Receivable	3 362 592	0	3 362 592	-	3 362 592
Investments	10 450 000	-	10 450 000	-	10 450 000
Cash and Cash Equivalents	50 102 119	-	50 102 119	-	50 102 119
Operating Lease Receivables	5 282	-	5 282	-	5 282
Current Portion of Long-term Receivables	819 000	-	819 000	-	819 000
<b>Non-Current Assets</b>					
Property, Plant and Equipment	49 311 261	-	49 311 261	-	49 311 261
Intangible Assets	597 004	-	597 005	-	597 005
Heritage Assets	631 417	-	631 417	-	631 417
Long-term Receivables	8 114 000	-	8 114 000	-	8 114 000
<b>Current Liabilities</b>					
Consumer Deposits	-	570	570	-	570
Provisions	-	8 994 111	8 994 111	-	8 994 111
Payables from Exchange Transactions	11 588 848	1 655 251	13 244 099	-	13 244 099
Current employee benefits	10 650 721	(10 650 721)	-	-	-
Unspent Conditional Grants and Receipts	471 699	-	471 699	-	471 699
Current Portion of Long-term Liabilities	2 179 033	-	2 179 033	-	2 179 033
<b>Non-Current Liabilities</b>					
Long-term Liabilities	2 484 589	-	2 484 589	-	2 484 589
Retirement Benefit Liabilities	-	29 586 999	29 586 999	-	29 586 999
Non-current Provisions	-	114 001	114 001	-	114 001
Employee Benefits	29 700 999	(29 700 999)	-	-	-
<b>Net Assets</b>					
Reserves	20 039 314	7 957 082	27 996 397	-	27 996 397
Accumulated Surplus / (Deficit)	48 388 042	(7 957 082)	40 430 960	-	40 430 960
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	Receivables from Exchange Transactions	Cash and Cash Equivalents
<b>Balances previously published per AFS as at 30 June 2016</b>	<b>1 754 561</b>	<b>69 275 054</b>
<b>Balances now published per AFS as at 30 June 2016</b>	<b>1 754 561</b>	<b>69 275 054</b>
Transactions incurred for the Year 2016/17	18 337	(19 172 935)
Salary Control: Group Schemes reclassified to Payables as per MSCO	(577)	
Unpaid Items reclassified to Payables as per MSCO	(213)	
<b>Balances now published per AFS as at 30 June 2017</b>	<b>1 772 108</b>	<b>50 102 119</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	Consumer Deposits	Provisions	Payables from Exchange Transactions	Current Employee Benefits
<b>Balances previously published per AFS as at 30 June 2016</b>	-	-	<b>8 445 539</b>	<b>9 440 722</b>
Staff Bonus reclassified to Payables as per MSCOA			1 443 038	(1 443 038)
Employee Benefits reclassified as Provisions as per MSCOA		7 997 684		(7 997 684)
Rental Deposits reclassified as Consumer Deposits as per MSCOA	2 394		(2 394)	
<b>Balances now published per AFS as at 30 June 2016</b>	<b>2 394</b>	<b>7 997 684</b>	<b>9 886 183</b>	<b>-</b>
Transactions incurred for the Year 2016/17			3 143 309	1 209 999
Staff Bonus reclassified to Payables as per MSCOA			213 573	(213 573)
Employee Benefits reclassified as Provisions as per MSCOA		996 426	-	(996 426)
Rental Deposits reclassified as Consumer Deposits as per MSCOA	(1 824)		1 824	
Salary Control: Group Schemes reclassified from Receivables, per MSCOA			(577)	
Unpaid Items reclassified from Receivables as per MSCOA			(213)	
<b>Balances now published per AFS as at 30 June 2017</b>	<b>570</b>	<b>8 994 111</b>	<b>13 244 099</b>	<b>-</b>

	Retirement Benefit Liabilities	Non-current Provisions	Employee Benefits
<b>Balances previously published per AFS as at 30 June 2016</b>	-	-	<b>27 713 911</b>
Ex-Gratia Pension reclassified to Non-Current Provisions as per MSCOA		121 911	(121 911)
Employee Benefits reclassified to Retirement Benefit Liabilities as per MSCOA	27 592 000		(27 592 000)
<b>Balances now published per AFS as at 30 June 2016</b>	<b>27 592 000</b>	<b>121 911</b>	<b>-</b>
Transactions incurred for the Year 2016/17			1 994 999
Ex-Gratia Pension reclassified to Non-Current Provisions as per MSCOA		(7 910)	
Employee Benefits reclassified to Retirement Benefit Liabilities as per MSCOA	1 994 999		(1 994 999)
<b>Balances now published per AFS as at 30 June 2017</b>	<b>29 586 999</b>	<b>114 001</b>	<b>-</b>

	Reserves	Accumulated Surplus
<b>Balances previously published per AFS as at 30 June 2016</b>	<b>20 303 275</b>	<b>63 565 272</b>
Capital Replacement Reserve reclassified to Reserves from Acc Surplus as per MSCOA	15 281 795	(15 281 795)
<b>Balances now published per AFS as at 30 June 2016</b>	<b>35 585 070</b>	<b>48 283 478</b>
Transactions incurred for the Year 2016/17	(263 961)	(15 441 191)
Capital Replacement Reserve reclassified to Reserves from Acc Surplus as per MSCOA	(7 324 713)	7 324 713
Depreciation Offsets	-	263 961
Correction of prior year property, plant and equipment	-	-
<b>Balances now published per AFS as at 30 June 2017</b>	<b>27 996 397</b>	<b>40 430 960</b>

**37 CASH GENERATED BY OPERATIONS**

Surplus / (Deficit) for the Year	7 273 895	-15 441 191
Adjustment for:		
Depreciation and Amortisation	3 877 476	3 926 513
Losses / (Gains) on Disposal of Property, Plant and Equipment	29 393	429 444
Contribution to Post-retirement Employee Benefits	301 965	-
Expenditure incurred from Post-retirement Employee Benefits	-1 862 965	-
Contribution to Long Service Awards Liability	493 000	374 000
Expenditure incurred from Long Service Awards Liability	-455 101	-112 189
Contribution to Provisions - Current	-	653 076
Contribution to Provisions - Non-current	29 000	-
<b>Operating surplus before working capital changes</b>	<b>29 996 397</b>	<b>40 430 960</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

Decrease/(Increase) in Inventories	-3 888	-34 551
Decrease/(Increase) in Receivables from Exchange Transactions	-199 344	-18 337
Decrease/(Increase) in VAT Receivable	-300 486	2 031 238
Decrease/(Increase) in Operating Lease Receivables	1 225	-281
Decrease/(Increase) in Current Portion of Long-term Receivables	-	-78 000
Increase/(Decrease) in Consumer Deposits	-	570
Increase/(Decrease) in Payables from Exchange Transactions	-6 678 011	3 143 309
Increase/(Decrease) in Payables from Non-exchange Transactions	-	-
Increase/(Decrease) in Conditional Grants and Receipts	-265 036	-2 601 960
<b>Cash generated by / (utilised in) Operations</b>	<b>2 241 123</b>	<b>-7 728 359</b>

**38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**38.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:

Opening balance	-	6 455
Unauthorised Expenditure current year	-	-
Approved by Council or condoned	-	(6 455)
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	-	-

**38.2 Fruitless and Wasteful Expenditure**

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1 207	5 610
Fruitless and Wasteful Expenditure current year	188 179	19 654
Fruitless and Wasteful Expenditure identified in current year relating to prior years	-	-
Expenditure investigated and approved by Council	(188 179)	(11 103)
To be recovered	-	(12 954)
Fruitless and Wasteful Expenditure awaiting condonement	<b>1 207</b>	<b>1 207</b>

Incident	Disciplinary Steps / Criminal Proceedings
Zuri Concepts & Projects. - R0 (2017: R750)	To be recovered
Lateral Unison. - R0 (2017: R2 500)	To be recovered
Worldwide Travel. - R0 (2017: R2 279)	To be recovered
Lateral Unison. - R0 (2017: R7 425)	Recouped from Salaries Payable
Zuri Concepts & Projects. - R0 (2017: R1 200)	Written Off
Bonisetso Media House. - R0 (2017: R5 500)	Written Off
Independent Newspaper (PTY) LTD. - R10 309 (2017: R0)	Written Off
Independent Newspaper (PTY) LTD. - R1 513 (2017: R0)	Written Off
Nandos. - R407 (2017: R0)	Written Off
KFC. - R179 (2017: R0)	Written Off
Mr Choche. - R1 459 (2017: R0)	Written Off
Tiso Black Starr Group PTY LTD. - R82 422 (2017: R0)	Written Off
Rennies Travel. - R1 782 (2017: R0)	Written Off
S&T Mr M Chonco. - R11 663 (2017: R0)	Written Off
S&T Mr T Jood. - R3 645 (2017: R0)	Written Off
S&T Mr P Mathebula. - R16 951 (2017: R0)	Written Off
Rennies Travel. - R8 229 (2017: R0)	Written Off
Rennies Travel. - R3 116 (2017: R0)	Written Off
Rennies Travel. - R18 271 (2017: R0)	Written Off
Rennies Travel. - R2 800 (2017: R0)	Written Off
Managed Integrity Evaluation (PTY) LTD. - R1 886 (2017: R0)	Written Off
Work Dynamics (PTY) LTD. - R21 862 (2017: R0)	Written Off
Rennies Travel. - R1 685 (2017: R0)	Written Off

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**38.3 Irregular Expenditure**

**Restated**

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure:

Opening balance	2 936 309	329 050
Irregular Expenditure current year	3 726 500	2 946 175
Irregular Expenditure prior year, but identified in current year	150 000	73 090
Condoned or written off by Council	(3 261 309)	(407 541)
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	(4 465)
Irregular Expenditure awaiting condonement	<b>3 551 500</b>	<b>2 936 309</b>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Shine The Way 1302 CC - R0 (2017: R28 500)</i>	<i>Written Off</i>
<i>Councillor Maribe - R0 (2017: R4 465)</i>	<i>To be recovered</i>
<i>Pick n Pay - R0 (2017: R49 990)</i>	<i>Written Off</i>
<i>Advertisement for construction of additional offices (Bid 07 / 16) - R3 533 938 (2017: R2 851 469)</i>	<i>2017 expenditure was written off and 2018 expenditure to be reported to council.</i>
<i>SenTech (Prior Year) - R0 (2017: R44 590)</i>	<i>Written Off</i>
<i>SenTech - R17 562 (2017: R40 250)</i>	<i>2017 expenditure was written off and 2018 expenditure to be reported to council.</i>
<i>MACRONYM - R150 000 (2017: R0)</i>	<i>Prior year expenditure identified in current year. Expenditure has been written off by council.</i>
<i>MACRONYM - R175 000 (: R0)</i>	<i>Expenditure has been written off by council.</i>

**39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**39.1 Contributions to organised local government - SALGA**

Opening Balance	-	-
Council Subscriptions	662 934	679 999
Amount Paid - current year	(662 934)	(679 999)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>

**39.2 Audit Fees**

Opening Balance	-	-
Current year Audit Fee	1 928 678	1 929 239
Amount Paid - current year	(1 928 678)	(1 929 239)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>-</b>

**39.3 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 4. All VAT returns have been submitted by the due date throughout the year.

**39.4 PAYE, Skills Development Levy and UIF**

Opening Balance	111 517	3 269
Current year Payroll Deductions	14 550 381	12 367 334
Amount Paid - current year	(14 655 871)	(12 259 086)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b>6 027</b>	<b>111 517</b>

**39.5 Pension and Medical Aid Deductions**

Opening Balance	(2)	-
Current year Payroll Deductions and Council Contributions	14 841 511	9 356 677
Amount Paid - current year	(14 841 509)	(9 356 679)
Amount Paid - previous years	-	-
<b>Balance Unpaid (included in Creditors)</b>	<b>-</b>	<b>(2)</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**39.6 Non-Compliance with the Municipal Finance Management Act**

**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 was 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 was made to the 2017/18 SDBIP to disclose revenue by source.

**39.7 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

**30 June 2018**

Supplier	Service	Amount
BCX	Treasury Reporting Utility Training	30 780
KIM-ROADS CC	Assistance with water tanks	28 728
ESRI SOUTH AFRICA	Esri software maintenance	47 994
EOH COMPANY	Workabout Pro G4 (Asset Handheld Scanner and Alluminium Asset Labels)	37 967
<b>Total:</b>		<b>145 469</b>

**30 June 2017**

Supplier	Service	Amount
Esri SA	Maintenance renewal of Arc-gis licences	114 000
PWC	Baud bar code labels	2 787
<b>Total:</b>		<b>116 787</b>

**40 COMMITMENTS FOR EXPENDITURE**

**40.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

Land and Buildings  
 Infrastructure

<b>5 156 936</b>	<b>10 662 511</b>
3 410 696	-
1 746 240	10 662 511

This expenditure will be financed from:

Capital Replacement Reserve  
 Government Grants

5 156 936	10 662 511
-	-
<b>5 156 936</b>	<b>10 662 511</b>

**41 FINANCIAL INSTRUMENTS**

**41.1 Classification**

**FINANCIAL ASSETS:**

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
<b>Long-term Receivables</b>			
Employee Benefits	Amortised cost	7 560 000	8 114 000
<b>Receivables from Exchange Transactions</b>			
Other Service Charges	Amortised cost	862 247	326 178
Prepayments and Advances	Amortised cost	671 014	1 246 322
Control, Clearing and Interface Accounts	Amortised cost	350 071	196 310
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	Amortised cost	-	3 297
<b>Investments</b>	Amortised cost	-	10 450 000

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Cash and Cash Equivalents**

Call Deposits	Amortised cost	51 001 000	45 501 000
Short-term Portion of Investments	Amortised cost	6 050 000	-
Bank Balances	Amortised cost	67 505	4 597 819
Cash Floats and Advances	Fair value	3 300	3 300

**Current Portion of Long-term Receivables**

Employee Benefits	Amortised cost	819 000	819 000
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**SUMMARY OF FINANCIAL ASSETS**

**Financial Assets at Amortised Cost:**

Long-term Receivables	Employee Benefits	7 560 000	8 114 000
Receivables from Exchange Transactions	Other Service Charges	862 247	326 178
Receivables from Exchange Transactions	Prepayments and Advances	671 014	1 246 322
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	350 071	196 310
Receivables from Exchange Transactions	Unauthorised, Irregular, Fruitless and Wast	-	3 297
Current Portion of Long-term Receivables	Employee Benefits	819 000	819 000
Investments	Investments	6 050 000	10 450 000
Cash and Cash Equivalents	Call Deposits	51 001 000	45 501 000
Cash and Cash Equivalents	Bank Balances	67 505	4 597 819

<u>67 380 836</u>	<u>71 253 927</u>
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**Financial Assets at Fair Value:**

Non-current Investments	Listed Investments	-	-
Cash and Cash Equivalents	Cash Floats and Advances	3 300	3 300

<u>3 300</u>	<u>3 300</u>
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**Total Financial Assets**

<u>67 384 136</u>	<u>71 257 227</u>
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**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

**Financial Liabilities**

**Classification**

**Long-term Liabilities**

Development Bank of South Africa	Amortised cost	-	2 484 589
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**Payables from Exchange Transactions**

Advance Payments	Amortised cost	20 210	18 259
Bonus	Amortised cost	1 696 191	1 656 611
Other Payables	Amortised cost	44 073	2 163 699
Retentions	Amortised cost	336 603	356 419
Unspent conditional grants	Amortised cost	206 662	471 699
Trade Creditors	Amortised cost	4 469 012	9 049 111

**Current Portion of Long-term Liabilities**

Development Bank of South Africa	Amortised cost	2 455 416	2 179 033
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**SUMMARY OF FINANCIAL LIABILITIES**

**Financial Liabilities at Amortised Cost:**

Long-term Liabilities	Development Bank of South Africa	-	2 484 589
Payables from Exchange Transactions	Advance Payments	20 210	18 259
Payables from Exchange Transactions	Bonus	1 696 191	1 656 611
Payables from Exchange Transactions	Leave Accrual	-	-
Payables from Exchange Transactions	Other Payables	44 073	2 163 699
Payables from Exchange Transactions	Retentions	336 603	356 419
Payables from Exchange Transactions	Unspent conditional grants	206 662	471 699
Payables from Exchange Transactions	Trade Creditors	4 469 012	9 049 111
Current Portion of Long-term Liabilities	Development Bank of South Africa	2 455 416	2 179 033

<u>9 228 167</u>	<u>18 379 419</u>
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**Total Financial Liabilities**

<u>9 228 167</u>	<u>18 379 419</u>
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**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**41.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2018, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2018		30 June 2017	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
<b>Measured at Amortised Cost:</b>	67 380 836	67 380 836	71 253 927	71 253 927
Long-term Receivables	7 560 000	7 560 000	8 114 000	8 114 000
Receivables from Exchange Transactions	1 883 331	1 883 331	1 772 108	1 772 108
Current Portion of Long-term Receivables	819 000	819 000	819 000	819 000
Call Deposits	51 001 000	51 001 000	45 501 000	45 501 000
Investments	6 050 000	6 050 000	10 450 000	10 450 000
Bank Balances	67 505	67 505	4 597 819	4 597 819
<b>Measured at Fair Value</b>	3 300	3 300	3 300	3 300
Non-current Investments	-	-	-	-
Cash and Cash Equivalents	3 300	3 300	3 300	3 300
<b>Total Financial Assets</b>	<b>67 384 136</b>	<b>67 384 136</b>	<b>71 257 227</b>	<b>71 257 227</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Measured at Amortised Cost:</b>	9 228 167	9 228 167	18 379 419	18 379 419
Development Bank of South Africa	-	-	2 484 589	2 484 589
-Payables from Exchange Transactions	6 772 751	6 772 751	13 715 798	13 715 798
-Current Portion of Long-term Liabilities	2 455 416	2 455 416	2 179 033	2 179 033
<b>Total Financial Liabilities</b>	<b>9 228 167</b>	<b>9 228 167</b>	<b>18 379 419</b>	<b>18 379 419</b>
<b>Total Financial Instruments</b>	<b>58 155 969</b>	<b>58 155 969</b>	<b>52 877 807</b>	<b>52 877 807</b>
<b>Unrecognised Gain / (Loss)</b>		-		-

No Financial Instruments of the municipality have been reclassified during the year.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2018**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	3 300	-	3 300
<b>Total Financial Assets</b>	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>

**30 June 2017**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Cash and Cash Equivalents	-	3 300	-	3 300
<b>Total Financial Assets</b>	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>
<b>Total Financial Instruments</b>	<u>-</u>	<u>3 300</u>	<u>-</u>	<u>3 300</u>

**41.3 Capital Risk Management**

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 21 and the Statement of Changes in Net Assets.

**Gearing Ratio**

	2018 R	2017 R
The gearing ratio at the year-end was as follows:		
Debt	2 455 416	4 663 622
Cash and Cash Equivalents	(7 563 300)	(8 117 300)
Net Debt	<u>(5 107 884)</u>	<u>(3 453 678)</u>
Equity	<u>75 785 460</u>	<u>68 427 356</u>
<b>Net debt to equity ratio</b>	<u><b>-6,74%</b></u>	<u><b>-5,05%</b></u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**41.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**41.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 41.8 to the Annual Financial Statements.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**41.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 41.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**41.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**41.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 41.8 below:

***Cash and Cash Equivalents:***

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2018 would have increased / decreased by R505 837 (30 June 2017: R266 853). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**41.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

**Trade and Other Receivables**

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2018		30 June 2017	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
Terra Clay (Pty) Ltd	-	3 746 717	-	-
Department of Education, Arts and Culture	-	2 695 629	-	2 537 699
NTK Beleggings & Ontwikkeling	-	2 162 771	-	-
Government of the Republic of South Africa	-	1 743 722	-	1 487 792
Republiek van Suid-Afrika	-	1 530 382	-	1 291 233
Midway Bricks (Pty) Ltd	-	-	-	3 094 127
Northern Province Academy of Sport	-	-	-	1 324 294

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	8 379 000	8 933 000
Receivables from Exchange Transactions	1 971 452	1 772 108
Investments	6 050 000	-
Bank, Cash and Cash Equivalents	51 071 805	50 102 119
<b>Maximum Credit and Interest Risk Exposure</b>	<b>67 472 257</b>	<b>60 807 227</b>

**Credit quality of Financial Assets:**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

**Long-term Receivables**

Roads – Post Retirement Medical Aid	8 379 000	8 933 000
<b>Total Long-term Receivables</b>	<b>8 379 000</b>	<b>8 933 000</b>

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**41 FINANCIAL INSTRUMENTS (Continued)**

**41.8 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note N/A C67 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2018</b>								
Non-interest Bearing		0,00%	6 772 751	6 772 751	-	-	-	-
- Payables from Exchange transactions			6 772 751	6 772 751	-	-	-	-
Fixed Interest Rate Instruments			2 455 416	2 455 416	-	-	-	-
- Development Bank of South Africa		10,90%	-	-	-	-	-	-
- Current Portion of Long-term Liabilities		10,90%	2 455 416	2 455 416	-	-	-	-
			<b>9 228 167</b>	<b>9 228 167</b>	-	-	-	-
<b>30 June 2017</b>								
Non-interest Bearing		0,00%	13 715 798	13 715 798	-	-	-	-
- Payables from Exchange transactions			13 244 099	13 244 099	-	-	-	-
- Upspent grants			471 699	471 699	-	-	-	-
Fixed Interest Rate Instruments			4 663 622	2 179 033	-	2 484 589	-	-
- Development Bank of South Africa		10,90%	2 484 589	-	-	2 484 589	-	-
- Current Portion of Long-term Liabilities		10,90%	2 179 033	2 179 033	-	-	-	-
			-	-	-	-	-	-
			<b>18 379 419</b>	<b>15 894 830</b>	-	<b>2 484 589</b>	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
<b>30 June 2018</b>								
Non-interest Bearing		0,00%	10 265 631	6 485 631	3 780 000	-	-	-
- Long-term Receivables			7 560 000	3 780 000	3 780 000	-	-	-
- Trade Receivables from Exchange Transactions			1 883 331	1 883 331	-	-	-	-
- Trade Receivables from Non-exchange Transactions			-	-	-	-	-	-
- Cash and Cash Equivalents			3 300	3 300	-	-	-	-
- Current Portion of Long Term Receivables			819 000	819 000	-	-	-	-
Variable Interest Rate Instruments		11,53%	51 068 505	51 068 505	-	-	-	-
- Call Deposits			51 001 000	51 001 000	-	-	-	-
- Bank Account			67 505	67 505	-	-	-	-
Fixed Interest Rate Instruments			6 050 000	-	6 050 000	-	-	-
- Fixed Deposits		8,65%	6 050 000	-	6 050 000	-	-	-
			<b>67 384 136</b>	<b>57 554 136</b>	<b>9 830 000</b>	-	-	-
<b>30 June 2017</b>								
Non-interest Bearing		0,00%	10 708 407	10 708 407	-	-	-	-
- Long-term Receivables			8 114 000	8 114 000	-	-	-	-
- Trade Receivables from Exchange Transactions			1 772 108	1 772 108	-	-	-	-
- Trade Receivables from Non-exchange Transactions			-	-	-	-	-	-
- Cash and Cash Equivalents			3 300	3 300	-	-	-	-
- Current Portion of Long Term Receivables			819 000	819 000	-	-	-	-
Variable Interest Rate Instruments		25,50%	50 098 819	50 098 819	-	-	-	-
- Call Deposits			45 501 000	45 501 000	-	-	-	-
- Bank Account			4 597 819	4 597 819	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments			10 450 000	-	10 450 000	-	-	-
- Fixed Deposits		8,65%	10 450 000	-	10 450 000	-	-	-
			<b>71 257 227</b>	<b>60 807 227</b>	<b>10 450 000</b>	-	-	-

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**2018**                      **2017**  
**R**                                      **R**

**42 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. Employees belong to a variety of approved Pension and Provident Funds as described below. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R1 862 965 (2017: R0) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

**DEFINED CONTRIBUTION SCHEMES**

Council contribute to the Municipal Council 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.

**Cape Joint Retirement Fund:**

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

**Municipal Councillors Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

The statutory valuation performed as at 30 June 2012 revealed that the net assets of the fund were R1 183,5 (30 June 2009: R1 123,7) million, with a funding level of 99,5% (30 June 2009: 102,0%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The deficit of R6,4 (2009: surplus R22,5) million is regarded as relatively insignificant in the context of the fund. There is a strong possibility that SARS may reverse penalties and interest in the order of R10,3 million which will result in a fully funded position.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

No further information could be obtained.

None of the above mentioned plans are State Plans.

**43 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**43.1 Services rendered to Related Parties**

The Municipality did not render any services during the year to anyone that can be considered as a related party.

**43.2 Loans granted to Related Parties**

In terms of the MFMA, the Municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by Frances Baard District Municipality.

**43.3 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, to the Annual Financial Statements.

**FRANCES BAARD DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**2018**  
**R**                      **2017**  
**R**

**43.4 Purchases from Related Parties**

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Municipal Capacity	Purchases for the Year	Purchases for the Year
None declared by Councillors / Managers				
None declared	Ms V Ximba	Executive Mayor	-	-
None declared	Mr P Marekwa	Executive Mayor	-	-
None declared	Mr M B Silingile	Speaker	-	-
None declared	Ms U Buda	Speaker	-	-
None declared	Mr M Mokgatlhanyane	Councillor	-	-
None declared	Ms C Mothibi	Councillor	-	-
None declared	Ms M Mathe	Councillor	-	-
None declared	Ms M Motsamai	Councillor	-	-
None declared	Ms N Shushu	Councillor	-	-
None declared	Ms D Bishop	Councillor	-	-
None declared	Mr V Ndelela	Councillor	-	-
None declared	Mr M Kaars	Councillor	-	-
None declared	Ms D Benjamin	Councillor	-	-
None declared	Mr P Louw	Councillor	-	-
None declared	Ms A Siwisa	Councillor	-	-
None declared	Ms A Moremong	Councillor	-	-
None declared	Mr J Musie	Councillor	-	-
None declared	Ms D Setholo	Councillor	-	-
None declared	Mr P Thabane	Councillor	-	-
None declared	Mr B Springbok	Councillor	-	-
None declared	Ms T Mpanza	Councillor	-	-
None declared	Ms L Duba	Councillor	-	-
None declared	Ms M Beylefeld	Councillor	-	-
None declared	Mr S Griqua	Councillor	-	-
None declared	Mr S N Kika	Councillor	-	-
None declared	Mr D M Macinga	Councillor	-	-
None declared	Ms M A Mahutie	Councillor	-	-
None declared	Ms H Morometse	Councillor	-	-
None declared	Mr K Zalisa	Councillor	-	-
None declared	Ms Z Bogatsu	Municipal Manager	-	-
None declared	Ms O Moseki	Acting Executive Director: Financial Services	-	-
None declared	Mrs KG Gaborone	Executive Director: Administration	-	-
None declared	Mr P van der Walt	Executive Director: Infrastructure Services	-	-
None declared	Mr D Makaleni	Acting Executive Director: Infrastructure Services	-	-
None declared	Mr F Netshivhodza	Acting Executive Director: Planning & Development	-	-
None declared	Mr. WMS Calitz	Audit Committee Chairperson	-	-
None declared	Mr. T Mogoli	Audit Committee Member	-	-
None declared	Mr. G Botha	Audit Committee Member	-	-
Inspired Change Consulting (PTY) LTD	D Mocumi	Chief Clerk: Archival Services	-	405 000
<b>Total Purchases</b>			<b>-</b>	<b>405 000</b>

**44 CONTINGENT LIABILITIES**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Liabilities.

**45 CONTINGENT ASSETS**

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

**46 IN-KIND DONATIONS AND ASSISTANCE**

Mr. G Botha served on the audit committee for the 2017/18 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.

**47 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**48 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2018.

**49 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 36).

**50 GOING CONCERN ASSESSMENT**

The municipality's cash flow forecast for the year to 30 June 2019 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future. The accumulated surplus and cash & cash equivalents as at 30 June 2018 was taken into consideration during the review.

**APPENDIX A**  
**FRANCES BAARD DISTRICT MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018**

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2017	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2018
	R				R	R	R	R
<b>GOVERNMENT LOANS</b>	15 000 000	10,9%	25869	30-Jun-19	4 663 622	-	2 208 206	2 455 416
<b>Total Government Loans</b>	<b>15 000 000</b>				<b>4 663 622</b>	-	<b>2 208 206</b>	<b>2 455 416</b>
<b>OTHER LOANS</b>								
<b>Total Other Loans</b>	-				-	-	-	-
<b>TOTAL EXTERNAL LOANS</b>	<b>15 000 000</b>				<b>4 663 622</b>	-	<b>2 208 206</b>	<b>2 455 416</b>

**ANNUITY LOANS:**

**DBSA:**

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. The remaining balance on the loan has been transferred to payables.



APPENDIX C

FRANCES BAARD DISTRICT MUNICIPALITY  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)	Description	2018 Actual Income	2018 Budgeted Income	2018 Actual Expenditure	2018 Budgeted Expenditure	2018 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
-	420 000	25 219 675	27 235 324	(25 219 675)	<b>Municipal Governance and Administration</b>	-	-	26 630 680	32 965 770	(26 630 680)
104 665 899	103 843 350	37 141 623	44 511 476	67 524 276	Executive and Council	112 721 346	115 208 840	34 133 402	43 038 564	78 587 945
-	-	-	-	-	Finance and Administration	-	-	-	-	-
-	-	-	-	-	Internal Audit	-	-	-	-	-
1 015 000	1 457 522	5 170 131	5 759 040	(4 155 131)	<b>Community and Public Safety</b>	345 462	368 000	5 883 625	7 946 630	(5 538 163)
-	-	-	-	-	Community and Social Services	-	-	-	-	-
-	-	-	-	-	Public Safety	-	-	-	-	-
800 000	800 000	5 469 099	5 551 020	(4 669 099)	Sport and Recreation	-	800 000	4 636 411	6 820 800	(4 636 411)
-	-	-	-	-	<b>Housing</b>	-	-	-	-	-
-	-	-	-	-	<b>Health</b>	-	-	-	-	-
-	-	-	-	-	<b>Economic and Environmental Services</b>	-	-	-	-	-
14 584 999	12 585 000	2 904 580	3 246 510	(2 904 580)	Environmental Protection	-	-	3 998 882	6 501 110	(3 998 882)
902 400	1 009 113	56 401 762	68 494 912	(41 816 763)	Planning and Development	12 662 876	13 062 000	39 616 252	50 123 556	(26 953 376)
-	-	776 917	984 570	125 483	Road Transport	-	-	-	-	-
-	-	-	-	-	<b>Trading Services</b>	-	-	-	-	-
-	-	-	-	-	Energy Sources	-	-	-	-	-
-	-	-	-	-	Waste Management	-	-	-	-	-
-	-	-	-	-	Waste Water Management	-	-	-	-	-
-	-	3 896 259	5 587 793	(3 896 259)	Water Management	204 080	307 820	3 731 224	5 181 500	(3 527 144)
-	-	-	-	-	<b>Other</b>	-	-	-	-	-
<b>121 968 299</b>	<b>120 114 985</b>	<b>136 980 045</b>	<b>161 370 645</b>	<b>(15 011 747)</b>	<b>Sub-Total</b>	<b>125 933 764</b>	<b>129 736 660</b>	<b>118 630 476</b>	<b>152 577 930</b>	<b>7 303 288</b>
-	30 000	429 444	210 000	(429 444)	Gains and Losses	-	(2 029 330)	29 393	250 000	(29 393)
<b>121 968 299</b>	<b>120 144 985</b>	<b>137 409 490</b>	<b>161 580 645</b>	<b>(15 441 191)</b>	<b>Total</b>	<b>125 933 764</b>	<b>127 707 330</b>	<b>118 659 869</b>	<b>152 827 930</b>	<b>7 273 895</b>

**APPENDIX D(2)  
FRANCES BAARD DISTRICT MUNICIPALITY  
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2018**

Description	2017/18						2016/17				
	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R	R	R	R	R	R
<b>REVENUE - MUNICIPAL</b>											
Executive & Council	-	-	-	-	-	-	-	-	0,00	0,00	-
Municipal Manager	-	-	-	-	-	-	-	-	0,00	0,00	-
Budget And Treasury	111 288 260	1 960 290	113 248 550	1 980 290	115 208 840	112 721 346	-	(2 487 494)	97,84	101,29	104 665 899
Corporate Services	368 000	-	368 000	-	368 000	345 462	-	(22 538)	93,88	93,88	1 015 000
Planning & Development	50 000	128 910	178 910	128 910	307 820	204 080	-	(103 740)	66,30	408,16	200 000
Project Man And Advisory Serv	13 852 000	-	13 852 000	-	13 852 000	12 662 876	-	(1 189 124)	91,42	91,42	16 087 399
<b>Total Revenue - Standard</b>	<b>125 558 260</b>	<b>2 089 200</b>	<b>127 647 460</b>	<b>2 089 200</b>	<b>129 736 660</b>	<b>125 933 764</b>	<b>-</b>	<b>(7 605 792)</b>	<b>6 027,85</b>	<b>100,30</b>	<b>121 968 299</b>
<b>EXPENDITURE - MUNICIPAL</b>											
Executive & Council	11 431 360	289 020	11 720 380	289 020	12 009 400	10 469 643	-	(1 539 757)	87,18	91,59	8 792 212
Municipal Manager	16 935 590	2 010 390	18 945 980	2 010 390	20 956 370	16 161 036	-	(4 795 334)	77,12	95,43	16 427 463
Budget And Treasury	22 660 700	586 370	23 247 070	586 370	23 833 440	16 770 364	-	(7 063 076)	70,36	74,01	21 200 268
Corporate Services	32 103 050	774 907	32 877 957	774 907	33 652 864	27 245 544	-	(6 407 320)	80,96	84,87	24 036 060
Planning & Development	18 350 810	426 630	18 777 440	426 630	19 204 070	12 743 368	-	(6 460 702)	66,36	69,44	14 671 701
Project Man And Advisory Serv	35 546 320	3 687 733	39 234 053	3 687 733	42 921 786	35 240 520	-	(7 681 266)	82,10	99,14	51 872 337
<b>Total Expenditure - Standard</b>	<b>137 027 830</b>	<b>7 775 050</b>	<b>144 802 880</b>	<b>7 775 050</b>	<b>152 577 930</b>	<b>118 630 476</b>	<b>-</b>	<b>(67 894 908)</b>	<b>1 525,78</b>	<b>86,57</b>	<b>137 000 040</b>
<b>Gains and Losses</b>	<b>(1 779 330)</b>		<b>250 000</b>		<b>2 279 330</b>	<b>29 393</b>	<b>-</b>	<b>(2 249 937)</b>	<b>1,29</b>	<b>0,00</b>	<b>429 444</b>
<b>Surplus/(Deficit) for the year</b>	<b>(9 690 240)</b>	<b>(7 715 180)</b>	<b>(17 405 420)</b>	<b>(7 715 180)</b>	<b>(25 120 600)</b>	<b>7 273 895</b>	<b>-</b>	<b>32 394 495</b>	<b>0,00</b>	<b>0,00</b>	<b>(15 461 186)</b>

**APPENDIX D (3)**  
**FRANCES BAARD DISTRICT MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

Description	2017/18												
	Original Budget	Budget Adjustments	Adjustment Budget	Special Budget Adjustments	Special Adjustment Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Revenue from Non-exchange Transactions</b>													
Transfers and Subsidies	118 569 000	128 910	118 697 910	-	118 697 910	128 910	118 826 820	117 698 568	-	(1 128 252)	99,05	99,27	114 012 528
<b>Revenue from Exchange Transactions</b>													
Rental from Fixed Assets	1 227 260	-	1 227 260	-	1 227 260	-	1 227 260	1 003 158	-	(224 102)	81,74	81,74	1 009 828
Interest, Dividends and Rent on Land Earned	5 262 000	-	5 262 000	-	5 262 000	-	5 262 000	5 830 289	-	568 289	110,80	110,80	6 805 233
Operational Revenue	-	-	-	-	-	-	-	-	-	-	0,00	0,00	-
Gains on Disposal of Property, Plant and Equipment	2 029 330	(2 029 330)	-	-	-	(2 029 330)	(2 029 330)	-	-	2 029 330	0,00	0,00	-
<b>Total Revenue (excluding Capital Transfers &amp; Co</b>	<b>127 587 590</b>	<b>(1 900 420)</b>	<b>125 687 170</b>	<b>-</b>	<b>125 687 170</b>	<b>(1 900 420)</b>	<b>124 817 752</b>	<b>124 817 752</b>	<b>-</b>	<b>1 031 002</b>	<b>0,00</b>	<b>97,83</b>	<b>121 968 299</b>
<b>EXPENDITURE</b>													
Employee Related Costs	65 844 680	5 394 880	71 239 560	-	71 239 560	5 394 880	76 634 440	57 917 444	-	(18 716 996)	75,58	87,96	59 488 404
Remuneration of Councillors	6 369 050	6 910	6 375 960	-	6 375 960	6 910	6 382 870	6 566 732	-	183 862	102,88	103,10	5 950 489
Depreciation and Amortisation	3 290 420	-	3 290 420	-	3 290 420	-	3 290 420	3 877 476	-	587 056	117,84	117,84	3 926 513
Impairment Losses	3 000	-	3 000	-	3 000	-	3 000	88 121	-	85 121	2 937,35	2 937,35	2 219
Interest, Dividends and Rent on Land	487 000	-	487 000	-	487 000	-	487 000	451 109	-	(35 891)	92,63	92,63	673 822
Contracted Services	19 234 780	411 320	19 646 100	-	19 646 100	411 320	20 057 420	12 504 137	-	(7 553 283)	62,34	65,01	9 628 704
Inventory Consumed	1 061 210	243 780	1 304 990	-	1 304 990	243 780	1 548 770	1 454 790	-	(93 980)	93,93	137,09	5 207 187
Transfers and Subsidies Paid	22 994 500	3 129 613	26 124 113	-	26 124 113	3 129 613	29 263 726	24 795 809	-	(4 457 917)	84,76	107,63	38 663 697
Operating Leases	-	(3 371 743)	14 371 447	-	14 371 447	(3 371 743)	10 999 704	9 858 846	-	(1 140 858)	0,00	0,00	-
Operational Costs	17 743 190	-	17 743 190	-	17 743 190	-	17 743 190	17 743 190	-	-	100,00	100,00	17 743 190
Statutory Payments other than Taxes	250 000	-	250 000	-	250 000	-	250 000	-	-	(250 000)	0,00	0,00	-
Loss on Disposal of Property, Plant and Equipment	250 000	-	250 000	-	250 000	-	250 000	29 393	-	(220 607)	11,76	11,76	429 444
<b>Total Expenditure</b>	<b>137 527 830</b>	<b>5 814 760</b>	<b>143 342 590</b>	<b>-</b>	<b>143 342 590</b>	<b>5 814 760</b>	<b>117 543 857</b>	<b>117 543 857</b>	<b>-</b>	<b>(31 613 493)</b>	<b>2 021,47</b>	<b>85,47</b>	<b>137 409 490</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(9 940 240)</b>	<b>-</b>	<b>(17 655 420)</b>	<b>-</b>	<b>(17 655 420)</b>	<b>-</b>	<b>-</b>	<b>7 273 895</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15 441 191)</b>

**APPENDIX E  
FRANCES BAARD DISTRICT MUNICIPALITY  
STATEMENT OF REMUNERATION OF MANAGEMENT**

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
<b>30 June 2018</b>												
<b>Mayor</b>												
Mr P Marekwa	70 049	-	-	-	-	-	-	-	-	-	-	70 049
Miss BY Ximba	568 160	-	-	-	189 387	-	37 400	-	-	-	3 300	798 246
<b>Speaker</b>												
Mr MB Silingile	418 730	-	-	-	-	139 572	34 453	-	-	-	3 040	595 795
Ms HU Buba	-	-	-	-	3 060	-	-	-	-	-	-	3 060
<b>Executive Committee</b>												
Miss EM Mathe	612 844	-	-	-	-	-	40 800	-	-	-	3 600	657 244
Ms ME Motsamai	459 633	-	-	-	-	153 211	40 800	-	-	-	3 600	657 244
Miss KC Motlhabi	459 633	-	-	-	-	153 211	40 800	-	-	-	3 600	657 244
Mr ME Mokgathanyane	459 633	-	-	-	-	153 211	40 800	-	-	-	3 600	657 244
Miss LN Shushu	265 439	-	-	-	-	79 275	-	-	-	-	-	344 714
<b>Chairperson MPAC</b>												
MS PD Bishop	221 468	-	-	-	-	73 822	-	-	-	-	-	295 290
<b>Other Councillors</b>												
Mr VE Ndhlwa	261 529	-	-	-	-	-	40 800	-	-	-	3 600	305 929
Mr M Kaars	196 147	-	-	-	-	65 382	40 800	-	-	-	3 600	305 929
Ms D Benjamin	256 080	-	-	-	-	5 449	40 800	-	-	-	3 600	305 929
Mr P Louw	202 109	-	-	-	-	59 420	40 800	-	-	-	3 600	305 929
Ms A Siwisa	261 529	-	-	-	-	-	40 800	-	-	-	3 600	305 929
Ms A Moremong	-	-	-	-	7 239	2 413	-	-	-	-	-	9 652
Mr J Musie	-	-	-	-	9 652	-	-	-	-	-	-	9 652
Ms D Setholo	-	-	-	-	19 380	-	-	-	-	-	-	19 380
Mr B Springbok	-	-	-	-	28 560	-	-	-	-	-	-	28 560
Ms KM Sebego	-	-	-	-	4 080	-	-	-	-	-	-	4 080
Ms L Duba	-	-	-	-	9 180	-	-	-	-	-	-	9 180
Ms M Beylfeid	-	-	-	-	20 400	-	-	-	-	-	-	20 400
Mr S Griqua	-	-	-	-	25 500	-	-	-	-	-	-	25 500
Mr S N Kika	-	-	-	-	26 520	-	-	-	-	-	-	26 520
Ms LN Shushu	-	-	-	-	-	-	-	-	-	-	-	-
Mr D M Macinga	-	-	-	-	25 683	-	-	-	-	-	-	25 683
Ms M A Mahute	-	-	-	-	25 683	-	-	-	-	-	-	25 683
Miss H Morometse	-	-	-	-	9 652	-	-	-	-	-	-	9 652
Miss TH Mpozana	-	-	-	-	5 100	-	-	-	-	-	300	5 100
Miss BY Ximba	35 572	-	-	-	25 683	5 739	3 400	-	-	-	-	45 011
Mr K Zalisa	-	-	-	-	11 220	-	-	-	-	-	-	11 220
Mr MP Thabane	-	-	-	-	256 592	1 080 090	442 453	-	-	-	39 040	6 566 732
<b>Total for Councillors</b>	<b>4 748 556</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>256 592</b>	<b>1 080 090</b>	<b>442 453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39 040</b>	<b>6 566 732</b>

**APPENDIX E**  
**FRANCES BAARD DISTRICT MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
<b>Municipal Manager</b> Ms ZM Bogatsu	1 373 622	-	99 369	130 920	-	192 592	24 000	-	232 523	-	548 269	2 601 295
<b>Director: Financial Services</b> Miss OP Moseki (Acting July 2017 And September to November 2017)	210 824	78 950	53 333	63 466		41 460	6 000	3 184	44 102	12 649	4 266	518 233
<b>Director: Project Management &amp; Advisory Services</b> Mr DV Makaleni (Acting 01 December To 29 February 2018 Mr PJ van der Walt	138 774 242 025	- 26 153	-	- 63 466		37 260 19 500	4 500 4 500	2 390	32 452	8 326	2 310 81 225	226 013 436 869
<b>Director: Administration</b> Mrs K Gaborone	1 046 101	112 166	-	-		-	19 500	-	-	307 754	-	1 485 521
<b>Director: Planning &amp; Development</b> Mr F Neishivhodza	231 067		46 258			62 100	7 500	3 983	48 741	14 555	4 968	419 171
<b>Total for Senior Managers</b>	3 242 413	217 268	198 960	257 851	-	352 912	66 000	9 557	357 819	343 285	641 038	5 687 102
<b>Total for Management</b>	<b>7 990 969</b>	<b>217 268</b>	<b>198 960</b>	<b>257 851</b>	<b>256 592</b>	<b>1 433 002</b>	<b>508 453</b>	<b>9 557</b>	<b>357 819</b>	<b>343 285</b>	<b>680 078</b>	<b>12 253 834</b>

**APPENDIX E**  
**FRANCES BAARD DISTRICT MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
<b>30 June 2017</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Mayor</b>												
Kimba BM	713 050	-	-	-	-	-	-	-	-	-	-	713 050
Moloi MM	89 920	-	-	-	-	-	-	-	-	-	-	89 920
<b>Speaker</b>												
Maribe BM	71 909	-	-	-	-	-	-	-	-	-	-	71 909
Silingile MB	586 700	-	-	-	-	-	-	-	-	-	-	586 700
<b>Executive Committee</b>												
Johnson W	67 572	-	-	-	-	-	-	-	-	-	-	67 572
Mathe EM	531 919	-	-	-	-	-	-	-	-	-	-	531 919
Molefi PR	67 572	-	-	-	-	-	-	-	-	-	-	67 572
Mokgathanyane ME	532 102	-	-	-	-	-	-	-	-	-	-	532 102
Mothibi KC	531 605	-	-	-	-	-	-	-	-	-	-	531 605
Motsamai ME	532 102	-	-	-	-	-	-	-	-	-	-	532 102
Nicholas T	67 572	-	-	-	-	-	-	-	-	-	-	67 572
Riffles K	40 537	-	-	-	-	-	-	-	-	-	-	40 537
Shushu LN	292 750	-	-	-	-	-	-	-	-	-	-	292 750
Silingile MB	50 930	-	-	-	-	-	-	-	-	-	-	50 930
<b>Chairperson MPAC</b>												
Bishop PD	227 743	-	-	-	-	-	-	-	-	-	-	227 743
Kimba BV	28 084	-	-	-	-	-	-	-	-	-	-	28 084
<b>Other Councillors</b>												
Adams CJS					1 004							1 004
Benjamin D	243 023	-	-	-	-	-	-	-	-	-	-	243 023
Beylveid MJ					15 392							15 392
Bishop PD					962							962
Boqo AN					2 886							2 886
Duba IF					15 392							15 392
Fourie OC					2 886							2 886
Griqua SH					15 392							15 392
Hale EK					3 848							3 848
Kaars M					-							-
Kika SN	273 096	-	-	-	16 354							273 096
Kok GR					30 102							30 102
Koopman GT					3 848							3 848
Louw PJJ					-							-
Macinga DM	243 023	-	-	-	21 103							243 023
												21 103

**APPENDIX E  
FRANCES BAARD DISTRICT MUNICIPALITY  
STATEMENT OF REMUNERATION OF MANAGEMENT**

Incumbent	Basic Salaries	Scarce Skills Allowance	Annual Bonuses	Performance Bonuses	Sitting Allowances	Travel Allowances	Cellphone Allowances	Housing Allowances	Company Contr. to UIF, SDL, Medical and Pension Funds	Acting Allowances	Any Other Benefits	Total Remuneration
Mathutle MA	-	-	-	-	21 103	-	-	-	-	-	-	21 103
Moremang AO	-	-	-	-	9 105	-	-	-	-	-	-	9 105
Moremetse H	-	-	-	-	7 410	-	-	-	-	-	-	7 410
Mpampi ZJ	-	-	-	-	-	-	-	-	-	-	-	-
Mapanza TH	-	-	-	-	12 506	-	-	-	-	-	-	12 506
Mthukwane GK	-	-	-	-	2 886	-	-	-	-	-	-	2 886
Musi JS	-	-	-	-	7 808	-	-	-	-	-	-	7 808
Ndela VE	243 023	-	-	-	1 004	-	-	-	-	-	-	243 023
Nel PJ	-	-	-	-	30 102	-	-	-	-	-	-	30 102
Pholoholo MI	-	-	-	-	3 848	-	-	-	-	-	-	3 848
Plaatje OB	-	-	-	-	13 468	-	-	-	-	-	-	13 468
Seitoholo DT	-	-	-	-	2 886	-	-	-	-	-	-	2 886
Swisa AM	243 023	-	-	-	2 670	-	-	-	-	-	-	243 023
Smit J	-	-	-	-	30 102	-	-	-	-	-	-	30 102
Springbok B	-	-	-	-	18 278	-	-	-	-	-	-	18 278
Steyn L	-	-	-	-	15 392	-	-	-	-	-	-	15 392
Thabane MP	-	-	-	-	2 886	-	-	-	-	-	-	2 886
Tsimakwane E	-	-	-	-	3 848	-	-	-	-	-	-	3 848
van der Merwe DJP	-	-	-	-	2 886	-	-	-	-	-	-	2 886
Voster PJ	-	-	-	-	2 670	-	-	-	-	-	-	2 670
Witkoei S	-	-	-	-	20 712	-	-	-	-	-	-	20 712
Zalisa	-	-	-	-	335 183	-	-	-	-	-	-	335 183
<b>Total for Councillors</b>	<b>5 677 255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6 012 437</b>
<b>Municipal Manager</b>												
Ms ZM Bogatsu	1 312 404	-	109 367	175 235	-	192 592	24 000	-	-	-	-	1 813 598
<b>Director: Financial Services</b>												
Miss OP Moseki (Acting)	578 691	-	48 508	120 673	-	149 040	11 944	8 904	-	22 977	-	940 736
<b>Director: Project Management &amp; Advisory Services</b>												
Mr PJ van der Walt	828 651	90 665	-	120 673	-	78 000	18 000	-	-	-	-	1 135 989
<b>Director: Administration</b>												
Mrs K Gaborone	75 554	-	-	-	-	-	2 000	-	-	16 467	-	94 021
<b>Director: Planning &amp; Development</b>												
Mr F Neishivhodza	169 317	-	-	124 725	-	49 680	5 855	742	-	9 576	-	235 170
Mr FS Mdee	-	-	-	-	-	-	-	-	-	-	-	124 725
<b>Total for Senior Managers</b>	<b>2 964 618</b>	<b>90 665</b>	<b>157 875</b>	<b>541 306</b>	<b>-</b>	<b>469 312</b>	<b>61 798</b>	<b>9 646</b>	<b>-</b>	<b>49 020</b>	<b>-</b>	<b>4 344 239</b>
<b>Total for Management</b>	<b>8 641 872</b>	<b>90 665</b>	<b>157 875</b>	<b>541 306</b>	<b>335 183</b>	<b>469 312</b>	<b>61 798</b>	<b>9 646</b>	<b>-</b>	<b>49 020</b>	<b>-</b>	<b>10 356 677</b>

**APPENDIX F**  
**FRANCES BAARD DISTRICT MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE**

Year Ended 30 June 2018

Description	Executive and Council	Finance and Administration	Public Safety	Housing	Environmental Protection	Planning and Development	Road Transport	Other	Total for Municipality
	R	R	R	R	R	R	R	R	R
<b>REVENUE</b>									
Revenue from Non-exchange Transactions	-	105 399 150	345 462	-	-	11 749 876	-	204 080	117 698 568
Transfers and Subsidies	-	285 736	-	-	-	-	-	-	285 736
Revenue from Exchange Transactions	-	90 158	-	-	-	913 000	-	-	1 003 158
Sales of Goods and Rendering of Services	-	5 830 289	-	-	-	-	-	-	5 830 289
Rental from Fixed Assets	-	-	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	-	<b>111 605 334</b>	<b>345 462</b>	-	-	<b>12 662 876</b>	-	<b>204 080</b>	<b>124 817 752</b>
<b>EXPENDITURE</b>									
Employee Related Costs	14 419 709	20 724 480	3 662 596	3 722 461	2 926 529	10 967 582	-	1 494 086	57 917 444
Remuneration of Councillors	6 566 732	-	-	-	-	-	-	-	6 566 732
Depreciation and Amortisation	200 949	2 777 095	503 234	30 600	14 993	315 029	-	35 576	3 877 476
Interest, Dividends and Rent on Land	-	451 109	-	-	-	-	-	-	451 109
Contracted Services	1 330 327	3 495 396	1 107 964	597 573	227 416	4 471 909	-	1 273 552	12 504 137
Inventory Consumed	331 758	707 699	14 257	25 240	15 813	343 703	-	16 319	1 454 790
Transfers and Subsidies Paid	228 595	676 199	249 550	-	523 799	22 488 471	-	629 195	24 795 809
Operational Costs	3 165 646	5 189 523	152 468	167 264	106 495	855 034	-	222 416	9 858 846
Loss on Disposal of Property, Plant and Equipment	587	26 910	190	1 586	-	120	-	-	29 393
<b>Total Expenditure</b>	<b>26 332 422</b>	<b>34 048 412</b>	<b>5 690 259</b>	<b>4 544 725</b>	<b>3 815 046</b>	<b>39 441 848</b>	-	<b>3 671 144</b>	<b>117 543 857</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(26 332 422)</b>	<b>77 556 922</b>	<b>(5 344 797)</b>	<b>(4 544 725)</b>	<b>(3 815 046)</b>	<b>(26 778 972)</b>	-	<b>(3 467 064,49)</b>	<b>7 273 895</b>

**APPENDIX F**  
**FRANCES BAARD DISTRICT MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)**

Year Ended 30 June 2017

Description	Executive and Council	Finance and Administration	Public Safety	Housing	Environmental Protection	Planning and Development	Road Transport	Other	Total for Municipality
	R	R	R	R	R	R	R	R	R
<b>REVENUE</b>									
Revenue from Non-exchange Transactions	-	97 612 528	1 015 000	800 000	-	14 584 999	-	-	114 012 528
Transfers and Subsidies	-	-	-	-	-	-	-	-	-
Revenue from Exchange Transactions	-	140 709	-	-	-	-	-	-	140 709
Sales of Goods and Rendering of Services	-	107 428	-	-	-	-	902 400	-	1 009 828
Rental from Fixed Assets	-	6 805 233	-	-	-	-	-	-	6 805 233
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	-	<b>104 665 899</b>	<b>1 015 000</b>	<b>800 000</b>	-	<b>14 584 999</b>	<b>902 400</b>	-	<b>121 968 299</b>
<b>EXPENDITURE</b>									
Employee Related Costs	14 559 082	21 884 388	3 177 345	4 172 219	2 445 161	11 819 296	268 578	1 162 332	59 488 404
Remuneration of Councillors	5 950 489	-	-	-	-	-	-	-	5 950 489
Depreciation and Amortisation	150 375	2 505 544	689 358	38 599	19 787	284 896	210 838	27 115	3 926 513
Impairment Losses	2 219	-	-	-	-	-	-	-	2 219
Interest, Dividends and Rent on Land	-	673 822	-	-	-	-	-	-	673 822
Contracted Services	1 083 059	600 971	657 034	1 149 096	52 344	4 266 225	-	1 819 975	9 628 704
Inventory Consumed	529 694	3 971 742	132 893	32 823	11 239	262 432	253 350	13 013	5 207 187
Transfers and Subsidies Paid	82 331	966 665	388 638	-	75 381	36 528 607	-	622 075	38 663 697
Operational Costs	2 862 425	6 538 490	124 862	76 362	300 667	3 240 306	44 151	251 749	13 439 011
Loss on Disposal of Property, Plant and Equipment	1 587	426 846	823	-	-	188	-	-	429 444
<b>Total Expenditure</b>	<b>25 221 262</b>	<b>37 568 469</b>	<b>5 170 954</b>	<b>5 469 099</b>	<b>2 904 580</b>	<b>56 401 950</b>	<b>776 917</b>	<b>3 896 259</b>	<b>137 409 490</b>
<b>Surplus/(Deficit) for the Year</b>	<b>(25 221 262)</b>	<b>67 097 430</b>	<b>(4 155 954)</b>	<b>(4 669 099)</b>	<b>(2 904 580)</b>	<b>(41 816 951)</b>	<b>125 483</b>	<b>(3 896 259,31)</b>	<b>(15 441 191)</b>



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