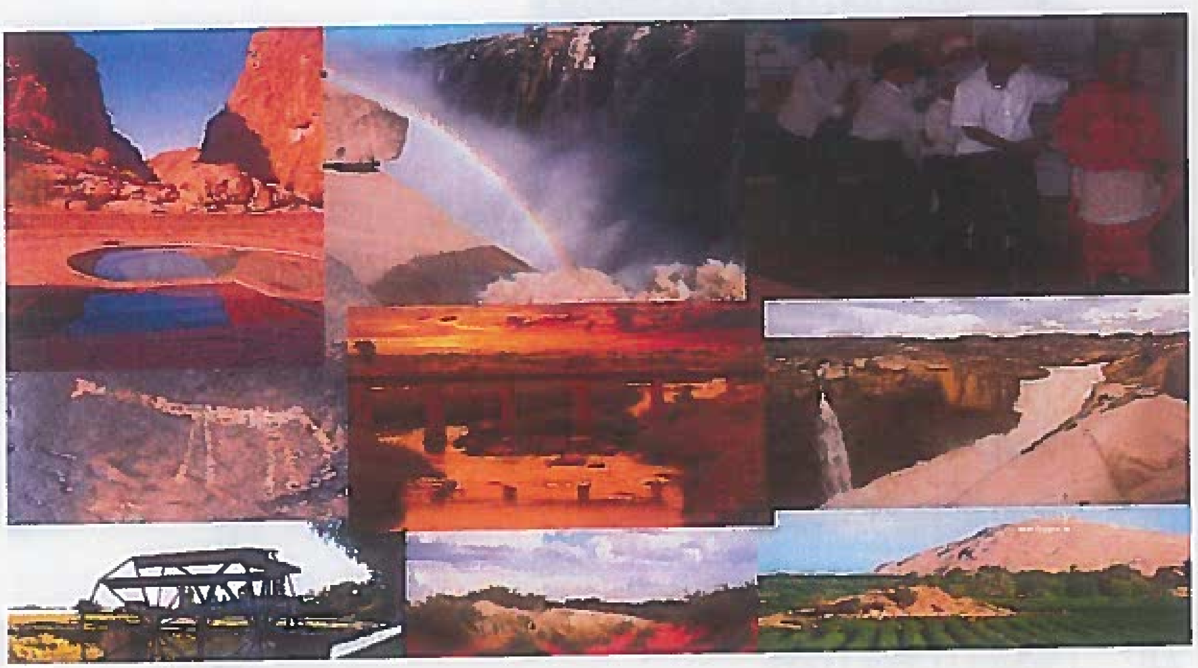
Kai !Garib Municipality

FINAL ANNUAL REPORT

2018/2019



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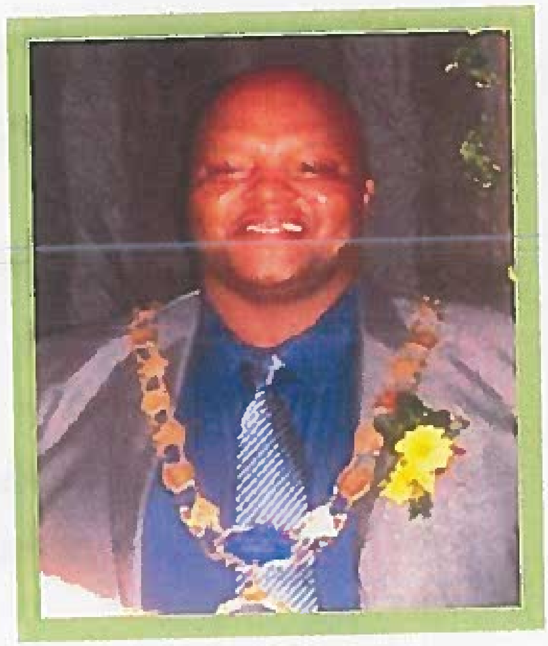
LIST OF ABBREVIATIONS

AG Report	- Auditor General's Report
CFO	- Chief Financial Officer
COGHSTA	- Cooperative Governance, Human Settlements and Traditional Affairs
CSD	- Central Supplier Database
DEDaT	- Department of Economic Development and Tourism
DPSA	- Department Public Service and Administration
EGDF	- Economic Growth and Development Fund
EHP	- Environmental Health Practitioner
EHS	- Environmental Health Services
EPWP	- Extended Public Works Programme
GRAP	- Generally Recognized Accounting Practice
IDP	-Integrated Development Plan
IDP Rep Forum	- IDP Representative Forum
IGR	- Intergovernmental Relations
IT	- Information Technology
ITC	- Information and Communication Technology
KPI	- Key Performance Indicators
LDA	- Land Development Applications
LED	-Local Economic Development
LGSETA	- Local Government Sector Education and Training Authority
LUPO	- Land Use Planning Ordinance
LUS	- Land Use Scheme
MBD	- Municipal Bid Documents
MFMA	- Municipal Finance Management Act
MM	- Municipal Manager

MoU	- Memorandum of Understanding
MPAC	-Municipal Publics Accounts Committee
mSCOA	- Municipal Standard of Charts Accounts
NDP	-National Development Plan
OHS	- Occupational Health and Safety
PMS	- Performance Management System
PPP	- Public Private Partnerships
RRAMS	- Rural Roads Asset Management System
SACPLAN	- South African Council for Planners
SCM	- Supply Chain Management
SDBIP	-Service Delivery and Budget Implementation Plan
SDF	- Spatial Development Framework
SEFA	- Small Enterprise Finance Agency
SMME	-Small, Micro and Medium Enterprises
SPLUMA	- Spatial Planning and Land Use Management Act

CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD



This Foreword of the Mayor

The Municipality is the third sphere of government and its birth is guaranteed in chapter seven of the Constitution of the Republic of South Africa. Besides the Constitution there are also the Municipal Systems Act of 2000 (MSA) and the Municipal Finance Management Act 56, 2003. (MFMA)

In chapter 12 of the MFMA sec.121 it gives municipal guidance as to how important the annual report is for a municipal entity and for each financial year. The annual report provides a record of activities, performances against the budget and the accountability of the local community for the decisions made throughout the year by the Municipality and to reduce additional reporting requirements that will otherwise arise from government departments, monitoring agencies and financial institutions.

The council committed itself to work towards at the end of 2016. In the 2015/2016 financial year they decided on a turnaround strategy. This strategy was monitored and evaluated regularly throughout 2016/2017 and 2017/2018. With great results. We received qualified audit opinions for those respective financial years.
In 2018/2019 the municipality faced severe financial challenges. This resulted in us being unable to achieve all our goals and objectives. It also led to us receiving a "Disclaimer" from the Auditor – General.
Let us use this document as a toolkit for Council to guide us to achieve the ultimate audit outcome.
I want to thank everybody for their selfless efforts and hard work in finalising this report and their dedication to make this municipality a proud organisation, a workplace of excellence.

Thank You.

Signed by____________________

Cllr MM Louw

Mayor: Kai Garib Municipality

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL MANAGER'S OVERVIEW

This document sets out Kai !Garib Municipality's annual operational performance which includes the key municipal output, plans and priorities of the previous financial term of office. The plan operationalizes key elements of municipal action localising resource contributions of national, provincial and district support as well as basic needs outlined development plans within a rolling 5-year implementation cycle. The mere questions are: What is received and **How** much is spent together with **What** must still be done? This Annual Report of 2018/19 is not a stand-alone document and has to be read in conjunction with a host of other strategic documents regarding areas surrounding the three major towns: Keimoes, Kakamas and Kenhardt together with Augrabies as an economic growth corridor not to exclude Riemvasmaak (Vredesvallei & Sending). The purpose of this reporting document is to enhance sectoral project

<<< June 2017 >>>

Physical,Organoleptic SANS 241 : 2015 Compliance - Supply System Summaries

System	Water Quality										Monitoring Compliance			
	Analysis			Samples			Sites				Monthly	Annual	Total	[illegible]
	Total	Failures	%	Total	Failures	%	Total	Failures	%	Coverage				
AALHEIT	6	0	>99.9%	3	0	>99.9%	3	0	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%
AUGRABIES	9	0	>99.9%	3	0	>99.9%	3	0	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%
BLOEMSMOND	3	0	>99.9%	1	0	>99.9%	1	0	>99.9%	>99.9%	50.0%	>99.9%	75.0%	>99.9%
CILLIE	0	0		0	0	0.0%	0	0	0.0%	0.0%	0.0%	>99.9%		
CURRIESKAMP	6	0	>99.9%	3	0	>99.9%	3	0	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%
Kakamas Bulk Water	9	1		3	1	66.7%	3	1	66.7%	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%
Keimoes Bulk Water	9	0	>99.9%	3	0	>99.9%	3	0	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%
LENNERTSVILLE	15	0	>99.9%	5	0	>99.9%	5	0	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%
LUTZBURG	6	0	>99.9%	3	0	>99.9%	3	0	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%
MARCHAND	0	0		0	0	0.0%	0	0	0.0%	0.0%	0.0%	>99.9%		
Riemvasmaak - Sending	0	0		0	0	0.0%	0	0	0.0%	0.0%	0.0%	>99.9%		
Riemvasmaak - Vredesvallei	9	0	>99.9%	3	0	>99.9%	3	0	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%
SOVERBY	6	0	>99.9%	2	0	>99.9%	2	0	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%	>99.9%
Warmsand WTW	0	0		0	0	0.0%	0	0	0.0%	0.0%	0.0%	0.0%		
Kai! Garib Local Municipality	78	1	98.7%	26	1	96.2%	26	1	96.2%	71.4%	74.3%	>99.9%	85.9%	>99.9%

Greendrop Compliance Summary:

WELCOME TO THE GREEN DROP COMPLIANCE OVERVIEW

Compliance Summary - June 2017

General Information			Monitoring Compliance (%)			Microbiological Compliance (%)			Physical Compliance (%)			Chemical Compliance (%)		
Works Name	Works ID	Works Submitted	May 2017	Jun 2017	12 Months	May 2017	Jun 2017	12 Months	May 2017	Jun 2017	12 Months	May 2017	Jun 2017	12 Months
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

Compliance below 50% | Compliance between 50-90% | Compliance between 90-95% | Compliance above 95%

Sanitation Services

- Feasibility studies taking place to develop Waste Water Treatment plants for Kakamas, Keimoes and the surrounding areas.
- Regular maintenance on sewerage pump stations to avoid sewerage spillages.
- Monthly monitoring of oxidation pond's effluent quality.

Solid waste

- Legalizing of Solid Waste Sites
- Operating sites according to conditions of permits
- Refining of waste removal program
- Cleansing of residential areas and open spaces
- Initiate and support recycling activity in the area
- Implementation of Youth Jobs in Waste project to assist municipality by monitoring and cleansing the landfill sites within the area
- Complete the registration of two landfill sites with the assistance of the National Department of Environmental Affairs
- Budgeting for vacant positions for Landfill site personnel
- Registering our landfill sites with SAWS in terms of reporting the tonnages received
- Training of Landfill site personnel
- Minimizing illegal dumping by converting open spaces into recreational areas

Roads, Parks and Storm water section

- Develop a maintenance program for the section in the municipality
- Reduce the amount of potholes in the municipality
- The rehabilitation of dirt roads
- The resealing of roads within the municipal boundary

COMMENT ON ACCESS TO BASIC SERVICES:

Electricity: The municipality has an annual electrification program and the backlog consists of informal houses that have been built in the last two years. The backlogs in the Eskom electricity supply area are submitted into the Eskom electrification plan annually.

Refuse removal: All households in the urban area and rural settlements receive the service.

Water: All households in the urban area or rural settlements are serviced by means of a stand tap or a water tank nearby.

Sanitation: The backlog exists in the areas where informal houses were built.

1.4 FINANCIAL HEALTH OVERVIEW

The municipality is in a highly rural area with high unemployment. 78% of the total valuation of the valuation roll comprises bona fide farmers, Residential 10% and businesses 5%. Of the 6748 residential properties the Municipality only supply electricity to 4085 properties. 2663 properties are supplied by Eskom. Only 1432 residential properties have a value in terms of the valuation roll of more than R100, 000. This statistics together with the fact that Kai !Garib Municipality is a one of the geographically largest municipalities makes it difficult to manage and cash flow is challenged.

COMMENT ON OPERATING RATIOS:

The variance for repairs and maintenance is low and can be attributed to cash flow challenges as well as a shortage of suitable suppliers, specifically to infrastructure repairs.

Finance charges are low as the municipality is not heavily indebted. Debt impairment is not allocated yet.

COMMENT ON CAPITAL EXPENDITURE:

Currently the appointment of suitable contractors is a challenge. There are challenges with the approval of MIG projects as well. EIA criteria for water and sewerage projects delays registration.

1.5 ORGANIZATIONAL DEVELOPMENT OVERVIEW

The organizational structure was approved by Council and continues to be amended as the need arises. The organizational structure was approved to support efforts and initiatives to enhance service delivery.

The Mayor also approved the Service Delivery and Budget Implementation Plan (SDBIP) for 2018/2019. The SDBIP details the implementation of service delivery and the budget for the financial year in compliance with the Municipal Finance Management Act. The SDBIP serves as a contract between the administration, Council and the Community, expressing the objectives set by the Council as quantifiable outcomes that can be implemented by the administration during the 2018/2019 financial year. The SDBIP facilitates the process of holding Management accountable for their performance.

The Performance Agreements of the Municipal Manager and Directors were signed and placed on the website.

In terms of capacity building of employees, our Workplace Skills Plan remains a key guiding document. The Work Skills Plan was drafted and submitted to LGSETA timeously, in line with legislation.

1.6 AUDITOR GENERAL'S REPORT

The Auditor General's report for the 2017/2018 financial year is included in this report. Kai !Garib received a qualified audit opinion.

The Auditor General's report for the 2018/2019 financial year was released in November 2019 and is hereby attached to this report and can be found in chapter 6 of this report. Kai !Garib Local Municipality received a disclaimer of opinion.
A **disclaimer of opinion** is a statement made by an auditor that no **opinion** is being given regarding the financial statements of a client.

1.7 STATUTORY ANNUAL REPORT PROCESS

Section 121(1)(2) and (3) of the Municipal Finance Management Act determines as follows: "Every Municipality must for each financial year prepare an Annual Report. The Council must within 9 months after the end of the financial year deal with the Annual Report of a Municipality in accordance with section 129"

According to the above, the Annual Report process must correlate with what General Notice 839 of 2011 requires which states that the Annual Performance Reports should be submitted for auditing two months after the end of the financial year. All the other information to be included in the Annual Report must be submitted concurrently with the Annual Financial Statements

In completing the Annual Report, it is imperative to ensure that there is alignment between the Integrated Development Plan, Budget and Performance Management System as these are the strategic documents of Council and in most instances are forward-looking. The Annual Report gives a reflection on the backward-looking approach to ascertain whether goals and objectives were achieved.

Draft Annual Report was tabled to Council in January 2020 and the report was subsequently approved in March 2020. The report was discussed at the Municipal Public Accounts Committee with recommendations made to Council.

The process of the Annual Report was finalized in April 2020 by way of submitting the Annual Report to the Provincial Legislature. The Kai !Garib Local Municipality complied with all legislative and legal requirements in the completion of this 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	May
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 1 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September – October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

CHAPTER 2

GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2.1 POLITICAL GOVERNANCE

In terms of chapter 3 (18) of the Municipal Structures Act 117 of 1998

(1) Municipalities must have a municipal council

(2) A municipal council must meet at least quarterly

(3) A municipal council should consist of a number of councillors determined by the MEC of local government in the province concerned by notice in the Government Gazette

(4) A municipality has the power to designate councillors determined by the MEC for Local Government as a full time MEC. An MEC's determination must be in accordance with a policy framework as determined by the Minister after consulting the MEC for local Government.

Section 152 of the constitution Act 108 of 1996 (1)

(2) A municipal council must annually review

(a) The needs of the community

(b) Its priorities to meet those needs

(c) Its process for involving the communities

(d) Its organisational and delivery mechanism for meeting the needs of the community and

(e) Its overall performance in achieving the objectives referred in sub-section 1.

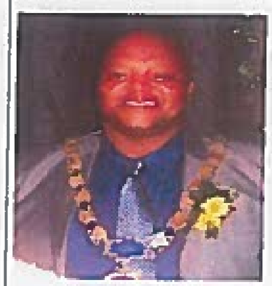
Kai !Garib Municipality has 18 councillors and it has 10 wards. Ten of the 18 councillors are ward based, the rest are proportional representatives.The Mayor is a non- executive Mayor.

The nature of governance within the Local Municipality is such that it is spread across political and administrative governance.

The Political Governance Structure deals with the political governance of the Local Municipality through Political Office Bearers; Council and Committees.

The Council performs both a legislative and an executive function. The Council plays a very active role in the operations of the Kai !Garib Municipality.

The municipality operates on an Executive Committee system, with the Mayor being the Chairperson of the Executive Committee.

Photos	**POLITICAL STRUCTURE**	**Function**
	**MAYOR** (Cllr MM Louw)	The Mayor is the chairperson of the Executive Committee. He performs the duties, including any ceremonial functions, and exercises the powers delegated to the Mayor by the municipal Council or Executive Committee
	**SPEAKER** (Cllr D Fienies)	Ensure the orderly flow of business, provide the council with political leadership and strategy. Preside over meetings of the council. Identify training needs of councillors and address them.

CHIEF WHIP

(Cllr VW Sacco)

The Chief Whip bears the leadership responsibility of motivating, advising and instilling discipline among all members.

EXECUTIVE COMMITTEE
(Chaired by the Mayor)

(Cllr WD Klim - ANC and Cllr C Markgraaff - DA)

The Council established an Executive Committee comprising of 3 members. The Mayor in conjunction with the council decides when and where the EXCO meets. It is composed in the following way: ANC 2 seats and DA 1 seat

Meetings held

TYPE OF MEETING	MONTH	TOTAL
Council Meetings	1 July 2018 – 30 June 2019	9
Executive Committee Meetings	1 July 2018 – 30 June 2019	7

The entire council comprises the following members:

NAME	WARD	PROPORTIONAL	PARTY
 D Jaar	1	No	ANC
 BB Kordom	2	No	ANC
 BM Bock	3	No	ANC
 PA Thomas	4	No	ANC
 MA Papier	5	No	ANC

 VW Sacco	6	No	
 NJ Snyders	7	No	
 DW Fienies	8	No	
 EE Fritz	9	No	
 WD Klim	10	No	

 C Markgraaff	PR	Yes	
 J de Klerk	PR	Yes	
 C Kruger	PR	Yes	
 C Maasdorp	PR	Yes	
 MY Basson	PR	Yes	

 EK Strauss	**PR**	**Yes**	COMMUNITY FORUM
 AR Smith	**PR**	**Yes**	COMMUNITY FORUM
 MO Marshall	**PR**	**YES**	EFF

The Council is led by the African National Congress (ANC) with ten (10) representatives, five (5) representatives from the Democratic Alliance (DA), two (2) from the Community Forum (CF) and one from the EFF.

The following Section 79 committeeshave been established:

Committee for Financial Management

Committee for Public Participation & Good Governance

Committee for Infrastructure Development

Committee for Local Economic Development

Committee for Institutional Development

The Executive Committee and Council

Committee for Municipal Public Accounts (MPAC)

(Members of the MPAC:

Municipal Public Accounts Committee (MPAC)

MPAC is established in terms of section 79 of the Municipal Structures Act and performs an oversight function on behalf of Council and is not a duplication of other committees of Council, such as the Finance Committee or the Audit Committee.

The primary functions of the MPAC are as follows:

i. To consider and evaluate the content of the Annual Report and to make recommendations to the Council when adopting an oversight report on the Annual Report.

ii. To examine the financial statements and audit reports of the municipality and in so doing, the committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee's and the Auditor General's recommendations have been implemented.

Members of the Municipal Public Accounts Committee (MPAC) for the year under review were:

a) Cllr Brenda Bock (ANC) Chairperson

b) VW Sacco (ANC)

c) D Jaar (ANC)

d) EK Strauss (CF)

e) MY Basson (DA).

Adhoc committees for specific items are also established, like Local Labour Forum, Council/Administration Committees for Housing and Finance. Etc.

A complete administrative calendar is attached at Appendix B.

2.2 ADMINISTRATIVE GOVERNANCE

Administrative Governance Structures

Administrative Governance Structures, on the other hand, focuses on the administration and management of the Municipality. This is vested in the Municipal Manager who is the

Accounting Officer. The Senior Management Team comprising of Directors who assists the Municipal Manager. The Municipal Manager is tasked with the establishment, development and management of sound and effective municipal administration.

In terms of the MFMA s 60(b) The municipal manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political officer bearers, and officials of the municipality and any entity under the sole or shared control of the municipality.

In accordance with the MFMA s 61 (1)

The accounting officer of a municipality must –

(a) Act with fidelity, honesty, integrity and in the best interests of the municipality in managing its financial affairs;

(b) disclose to the municipal council and the mayor all material facts which are available to the accounting officer or reasonably discoverable, and which in any way might influence the decisions or actions of the council or the mayor; and

(c) seek, within the sphere of influence of the accounting officer, to prevent any prejudice to the financial interests of the municipality.

The Administrative Governance Structure of Kai !garib Municipality is as follows:

TOP ADMINISTRATIVE STRUCTURE

MUNICIPAL MANAGER

(Mr IG de Waal)

Function

The Municipal Manager heads the administration of Kai !Garib Municipality and provides the link between the political and administrative arms of the Municipality

He has administrative control over Strategic services, Internal Audit & Risk Management, Performance Management, Health and Safety and Local Economic Development.

DIRECTOR: CORPORATE SERVICES

(Adv. RS Neethling)

Responsible for the following functions : Legal Services, Secretariat, Public safety and Human Resources

DIRECTOR: TECHNICAL SERVICES (ACTING)

(Mr J. Mac Kay)

Responsible for all Water, Sanitation, Technical, Parks, Electricity and Roads Services of the Municipality

	**DIRECTOR: FINANCE (ACTING)** (Mrs. AF Beukes)	Responsible for the financial administration of the municipality, as prescribed by legislation
	**DIRECTOR: PLANNING AND DEVELOPMENT** (Mr J Mac Kay)	Render a comprehensive function regarding town planning and development, the spatial development framework, local economic development opportunities, property transactions, nature conservation projects, valuations and building control functions within the jurisdictional boundary of the Municipality.

The Municipal Manager assisted by his Directors is responsible for Corporate Governance of the Local Municipality. This entails Risk Management, Anti-Corruption and Fraud, Internal Audit, Supply Chain Management, Oversight Committees, etc.

The Municipal Manager is the head of the Municipal Administration. Subject to the policy directions of the Municipal Council, the Municipal Manager is responsible and accountable for the formation and development of an economical, effective, efficient and accountable administration.

The Municipal Manager must make sure the administration is equipped to implement the Local Municipality's Integrated Development Plan, that it operates in accordance with the Local Municipality's Performance Management System, and that it is responsive to the needs of the local community.

The roles and responsibilities of the Municipal Manager are comprehensively set out in Section 55 of the Municipal Systems Act and responsibilities of the Municipal Manager as an Accounting Officer is set out in Chapter 8 of the Municipal Finance Management Act, 56 of 2003.

The Local Municipality has an administrative arm, headed by the Municipal Manager and is assisted by Directors who report directly to him.

COMPONENT B: INTERGOVERNMENTAL RELATIONS (IGR)

2.3 INTERGOVERNMENTAL RELATIONS (IGR)

Intergovernmental Relations [IGR] are interactions among Government stakeholders. These interactions include Government Departments, District Municipalities and the Local Municipality. IGR is a system of institutional co-operation that addresses relations of equality and interdependence as per the Constitution.

IGR provides insight by assessing the strengths and weaknesses of stakeholders. It also works as an oversight function on governmental roles and service delivery across all governmental spheres.

Constitutional Framework for Government in South Africa

The Constitution states that "government is constituted as national, provincial and local spheres of government which are distinctive, interdependent and interrelated." The "distinctive" element reflects that each sphere exists in its own right; it is the final decision-maker on a defined range of functions and is accountable to its constituency for its decisions.

The role of a Local Intergovernmental Forum is to serve as a consultative forum for the Local Municipalities in the Local to discuss and consult each other on matters of mutual interest, including-

a) Draft National and Provincial policy and legislation relating to matters affecting Local Government;
b) The implementation of National and Provincial policy and legislation with respect to such matters in the municipality;
c) Matters arising in the Premier's Intergovernmental Forum affecting the municipality;
d) Mutual support in terms of section 88 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

e) The provision of services in the municipality;

f) Coherent planning and development in the municipality ;

g) The co-ordination and alignment of the strategic and performance plans and priorities, objectives and strategies of the Municipalities; and

1. Any other matters of strategic importance, which affect the interests of the Municipalities.
2. A Local Intergovernmental Forum may refer a matter arising in the forum to-

a) The Premier's Intergovernmental Forum; or

b) Any other Provincial Intergovernmental Forum established

A financial year consists of 4 quarters of which the Technical IGR and Political IGR are required to sit each quarter to comply with the Framework

Any IGR's key task is to provide a platform where stakeholders interact, share information, challenges and consult among one another. The IGR is the key driver of activities across all organs of state and is crucial when it comes to coordinate activities and executing them. Currently, the IGR has been a useful avenue when it comes to service delivery in Local Municipalities and other Stakeholders and it also serves to keep each and every Stakeholder abreast of the state of service delivery within the municipality.

The benefits of sound Inter-Governmental Relations at the Local level ensure that issues or challenges are resolved efficiently to ensure a cost-effective service to the community.

Act 117 of 1998 which is the Municipal Structures Act states in Section 84 (a) that a District Municipality is responsible for integrated development planning for the district municipality as a whole including a framework for integrated development plans for all Municipalities in the area of the district.

Kai !Garib Municipality is a non-delegated municipality and reports monthly and quarterly to National Treasury. During the year there are various meetings attended with National Treasury.

The District Intergovernmental Forum is a legislative structure constituted to ensure that the three spheres of government operate smoothly. Local municipalities along with sector departments meet on a monthly basis to discuss, share and address issues raised during the course of operation.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 PUBLIC MEETINGS

i. Introduction

The Municipal Systems Act 32, 2000 (Act No. 32 of 2000) mandates Municipalities to review Integrated Development Plans (IDP's) annually in accordance with an assessment of its performance measurements.

The Integrated Development Plan is therefore defined as a: "principal strategic planning instrument which guides and informs all planning and development, and all decisions with regard to planning, management and development, in the municipality" Municipal Systems Act 32, 2000, Chapter 5 Section 35 1(a).

Integrated Development Plan plays a pivotal role in informing all planning processes of the other spheres of government (National and Provincial) as well as all state-owned enterprises, which implies a dire need for joint and coordinated effort by these parties in the IDP development processes. It is therefore essential that IDP must be formulated in accordance with a business plan, detailing roles and responsibilities, time frames and cost estimates, to ensure that the Integrated Development Plans gives effect to the Constitutional mandate.

ii. IDP Process Plan

Section 21 of the MFMA requires the Mayor to table a time schedule that sets out the process to draft the IDP and prepare the budget, ten months before the start of the new financial year. The council subsequently approved a process plan and commenced with its implementation. The process plan was adopted during the month of August 2018.

iii. IDP Representative Forum Meetings

Subsequent, to the above mentioned, public meetings were held under the supervision of the Mayor and councillors at various venues across the municipal areas where inputs were received from the communities residing in the Kai !Garib municipal area. Many of these were general comments, some specific requests, all of which were noted. The draft documents were distributed to all municipal service points and published on the Municipality's website requesting written inputs. All this was conducted in line with current legislation.

We communicate via our local newspaper and by making use of a loud hailing system within our communities. Communication is also exercised through the use of Community Development Workers, Ward Committees as well as information sessions.

The IDP Representative Forum is responsible for:

- Provide an organizational mechanism for discussion, negotiation and decision making between stakeholders.
- It represents the interest of their constituencies in the IDP process.
- Monitors the performance of the planning and implementation process.
- Comprises of the Mayor, Councillors, Municipal Manager, Directors, representatives of various sectors, NGO's, Government Departments and specialized community members.

iv. Public Participation

During the engagement sessions Communities were expected to indicate what services they required from the Local Municipality.

Communities indicated the following suggestions and concerns during the public participation process:

- Tarred roads are in a terrible state
- Sports ground is in a terrible state. The Municipality is called to attend to that
- Demand for bins in strategic locations in town and suburb
- Concerns were raised about the lack of finances to the Budget - What is put in place to address this?
- Can the Council help people with wire and poles for fencing, or subsidize the acquisition, since people spoil the cemeteries by taking fences from the graves
- Service Delivery in Kanoneiland is not sufficient
- Where are the development for young people?

- Suggestion was made to use students who had matriculated, for the EPWP, to get work experience, as it is only for short periods (three months).
- An appeal is made to the Council, not to come to the community as an incomplete panel
- Appeal is made to Council to find ways to motivate people to pay their services
- Request that the final budget must be given to all

v. Compliance

- Draft IDP 2018/19 was approved on 31 March 2018.
- A final IDP was then tabled to Council on 28 June 2019 to accommodate changes that were made in the budget.
- Chapter 6 of the IDP outlines the linkage between the Local Municipality's strategic objectives and its long terms goals that find expression in the implementation of the Key Performance Indicators

vi. Challenges

- Poor attendance of IDP Rep Forums meetings
- Sector Departments did not submit their projects
- A clear link needs to be cemented between the IDP and SPLUMA compliant SDF as the latter is key in promoting desirable land use within the municipality (SDF needs to be reviewed)

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes

Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

2.6 WARD COMMITTEES

The Local government legislations made a provision for local authorities to establish a system of participatory democracy at the local level in the form of Ward Committees. Ward Committees were introduced in municipalities as community structures to play a vital role in linking and informing the municipalities about the needs, aspirations, potentials and problems of the communities. They were established to form the bridge between local municipalities and communities by facilitating proper communication. By working directly with the Municipality, ward committees, serve as a cord which articulates the new system of local government to the majority of the people, more especially to previously disadvantaged communities. Ward committees have an important role to play in actively taking part and determining core municipal business such as Integrated Developmental Planning, Budgeting, Municipal performance management process, without which democracy cannot be said is rooted among the people. Ward committees are a creation of legislation, the Municipal Structures Act, giving effect to the Constitution of the South Africa.

Ward committees have dealt with a variety of community needs, problems and aspirations at ward level. The major issues among others were housing challenges, road infrastructure, water and electricity

Ward Committees serve as a communication link between the Municipality and the community. Ward Committees have been the focus of considerable attention by the government as well as civil society, with substantial investment already made in an attempt to ensure that these structures have the necessary capacity and resources required for them to fulfill their envisaged roles as the "voice" of communities

The establishment, training and function of the Ward Committees are based on the following laws and regulations:

- The Constitution of the Republic of South Africa Act (Act No.106 of (1996);
- The Local Government: Municipal Structures Act (Act No. 117 of 1998)
- The Local Government: Municipal Systems Act (Act No. 32 of 2000);
- The White Paper on Local Government
- Regulations in terms of Section 75 (2) of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998 as amended in 2008).
- The National Framework: Guidelines for Provinces and Municipalities in the Implementation of the Ward Funding Model, (Notice 364 of 2009).
- The Nation Framework: Criteria for Determining Out of Pocket Expenses for Ward Committee
- Members (Notice 973 of 8 October 2009)

Establishment of Ward Committees

Ward Committees have been established in all our wards

Status of Ward Committees

Kai! Garib: All wards commitees are functional except ward 10

The Ward Committee members receive a stipend of R500 every month.

CHALLENGES ENCOUNTERED

- Budget not sufficient to reach departmental objectives and goals
- The geographical vastness of the area

COMPONENT D: CORPORATE GOVERNANCE

2.7 RISK MANAGEMENT

The Kai !Garib Local Municipality recognizes Risk Management as an integral part of responsible Management within the organization that must be implemented in an integrated manner within all departments, operations and processes with the overall objective of reducing risk, as far as reasonably practical.

The Risk Management Unit resides within the sphere of the Municipal Manager and is responsible for the coordination of all Risk Management activities. The Risk Management Unit supports the achievement of objectives and reduces the chance of serious errors occurring.

The principal purpose of the Risk Management Unit, where available, is to facilitate, support and advise line management and employees in relation to the management of risk. It is not their responsibility to manage risks identified within a service. The management of risks is a Line Management function and responsibility.

A top-down view is taken of the Local Municipality so as to better understand the environment within which the Local Municipality operates, in developing our understanding of the various activities of the Local Municipality.

The MFMA S (62) (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management. Kai !Garib Municipality has had three Risk Management Workshops in conjunction with National Treasury in which the entire upper, middle and lower management were involved.

The post for Risk Management was filled during April of the 2013/14 financial year and the municipality also appointed a Risk official during the 2014/15 financial year.

A complete risk assessment was done at the beginning of the 2014/15 financial year. All the policies and charters were approved and implemented. The Risk Management Committee has been established and consists of all the directors of the municipality as well as an external Chairperson. Risk follow ups were completed for quarter four and all the reports were timeously submitted to the Municipal Manager, Internal Auditor and the Audit Committee. All exceptions raised by internal audit were resolved for 2015/16 within this department. The Risk Committee chairperson was appointed during the 2015/2016 financial year.

The table below represents the Strategic Risk Register:

Risk description	Cause	Effect (Impact)	Inherent Risk (L,M,H)	Existing Controls
Inability to deliver core Municipal Services over a short to medium term	Poor conditions of equipment & machinery Ageing infrastructure Incompetent and skilled workforce	MFMA section 139 Sec 139 of the constitution Community protests Lawsuits	High	Ad hoc in-house maintanance of equipment & machinery Replacement of infrastructure such as pipes, pumps and water plants equipment Upgrading, for example the water purification plants Training interventions such as water quality management services
Organizational structure not responsive to the execution of constitutional mandate	Vacancies at critical positions Inadequate provision of functions/positions in the current organogram	Compromised service delivery	High	Appointment of personnel to act in vacant critical positions Processes to review the organogramme commenced in 2017
Lack of credible strategic planning instruments	Poorly designed objectives (not SMART) Non consideration of resources Inadequate Public participation processes	Non achievement of performance targets Compromised financial sustainability	High	No controls for SMART principle and allocation of resources during planning processes Public participation processes extended to settlements and not only wards

Lack of accountability and consequence management	Ineffective administrative & political oversight Poor administrative/political interface Non implementation of recommendations from oversight structures Perceived political interference	Non compliance with applicable legislation & prescripts	High	Regular MPAC, Audit Committee and EXCO meetings Troika meetings between the Mayor, speaker and senior management Audit action plans
Lack of Financial Sustainability	Ineffective administration of indigents Ineffective measures to ensure that the KGLM meets financial obligations Poor revenue management Dependency on grants Unfunded budget	Financial distress Section 139 of MFMA	High	Annual updating of indigent register Debt collection unit (No control over grant dependancy and unfunded budget)
Occurrence of Unauthorised, Irregular and Fruitless & wasteful expenditure	Inability to remain within the allocated budget Non compliance with SCM processes Poor & improper planning within Departments Late payments to suppliers Political interference	Unfavorable audit opinion Non compliance with applicable prescripts	High	No controls
Asset register may not be credible	Over/under stating of assets in the AFS Reclassification of prior year figures Incorrect disclosures	Unfavorable audit opinion	Medium	Annual physical asset verification for fixed assets Quarterly physical asset verification for movable assets Utilization of a Data logger

Business continuity	Poor ICT infrastructure	Reputational damage Disruption of services	High	No controls

2.8 FRAUD AND ANTI-CORRUPTION

Recognizing that the working environment and organizational culture are the most significant factors that determine how much of a target for Fraud and Corruption an organization will be, the Municipality, therefore, has adopted a prevention approach as it is about understanding the internal and external risks coupled with regular analysis of the administrative environment. Council adopted a Fraud Prevention Strategy and Plan as well as Fraud and Anti–Corruption Policies.

These policies and plans create an enabling environment for the development and establishing of anti-fraud culture within our institution. It aims to give assurance to the people that Kai !Garib Municipality is serious in giving assurance to the workers and the people that we enforce sound financial and public service principles. Through regular fraud risk monitoring, the Municipality manages to enforce low to zero tolerance to risks and that controls are being implemented. Consequently, responsibility is taken to avoid the negative impact that possible Fraud may have on the institution and public service.

Annual and quarterly Fraud awareness sessions raise awareness levels within the institution. In its combat against all forms of Fraud and Corruption, the Municipality aims to remain pro-active in the fight against fraud.

The Institute of Internal Auditors defines internal auditing as follows:

"… an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Kai !Garib Municipality has a range of measures to prevent corruption, fraud and theft; these are in sync with the national anti-corruption strategy.

The municipality approved its Fraud Prevention Policy on 28 June 2019.

According to section 6 of the policy the Internal Audit unit will investigate all complaints of fraud and corruption with the assistance of different Units/ Departments and individuals.

All whistleblowers' identities will remain confidential to prevent victimization. According to section 7.3 of the policy, any action to cover up and or to retaliate against or victimize witnesses is strictly forbidden and constitutes punishable conduct within the municipality

2.9 SUPPLY CHAIN MANAGEMENT

In accordance with Regulation (6)(2) (a) (i) of the Municipal Supply Chain Management Regulations, we hereby submit the required report on the implementation of the Kai !Garib Local Municipality Supply Chain Management Policy for the period: 1 July 2018 – 30 June 2019.

Integrated Supply Chain Management aims to add value at each stage of the process – from the demand of goods and services to their acquisitions, managing the logistics process and finally, after use, to their disposal. In doing so, it addresses deficiencies in current practice related to procurement and contract management.

SUPPLY CHAIN MANAGEMENT POLICY

MFMA S110-119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption.

Supply Chain Management (SCM) is necessary to ensure a sustainable and accountable supply chain that promotes black economic empowerment and local economic development. The drafting and implementation of both an SCM policy and procedures have ensure that the processes are fair, equitable, transparent, competitive, environmentally friendly and cost effective, in accordance with the rules and regulation from the spheres of government.

The Supply Chain Management Policy was reviewed in accordance with Section 3(1)(b) of the Municipal Supply Chain Management Regulation of 2005, and all requirements of the Treasury guidelines were taken into account.

The municipality is currently operating a decentralized SCM unit and is in the process of converting to a centralized structure, which will promote and enhance an open and fair tendering process to all suppliers, regardless of the particular communication media that they may have access to. This system will level the playing field for all suppliers.

The table on the following page reflects the tender register for 2018/2019:

Tender Register 2018/2019											[redacted]	
Municipality:	Kai !Garib Local Municipality											
Date:	1-Jul-18											
Year end:	30-Jun-19											
								Price List				
Bid No	Date Advertised	Closing Date	Description	Department	Funding	Status	Responsible Person	Bidders	Tender Amount	Successful Bidder	Amount	Total Preference Points
T001/2019	7-Sep-18	28-Sep-18	Curriieskamp: Upgrading of the water Purification System	PMU	MIG	Awarded	David Brand	Cancel				

T002/ 2019	7-Sep-18	28-Sep-18	Eenduin/Loxton: Upgrading Of Water Purification and Distribution Network	PMU	MIG	Awarded	David Brand	Glowing Sunset Trading 38 CC	R 8,188,054.05	Overrox Trading 55	R 8,704,629.70	100
								Tlhogie and Son JV Rennesance	R 10,490,274.36			
								P and E Artisans	R 6,236,305.75			
								SSC Construction	R 7,905,250.65			
								Ebony and Ivory Holdings	R 5,700,507.45			
								Elohim Erets Retailers	R 9,524,684.70			

								Overrox Trading 55CC	R 8,565,542.70			
								STP Development and Projects	R 6,408,317.96			
								Ribho Konstruksie CC	R 8,885,941.90			
T003/ 2018	7-Sep-18	28-Sep-18	Alheit: New Cemetery	PMU	MIG	Awarded	David Brand	**Cancelled**				
T004/ 2019	28-Sep-18	19-Oct-18	Refurbishment of Kakamas Sewage Pump Station	PMU	WSIG	Cancel	David Brand	**Cancelled**				
005-1/2019	5-Oct-18	2-Nov-18	Provision of High Mast Lighting in	PMU	MIG	Cancel	David Brand	**Cancelled**				

			Riemvasmaak and Vredesvalei									
005-2/2019	18-Jan-19	22-Feb-19	Provision of Electricity Vending Stations	Finance	KLM	In Process	A Beukes	Bray van der Colff Trading (PTY) LTD	0.00%	Bray van der Colff Trading (PTY) LTD	0.00%	
								Vissers Groep (PTY) LTD)	0.00%	Vissers Groep (PTY) LTD)	0.00%	
								Annies Building Projects (PTY) LTD	2.50%	Annies Building Projects (PTY) LTD	2.50%	
								Batho Pele General Construction	2.50%	Batho Pele General Construction and	2.50%	

								and Services		Services		
								Actom Electrical Projects	0.00%	N14 Handelaars(Spar Kakamas)	0.00%	
								Wells Suppliers (PTY) LTD	0.00%			
								N14 Handelaars(Spar Kakamas)	0.00%			
006/2019	18-Jan-19	22-Feb-19	Management of Short Term Insurance Portfolio	Finance	KLM	Awarded	A Beukes	Nico Swart Consultancy (PTY) LTD	R 530,136.00	Lateral Unisan Insurance Brokers	R 557,154.00	100

								AON South Africa PTY LTD	R 601,887.00			
								Jon Berverleys Finacial Solutions	R 822,942.00			
								Kunen Makopo Risk Solutions	R 562 875.00			
								Lateral Unisan Insurance Brokers	R 557 154.00			
007/2019	22-Feb-19	22-Mar-19	Provision of High Mast Lighting in	PMU	MIG	Awarded	David Brand	Moshiditau Business	R 5,024,134.82	EMC Electrical	R 4,768,570.74	100

			Riemvasmaak and Vredesvalei					Enterprise		Reticulation		
								Mantumo Trading Enterprise	R 4,702,270.01			
								Tension Overhead	R 6,502,710.32			
								EMC	R 4,768,580.74			
008/2019	12-Apr-19	15-May-19	Provision of Proffessional Enegenering Services	PMU	MIG	In Process	David Brand	Stabilis Development				
								IX Engineering				
								BVI Consulting Engineering				

								MXN Electrocon Projects					
								NKP Consulting Engineers					
								Nemorango Consulting Engineers					
								Kazia Engineers					
								Element Consulting Engineers					
								MJT Consulti					

								ng Enginee rs					
								IR Consulti ng Enginee rs					
								DM Consulti ng Enginee ring					
								Ingcau Consulti ng Engieeri ng					
009/2 019	15-Mar-19	17-Apr-19	Provision of Mobile Sewer Pump	PMU	MIG	Canc el	David Brand	**Cancellled**					

2.10 WEBSITE

Municipal Website: Content and Currency of Material	
Documents published on the Kai ! Garib Municipal Website	**Yes / No**
Current annual and adjustments budgets and all budget-related documents	YES
All current budget-related policies	YES
The previous annual report 2017/2018	YES
The annual report 2018/2019 to be published in 2020	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (Year 1) and resulting scorecards	YES
All service delivery agreements 2018/2019	YES
All long-term borrowing contracts 2018/2019	YES
All supply chain management contracts above a prescribed value R100 000 for 2018/2019	YES
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 2018/2019	YES
Contracts agreed in 2018/2019 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	YES
Public-private partnership agreements referred to in section 120 made in 2018/2019	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during 2018/2019	YES

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

In terms of Section 75 (1) of the MFMA, Municipalities are required to place certain documents on their website. The Kai !GaribLocal Municipality has a fully functional website that is maintained and updated by the Communication Unit. The system has proven to be effective and it also serves as a means of providing evidence if required about the content management of the website. The website consists of more than just legislative information, it shares information about the functions of the Local Municipality, projects and means by which the community can contact the Local Municipality.

The municipality has an up and running website which is updated as soon as new information becomes available and it is easily accessible through computers with internet access in all our libraries.

The website also serves as an information tool for the following:

Updated news on municipal events

Updated copies of the Municipality's publications

Updated pictures of events which took place

Details of policies and document reporting which took place for the financial year.

The policies and procedures which governs the municipality can also be found on the website.

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICE

PUBLIC SATISFACTION LEVELS

During the year under review, the Local Municipality did not engage on any public satisfaction surveys.

Kai !Garib Municipality is a leader in client and customer service. We have a fully equipped and fully staffed Call Centre which caters completely to needs of the community within our municipal boundary. We have in our employ fully trained and equipped switchboard and Call Centre operators. We agree and comply completely with the Batho Pele principles as set out by National Government. The Office of the Premier launched an initiative so as to instill the principles within the employees as well as the community of Kai !Garib. These measures include community feedback boxes through which members of the community may submit their complaints as well as their suggestions directly to the council through specific processes.

2.12 OVERSIGHT COMMITTEE

The Kai !Garib Municipality does not have an Oversight Committee, as there is a Municipal Public Accounts Committee in place.

2.13 BY-LAWS

The formation of the Land Use Management By-laws was identified as one of the key points towards the implementation of SPLUMA. Members of the public were given sufficient time to provide comment, give input and obtain clarity on the by- laws.

CHAPTER 3

SERVICE DELIVERY PERFORMANCE

The performance of the municipality is measured against key performance objectives and indicators in the IDP and in this chapter an overview of the deliverables achieved in the delivery of basic services, local economic development, health, security and safety will be addressed.

In order to ensure sustainable provision of Municipal services to all its residents, Kai !Garib Municipality embarked on various projects that seek to improve the level of services. These projects have also considered the eradication of backlogs and provision of basic services to indigents, despite inadequate funding to address backlogs.

The municipality does not deliver any services through municipal entities.

COMPONENT A: BASIC SERVICES

The continuous influx of people to the urban areas is putting severe pressure on the municipality's ability to provide services to an acceptable and sustainable standard. Backlogs in housing, water, sanitation and electricity services are growing with the growth in informal houses on non-serviced erven. Backlogs will be discussed in more detail in Chapter 5.

The municipality is the service provider for all basic services, except for electricity services, where some of the rural parts of the municipal area are within the Eskom licensed area of supply.

Several projects have been undertaken during the year to address backlogs and other needs for basic service delivery and will be dealt with in more detail during this chapter.

3.1 WATER PROVISION

Legislation includes the Water Services Act 1997 and the General Enabling Act 2005

A number of the purification systems in the municipal area cannot meet the demand of the areas concern.

The water purification plant at Kakamas was constructed during the 1980's and has reached its useful life span. The plant cannot meet the demands of the growing town.

Three plants are to be constructed in the near future to supply areas for the first time with clean, safe drinking water.

Three plants were upgraded in the 2012/2013 financial year to meet the demand for potable water in different areas.

During the year under review Kai !Garib upgraded the water networks in Cillie, Lutzburg, Warmsand as well as Marchand.

Kai !Garib Municipality achieved an average Bluedrop score of 78% and is dedicated to improve on the said score.

Many factors influence the water quality on a daily base. The root cause is the irregular preventative and predictive maintenance on the water purification plants and supply systems (cleaning of dams, reservoirs, filters, pipelines. At this stage reactive maintenance mode is being utilized by the municipality ("run it till it breaks" maintenance mode).

Another important cause is the absence of monitoring programs that focuses on monitoring the water quality every hour. The monitoring programs cannot be enforced at all the plants, since there is an unavailability of water test kits. Lennertsville, Keimoes and Kakamas WTP do water tests once per shift, but the rest of the plants do not have test kits and therefore do not do tests.

Process monitoring and optimization as well as efficient use of treatment chemicals are also factors that influence the water quality. In example, if the incorrect amount of a specific chemical that removes particles in the water is dosed, the process of sedimentation (which is the settling of these particles to the bottom of a tank) does not take place correctly and the water will be unclear and full of dirt. This will result in a failure on the BDS system since the laboratory will find these particles in the water samples.

Summary of root causes:

- Irregular maintenance (preventative, predictive)
- Irregular water quality monitoring (due to the lack of monitoring equipment)
- Inefficient treatment chemicals usage
- Inefficient process monitoring and optimization

Kai Garib has been identified by DWS as one of the municipalities in the Northern Cape that requires an intervention regarding its drinking water quality.

The bulk of water in the municipal area is used for domestic use, as there are very few industries in the municipal area.

A household is categorised according to its main access to water, as follows: Regional/local water scheme, Borehole and spring, Water tank, Dam/pool/stagnant water, River/stream and other main access to water methods. No formal piped water includes households that obtain water via water carriers and tankers, rain water, boreholes, dams, rivers and springs.

Kai !Garib Local Municipality had a total number of 8 480 (or 44.46%) households with piped water inside the dwelling, a total of 7 910 (41.49%) households had piped water inside the yard and a total number of 1 460 (7.64%) households had no formal piped water.

When looking at the water backlog (number of households below RDP-level) over time, it can be seen that in 2007 the number of households below the RDP-level were 4 830 within Kai !Garib Local Municipality, this decreased annually at -11.12% per annum to 1 490 in 2017.

Water Provision

Kai !Garib Local Municipality has 3 bulk treatment plants, namely Kakamas, Keimoes and Lennertsville bulk treatment plants and has 10 package plants, with some settlements getting transported purified water. The Kakamas, Keimoes and Lennertsville Treatment Plants run at 100%, 70% and 51% capacity respectively during peak times of the year. Whilst all small package plants run at their optimum (beyond design) capacity. The fact that our treatment plants run at their optimum capacity brings a problem of reduction in the mechanical utilities design life span thus it results in an increase in operational cost, work load, reduction in service delivery and most importantly less service developments not forgetting its treatment efficiency. Adding to the above said, the utilities used are not of the latest technology which leads to the scarcity of repair material and increase in repair costs.

The Water Treatment Plant in Kakamas is of such a nature that it may fail at any time and this will have devastating effects on the community and the municipality. This particular plant is below the flood line and beyond its life span which pose great challenges. The cost of establishing a new plant is calculated at +/- R 80 million. The municipality is unable to do this on its own and MIG allocations are too small to address this emergency situation. The funding for the feasibility studies have been allocated through the Regional Bulk Infrastructure Grant.

Although the plants are running at full capacity as mentioned above, all of the settlements within the municipality still has a shortage of clean drinking water and limited or no access to clean drinking water. The Eksteenskuil Islands which are situated in Ward 8 have no access to clean drinking water and areas like Blaauwskop, Bloukamp, Eenduin, Loxtonvale, and Mc Taggers Camp are provided by water through water trucks. The newly developed plant in Vyebos brought relief to some of the communities adjacent to plant due to the restricted service area. A construction process is underway to upgrade the water purification plant in Bloemsmond which will extend its supply to McTaggers Camp as well. This plant will also assist with the transport of water to Blaauwskop and the 50hectar (Plangeni) as it is closer to those areas. This phenomenon of transporting water to settlements brings a threat to the municipality in terms of transport costs and also poor service delivery since we only have one water truck and we have to transport water with two Jo-Jo tanks strapped unto a refuse truck.

Borehole Pump Operators of Kai !Garib have been trained to improve the demand for additional water sources. Training for these Operators were provided by the Department of Water and Sanitation during 2018 and additional efforts of this nature will continue.

The IDP envisions providing water on all stands on standard (yard connection) and this is a standing item on the IDP and on the Budget. As the municipality aims to deliver services of good quality to its community and ensures that the community receives clean water without any hassles in order to implement the principles given by National Government in service delivery.

3.2 WASTE WATER (SANITATION) PROVISION

Waste Management remains one of the biggest challenges in the municipal area. More incidents of illegal dumping and general littering are reported. There are recycling projects currently running in the towns Kakamas, Keimoes and Kenhardt. Refuse trucks have to cover long distances to remove household waste. Only two solid waste sites are permitted. Applications for transfer stations at the other settlements have been submitted to the Department of Environmental Affairs. The municipality make use of service providers for the removal of garden refuse.

A feasibility study on all services has been undertaken to determine all backlogs and levels of services in the municipal area. A. number projects will be identified to alleviate backlogs and upgrade current systems.

A distinction is made between formal and informal refuse removal. When refuse is removed by the local authorities, it is referred to as formal refuse removal. Informal refuse removal is where either the household or the community disposes of the waste, or where there is no refuse removal at all. A further breakdown is used in terms of the frequency by which the refuge is taken away, thus leading to the following categories:

- Removed weekly by authority
- Removed less often than weekly by authority
- Removed by community members
- Personal removal / (own dump)
- No refuse removal

Kai !Garib Local Municipality had a total number of 11 500 (60.47%) households which had their refuse removed weekly by the authority, a total of 575 (3.02%) households had their refuse removed less often than weekly by the authority and a total number of 5 110 (26.80%) households which had to remove their refuse personally (own dump). When looking at the number of households with no formal refuse removal, it can be seen that in 2007 the households with no formal refuse removal in Kai !Garib Local Municipality was 7 660, this decreased annually at -0.95% per annum to 6 960 in 2017.

Both general and hazardous wastes are produced in the area. Waste in the "garden waste" classification originating from households and agriculture is the biggest contributor to the waste stream.

The following objectives have been set in the local municipalities in order to improve the status quo of waste management in the area:

- upgrading of existing landfill sites;
- provision of new landfill sites;
- upgrading and improvement of current waste management services rendered by the municipalities;
- initiate recycling projects;
- extent services in un-serviced areas; and
- Registration of unlawful landfill sites.

3.3 ELECTRICITY

The Northern Cape is a regional solar hub of energy in Southern Africa. A social pact is therefore required to create a prosperous energy sector in the Province through a negotiated resolution where the private sector commits to investing in new areas; where labour and business work together with government to address the inhibiting factors and identifying opportunities; and developing partnerships with civil society to ensure that our people benefit from the natural resources of our beautiful Province. According to Reports of the Northern Cape Government it would appear as if they remain committed to setting the province on a path of radical economic transformation in order to accelerate the onslaught on socio-economic challenges. This has been a consistent theme throughout the economic blueprint, the National Development Plan and it is an urgent need to focus on decisive action to grow the economy and create employment. This cannot be done by Government alone and therefore the need to mobilise partners in the Private Sector to join hands with in pursuit of this goal. The Green economy has much to offer in terms of job creation, infrastructure development and general economic development.

The municipality IS currently only distributing electricity within the three main towns. The smaller settlements around the three main towns are served by Eskom directly. The challenge however still exists that some of the households within the settlements don't have any access to electricity. The informal areas within the municipality are posing a great challenge in terms of providing electricity. Households without access to electricity usually make use of wood for fire and candles and paraffin for lighting. Not all informal settlements are fully electrified. The need of bulk electricity services also poses a challenge to areas such as Kakamas, Keimoes and to a lesser extends Kenhardt.

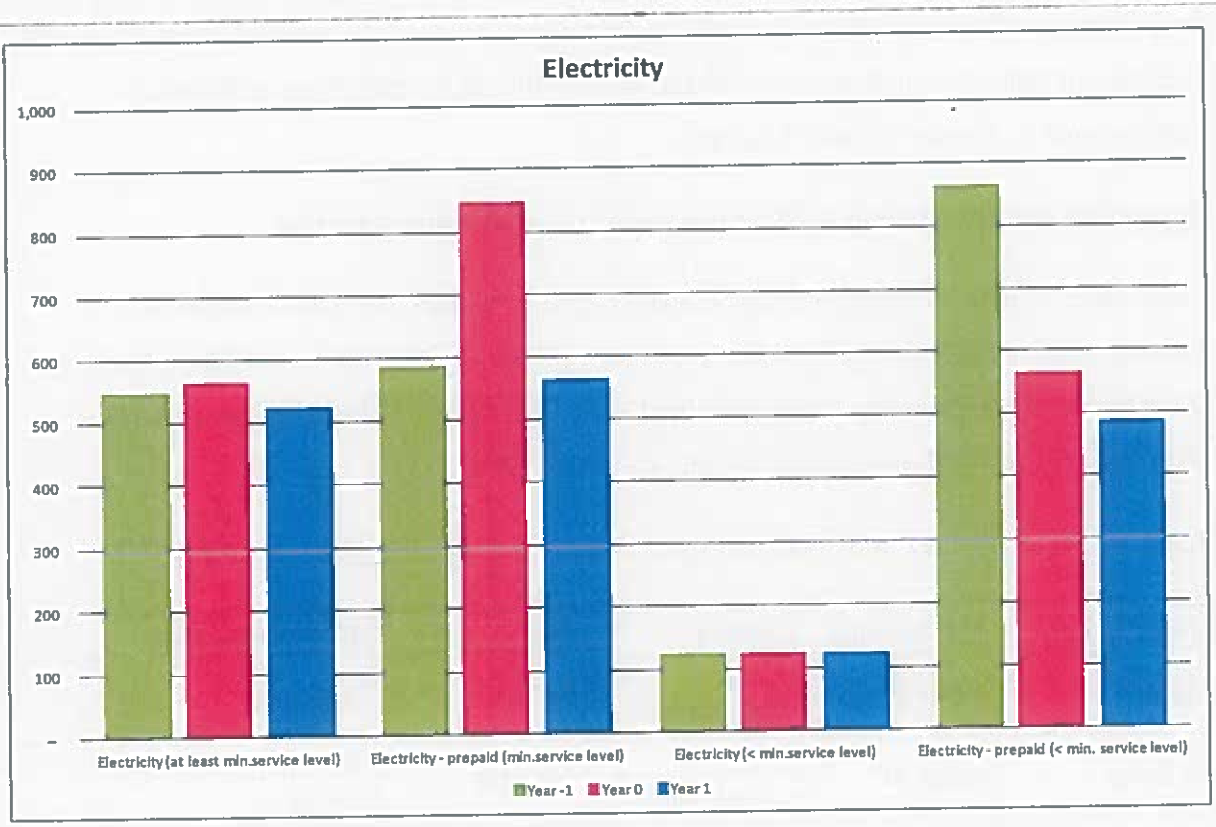
Renewable Energy: demand-side interventions – solar panels/geysers

These other sources of energy mentioned pose various dangers and is environmentally unsustainable. The municipality is however very optimistic about the future due to the rise of Solar Energy Developments in the municipal area. The climate of the municipal area is favourable to this environmentally friendly source of energy.

There are six established Independent Power Producers in the Kai !Garib Municipality.

Project Name	Technology	Status	Size	Lead Developer
Khi Solar One	Solar CSP	Fully operational	50 MW	Abengoa
Aries Solar	Solar PV	Fully operational	9.7 MW	BioTherm Renewable Energy
Neusberg Hydro Electric Project A	Hydro	Fully operational	10 MW	Hydro-SA & Hydro - Tasmania
Dayson's Klip 1	Solar PV	Approvals, planning and finance	75 MW	Scatec Solar
Dayson's Klip 2	Solar PV	Approvals, planning and finance	75 MV	Scatec Solar
Sirius Solar PV Project One	Solar PV	Approvals, planning and finance	75 MW	Scatec Solar

There is potential for further IPPs to become operational in the municipality, several are in the planning stages. Kai !Garib Municipality is also a participant in the ZF Mgcawu Development Forum, an initiative coordinated by the IDC which aims to ensure that integrated development planning and implementation of regional projects take place. This includes the renewable energy and mining plants, together with other industry stakeholders such as agricultural, business and civil society stakeholders. Kai !Garib Municipality recognises the importance of participating in this forum to provide a platform for partnerships for regional socio-economic growth.



The main objectives as set out in the IDP will be met if all projects are financed.

Applications for electrification in ESKOM areas are already completed.

Almost 50% of ESKOM areas are connected to the grid.

By the end of 2018/2019 we faced electricity losses of 25%.

3.4 HOUSING

The municipality has indicated that there is a pressing need for houses, especially low cost houses, as well as serviced plots within all of the communities within the Kai !Garib area. However, it is quite satisfying to see that a great deal of progress was made in the delivering brick houses to communities since 1994. Unfortunately, the communities need for houses exceed the speed at which houses are built on individual erven.

Kai !Garib Local Municipality had a total number of 6 500 (34.06% of total households) very formal dwelling units, a total of 9 720 (50.95% of total households) formal dwelling units and a total number of 1 550 (8.11% of total households) informal dwelling units.

When looking at the formal dwelling unit backlog (number of households not living in a formal dwelling) over time, it can be seen that in 2007 the number of households not living in a formal dwelling were 1 840 within Kai !Garib Local Municipality. From 2007 this number increased annually at 4.51% to 2 860 in 2017.

3.5 FREE BASIC SERVICES AND INDIGENT SUPPORT

"Indigent" means any household which is responsible for the payment of services and rates, earning a combined gross income equivalent to or less than two times the government pension grant as prescribed by the National Department of Social Development or line with the National Indigent Framework issued by the Department of Cooperative Governance and Traditional Affairs who qualify, according to the policy for rebates support or service subsidy.

The indigent register is closely monitored and updated. In addition to the previously mentioned a vigorous effort is been made to revisit the register. Currently the total number of indigents in Kai !Garib were 4 229 on 31 May 2019. However, the registration process of indecency is continuing for this budgetary period up until 30 June 2019. The time schedule of the indigent registration process has commenced.

Challenges in terms of the Finance Department:

- Ensuring that the resources are distributed evenly through the vast area of our Municipality;
- High rate of unemployment which accounts for the low payment rate amongst certain members of the community;

- The Municipality has in the last 5 years relied heavily on grants received from National Government. The needs of communities far exceed the income that the Municipality receives for services rendered to communities;
- This situation has handicapped council in its plans to develop the economic base of the Municipality;
- Controlling measures: setting up and implementation;

The residents of the Kai !Garib municipal area live in less favourable conditions. The income distribution is distorted to the disadvantage of the less economically secured people, who also represents the majority group in the Municipal Area. Many residents of Kai !Garib Municipality still battle the same issues as 15 years back like a lack of housing, lack of ownership of property and a lack of proper education.

The majority of residents are still dependant on government pensions, implying that a large part of the residents of Kai !Garib earn less than R 1 800-00 per month. About 83 % of the population earn less than R3 200-00 per month.

In total 3200 households are subsidized by the services subsidy scheme.

3.6 ROAD TRANSPORT

Kai !Garib Municipality has seen the need to upgrade roads in the area as well as the bridges. Cleaning, upgrading and maintenance of public roads are of the utmost importance to the municipality. Kai !Garib Municipality is responsible for 240 kilometres of road.

The N14 runs through 2 of the main towns namely Keimoes and Kakamas and is kept in a good condition by SANRAL. The internal roads are kept and maintained by the municipality. The internal roads play a huge role in the growth of the agricultural in Kai !Garib area. Unfortunately, the municipality lacks road maintenance vehicles and a road maintenance plant. This leads to road maintenance not being fully effective.

Broken vehicles and a lack of personnel in the roads department impedes the process of keeping roads up to standard. The potholes in the 5km long test road has been fixed, road signs has been replaced and road markings have been repainted.

COMPONENT B: PLANNING AND DEVELOPMENT

Planning and development within the Kai Garib municipality is a challenge due to the fact that most of the land belongs to the farmers who are unwilling to sell it back to the municipality. This hampers land development to the advantage of the community. Many posts in the department remain vacant as it is difficult to attract qualified individuals to this area.

As per the NDP directive a twenty year plan has been developed for the Northern Cape Province to identify high-impact activities and interventions to change the life chances of our people, especially the youth, which have been stunted by the Apartheid legacy. This long-term plan will enable us to realise growth and development in the Northern Cape. As you are aware, growth and development requires a long-term perspective – the Provincial Growth and Development Plan (PGDP) - Vision 2040 and the Provincial Spatial Development Framework (PSDF) provides such a trajectory. The Provincial Growth and Development Plan and the Provincial Spatial Development Framework (PSDF) will also provide a developmental agenda based on four paths of prosperity, namely economic, social, environmental and governance. These paths are founded within an ethos of sustainable development.

The Orange River played an enormous role in the formation of the municipal area and most of the towns and settlements are to be found close to or adjacent thereto. The economy is heavily dependant on the Agricultural Sector, both intensive and extensive.

It is important to note that new opportunities have opened up for Kai !Garib municipal area since the need to facilitate the generation of sustainable energy was introduced in South Africa by Eskom and the South African government. According to SDF, Kai !Garib Municipality immediately became a hotspot for Solar Energy developments and numerous developments are currently in process and the resulting economic spin-offs are eagerly anticipated. Although the Solar Corridor, as identified by the PGDS and NCPSDF, does not include the N14 between Upington and Kakamas, current developments indicate that this area will form the centre of solar development.

The economic state of Kai !Garib Local Municipality is put in perspective by comparing it on a spatial level with its neighbouring locals, ZF Mgcawu District Municipality, Northern Cape Province and South Africa. Information is needed that will empower the municipality to plan and implement policies that will encourage the social development and economic growth of the people and industries in the municipality respectively.

Gross Domestic Product by Region (GDP-R)

The Gross Domestic Product (GDP), an important indicator of economic performance, is used to compare economies and economic states.

GDP-R can be measured using either current or constant prices, where the current prices measures the economy in actual Rand, and constant prices measures the economy by removing the effect of inflation, and therefore captures the real growth in volumes, as if prices were fixed in a given base year.

Gross domestic product (GDP) - Kai !Garib, ZF Mgcawu, Northern Cape and National total, 2008-2018 [R billions, current prices]

Year	Kai !Garib	ZF Mgcawu	Northern Cape	National Total	Kai !Garib as % of district municipality	Kai !Garib as % of province	Kai !Garib as % of national
2008	3.1	12.9	54.7	2,369.10	23.60%	5.60%	0.13%
2009	3	13.1	54.4	2,507.70	23.20%	5.60%	0.12%
2010	3.3	14.6	60.1	2,748.00	22.70%	5.50%	0.12%
2011	3.5	15.7	64	3,023.70	22.50%	5.50%	0.12%
2012	3.7	16.8	68.2	3,253.90	22.40%	5.50%	0.12%
2013	4	17.9	72.6	3,540.00	22.20%	5.50%	0.11%
2014	4.7	20.7	83.5	3,805.30	22.70%	5.60%	0.12%
2015	5	21.5	86.2	4,049.90	23.20%	5.80%	0.12%
2016	5.2	22.6	90.4	4,359.10	23.00%	5.80%	0.12%
2017	5.5	24.2	96.5	4,653.60	22.80%	5.70%	0.12%
2018	5.6	24.6	98.2	4,873.90	22.80%	5.70%	0.12%

Source: IHS Markit Regional eXplorer version 1692

With a GDP of R 5.62 billion in 2018 (up from R 3.05 billion in 2008), the Kai !Garib Local Municipality contributed 22.80% to the ZF Mgcawu District Municipality GDP of R 24.6 billion in 2018 increasing in the share of the ZF Mgcawu from 23.60% in 2008. The Kai !Garib Local Municipality contributes 5.72% to the GDP of Northern Cape Province and 0.12% the GDP of South Africa which had a total GDP of R 4.87 trillion in 2018 (as measured in nominal or current prices). It's contribution to the national economy stayed similar in importance from 2008 when it contributed 0.13% to South Africa, but it is lower than the peak of 0.13% in 2008.

Economic Growth Forecast

It is expected that Kai !Garib Local Municipality will grow at an average annual rate of 0.09% from 2018 to 2023. The average annual growth rate in the GDP of ZF Mgcawu District Municipality and Northern Cape Province is expected to be -0.87% and 0.39% respectively. South Africa is forecasted to grow at an average annual growth rate of 1.60%, which is higher than that of the Kai !Garib Local Municipality.

In 2023, Kai !Garib's forecasted GDP will be an estimated R 3.72 billion (constant 2010 prices) or 22.6% of the total GDP of ZF Mgcawu District Municipality. The ranking in terms of size of the Kai !Garib Local Municipality will remain the same between 2018 and 2023, with a contribution to the ZF Mgcawu District Municipality GDP of 22.6% in 2023 compared to the 21.5% in 2018. At a 0.09% average annual GDP growth rate between 2018 and 2023, Kai !Garib ranked the highest compared to the other regional economies.

3.7 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

This sector still has a lot of potential and although Kai !Garib Municipality have been implementing marketing strategies and plans to stimulate the sector it has not reached its full potential. The tourism section suffers from insufficient staff and budget.

The Kai Garib Local Municipality has a Socio-economic Committee chaired by a Councillor responsible for LED.

Due to the fact that the Kai !Garib municipality is within undeveloped towns, there is a lack of job opportunities but through assistance offered by the National Department of Roads and Public Works via EPWP the opportunities are created for the communities.

The key characteristics of EPWP projects are listed below:

a) They employ large numbers of local, low skilled, unemployed persons who are willing to work, defined as the EPWP target group

b) They are highly labour intensive: a large percentage of the overall project costs are paid out in wages to the EPWP target group

c) They provide a service to or develop an asset for the community."

As articulated in the 2009 Division of Revenue Act, clause 23.3.3.b "A province or municipality which is receiving the Expanded Public Works Programme Incentive must utilise the incentive payments received for continuing or expanding job creation programmes". The application of the disbursement is not restricted to the programme that created the FTE jobs and can be applied to new or existing job creation projects and programmes in any sector."

Job Creation Targets and the EPWP grant Allocation

The national Department of Public Works (DPW) has determined the incentive allocation for Kai !Garib Infrastructure/Environment and Culture programmes which must achieve the following job creation targets to earn the incentive:

1.1 For the 2018/19 financial year, **113 FTE's was the performance target** for Kai !Garib municipality, which is the total number of FTE's that we endeavored to creat.e in implementing Infrastructure /Environment and Culture programmes/projects

1.2 **R 1,547,000 was the 2018/19 grant allocation** to Kai!Garib municipality

The following projects were suggested for the 2018/2019 financial year with the following planned expenditure:

1. The maintenance of Water purification networks		R300 000
2. The maintenance of internal roads		R800 000
	Total Allocation	**R1 100 000**

The implementation of projects were as follows:

1. The maintenance of Water purification networks.
   Project Start Date: August 2018
   Project End Date: September 2018

   The project was registered on the EPWP MIS system as "IGMaintenance of WTW and Water Network".

   Total Opportunities Created : **200**

   Total Expenditure : **R371 129**

2. The upgrading of Keimoes and Kakamas Internal Roads.
   Project Start Date: November 2018
   Project End Date: February 2019

   The project was registered on the EPWP MIS system as "IGMaintenance of Internal Roads".

   Total Opportunities created : **341**

   Total Expenditure : **R835 013**

EPWP ANNUAL REPORT 2018 - 2019					
EPWP Allocation	Monthly Totals				
R 1547000	Bfc	W days	UIF	Wages	Equip
July 2018	0	0	0	0	0
August 2018	91	899	2 361	115 701	89 884
September 2018	109	1 219	3 138	156 885	3 160
1st Quarter	200	2 118	5 499	272 587	93 044
October 2018	0	0	0	0	0
November 2018	196	3 295	8 481	424 067	172 494
December 2018	110	1 759	4 528	226 383	0
2nd Quarter	306	5 054	13 009	650 450	172 494
January 2019	111	1 507	6 473	323 651	0
February 2019	0	0	0	0	124 942
March 2019	0	0	0	0	0
3rd Quarter	111	1 507	6 473	323 651	124 942
April 2019	0	0	0	0	0
May 2019	0	0	0	0	0
June 2019	0	0	0	0	0
4th Quarter	0	0	0	0	0
TOTAL	617	8 679	24 981	1 246 687	390 480
	38		1 662 147		
	FTE's		Expenditure		
	% Expenditure / Allocation		107,44%		

Tourism

This sector still has a lot of potential and although Kai !Garib Municipality has been implementing marketing strategies and plans to stimulate the sector, it has not reached its full potential. Popular tourism attractions like the Augrabies Water Falls and the Kokerboom (Quiver Tree) Route attracts visitors to the area. Kai !Garib Municipal Area witnesses unique landscape with the Kalahari Desert on the one side and the Orange River on the other side. The area is also known for a variety of birds and animals. The opportunity exists to utilise these natural treasures in order to draw tourists to the area.

The Tourism Accommodation facilities in the area are of high standard and available in all major towns. Although the accommodation sector is one sector where previously disadvantaged individuals (PDI) could get involved in, not only as labourers, but also as product owners (community tourism) this proves to be difficult.

Other tourism attractions exist that needs to be unlocked. These include the following:

- The Tierberg Nature Reserve
- Heritage sites & ancient rock art in Kenhardt
- Historical Routes between islands/ Island Route
- Water tunnels in Kakamas
- Rooibergdam in Kenhardt
- Riemvasmaak historical & cultural values

Kai !Garib Tourism: Resorts				
Client		Farm Description	Size of Farm	Size of Application Area
1	Southern Cross Game Reserve	Remainder of the Farm Narries No. 7 (Tutwa Lodge)	2577,8491ha	9950^{m2}
2	Travato Trust	Remainder of Portion 5 of the Farm Narries No.7	4533,9766ha	19ha

This action plan tabulates the tourism thrust, opportunities and responsibilities.

Thrust	Activity	Responsibility
Tourism Development	▪ The development of eco-tourism packages ▪ The development of a municipal Tourism Development & Marketing Strategy ▪ The establishment of a Kokerboom tourism route ▪ The development of a cultural village ▪ The establishment of a Game Reserve ▪ Agro-tourism (wine farms)	▪ Kai! Garib LM ▪ Dept. of Economic Development & Tourism ▪ Business Chambers

COMPONENT D: COMMUNITY AND SOCIAL SERVICES

The municipality provides support to the community through

1. Providing free access to information and the internet.

2. Easy access to community halls which are situated close to the communities.

3. Providing free assistance for rebuilding houses that were damaged in fires and strong winds by means of providing material.

3.8 LIBRARIES

Libraries are up and running and well equipped. The staff is professional and well trained and always willing to assist. The provides social programmes to children as well as the aged in the community.

The table below reflects the type of activities conducted by the various libraries across the municipality.

DATE	LIBRARY	ACTIVITY	TARGET GROUP	TOTAL REACHED
16-Nov-18	Kakamas	Library Orientation, Storyreading	Kromhout Farm: Grade R -grade 7	25
22-Mar-19	Kakamas	Libray Week- Career Exhibition	Grade 12	35
6-Sep-18	Kakamas	NBW- Campfire Stories	Age 13-15 years members of the Library	20
18-Jul-18	Keimoes/Leesgenot	Mandela Day	Library Members	15
18-Mar-19	Keimoes/Leesgenot	Story Reading	Keimoes Academy Pre-School	10
08-17 April 2019	Keimoes/Leesgenot	Various Library Week Programs	*Grade 3-8 *Old Age Persons	77
21-Jan-19	Leesgenot	School Outreach	Grade 6-7	16
15-Oct-18	Kenhardt	Toy Library	Pre-school children	16
12-Nov-18	Kenhardt	Story Hour	Grade 1-2	14
28-Feb-19	Kenhart	Library orientation	Grade 6 Class	32

18-27 Mar 2019	Kenhardt/Kokerboom	Various Library Week Programs	Grade 3-4	60

3.9 CEMETERIES

The need for the development of cemeteries at prioritised sites: Kakamas, Keimoes, Kenhardt, Marchand, Lutzburg and Alheit was identified during the public participation processes for the development of the IDP.

CEMETERIES Project Name	Ward	Total Project Cost	MIG Budget	MIG Expenditure	Counter Funding	Project Status
Alheit: New Cemetery	2	1 994 249	1 994 249	0	136 450	Registration
Kakamas: Cemetery Feasibility Study	3, 4	664 392	664 392	0	518 927	Feasibility Study
Lutzburg: Cemetery Feasibility Study	7	488 290	488 290	0	398 666	Feasibility Study
Marchand: Cemetery Feasibility Study	2	488 290	488 290	0	398 666	Feasibility Study

Sport and recreation

Currently the municipality works closely with the Department of Sports, Arts and Culture so as to effectively develop sports in our area. The municipality is equipped with 6 formal stadiums and about 2 informal stadiums per town. Soccer is the dominating sport in the area with netball growing rapidly.

3.10 SPATIAL PLANNING AND LAND USE MANAGEMENT

The Joint Municipal Planning Tribunal, established in terms of the Spatial Planning and Land Use Management Act (SPLUMA), 16 of 2013, is currently hosted by the ZFM District Municipality to ensure that quarterly tribunal sittings take place to dispose of land development applications submitted to the Local Municipalities. The establishment of the tribunal was the responsibility of ZFM-DM and the following had to be completed.

Collective agreement on parties to tribunal	Meetings with all parties (Municipalities)
Council Approval by all parties to the agreement	• Financial constraints by locals • Memorandum of Understanding (MoU) • Call for Nominations • Invite members • Evaluation panel on members • Bylaws adopted
Memorandum of Understanding signing	All parties signed MoU
Call for Nominations and Invite	Adverts published by ZFM DM
Evaluation panel	Panel convene on members
Notice of readiness	Adverts published by ZFM
Sign CoC	All members
Training to members	ZFM provided training

Land Development Applications may be complex documents with other legislation and departments affecting the application. Applicants submitting applications are constantly requesting assistance and information on LDAs, and are not sufficiently assisted by the Local Municipalities due to officials not capable of providing the needed assistance. These applicants have to be guided by ZFM DM to ensure that applications are complete as per SPLUMA. The Land Use Management Bylaws adopted by all the locals are confusing to most applicants due to numerous reasons including;

- Newly implemented SPLUMA Regulations,
- Town Planning in some locals enforced according to old LUPO Section 8 Scheme Regulations,
- Northern Cape Planning and Development Act is in process of being repealed by SPLUMA,

- Other legislation influencing applications (NEMA, Deeds Registers, Bonds, Power of Attorney, Mineral Act, etc.),
- No objections from Departments,
- Public Participation procedures,
- Notices to affected parties,
- Removal of restrictive conditions,
- Application fees and Capital contributions,
- Surveyors Diagrams,
- Act 70 of 1970 Subdivision of Agricultural Land,
- Applicants not registered with the South African Council for Planners (SACPLAN),

3.11 PROJECT MANAGEMENT

The Project Management Unit is responsible for the implementation of infrastructure-related projects from various sectors. The allocations of funds towards these programs will give an indication of which sector to be implemented. Municipalities are allocated grants at different sectors for development in the Local to enhance service delivery and improvement of the lives of the people in the communities.

The Municipal Infrastructure Grant

South African Cabinet approved the establishment of the Municipal Infrastructure Grant (MIG) on 5 March 2003. MIG is a new municipal infrastructure funding arrangement. It replaces all existing capital grants for municipal infrastructure and incorporates seven infrastructure programmes, namely:

• Consolidated Municipal Infrastructure Programme;

• Water Services Projects; • Community Based Public Works Programme;

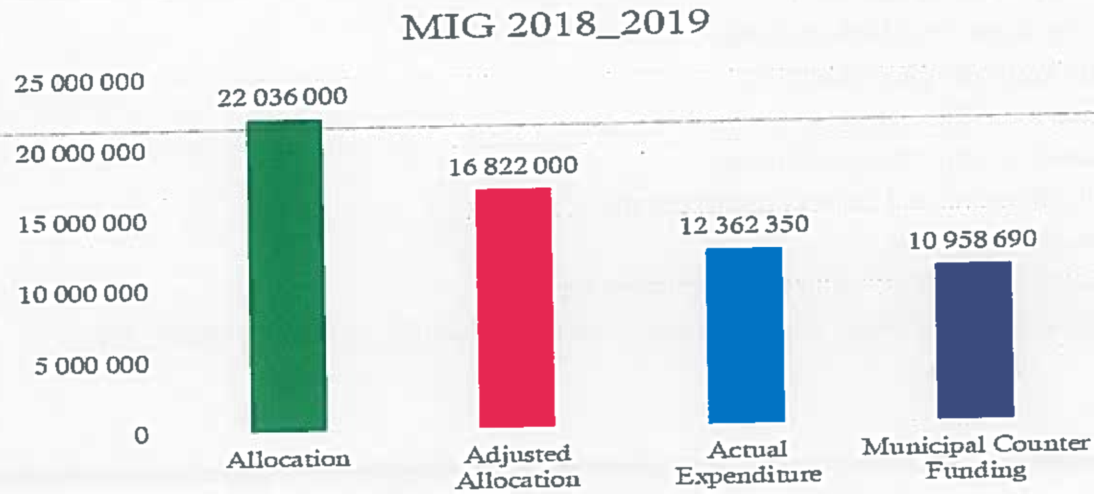
• Local Economic Development Fund;

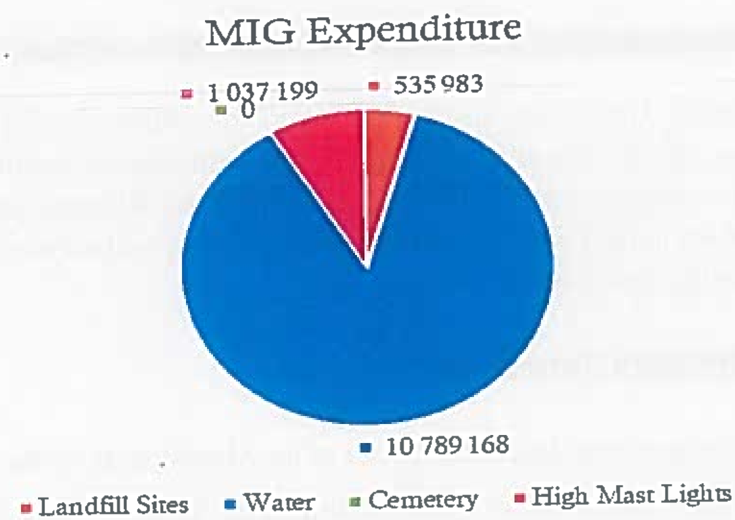
• Building for Sports and Recreation Programme;

• Integrated National Electrification Programme to local government and the Integrated National Electrification Programme implemented by Eskom; and

• Urban Transport Fund.

The MIG expenditure for 2018/2019 is as follows:





The following projects were implemented with this grant:

- Upgrading of Water Network: Bloemsmond/Mctaggertskamp
- Upgrading of Water Network: Eenduin/ Loxtonvale
- Providing community lighting in Kenhardt
- Refurbishment of Kakamas Sewer Pump Stations

A full analysis of the MIG projects can be found in the attached Performance Report.

3.12 EXECUTIVE AND COUNCIL

The table below indicates the dates of Council meetings and committees such as the Socio-Economic Committee, Infrastructure Development Committee, Institutional Development Committee and the Municipal Public Accounts Committee.

Council Meetings	Special Council Meeting	Portfolio Standing Committee	MPAC Meeting
▪ 30/10/2018 ▪ 30/01/2019 ▪ 27/03/2019 ▪ 31/05/2019 ▪ 28/06/2019	▪ 08/08/2018 ▪ 31/08/2018 ▪ 30/09/2018 ▪ 26/10/2018 ▪ 08/11/2018 ▪ 29/11/2018 ▪ 15/01/2019 ▪ 28/02/2019	▪ 27/10/2018 ▪ 14/03/2019 ▪ 27/06/2019	▪ 18/10/2018 ▪ 29/01/2019 ▪ 28/02/2019

CHAPTER 4

HUMAN RESOURCE SERVICES

COMPONENT A: HUMAN RESOURCE MANAGEMENT

The Human Resource division is split into two core arms namely:

- Human Resource Management Unit
- Human Resource Development Unit

Overall management of comprehensive Human Resources Management policies and processes to ensure that the efficient Human Resource Systems and Procedures, compliance with Human Resource Management legislation and practices, are maintained in the Local Municipality.

Administration

This includes personnel records, statistics about personnel and information processing.

Remuneration

This includes job analysis, job evaluation, salary and wage structuring, fringe benefit scheme and incentive systems.

Leave

Daily monitoring and processing of leave taken. Monthly reconciliation of all types of leave.

Human Resource Provisioning

This includes human resource planning, recruitment, election, placement, transfers, promotions and dismissals.

COMPONENT B: HUMAN RESOURCE DEVELOPMENT

Interventions in Human Resource Development represent an essential contribution for promoting the country's development agenda. The Human Resource Development is grounded on broad- based and opportunity- specific Human Resource Development Strategies and policies that are synchronized with the Local's economic development needs.

It focuses on the elements of Human Resource Development that significantly and positively impact on our economic performance such as:

i. Training and development and educational attainments
ii. Skills development
iii. Science and innovation
iv. Organizational development
v. Skills mapping/ career pathing etc. consequently, the Human Resource Development is situated within the realities of increasing competition and the spread of local production systems, and the need to attain equity and reduce poverty and inequality.

Our central concern is to accelerate Wellness Programs that address continuous employee demands and challenges in order to stimulate excellent employee performance. Therefore our Human Resource Development approach is multipronged, comprising of a high-and intermediate-level skills strategy on the supply side, underpinned by a demand strategy that stimulates large-scale labor absorbing employment growth supported by appropriate inputs of low-level skills training (for both employed and unemployed people)

4.1 EMPLOYEE TOTALS AND VACANCIES

Department	Total	Filled	Vacant	Vacancy Rate
Corporate	108	87	21	19%
Finance	73	60	13	18%
Planning & Dev	51	38	18	35%
Office of the MM	32	23	9	28%
Office of the Mayor	8	6	2	25%

4.2 POLICIES

Name of Policy	Date Adopted or Reviewed by Council
Asset Management Policy	28 June 2019
Cash Management Policy	
Credit Control and Debt Collection Policy	
Fleet Management Policy	
Indigent Policy	
Investment Policy	
Petty Cash Policy	
Tariff Policy	
Telephone Policy	

Travel and Subsistence Policy	
Unidentified Deposit Policy/ Unallocated Revenue Policy	
Virement Policy	
Property Rates Policy	
Overtime Policy	
Infrastructure Procurement Policy	
Supply Chain Manement Policy	
Cost Containment Policy	
Leave Policy	
Housing Policy	
Soking Policy	
Health and Safety Policy	
Wellness Policy	
Ward Committee Policy	
Consequence Management Policy	
Fraud Prevention and Whistleblowing Policy	
Internal Audit Consequence Management Policy	
Audit Committee Charter	
Fire Brigade Service Reservist Policy	
Informal Housing Settlement and Squatter Control Policy	
Acting Policy	
Contract Management Policy	
Delegation Power of Systems	
Delegation Policy	
Fraud Response Plan	

Terms of Reference	
Motor Scheme Policy	
IT Strategic Plan	
Back Up Policy	
HR Plan	
User Access Control	
Terms of Reference of Disciplinary Committee	
Legal Strategy	

4.3 SKILLS DEVELOPMENT AND TRAINING COMPETENCY DEVELOPMENT (CPMD)

This report is based on the new reporting template annexure - C - Gazette 41996 (Gazette 41996 of 26 October 2018) is an amendment to Gazette 29967 of 15 June 2007.

The Gazette only warrants that the municipality report on the following positions:

1. CEO (entity)
2. CFO (municipality)
3. CFO (entity)
4. Senior Managers (MSA S56)
5. Middle Manager

NB. There are major changes to the amended Gazette 29967, which is now 41996:

1. Positions.
2. Date of employment
3. NQF levels

4. Work-related experience
5. Performance agreements

Gazette 29967 of 15 June 2007-MFMA Competency Regulations (June 2007)

Surname	Name	IDNumber(typeinal 13digits, withnospaces)	Position (select from scroll button)	Date of Employment (before or on/after Gazette 41996)	1. Higher Education Qualification (New NQF Levels)	2. All Relevant Work Related Experience (select from scroll button)	3. Performance Agreements and FM & SCM levels (select from scroll button)	4. Financial and Supply Chain Management Competency Areas (Do not complete as this column is automated with column F)	Insert the number of completed Unit Standards, e.g. 3, 5, 10, etc.
DE WAAL	ISAK GERALD ANDREAS	79081551 02087	Accounting Officer	on/after 26 Oct 2018	NQF Level 7 - Bachelor Degree (min 360 credits)	5 years and more	Performance Agreements signed, FM & SCM levels NOT YET completed	18 Unit Standards needed	8
BEUKES	ANTHENIQUE FRANCISKA	83041401 33081	CFO Municipality	on/after 26 Oct 2018	NQF Level 7 - Bachelor Degree (min 360 credits)	4 years and more	Performance Agreements signed, FM & SCM levels NOT YET completed	20 Unit Standards needed	15
SCHEEPERS	WILLEM ABRAHAM	86041950 95089	Middle Manager: Finance	before 3 Feb 2017	NQF Level 6 - National Diploma (min 240 credits)	5 years and more	Performance Agreement not required, FM & SCM levels NOT YET completed	15 Unit Standards needed	0
VISAGIE	CLINTON	83012852 25086	Middle Manager: Finance	before 3 Feb 2017	NQF Level 6 - National Diploma (min 240 credits)	5 years and more	Performance Agreement not required, FM & SCM levels completed	15 Unit Standards needed	15
MATTHEWS	GAVIN	81110151 82089	SCM Manager	before 3 Feb 2017	NQF Level 6 - National Diploma (min 240 credits)	4 years and more	Performance Agreement not required, FM & SCM levels completed	10 Unit Standards needed	15
KITCHING	NIELBERT	88020352 26084	Middle Manager: Finance	on/after 26 Oct 2018	NQF Level 6 - National Diploma (min 240 credits)	less than 2 years	Performance Agreements signed, FM & SCM levels NOT YET completed	15 Unit Standards needed	0

Comment on Skills Development

The LGSETA requires that a Municipality that has a workforce of more than 50 people must have a Training Committee which consists of a Councillor, Head of Corporate Services as well as a representative of each Department. The function is to ensure implementation of the Work Skills Plan takes place.

The Work Skills Plan is a template that the LGSETA provides where reporting and planning take place and is submitted annually.

The Kai !GaribLocal Municipality has a legislative mandate to develop and improve the skills of its workforce. The Skills Development Act No 97 of 1998 inter alia states the purpose of the Act as follows:

a) To develop skills of the South African workforce
b) To increase the level of investment in education and training in the labor market and to improve return on investment
c) To provide employees with opportunities to acquire new skills
d) To encourage workers to participate in learnerships and other training programs
e) To improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education

CHAPTER 5

FINANCIAL INFORMATION COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

5.1 STATEMENT OF FINANCIAL POSITION

Kai !Garib Local Municipality

(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Notes	2019	2018 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	546,437	463,661
Inventories	4	858,728	765,256
Other financial assets	5	66,578	1,568,753
Receivables from exchange transactions	6&8	217,067,485	22,252,477
Receivables from non-exchange transactions	7&8	21,475,535	17,646,577
VAT receivable	9	13,575,260	10,737,438
Total Current Assets		**253,620,428**	**63,435,162**
Non-Current Assets			
Other financial assets	5	(1,813,441)	1,081,535
Heritage assets	10	5	5
Intangible assets	11	140,304	256,774
Investment property	12	1,540,000	1,524,000
Property, plant and equipment	13	759,710,858	758,456,130
Total Non-Current Assets		**759,677,726**	**761,318,444**
Total Assets		**1,013,168,149**	**814,753,606**
Liabilities			
Current Liabilities			
Bank overdraft	3	543,799	208,581
Consumer deposits	14	1,866,204	1,772,549
Employee benefit obligation		614,795	614,795
Finance lease obligation		2,643,456	2,643,456
Other financial liabilities	15	8,577,012	8,827,274
Payables from exchange transactions	16	562,985,680	285,389,745
Provisions	17	1,931,141	7,006,704
Unspent conditional grants and receipts	19	7,641,851	7,641,851
Total Current Liabilities		**585,803,848**	**314,104,867**
Non-Current Liabilities			
Employee benefit obligation		17,802,897	17,802,897
Finance lease obligation		9,260,210	9,260,210
Other financial liabilities	15	963,702	963,702
Provisions	17	89,957,714	62,711,600
Total Non-Current Liabilities		**118,984,523**	**90,738,409**
Total Liabilities		**703,788,472**	**404,843,366**
Net Assets		**309,409,677**	**409,910,240**
Accumulated surplus		309,409,677	409,910,240

The accounting policies on pages 21 to 50 and the notes on pages 51 to 87 form an integral part of the unaudited annual financial statements.

5.2 STATEMENT OF FINANCIAL PERFORMANCE

Kai !Garib Local Municipality

(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Notes	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Agency services	19	-	207,123
Interest received	20	19,040,475	12,012,935
Rental of facilities and equipment	21	338,903	334,335
Service charges	22	106,922,443	93,707,584
Other income	23	771,927	1,442,894
Total revenue from exchange transactions		**127,073,748**	**107,704,882**
Revenue from non-exchange transactions			
Property rates	24	17,560,030	17,449,258
Transfer revenue			
Fines and penalties	25	91,400	66,316
Government grants and subsidies	26	98,370,000	95,600,149
Public contributions and donations	27	12,688,053	5,688,307
Total revenue from non-exchange transactions		**128,709,483**	**118,804,030**
Total revenue	28	**255,783,231**	**228,608,882**
Expenditure			
Bulk purchases	29	59,139,292	54,307,833
Contracted services	30	15,424,139	16,801,026
Debt Impairment	31	19,910,197	5,988,959
Depreciation and amortisation	32	32,166,718	32,904,738
Employee related costs	33	111,970,127	105,731,759
Finance costs	34	46,933,754	32,686,246
General expenses	35	34,725,075	28,647,181
Grant expenses	36	15,100,902	155,205
Remuneration of councillors	38	7,184,757	6,585,940
Total expenditure		**342,554,961**	**284,818,888**
Operating deficit		**(86,771,730)**	**(68,309,806)**
Fair value adjustments	39	16,000	19,000
Reversal of impairments (impairment loss)	37	745,091	(3,586,580)
Loss on disposal of assets and liabilities		(2,211,964)	(5,389,511)
		(1,450,873)	**(8,957,081)**
Deficit for the year		**(88,222,603)**	**(87,237,087)**

5.3 GRANTS

Kai !Garib Local Municipality

(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2019	2018
Unspent conditional grants and receipts		
Expanded Public Works Programme (EPWP)	68,292	68,292
Integrated National Electrification Programme (INEP)	885,544	885,544
Municipal Infrastructure Grant (MIG)	1,096,222	1,096,222
Water Service Infrastructure Grant (WSIG)	5,591,793	5,591,793
	7,641,851	**7,641,851**

The nature and extent of government grants recognised in the unaudited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

19. Agency services

	2019	2018
Department of transport, safety and liason	-	207,123

20. Investment revenue

	2019	2018
Interest revenue		
Cash and cash equivalents	252,135	205,298
Interest charged on trade and other receivables	18,788,340	11,807,630
	19,040,475	**12,012,928**

21. Rental of facilities and equipment

	2019	2018
Land, facilities and equipment owned by the municipality		
Land and buildings	78,308	123,413
Community and library halls	54,891	66,794
Facilities and equipment	205,704	144,129
	338,903	**334,336**

22. Service charges

	2019	2018
Sale of electricity	69,425,238	66,307,265
Sale of water	17,891,992	15,440,109
Sewerage and sanitation charges	11,320,342	6,915,893
Refuse removal	8,284,870	5,044,317
	106,922,443	**93,707,584**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

26. Government grants and subsidies

Operating grants		
Equitable share	72,186,000	63,164,000
Local Government Finance Management Grant (FMG)	2,415,000	2,345,000
Department of Sports, Arts and Culture - Library	400,000	989,000
Expanded Public Works Programme (EPWP)	1,547,000	931,708
	76,548,000	67,429,708
Capital grants		
Municipal Infrastructure Grant (MIG)	16,822,000	21,647,778
Integrated National Electrification Programme (INEP)	-	2,114,456
Water Service Infrastructure Grant (WSIG)	5,000,000	4,408,207
	21,822,000	28,170,441
	98,370,000	95,600,149

27. Public contributions and donations

Materials and supplies	-	4,375
National Treasury	-	5,673,932
Property, plant and equipment	12,688,053	-
Social events	-	10,000
	12,688,053	5,688,307

28. Revenue

Service charges	106,922,443	93,707,584
Rental of facilities and equipment	338,903	334,335
Agency services	-	207,123
Other income	771,927	1,442,894
Interest received - investment	19,040,475	12,012,926
Property rates	17,980,030	17,449,258
Government grants & subsidies	98,370,000	95,600,149
Public contributions and donations	12,688,053	5,688,307
Fines, Penalties and Forfeits	91,400	66,316
	256,783,231	228,688,882

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	106,922,443	93,707,584
Rental of facilities and equipment	338,903	334,335
Agency services	-	207,123
Other income - (rollup)	771,927	1,442,894
Interest received - investment	19,040,475	12,012,926
	127,073,748	107,704,882

Kai !Garib Local Municipality

(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

35. General expenses

Advertising	229,927	190,425
Auditors remuneration	2,901,748	3,805,582
Bank charges	813,281	745,884
Billing charges	907,503	-
Commission: Sale of pre-paid electricity	209,242	90,551
Community development and training	1,788,564	1,102,960
Computer expenses	64,858	87,000
Consulting and professional fees	1,951,921	824,127
Conferences and seminars	12,000	-
Consumables and materials	1,385,058	4,801,851
Donations	45,717	233,456
Entertainment	219,184	122,867
Land surveyor costs	254,176	-
Lease rentals on operating leases	122,910	2,368
Licence fees	2,028	-
Motor vehicle expenses	4,734,238	4,604,681
Postage and courier	31,680	58,313
Printing and stationery	348,674	611,440
Protective clothing	646,530	356,457
Refuse removal	428,064	102,143
Small tools and equipment	-	2,630
Spatial development	352,251	134,611
Subscriptions and membership fees	18,046	33,702
Town planning fees	4,800	110,252
Training fees	343,983	156,826
Travel and subsistence	6,004,138	4,348,555
Valuation roll expenses	127,685	169,414
Water purification chemicals	2,622,065	1,970,089
Repairs and maintenance	8,257,350	3,980,987
	34,726,076	28,847,181

36. Grants and subsidies paid

Other subsidies		
CoGSTHA RDP Houses	-	113,168
Indigent Support	14,539,243	-
Special Projects	561,659	42,038
	15,100,902	155,206

37. Impairment of assets

Impairments

Property, plant and equipment	(345,091)	3,566,580

Due to extreme vandilism of the buildings the condition rating of the buildings decreased above expectations. Because of the extreme differences in the buildings original carying value and the fair value valuation done by an independant valuer (DDP Valuers), management decided to impair the buildings to disclose the buildings at a more realistic fair value.

5.4 ASSET MANAGEMENT

The Asset Management Unit in the Financial Services Directorate's main reason for existence is to create a structured process of decision making, planning and control over the acquisition, use, safeguarding and disposal of assets to maximize their service delivery potential and benefits and to minimize their related risks and costs over their entire life.

Asset Management in Kai !GaribLocal Municipality is governed by an Asset Management Policy adopted in 2010 and is reviewed annually. The latest review took place on 28 June 2019. The policy serves to ensure that the Local Municipality:

- Has consistent application of Asset Management principles
- Implement accrual accounting
- Complies with the MFMA and other related legislation
- Correctly accounts for assets under the GRAP accounting framework
- Safeguards and controls the assets of the Municipality and
- Optimizes asset usage

<u>The Asset Management Policy deals with the following key elements</u>

- Asset recognition
- Recognition of assets initial measurement
- Subsequent measurement of assets
- The recognition of inventory items (non-capital items)
- Asset types
- Asset acquisition, asset maintenance, asset disposal, asset physical control and asset financial control

An Asset Management Committee consisting of Senior Managers, has been appointed to facilitate and assist the Acting Municipal Manager as the Accounting Officer of the Local Municipality in his functions relating to Asset Management as set out in section 63 of the MFMA. The Acting Municipal Manager has delegated the custody and the responsibility for assets to the various Directors as defined in the organizational structure of the ZFM Local Municipality.

Acquisitions

Asset additions made during the year amounts to R1 016 417 which has been reconciled to the general ledger as on 30 June 2019 as required by section 63 of the Municipal Finance Management Act.

Disposals

The final list of assets that need to be disposed of will be tabled to Council in August 2019 and Council will then decide whether it should be sold at an auction, sold by price written quotation or another procurement process. Kai !GaribLocal Municipality still have assets that were written off in the previous financial year that should be donated to schools and other organizations in the Kai !GaribLocal Municipal area.

5.5 PPP

PUBLIC-PRIVATE PARTNERSHIPS

Kai Garib Municipality did not enter into any Public Private Partnerships.

COMPONENT B: OTHER FINANCIAL MATTERS

5.6 SUPPLY CHAIN MANAGEMENT

This matter was dealt with in Chapter 2 of this report

5.7 GRAP COMPLIANCE

GRAP is the acronym for Generally Recognized Accounting Practice and it provides the rules, 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.

The Local Municipality received six consecutive Clean Audits (based on the 2017/2018 Audit report released by the Auditor-General in November 2018) and this proves that we are moving in the right direction however more should be done to maintain this standard.

CHAPTER 6

AUDITOR GENERAL REPORTS

AG REPORT 2017/2018 AND 2018/2019

The Kai !GaribLocal Municipality received an unqualified audit opinion for the sixth year in a row for the 2017/2018 financial year.

An opinion is said to be unqualified when the Auditor General concludes that the Financial Statements give a true and fair view in accordance with the financial reporting framework used for the preparation and presentation of the financial statements. Therefore, the Auditor General found that for the 2017/2018 financial year the Kai !GaribLocal Municipality did not have any significant findings in respect of matters contained in the Financial Statements

Attached hereto is the 2017/2018 Auditor General's Report as received from the Auditor General in November 2018.

Attached hereto is the 2018/2019 Auditor Generals's Report as received from the Auditor General in November 2019.

AUDITOR GENERAL'S REPORT 2017/2018

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Kai !Garib Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Kai !Garib Local Municipality set out on pages 18 to 114, 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, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Kai !Garib Local 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 qualified opinion

Payables from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence that consumer debtors with credit balances had been properly accounted for due to the status of the accounting records. I was unable to confirm the consumer debtors with credit balances by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to consumer debtors with credit balances disclosed at R10 550 007 (2017: R7 301 992) in note 18 to the financial statements. Additionally, there was a resultant impact on receivables from both exchange and non-exchange transactions.

4. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for payroll creditors disclosed in note 18 to the financial statements. The payroll creditors balance was restated in the current year, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment to payroll creditors stated at R19 795 704 in the financial statements was necessary.

5. The municipality did not accurately account for payables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements*. As the municipality did not account for expenses on the accrual basis and reclassify trade payables accounts with debit balances to receivables from exchange transactions, there was a difference between the amount as per the Department of Transport, Safety and Liaison confirmation and the recorded amounts. This resulted in payables being understated by R3 800 217. This had an impact on

receivables from exchange transactions, revenue – agency fees, expenditure – contracted services and the surplus for the period.

Employee benefit obligations

6. I was unable to obtain sufficient appropriate audit evidence for employee benefit obligations due to the poor status of the accounting records. The management expert report indicating the amount that should be accounted for as employee benefit obligations was not submitted when requested. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the employee benefit stated at R18 417693 disclosed in note 15 to the financial statements.

Revenue from exchange transactions

7. The municipality recognised items that did not meet the definition of revenue in accordance with GRAP 9, *Revenue from exchange transactions*, and also did not measure revenue at the fair value of the consideration received or receivable, as required by the standard, as the municipality did not have adequate systems in place for processing and reconciling of transactions. The municipality did not allocate the indigent support/subsidy for all qualifying indigents. Consequently, both service charges revenue and receivables from exchange transaction were overstated by R5 542 592 respectively. Additionally, there was a consequential impact on the surplus for the period and on the accumulated surplus.

8. The municipality recognised items that did not meet the definition of revenue in accordance with GRAP 9, *Revenue from exchange transactions*, and also did not measure revenue at the fair value of the consideration received or receivable, as required by the standard. The municipality recognised revenue and receivables from the billing of their own accounts. Consequently, both service charges revenue and receivables from exchange transaction were overstated by R4 324 876 (2017: R7 739 176) respectively. Additionally, there was a resultant impact on the surplus for the period and on the accumulated surplus.

Expenditure

9. I was unable to obtain sufficient appropriate audit evidence for consumables and materials as described in note 37 to the financial statements. I was unable to confirm the consumables and materials by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the consumables and materials accounts stated at R4 801 851 in the financial statements. Additionally, there was a resultant impact on the debt impairment, surplus for the period and on the accumulated surplus.

10. During 2017, the municipality did not classify all items of expenditure in accordance with GRAP 1, *Presentation of financial statements*. Included in expenditure of R308 905 436, is grant expenditure amounting to R16 808 325, which was not appropriately presented according to its nature in note 38 to the financial statements.

11. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for bulk purchases and general expenses in the financial statements. As described in note 55, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any

adjustment to bulk purchases and general expenses stated at R35 690 943 in the financial statements was necessary.

Inventory

12. During 2017, I was unable to obtain sufficient appropriate audit evidence for inventory, as the municipality did not have adequate systems in place to record inventory. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the inventory stated at R4 959 485 in note 4 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2017 was modified accordingly. My opinion on the current periods financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Receivables from exchange transaction

13. During 2017, I was unable to obtain sufficient appropriate audit evidence for the debt written off for accounts receivable. As described in note 33 to the financial statements, bad debts in respect of indigent debtors were written off but this could not be substantiated by supporting audit evidence. I was unable to confirm the debt write-off by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to accounts receivable stated at R28 824 469 in the financial statements. My audit opinion on the financial statements for the period ended 30 June 2017 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Commitments

14. The municipality did not disclose comparative figure for commitments in accordance with GRAP 1, *Presentation of financial statements*. Additionally, the current year figure for commitments was not disclosed in the financial statements. This resulted in the non-disclosure of the commitments figures amounting to R36 312 285 (2017: R26 494 242).

Irregular expenditure

15. The municipality is required by section 125(2)(d) of the MFMA to include particulars of irregular expenditure in the notes to the annual financial statements. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements that was not included in irregular expenditure in the current and previous year. The municipality did not have adequate systems to maintain complete records of irregular expenditure. In addition, irregular expenditure related to the prior year, identified as recoverable, was not disclosed accordingly. Due to this lack of systems, I was not able to confirm the amount of irregular expenditure to be disclosed by alternative means. Consequently, I was unable to determine whether any further adjustment to irregular expenditure of R69 370 029 (2017: R61 604 987), as disclosed in note 50 to the financial statements, was necessary.

Fruitless and wasteful expenditure

16. During 2017, the municipality did not have adequate systems to maintain complete records of fruitless and wasteful expenditure, as required by 125(2)(d) of the MFMA. Consequently, I was

unable to determine whether any further adjustment to fruitless and wasteful expenditure of R42 289 260, as disclosed in note 49 to the financial statements, was necessary. My audit opinion on the financial statements for the period ended 30 June 2017 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Context for the opinion

17. 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.

18. 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.

19. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

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

21. The municipality's current liabilities exceeded its current assets by R258 412 751 (2017: R205 771 951). These conditions, along with other matters as set forth in note 46, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Emphasis of matters

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

Material losses – electricity

23. As disclosed in note 51 to the financial statements, material electricity losses of R12 616 787 (2017: R7 119 490) were incurred, which represents 13% (2017: 13.2%) of total electricity purchased. Technical losses were due to losses within the network, which are inherent losses in networks and account for non-technical losses, being theft and faults, and billing errors which account for 3%.

Material impairments – trade debtors

24. As disclosed in note 8 to the annual financial statements, a significant provision was made for the impairment of receivables from exchange transactions, which constitutes 81% (R93 722 521 / R115 974 998) of the total receivables from exchange transactions balance.

25. As disclosed in note 8 to the annual financial statements, a significant provision was made for the impairment of receivables from non-exchange transactions, which constitutes 53.1% (R19 954 931 / R37 601 508) of the total receivables from non-exchange transactions balance.

Restatement of corresponding figures

26. As disclosed in note 55 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Other matters

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

Unaudited disclosure notes

28. 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.

Unaudited supplementary schedules

29. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

30. 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.

31. In preparing the financial statements, the accounting officer is responsible for assessing the Kai !Garib Local 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

32. 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.

33. 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

34. 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.

35. 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.

36. 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 priorities	Pages in the annual performance report
KPA 1 – Service Delivery and Infrastructure Development	15 – 16
KPA 2 – Local Economic Development	16 – 17

37. 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.

38. I was unable to obtain sufficient appropriate audit evidence for the selected development priorities listed below as the annual performance report was presented without accurate and complete underlying (performance) records. I was therefore unable to audit the usefulness and reliability of the reported performance information. This was due to limitations placed on the scope of my work and I was unable to audit the reported performance information for development priorities by alternative means.

- KPA 1 – Service Delivery and Infrastructure Development

- KPA 2 – Local Economic Development

Other matter

39. I draw attention to the matter below.

Achievement of planned targets

40. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 32 of this report.

Report on the audit of compliance with legislation

Introduction and scope

41. 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.

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

Annual financial statements and annual reports

43. 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, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

44. The annual financial statements were not submitted to the Auditor-General, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

45. The annual financial statements were not submitted to the Auditor-General within two months after the end of the financial year and written explanation setting out the reasons for the failure were not tabled in council as required by section 133(1)(a) of the MFMA.

Expenditure management

46. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

47. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R76 531 631, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the vote.

48. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management regulations.

49. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred on late payments of suppliers.

Revenue management

50. An effective system of internal control for debtors / revenue was not in place, as required by section 64(2)(f) of the MFMA.

Asset management

51. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

52. Capital assets were disposed of without the municipal council having considered the fair market value of the assets and the economic and community value to be received in exchange for the assets as required by section 14(2)(b) of the MFMA.

Liability management

53. An effective system of internal control for liabilities including a liability register was not in place, as required by section 63(2)(c) of the MFMA.

54. A bank overdraft / credit facility was incurred without a resolution of the municipal council approving the debt agreement, in contravention of section 45(2)(a) of the MFMA.

55. A bank overdraft / credit facility was not repaid within the financial year, as required by section 45(4) of the MFMA.

Strategic planning and performance management

56. The review of the IDP was not done in accordance with the results of the performance evaluation, as required by section 34(a) and 41(1)(c)(ii) of the MSA.

57. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted and managed, as required by municipal planning and performance management reg. 7(1).

Procurement and contract management

58. 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). Similar non-compliance was also reported in the prior year.

59. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

60. The preference point system was not applied to some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.

61. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

62. Awards were made to providers whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(j) and SCM regulation 44.

Utilisation of conditional grants

63. The Water Services Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Division of Revenue Act (Act 3 of 2017).

Consequence management

64. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

65. Irregular and fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information

66. 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.

67. 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.

68. 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.

69. 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

70. 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 basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

71. The leadership did not exercise oversight of financial and performance reporting and compliance and related internal controls. The leadership did not ensure implementation of review processesof information before submission as material errors were detected in the financial statements and non-compliance with laws and regulations and internal control deficiencies were noted throughout the audit process.

72. The leadership of the municipality did not set the correct tone at the top. Senior management did not adhere to internal controls, which resulted in unauthorised and irregular expenditure not being detected by management and non-compliance with relevant laws and regulations.

73. The lack of decisive action to mitigate emerging risks, implement timely corrective measures and address non-performance was evidenced by the failure of management to adequately address the external audit findings in a timely manner. The municipality failed to properly analyse the control weaknesses and implement appropriate follow-up actions that adequately addressed the root cause. This resulted in the audit findings in the prior year report recurring in the current year

74. The leadership did not ensure adherence to SCM policy at the municipality, which resulted in processes not preventing irregular expenditure and material non-compliance.

75. The accounting officer did not prepare regular, accurate and complete financial statements that are supported and evidenced by reliable information, review and monitor compliance with laws and regulations.

76. Finance staff had an inadequate understanding of the accounting framework. This contributed to the numerous misstatements in the financial statements of the municipality.

77. Effective and appropriate disciplinary steps were not taken against officials who made and permitted unauthorised, irregular and fruitless and wasteful expenditure.

78. The underlying systems and controls were inadequate to provide reliable and accurate evidence to support the reporting on predetermined objectives.

Auditor-General

Kimberley

14 December 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 Kai !Garib Local Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of 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.

AUDITOR GENERAL'S REPORT 2018/2019

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Kai! Garib Local Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Kai! Garib Local Municipality set out on pages .... to . ., which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and 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. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Disclaimer of opinion

Payables from exchange transactions

3. During 2018, I was unable to obtain sufficient appropriate audit evidence that consumer debtors with credit balances had been properly accounted for due to the status of the accounting records. I was unable to confirm the consumer debtors with credit balances by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to consumer debtors with credit balances disclosed at R10 550 002 in note 16 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2018 was modified accordingly. My opinion on the current year financial statements was also modified, because of the possible effect of this matter on the comparability of the consumer debtors for the current period.

4. I was unable to obtain sufficient appropriate audit evidence for unallocated deposits and receipts, capital projects retention fees, payroll creditors and trade payables as described in note 16 to the financial statements due to the poor status of the acconting records. I was unable to confirm the unallocated deposits and receipts, retention fees and payroll creditors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the unallocated deposits and receipts, capital projects retention fees, payroll creditors and trade payables included in payables from exchange transactions stated at R562 985 690 in the financial statements.

Revenue from exchange transactions

5. During 2018 the municipality did not allocate the indigent support for all qualifying indigents, as stated in note 22 to the financial statements in accordance with GRAP 9, *Revenue from exchange transactions*. Both service charges revenue and grant expenditure transaction were

overstated by R5 542 592 in the comparative figures. Consequently, I was unable to determine whether any further adjustments were necessary to service charges stated at R93 707 584.

6. I was unable to obtain sufficient appropriate audit evidence for service charges, stated in note 22 to the financial statements, as I could not determine if the municipality recognised revenue and receivables from billing their own accounts. I could not confirm the service charges by alternative means.. During 2018, the municipality recognised items that did not meet the definition of revenue in accordance with GRAP 9, *Revenue from exchange transactions*, as the municipality recognised revenue and receivables from billing of their own accounts. Both service charges revenue and receivables from exchange transaction were overstated by R4 324 876 respectively in the prior year. Consequently, I was unable to determine whether any further adjustments were necessary to service charges stated at R106 922 443 and receivables from exchange transactions at R217 067 485 in the financial statements. Additionally there was a resultant impact on vat receivable, the deficit for the period and the accumulated surplus.

Revenue from non-exchange transactions

7 was .unable to obtain sufficient appropriate audit evidence for, revenue from public contributions and donations as described in note 27 to the financial statements due to the poor status of the accounting records. In addition, the municipality did not disclose public contributions and donations as required by GRAP 23, *Revenue from non-exchange transactions*. Consequently, I was unable to determine whether any adjustment was necessary to the revenue from public contributions and donations stated at R12 688 053 in the financial statements.

8. I was unable to obtain sufficient appropriate audit evidence for revenue from property rates as described in note 24 to the financial statements due to the poor status of the accounting records. In addition, the municipality did not disclose revenue from property rates as required by GRAP 23, *Revenue from non-exchange transactions*. Consequently, I was unable to determine whether any adjustment was necessary to the revenue from property rates stated at R17 560 030 in the financial statements.

9. The municipality did not recognise government grants and subsidies in accordance with GRAP 23, *Revenue from non-exchange*. Consequently, government grants and subsidies for the current year and receivables from non exchange transactions are understated by R5 000 000. Additionally, there was a resultant impact on the deficit for the period and the accumulated surplus

Expenditure

10. In terms of GRAP1 *Presentation of financial statements* a municipality is required to disclose expenditure per nature or function. Contracted services amounting to R15 424 139 (2018:R16 801 026) included in note 30, was not appropriately presented according to its nature. In addition, repairs and maintenance amounting to R3 980 987 was incorrectly included in general expenditure under note 35. I was unable to determine the full extent of the misstatement as it was impracticle to do so.

11. I was unable to obtain sufficient appropriate audit evidence for repairs and maintenance, billing charges, consulting and professional fees, consumables and materials and commission: sale of prepaid and electricity included in general expenditure in note 35 of the financial statements

determine whether any adjustment was necessary to property plant and equipment stated at R799 219 729 in the financial statements.

18. The municipality did not recognise additions to infrastructure assets and community assets included in Property, Plant and Equipment in accordance with GRAP 17, *Property, plant and equipment*. Additions to property, plant and equipment of the prior year were incorrectly recognised in the current year. Consequently, property, plant and equipment's opening balance was understated and additions was overstated by R8 007 215. Additionally, there was an impact on the comparative amounts.

19. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for property, plant and equipment as described in note 13 to the financial statements, the restatement could not be substantiated by supporting audit evidence and no disclosure was made for this restatement. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the property, plant and equipment corresponding figure stated at R767 153 892 in the financial statements.

20. The municipality did not disclose property, plant and equipment that is in the process of being constructed as required by GRAP 17, *Property, plant and equipment*. The cumulative expenditure recognised in the carrying value of property, plant and equipment for work in progress was not disclosed in aggregate per class of asset in note 13 to the financial statements for the current and the prior year. I was not able to determine the full extent of the non disclosure.

21. The municipality did not disclose repairs and maintenance on property, plant and equipment as required by GRAP 17, *Property, plant and equipment*. The expenditure incurred on repairs and maintenance was not separately disclosed in the notes to the financial statements. I was not able to determine the full extent of the non disclosure of repairs and maintenance on the property, plant and equipment note for the current year as it was impractical to do so

Prior Period Errors

22. The municipality did not include the required information on prior period errors in the notes to the financial statements for the current year in accordance with GRAP 1, *Presentation of financial statements*. I was not able to determine the full extent of the understatement of prior period errors for the current and prior years as it was impractical to do so.

Other Financial Assets

23. I was unable to obtain sufficient appropriate audit evidence regarding other financial assets, as described in note 5 to the financial statements. The other financial assets disclosed in the financial statements presented for audit purposes did not agree with the other financial assets listing. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether if any further adjustments was necessary to other financial assets included in non-current assets stated as -R1 813 441 in the financial statements.

Provisions

24. The municipality did not recognise provisions as presented in note 17 to the financial statements, in accordance with GRAP19, *Provisions, contingent liabilities and contingent assets*. Provisions

landfill sites rehabilitation and finance costs were understated with R2 872 645. Accrual for employee leave pay was understated and provisions for employee leave pay overstated with R6 451 296. Long Service awards and employee related cost were understated with R829 269. I was not able to determine the full extent of the misstatements of long service awards and employee related costs as it was impractical to do so.

Unspent conditional Grants and receipts

25. The municipality did not recognise government grants and subsidies as presented in note 18 to the financial statements, in accordance with GRAP 23, *Revenue from non-exchange transactions*. Government grants and subsidies was understated and unspent conditional grant and receipts overstated with R7 641 851. I was not able to determine the full extent of the misstatements on unspent conditional grants and receipts and revenue from non-exchange transactions as it was impractical to do so.

Finance lease obligation

26. The municipality did not accurately calculate finance lease obligation as required by GRAP 13, *Leases*. The financial statements presented for audit purposes did not agree with the finance lease obligation schedule. I was unable to confirm the balance by alternative means. In addition the municipality did not adequately disclose the notes on finance lease obligation as required by GRAP 13, *Leases*. The total future minimum lease payments at the reporting date was not disclosed in the notes to the financial statements. I was not able to determine the full extent of the non-disclosure on finance leases as it was impractical to do so. Consequently, I was unable to determine whether any further adjustments to finance lease obligation stated at R2 643 456 in current liability and R9 260 210 in non-current liability in the financial statements were necessary.

Statement of changes in net assets

27 The municipality did not accurately disclose the net assets in the financial statements in accordance with GRAP 1: *Presentation of financial statements*. The financial statements presented for audit purposes did not agree with my calculations due to the poor status of the accounting records. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments to the balance of nett assets were necessary.

Cash flow statement

28. The municipality did not include cashflow statement in the financial statements for the current and prior year in accordance with GRAP 1, *Presentation of financial statements* and GRAP 2, *Cash flow Statement*.

Unauthorised expenditure

29. The municipality did not disclose the current year balance of unauthorised expenditure, as presented in note 44 to the financial statements, due to a lack of adequate systems in place to account for unauthorised expenditure in accordance with GRAP 1, *Presentation of financial statements*. Consequently, unauthorised expenditure is understated with R68 307 706 (2018: R76 531 631).

landfill sites rehabilitation and finance costs were understated with R2 872 645. Accrual for employee leave pay was understated and provisions for employee leave pay overstated with R6 451 296. Long Service awards and employee related cost were understated with R829 269. I was not able to determine the full extent of the misstatements of long service awards and employee related costs as it was impractical to do so.

Unspent conditional Grants and receipts

25. The municipality did not recognise government grants and subsidies as presented in note 18 to the financial statements, in accordance with GRAP 23, *Revenue from non-exchange transactions*. Government grants and subsidies was understated and unspent conditional grant and receipts overstated with R7 641 851. I was not able to determine the full extent of the misstatements on unspent conditional grants and receipts and revenue from non-exchange transactions as it was impractical to do so.

Finance lease obligation

26. The municipality did not accurately calculate finance lease obligation as required by GRAP 13, *Leases*. The financial statements presented for audit purposes did not agree with the finance lease obligation schedule. I was unable to confirm the balance by alternative means. In addition the municipality did not adequately disclose the notes on finance lease obligation as required by GRAP 13, *Leases*. The total future minimum lease payments at the reporting date was not disclosed in the notes to the financial statements. I was not able to determine the full extent of the non-disclosure on finance leases as it was impractical to do so. Consequently, I was unable to determine whether any further adjustments to finance lease obligation stated at R2 643 456 in current liability and R9 260 210 in non-current liability in the financial statements were necessary.

Statement of changes in net assets

27 The municipality did not accurately disclose the net assets in the financial statements in accordance with GRAP 1: *Presentation of financial statements*. The financial statements presented for audit purposes did not agree with my calculations due to the poor status of the accounting records. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments to the balance of nett assets were necessary.

Cash flow statement

28. The municipality did not include cashflow statement in the financial statements for the current and prior year in accordance with GRAP 1, *Presentation of financial statements* and GRAP 2, *Cash flow Statement*.

Unauthorised expenditure

29. The municipality did not disclose the current year balance of unauthorised expenditure, as presented in note 44 to the financial statements, due to a lack of adequate systems in place to account for unauthorised expenditure in accordance with GRAP 1, *Presentation of financial statements*. Consequently, unauthorised expenditure is understated with R68 307 706 (2018: R76 531 631).

Related parties

30. The municipality did not disclose the value of transactions on related parties as presented in note 41 to the financial statements in accordance with GRAP 20, Related party Disclosure. The municipality did not maintain adequate records of the related party relationships. Consequently, related parties is understated with R7 765 626.

Contingent liabilities and assets

31. The municipality did not disclose contingent liabilities and assets in the notes to the financial statements for the current and prior year in accordance with GRAP 1, *Presentation of financial statements*. As the municipality did not maintain adequate records of contingent liabilities and assets, I was not able to determine the full extent of the understatement of contingent liabilities and assets for the current year as it was impractical to do so.

Material losses

32. The municipality did not disclose material losses, as required by section 125(2)(d) of the MFMA in the notes to the financial statements for both the current and prior year.

Financial Instruments

33. The municipality did not include the required information on financial instruments in the notes to the financial statements for the current and prior year in accordance with GRAP 104, *Financial instruments*. As the municipality did not maintain adequate records of financial instruments, I was not able to determine the full extent of the understatement of financial instruments for the current and prior year as it was impractical to do so.

Commitments

34. The municipality did not include the required information on commitments in the notes to the financial statements for the current and prior year in accordance with GRAP 1 , *Presentation of financial statements*. As the municipality did not maintain adequate records of commitments, I was not able to determine the full extent of the understatement of commitments for the current and prior year as it was impractical to do so.

Empoyee benefits

35. The municipality did not disclose the required information on employee benefits in the financial statements for the current and prior year in accordance with GRAP 25,*Employee benefits*. The municipality did not maintain adequate records of the employee benefits. During 2018 the municipality was unable to provide sufficient appropriate audit evidence to substantiate the amount. I was not able to determine the full extent of the misstatement as it was impracticle to do so.

Material uncertainty relating to going concern

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

37. The municipality's current liabilities exceeded its current assets by R333 183 520 (2018: R 260 569 795). These conditions, along with other matters as set forth in note 42,

indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Other matters

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

Unaudited disclosure notes (MFMA 125)

39. In terms of section 125(2)(e) of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (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 on it.

Responsibilities of the accounting officer for the financial statements

40. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the MFMA and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (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.

41. In preparing the financial statements, the accounting officer is responsible for assessing the Kai !Garib local 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

42. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

43. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) , parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and the ethical requirements that are relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

Report on the audit of the annual performance report

44. Introduction and scope

45. 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. performed procedures to identify findings but not to gather evidence to express assurance.

46. 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 2019:

Development priority	Pages in the annual performance report
Basic services and infrastructure	x – x

47. 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.

48. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

Basic services and infrastructure

Various indicators

49. I was unable to obtain sufficient appropriate audit evidence for the reported achievements in the annual performance report of the indicators listed below. This was due to a lack of technical indicator descriptions, proper performance management systems and processes with formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm that the reported achievements of these indicators were reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

50. The measures taken to improve performance against all targets in below table were not included in the annual performance report.

Indicator description	Reported achievement
The unit to provide a waste removal service in all towns	16
Limit electricity losses (accounted electricity) to 10% by 30 June 2019)	25%
50% completion of all capital projects listed in the IDP for 2018/19 before 30 June 2019	51%
The unit to respond to all requests for installation of electrical meters by 30 June 2019	100%
The unit to attend to all bursts, leaks and queries per quarter before 30 June 2019	100%
Limit water losses to 15% by 30 June 2019)	45%
The unit to respond to 100% of sewerage extraction requests	100%
The unit to rehabilitate the 1000m Voortrekker road in Kakamas before 30 June 2019	100m
The unit to rehabilitate 300m of Eleventh Avenue road in Kakamas before 30 June 2019	300m
The percentage of the municipal capital budget actually spent on capital projects by 30 June 2019	76%

Other matter

51. I draw attention to the matter below.

Achievement of planned targets

52. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 34 to 35 of this report.

Report on the audit of compliance with legislation

Introduction and scope

53. 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.

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

Annual financial statements and annual reports

55. 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, liabilities, revenue, expenditure & disclosure items identified by the auditors in the submitted financial statements and or supporting records that could not be provided resulted in the financial statements receiving a disclaimer audit opinion.

56. The 2017/18 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

Expenditure management

57. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

58. I was unable to obtain sufficient appropriate audit evidence that payments from the municipality's bank account were approved by a properly authorised official, as required by section 11(1) of the MFMA

59. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval of funds, as required by section 65(2)(a) of the MFMA.

60. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for Disclaimer paragraph. The majority of the disclosed irregular expenditure was caused by not following proper procurement processes.

61. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R87 679 045, as disclosed in note 45 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on late payments of creditors.

62. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure. The majority of the disclosed unauthorised expenditure was caused by overspending of budget.

Strategic planning and performance management

63. The SDBIP for the year under review did not include monthly revenue projections by source - the monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.

64. Amendments to the IDP were made without making the proposed amendments available for public comment, as required by section 34(b) of the MSA and municipal planning and performance management reg 3(4)(b).

65. Amendments to the IDP were made without consultation with the district municipality, as required by municipal planning and performance management reg 3(6)(a).

Consequences management

66. Irregular expenditure and Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

67. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Assets management

68. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

69. Capital assets were disposed of without the municipal council having a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services and considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by section 14(2)(a) and 14(2)(b) of the MFMA

Revenue management

70. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Procurement and Contract management

71. 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 SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.

72. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a).

73. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2).

74. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). This non-compliance was identified in the procurement processes for the refurbishment of Kakamas sewage pump station.

75. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

Internal control deficiencies

76. I considered internal controls 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 basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

77. Leadership did not take appropriate action with regard to a lack of controls in the finance and supply chain management unit, resulting in the re-occurrence of the material misstatements and compliance issues.

78. The municipality did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored. Vacancies was also experienced on key positions which impacted negatively on monitoring of controls.

79. Effective financial systems of internal controls and their management had not been implemented to ensure accurate financial statements. The preparation and review of the financial statements was not adequately planned, to ensure a comprehensive review takes place.

80. The municipality did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

81. The financial statements were submitted late during the prior year which resulted in limited time for management to develop, implementation and the monitoring of the action plan. This resulted in some of the prior period findings not been addressed in full. In addition, management did not develop and monitor the implementation of action plans to address internal control deficiencies previously identified.

82. The municipality did not implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.

Auditor General

Kimberley

30 November 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES

In terms of Section 71 of the MFMA, Municipalities are required to return a series of financial performance data to the National Treasury at specific intervals throughout the year. The Chief Financial Officer hereby states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial officer)..

Dated ....

APPENDICES

Appendix A-
COMMITTEE ALLOCATION

EXECUTIVE COMMITTEE

- Mayor M. Louw - Chairperson - ANC
- Cllr. W. Klim - ANC
- Cllr. C. Markgraaf - DA

SOCIO-ECONOMIC COMMITTEE

- Cllr. D. Jaar - Chairperson - ANC
- Cllr. B. Kordom – ANC
- Cllr. M. Papier – ANC
- Cllr. C. Kruger - DA
- Cllr. C. April - EFF

INSTITUTIONAL DEVELOPMENT COMMITTEE

- Cllr. V. Sacco - Chairperson – ANC
- Cllr. B. Bock – ANC
- Cllr. N. Snyers - ANC
- Cllr. J.De Klerk – DA
- Cllr. E. Strauss - DF

INFRASTRUCTURE DEVELOPMENT COMMITTEE

- Cllr. B. Kordom - Chairperson – ANC
- Cllr. E. Fritz – ANC
- Cllr. Thomas
- Cllr. A. Smith - DF
- Cllr. C. Bezuidenhout - DA

MPAC

- Cllr. B. Bock – Chairperson – ANC
- Cllr. V. Sacco – ANC
- Cllr. D. Jaar – ANC
- Cllr. Y April – DA
- Cllr. E. Strauss - DF

LOCAL LABOUR FORUM

- Cllr. V. Sacco – ANC
- Cllr. J. De Klerk – DA
- Cllr. B. Bock – ANC
- Cllr. N. Snyers – ANC
- Cllr. E. Strauss – DF

DISCIPLINARY COMMITTEE

- Cllr. M. Papier – Chairperson – ANC
- Cllr. N. Snyers – ANC
- Cllr. C. Kruger - DA

Appendix B-
COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	**Purpose of Committee**
Municipal Public Accounts Committees	**Overseeing municipal accounts and spending**
Committee for Institutional Development	**Municipal transformation and Institutional Development**
Committee for Socio Economic Development	**LED forms an important part of economic growth in the region.**
Executive Committee	**Finance related information (compliance reports and budgets)**
Committee for Infrastructure Development	**Oversees municipal Infrastructure development**

Appendix D- MUNICIPAL FUNCTIONS

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	No	No
Building regulations	Yes	No
Child care facilities	No	No
Electricity and gas reticulation	Electricity	No
Firefighting services	Yes	No
Local tourism	Yes	No
Municipal airports	No	No
Municipal planning	Yes	No
Municipal health services	Yes	No
Municipal public transport	No	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	Yes	No
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters	No	No
Stormwater management systems in built-up areas	Yes	No
Trading regulations	No	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes	No

Continued next page

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Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	**Function Applicable to Municipality (Yes / No)***	**Function Applicable to Entity (Yes / No)**
Constitution Schedule 5, Part B functions:		
Beaches and amusement facilities	No	No
Billboards and the display of advertisements in public places	No	No
Cemeteries, funeral parlours and crematoria	Yes	No
Cleansing	Yes	No
Control of public nuisances	No	No
Control of undertakings that sell liquor to the public	Yes	No
Facilities for the accommodation, care and burial of animals	No	No
Fencing and fences	Yes	No
Licensing of dogs	No	No
Licensing and control of undertakings that sell food to the public	No	No
Local amenities	No	No
Local sport facilities	Yes	No
Markets	No	No
Municipal abattoirs	No	No
Municipal parks and recreation	Yes	No
Municipal roads	Yes	No
Noise pollution	No	No
Pounds	No	No
Public places	Yes	No
Refuse removal, refuse dumps and solid waste disposal	Yes	No
Street trading	No	No
Street lighting	Yes	No
Traffic and parking	Yes	No

If municipality: indicate (yes or No); * If entity: Provide name of entity T D

Appendix G- AUDIT COMMITTEE RECOMMENDATIONS

Period when Recommendations were made	Total recommendations made by Audit Committee	Total recommendations implemented	Total Outstanding recommendations From management
9 July 2018	9	5	4
28 August 2018	3	1	2
10 &11 September 2018	1	1	0
19 October 2018	24	10	14
5 December 2018	10	4	6
3 April 2019	22	12	10
Total	69	33	36

ANNEXURES AND VOLUMES

The following documents herewith form part of the Final Annual Report 2018/2019:

Annexure A - Annual Performance Report

Annexure B - Audit Committee Report

VOLUME IIA Annual Financial Statements

VOLUME IIB Audit Recovery Plan

Annexure A

Annual Performance Report

2018/2019

SECTION 46 REPORT 2018/2019

Annual Performance Report of Kai !Garib Municipality

2018/2019 ANNUAL REPORT

TABLE OF CONTENTS

1 VISION & MISSION

Vision

"Creating an economically viable and fully developed municipality, which enhances the standard of living of all the inhabitants / community o Kai! Garib through good governance, excellent service delivery and sustainable development."

Mission

- Improved communications and relationships with key role-players
- Transparency in planning and management
- Proper understanding of the needs of communities
- The implementation of a development orientated approach to Local Government.
- Discipline and motivation among officials and councillors
- Building capacity among the staff and Community wherever possible in order to enable them to play an effective role in Local Government.

2 PURPOSE OF THE SECTION 46 REPORT

In terms of Section 46(1)(a) of the MSA a municipality must prepare for each financial year a performance report reflecting the municipality's and an service provider's performance during the financial year, including comparison with targets of and with performance in the previous financial year. Th report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the municipality for the followin financial year and measures that were or are to be taken to improve performance. Efforts have been made to ensure that this report is reflective of th above legislative requirements.

The Annual Performance Report is based upon Kai !Garib Municipality's development priorities and objectives as set out in the Integrated Developmen plan in line with the Municipal Systems Act 32 of 2000.

The Annual Performance Report provides a summary and detailed results associated with the Municipality's performance goals and associated annual targets that align with the budget activities. Also included are references to supporting documentation and the status of prior-year met/ unmet measures.

3 PERFORMANCE ON NATIONAL KEY PERFORMANCE INDICATORS

(This page is left blank deliberately in order to accommodate the tables on the following pages)

		Previous Financial Year 2016/2017		Financial Year under Review 2017/2018		
No.	**INDICATOR**	**TARGET**	**ACHIEVED**	**TARGET**	**ACHIEVED**	**RATING**
1.1	**KPA: 1 – Water (access to piped water)** **Total Households: 23 017**	**100%**	**84.15%**	**100%**	**72.00%**	**Not Fully Effective**
Overview		Kai !Garib Local Municipality has 3 bulk treatment plants, namely Kakamas, Keimoes and Lennertsville and has 10 package plants, with some settlements getting transported purified water.				
Reason for Variance - Positive or Negative		Lack of sufficient funding to render quality service (especially in smaller settlements during summer seasons.) Limited available water				
Remedial Action		Water is transported to smaller settlements using water trucks. Provision of water trucks. Implementation of Water Network strategic plans				

		Previous Financial Year 2016/2017		Financial Year under Review 2017/2018		
No.	**INDICATOR**	**TARGET**	**ACHIEVED**	**TARGET**	**ACHIEVED**	**RATING**
1.2	**Electricity**	**100%**	**82%**	**100%**	**67%**	**Not Fully Effective**
Overview		None of the informal settlements are fully electrified. The need for bulk electricity services also poses a challenge to areas such as Kakamas, Keimoes				
Reason for Variance - Positive or Negative		Lack of sufficient technical skills. Lack of adequate funding. The rapid increase of the population.				
Remedial Action		The acquisition of bulk electricity services. The municipality may also benefit from the increase in solar energy developments in the 1. The timeous procurement/acquisition of prepayment meters. 2. The procurement of electrical material as required by the electrical department. 3. The appointment of electricians in the vacant posts. These electricians will be responsible				

		Previous Financial Year 2016/2017		Financial Year under Review 2017/2018		
No.	**INDICATOR**	**TARGET**	**ACHIEVED**	**TARGET**	**ACHIEVED**	**RATING**
1.3	Sanitation	100%	47%	100%	46%	Not Fully Effective
Overview		The municipality experiences huge problems with sanitation in all of the 10 wards. Many settlements are currently making use of the VIP systems which are currently full and posing health risks to communities. Almost all informal settlements in Kai !Garib do not have decent sanitation systems				
Reason for Variance - Positive or Negative		The increase in number and size of the informal settlements. Lack of Funding				
Remedial Action		Development and implementation of strategies to counter negative variance				

		Previous Financial Year 2016/2017		Financial Year under Review 2017/2018		
No.	**INDICATOR**	**TARGET**	**ACHIEVED**	**TARGET**	**ACHIEVED**	**RATING**
2	The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's IDP.	**100%**	**67%**	**100%**	**91%**	**Not Fully Effective**
	Overview	Our capital projects are are only funded through the Municipal Infrastructure Grant The Municipal Infrastructure Grant (MIG) is a municipal infrastructure funding arrangement. It combines all the existing capital grants for municipal infrastructure into a single consolidated grant.				
	Reason for Variance - Positive or Negative	Due to the poor cash flow situation on all MIG funding were spent on projects only.				
	Remedial Action	Adherence to the approved budget				

		Previous Financial Year 2016/2017		Financial Year under Review 2017/2018		
No.	**INDICATOR**	**TARGET**	**ACHIEVED**	**TARGET**	**ACHIEVED**	**RATING**
3	The number of jobs created through the municipality's local economic development initiatives including capital projects.	**527**	**532**	**563**	**398**	**Target not met**
Overview		The EPWP program provides poverty and income relief through temporary work for the unemployed to carry out socially useful activities. The EPWP creates work opportunities in four sectors, namely infrastructure, non-State, environment and culture and social, by: increasing the labour intensity of government-funded infrastructure projects creating work opportunities through the Non-Profit Organisation programme and Community Work Programme creating work opportunities in public environment and culture programmes creating work opportunities in public social programmes.				
Reason for Variance - Positive or Negative		Some projects had to be halted because of the poor cashflow situation				
Remedial Action		Strict adherence to the approved budget				

		Previous Financial Year 2016/2017		Financial Year under Review 2017/2018		
No.	**INDICATOR**	**TARGET**	**ACHIEVED**	**TARGET**	**ACHIEVED**	**RATING**
4	The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan.	**1 African Female, 1 colored female**	**Not achieved**	**1 African Female**	**Not achieved**	**Not Fully Effective**
Overview		The employment equity report was submitted to the relevant stakeholders by the legislative due date. The purpose of the Employment is to achieve equity in the workplace by promoting equal opportunity and fair treatment in employment through elimination of unfair discrimination and implementing affirmative action measures to redress the disadvantages of past legislation.				
Reason for Variance - Positive or Negative		It remains a challenge to attract suitable candidates to the region				
Remedial Action		The amendment of the recruitment policy to adress benefits				

		Previous Financial Year 2016/2017		Financial Year under Review 2017/2018		
No.	INDICATOR Financial Viability	TARGET	ACHIEVED	TARGET	ACHIEVED	RATING
5	Debt coverage $A = \frac{B-C}{D}$ Where: A – represent *Debt coverage*, B – represents Total operating revenue received, and C - represents operating grants D – represents Debt service payments (i.e. Interest + redemption) due within the financial year	4.7	0.5691	4.7	0.9906	Not Fully Effective
Overview		Due to extreme cashflow constraints the municipality is struggling to meet its monthly commitments				
Reason for Variance - Positive or Negative		Improvement is due to the strenghtening of the debt collection unit				
Remedial Action		The implementation of the credit control policy will improve the situation				

		Previous Financial Year 2016/2017		Financial Year under Review 2017/2018		
No.	**INDICATOR** **Financial Viability**	**TARGET**	**ACHIEVED**	**TARGET**	**ACHIEVED**	**RATING**
6	**Outstanding service debtors to revenue** $A = \frac{B}{C}$ Where: A – outstanding service debtors to revenue B – total outstanding service debtors C - annual revenue actually received for services	2	1.4916	2	1.3364	Not Fully Effective
Overview		Due to lack of payments by consumers the municipality is experiencing challenges with its cashflow				
Reason for Variance - Positive or Negative		Tafiff dispute with ratepayers led to the non payment of services and rates				
Remedial Action		The implementation of the credit control poliucy				

		Previous Financial Year 2016/2017		Financial Year under Review 2017/2018		
No.	INDICATOR Financial Viability	TARGET	ACHIEVED	TARGET	ACHIEVED	RATING
7	Cost coverage (Cash Available plus investments) $A = \frac{B+C}{D}$ Where: A – represents cost coverage, B – represents all available cash at a particular time, and C - represents investments D - represents monthly fixed operating expenditure	2	0.0017	2	0.0034	Not Fully Effective
Overview		Extreme cashflow constraints results in the municipality being unable to meet its monthly commitments				
Reason for Variance - Positive or Negative		Ineffective planning by departments and a non-adherence to budget limitations				
Remedial Action		Establishment of a debt collection unit, implementation of the debt control policy and budget control measures				

4. IDP PERFORMANCE: ALIGNING OF INDICATORS & PROJECTS

4.1 ALIGNMENT BETWEEN PRIORITY AREA AND KEY PERFORMANCE AREA

	Priority Areas	National KPA
1.	Lack of proper housing / existing informal settlements/ Lack of Land Ownership	BASIC SERVICE DELIVERY
2.	Lack of Basic Services -	BASIC SERVICE DELIVERY
3.	Poverty & Unemployment, Lack of youth development and social issues contributing thereto (Local Economic Development) / Lack of farming land/ commonage	LOCAL ECONOMIC DEVELOPMENT
4.	Lack of proper internal and external communication (Good Governance)	GOOD GOVERNANCE & PUBLIC PARTICIPATION
5.	Lack of Municipal Capacity to implement the IDP and provide basic services	MUNICIPAL INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT & FINANCIAL VIABILITY
6.	Lack of sport and recreational facilities and services	BASIC SERVICE DELIVERY
7.	Lack of sufficient and proper health services (HIV/AIDS)	BASIC SERVICE DELIVERY

5. SDBIP: PERFORMANCE ON TOP LEVEL SDBIP

The Service Delivery and Budget Implementation Plan (SDBIP) details the implementation of service delivery and the budget for the financial year in compliance with the Municipal Finance Management Act(MFMA), 2003 (Act 56 of 2003). The SDBIP serves as a contract between the administration, the Council and the community, expressing the objectives set by the Council as quantifiable outcomes that can be implemented by the administration over the next twelve months. The SDBIP facilitates the process of holding management accountable for their performance. It provides the basis for measuring performance in the delivery of services.

Legend

Unacceptable performance
Performance not fully effective
Fully effective
Significantly above expectations
Outstanding performance

Directorate Financial Services

No	KPA	IDP Objective	Sub Directorate	2018/2019 KPI	Measurement	POE	Baseline	Target Type	Annual Target	Target Date	Annual Actual	Q1 Target	Q1 Result	Q2 Target	Q2 Result	Q3 Target	Q3 Result	Q4 Target	Q4 Result
1	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	BTO	The unit ensure to that all finance related policies and plans are reviewed and adopted by 30 June 2019	Council resolutions, list of policies	Director Financial Services	New	Percentage	100%	30-Jun-19	100%	N/A	N/A	N/A	N/A	N/A	N/A	100%	100%
2	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	BTO	The unit to ensure an outstanding service debtors to revenue of 2 before 30 June 2019	Outstanding Service debtors to revenue (Total outstanding service debtors/ revenue received for services)	Director Financial Services	1.3364	Number	2	30-Jun-19	[illegible]	N/A	N/A	N/A	N/A	N/A	N/A	2	[illegible]
3	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	BTO	The unit to ensure that the budget variance remains within 10% by 30 June 2019	Revenue and expenditure as percentages of the approved budget	Director Financial Services	10%	Number	10%	30-Jun-19	1%	N/A	N/A	N/A	N/A	N/A	N/A	10%	1%
4	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	BTO	The unit to ensure a cost coverage of 2 by 30 June 2019	Cost coverage (Available cash+ Investments)/ Monthly fixed operating expenditure.	Director Financial Services	0.0034	Number	2	30-Jun-19	[illegible]	N/A	N/A	N/A	N/A	N/A	N/A	2	[illegible]
5	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	BTO	the unit to complete 12 monthly bank reconciliations on or before 30 June 2019	12 monthly bank reconciliations completed before 30 June 2019	Director Financial Services	New	Number	12	30-Jun-19	12	3	3	3	3	3	3	3	12
6	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	BTO	The unit to ensure a debt coverage of 4.7 before 30 June 2019	Debt coverage (Total operating revenue-operating grants received)/debt service payments due within the year)	Director Financial Services	0.9906	Number	4.7	30-Jun-19	[illegible]	N/A	N/A	N/A	N/A	N/A	N/A	4.7	[illegible]
7	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	BTO	The unit to ensure the adoption of an adjustment budget by 31 January 2019	Council resolution, adjustment budget	Director Financial Services	1	Number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	1	1	N/A	N/A
8	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	BTO	The unit to ensure the compilation and approval of the annual budget before 30 June 2019	budget, council resolution, proof submission to provincial and national treasury	Director Financial Services	1	Number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1
9	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	Expenditure	The unit to ensure the bi - annual submission of IRPSs to SARS on or before 31 August 2018 and 31 May 2019	proof of the bi - annual submission of IRP5's to SARS on or before 31 August 2018 and 31 May 2019	Director Financial Services	New	Number	2	30-Jun-19	[illegible]	1	[illegible]	N/A	N/A	N/A	N/A	1	[illegible]
10	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	Expenditure	The unit to submit VAT reconciliations to SARS by the 25 of each alternative month before 30 June 2019	Submission of VAT reconciliations by the 25th of each alternate month	Director Financial Services	New	Number	6	30-Jun-19	6	N/A	N/A	3	3	N/A	N/A	3	3

No	KPA	IDP Objective	Sub Directorate	2018/2019 KPI	Measurement	POE	Baseline	Target Type	Annual Target	Target Date	Annual Actual	Q1 Target	Q1 Result	Q2 Target	Q2 Result	Q3 Target	Q3 Result	Q4 Target
11	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	Revenue	The unit to update the indigent register monthly before 30 June 2019	1 x updated indigent register before June 2019, 12 reports on updated register	Director Financial Services	12	Number	12	30-Jun-19	12	3	3	3	3	3	3	3
12	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	Revenue	The unit to ensure a 90% payment rate for all services rendered by 30 June 2019	Payment % rate - per Quarter Measured	Director Financial Services	90%	Percentage	90%	30-Jun-19	[illegible]	90%	[illegible]	90%	90%	90%	[illegible]	90%
13	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	Revenue	The unit to ensure that 90% of all electricity meters are read on a monthly basis by 30 June 2019	% of electricity meters read as a % of total electricity meters	Director Financial Services	90%	Percentage	90%	30-Jun-19	100%	90%	100%	90%	100%	90%	100%	90%
14	Municipal Financial Viability and Management (KPA 3)	Implement financial reforms as required per MFMA (PDO3)	Revenue	The unit to ensure that 90% of all water meters are read on a monthly basis by 30 June 2019	% of water meters read as a % of total water meters	Director Financial Services	90%	Percentage	90%	30-Jun-19	100%	90%	100%	90%	100%	90%	100%	90%

Directorate Corporate Services

No	KPA	IDP Objective	Sub Directorate	2018/2019 KPI	Measurement	POE	Baseline	Target Type	Annual Target	Target Date	Annual Actual	Q1 Target	Q1 Result	Q2 Target	Q2 Result	Q3 Target	Q3 Result	Q4 Target	Q4 Res
15	Basic Service Delivery (KPA 1)	Disaster Management/ Law enforcement & traffic Agency service (PDO 6)	Traffic	The unit to ensure that 100% of all license renewal applications are processed and licenses issued before 30 June 2019	Applications, RD 323 Reports	Director Corporate Services	New	Percentage	100%	30-Jun-19	100%	100%	100% (426)	100%	100% (394)	100%	100% (540)	100%	100%
16	Basic Service Delivery (KPA 1)	Disaster Management/ Law enforcement & traffic Agency service (PDO 6)	Traffic	The unit to ensure that 296 learner license tests are conducted before 30 June 2019	K53 EDL reports	Director Corporate Services	New	Number	296	30-Jun-19	366	74	122	74	83	74	74	74	[illegible]
17	Public Participation and Good Governance (KPA 5)	Improve communication with all role players (PDO5)	Communication	The unit to update the website at least five times for the 2018/2019 FY before 30 June 2019	Permission letters, Screenshots	Director Corporate Services	New	Number	5	30-Jun-19	5	N/A	N/A	N/A	N/A	N/A	N/A	5	5
18	Institutional Development and Transformation (KPA4)	Improve communication with all role players (PDO5)	Communication	The unit to ensure that the communication policy is reviewed by 30 June 2019	Council resolution	Director Corporate Services	New	Number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1	1
19	Institutional Development and Transformation (KPA4)	Improve communication with all role players (PDO5)	Call Centre	The unit to ensure that all opened job cards are finalised on the IMIS system on of before 30 June 2019	4 reports from the IMIS system	Director Corporate Services	New	Percentage	100%	30-Jun-19	100%	100%	100%	100%	100%	100%	100%	100%	[illegible]
20	Institutional Development and Transformation (KPA4)	Improve communication with all role players (PDO5)	Call Centre	100% Calls logged and attended to: 4 quarterly reports before 30 June 2019	list of calls with finalised job cards	Director Corporate Services	New	Percentage	100%	30-Jun-19	100%	100%	100%	100%	100%	100%	100%	100%	[illegible]

No	KPA	IDP Objective	Sub Directorate	2018/2019 KPI	Measurements	POE	Baseline	Target Type	Annual Target	Target Date	Annual Actual	Q1 Target	Q1 Result	Q2 Target	Q2 Result	Q3 Target	Q3 Result	Q4 Target
21	Public Participation and Good Governance (KPA 5)	Developing a capable and Development State (PDO15)	Committees	The unit to ensure that 75% of Council Meetings are conducted with the Agendas distributed at least 3 days before meeting before 30 June 2019	Agendas, emails, acknowledgement of receipts	Director Corporate Services	New	Percentage	75%	30-Jun-19	100%	75%	100%	75%	100%	75%	100%	75%
22	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Committees	The unit to compile an administration calender on or before 30 June 2019	Calender, council resolution	Director Corporate Services	New	Number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1
23	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Committees	The unit to ensure that 90% of Committee Meetings are conducted with the Agendas distributed at least 3 days before meeting	Agendas, emails, acknowledgement of receipts	Director Corporate Services	New	Percentage	90%	30-Jun-19	100%	90%	100%	90%	100%	90%	100%	90%
24	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Committees	The unit to send reminders 1 week before the closing date for the submission of reports to the committees before 30 June 2019	Emails, closing dates	Director Corporate Services	New	Percentage	90%	30-Jun-19	100%	90%	100%	90%	100%	90%	100%	90%
25	Public Participation and Good Governance (KPA 5)	Developing a capable and Development State (PDO15)	Committees	The unit to send out notices for one EXCO meeting per quarter before 30 June 2019	Agendas, minutes, attendance registers	Director Corporate Services	New	Number	4	30-Jun-19	4	1	1	1	1	1	1	1
26	Public Participation and Good Governance (KPA 5)	Developing a capable and Development State (PDO15)	Committees	The unit to send out notices for one MPAC meeting per quarter before 30 June 2019	Agendas, minutes, attendance registers	Director Corporate Services	New	Number	4	30-Jun-19	4	1	1	1	1	1	1	1
27	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Committees	The unit to send out notices for one Trade Union meeting per quarter before 30 June 2019	The submission of minutes and attendance registers will for each of the three meetings will satisfy this requirement	Director Corporate Services	New	Number	4	30-Jun-19	4	1	1	1	1	1	1	1
28	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Human Resources	The unit to conduct 1 meeting per quarter per year before 30 June 2019	Notice, attendance register	Director Corporate Services	New	Number	4	30-Jun-19	6	1	2	1	3	1	1	1
29	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Human Resources	The unit to ensure the review of all HR Related Policies and plans before 30 June 2019	Council resolution, List of policies	Director Corporate Services	100%	Percentage	100%	30-Jun-19	100%	N/A	N/A	N/A	N/A	N/A	N/A	100%
30	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Human Resources	The unit to conduct 3 leave reconciliations (trial runs) per quarter per year on the leave management system on or before 30 June 2019	trial run report, leave application forms	Director Corporate Services	New	Number	12	30-Jun-19	12	3	3	3	3	3	3	3
31	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Human Resources	The unit to submit the Employment Equity report on or before 15 January 2019	Submission report from Department of Labour	Director Corporate Services	New	Number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1%

No	KPA	IDP Objective	Sub Directorate	2018/2019 KPI	Measurement	POE	Baseline	Target Type	Annual Target	Target Date	Annual Actual	Q1 Target	Q1 Result	Q2 Target	Q2 Result	Q3 Target	Q3 Result	Q4 Target
32	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Human Resources	The unit to conduct a skills audit before 30 June 2019	Complete skills audit report	Director Corporate Services	New	Number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	1	1	N/A
33	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Human Resources	The unit to submit a Workplace Skills Plan to LGSETA before 30 April 2019	Letter from LGSETA	Director Corporate Services	Submitted on time	Number	1	30-Apr-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1
34	Institutional Development and Transformation (KPA4)	Developing a capable and Development State (PDO15)	Human Resources	The unit to update the termination register quarterly before 30 June 2019	Resignation letters, death certificates, checklist, medical certificates, updated register	Director Corporate Services	New	Number	1	30-Jun-19	1	1	1	1	1	1	1	1
35	Service Delivery and Infrastructure Development (KPA 1)	Human Development Initiatives to Enhance the Social Wellbeing of all Residents (PDO 7)	Library Services	The unit to conduct 8 special programs before 30 June 2019	Library special programmes report	Director Corporate Services - reports on special programmes per library	2 special programmes per library per year	Number	8	30-Jun-19	14	N/A	N/A	N/A	N/A	N/A	N/A	8
36	Institutional Development and Transformation (KPA4)	Human Development Initiatives to Enhance the Social Wellbeing of all Residents (PDO 7)	Library Services	The unit conduct 1 Asset Verification Program before 30 June 2019	Program, Attendance register	Director Corporate Services	New	Number	1	30-Jun-19	1	N/A	N/A	1	1	N/A	N/A	N/A

Directorate Planning and Development

No	KPA	IDP Objective	Sub Directorate	2018/2019 KPI	Measurement	POE	Baseline	Target Type	Annual Target	Target Date	Annual Actual	Q1 Target	Q1 Result	Q2 Target	Q2 Result	Q3 Target	Q3 Result	Q4 Target
37	Local Economic Development (NKPA 2)	To Stimulate Economic Growth for the Benefit of all Communities (PDO 16)	PMU	Create full time equivelant jobs (FTEs) created through municipality's local, economic development initiatives including capital projects before 30 June 2019	The number of full time equivelant jobs (FTEs) created through municipality's local, economic development initiatives including capital projects before 30 June 2019	Director: Planning and development	398	number	563	30-Jun-19	907	N/A	N/A	N/A	N/A	N/A	N/A	563
38	Service Delivery and Infrastructure Development (KPA 1)	The unit to ensure a 90% completion of all capital projects on or before 30 June 2019	PMU	50% Completion of all Capital Projects listed in the IDP for 2018/2019 before 30 June 2019	Business plans for each project, project list, invoices	Director: Planning and development	80	Percentage	50%	30-Jun-19	51%	N/A	N/A	N/A	N/A	N/A	N/A	50
39	Local Economic Development (NKPA 2)	To Stimulate Economic Growth for the Benefit of all Communities (PDO 16)	Tourism	The unit to submit sets of tourism statistics to the district on a quarterley basis before 30 June 2019	Proof that statistics were sent through and received (emails)	Director: Planning and development - 4 reports	New	Number	4	30-Jun-19	4	1	1	1	1	1	1	1
40	Local Economic Development (NKPA 2)	To Stimulate Economic Growth for the Benefit of all Communities (PDO 16)	Tourism	The Unit to attend 4 Provincial Tourism meetings annually before 30 June 2019	Invitation and attendance registers of 4 engagaments with Provincial Tourism	Director: Planning and development - 4 reports	New	Number	4	30-Jun-19	1	1	0	1	0	1	1	1
41	Local Economic Development (NKPA 2)	To Stimulate Economic Growth for the Benefit of all Communities (PDO 16)	Tourism	The Unit to appoint two data collectors on or before 30 June 2019	Appointment letters	Director: Planning and development - 4 reports	New	Number	2	30-Jun-19	2	N/A	N/A	N/A	N/A	N/A	N/A	2
42	Local Economic Development (NKPA 2)	To Stimulate Economic Growth for the Benefit of all Communities (PDO 16)	LED	100% of CSD applications processed before 30 June 2019	List of applications with MAAA numbers	Director: Planning and development	New	Percentage	100%	30-Jun-19	100%	N/A	N/A	N/A	N/A	N/A	N/A	100%
43	Local Economic Development (NKPA 2)	To Stimulate Economic Growth for the Benefit of all Communities (PDO 16)	LED	Assist with the registration of all applying companies/ corporations with SEDA before 30 June 2019	Application list along with allocation of equipment list for succesful registration with SEDA	Director: Planning and development	New	number	19	30-Jun-19	19	N/A	N/A	N/A	N/A	N/A	N/A	47
44	Service Delivery and Infrastructure Development (NKPA 1)	Human development initiatives to enhance the social wellbeing of all our residents (PDO 7 & 3)	Housing	Compile a list of all housing applications for subsidy housing on or before 30 June 2019	1 complete list of applications with names and ID numbers	Director: Planning and development	New	number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1
45	Service Delivery and Infrastructure Development (NKPA 1)	Human development initiatives to enhance the social wellbeing of all our residents (PDO 7 & 3)	Housing	Compile a list of all housing applications for commercial housing on or before 30 June 2019	1 complete list of applications with names and ID numbers	Director: Planning and development	New	number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1

Directorate Technical Services

No	KPA	IDP Objective	Sub Directorate	2018/2019 KPI	Measurement	POE	Baseline	Target Type	Annual Target	Target Date	Annual Actual	Q1 Target	Q1 Result	Q2 Target	Q2 Result	Q3 Target	Q3 Result	Q4 Target	Q4 R
46	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Electricity	The unit to respond to all requests for installation of electrical meters by 30 June 2019	Logged calls, Job, Summary of Job completed	Director Technical	New	percentage	100%	30-Jun-19	100%	100%	100%	100%	100%	100%	100%	100%	1
47	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Electricity	Limit electricity losses (unaccounted electricity) to 10% by 30 June 2019 (Number of electricity units purchased - number of electricity units sold/ number of electricity units purchased)	% electricity losses (unaccounted electricity) to 10% by 30 June 2019 (Number of electricity units purchased - number of electricity units sold/ number of electricity units purchased)	Director Technical	33%	percentage	10%	30-Jun-19	[illegible]	N/A	N/A	N/A	N/A	N/A	N/A	10%	
48	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Water	The unit to attend to all bursts, leaks and queries per quarter before 30 June 2019	Job Cards with clear discription of the job at hand created in response to logged calls + summary	Director Technical	New	percentage	100%	30-Jun-19	100%	100%	100%	100%	100%	100%	100%	100%	[illegible]
49	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Water	The unit to conduct 4 quarterly meetings before 30 June 2019	Notices of meeting with attendance registers and minutes	Director Technical	New	number	4	30-Jun-19	1	1	1	1	1	1	1	1	
50	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Water	Limit water losses (unaccounted water) to 15% by 30 June 2019 (Number of kilolitres water purchased - number of kilolitres water sold/ number of kilolitres water purchased)	% water losses (unaccounted water) to 15% by 30 June 2019 (Number of kilolitres water purchased - number of kilolitres water sold/ number of kilolitres water purchased) (Note in AFS)	Director Technical	New	percentage	15%	30-Jun-19	[illegible]	N/A	N/A	N/A	N/A	N/A	N/A	15%	
51	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Waste Removal	The unit to provide a waste removal service in all towns	Weekly program (Completion of weekly targets signed off by Superintendent)	Director Technical	New	number	16	30-Jun-19	16	4	4	4	4	4	4	4	
52	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Waste Removal	Compilation of a sewage removal plan	1 Approved sewerage removal plan	Director Technical	New	number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1	
53	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Waste Removal	The unit to respond to 100% of sewerage extraction requests	Logged calls +Job Cards	Director Technical	New	percentage	100%	30-Jun-19	100%	100%	100%	100%	100%	100%	100%	100%	
54	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Waste Removal	The unit to have 3 meetings per quarter	Notices of meeting with attendance registers and minutes	Director Technical	New	number	4	30-Jun-19	4-Jan-00	1	1	1	1	1	1	1	
55	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Roads	The unit to rehabilitate the 1000m Voortrekker road in Kakamas before 30 June 2019	Pictures, reports, orders	Director Technical	New	percentage	1000m	30-Jun-19	1000m	N/A	N/A	N/A	N/A	N/A	N/A	1000m	
56	Service Delivery and Infrastructure Development (NKPA 1)	Maintenance and development of all Infrastructure and Services (PDO 12)	Roads	The unit to rehabilitate 300m of Eleventh Avenue road in Kakamas before 30 June 2019	Notices of meeting with attendance registers and minutes	Director Technical	New	number	300m	30-Jun-19	300m	N/A	N/A	N/A	N/A	N/A	N/A	300m	

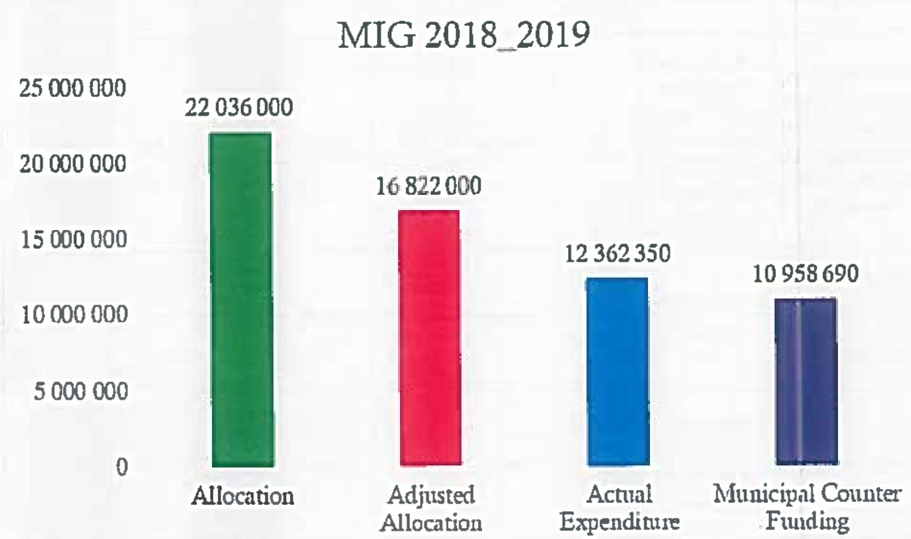
Office of the Municipal Manager

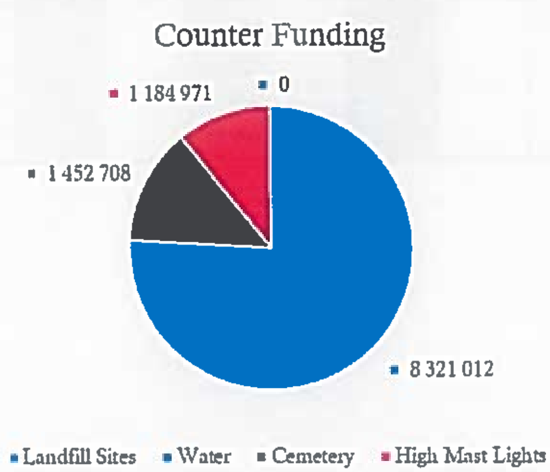
No	KPA	IDP Objective	Sub Directorate	2018/2019 KPI	Measurement	POE	Baseline	Target Type	Annual Target	Target Date	Annual Actual	Q1 Target	Q1 Result	Q2 Target	Q2 Result	Q3 Target	Q3 Result	Q4 Tar
57	Good Governance and Public Participation (NKPA 5)	An Accountable Local Authority with a Fit for Purpose Workforce and Transparent Financial Management Practices (PDO 1)	Internal Audit	3 year Risk based audit rolling plan and annual operational plan submitted to the Audit Committee and Accounting Officer for approval by 30 June 2019.	The Risk Based Rolling Audit Plan submited to the Audit Committee and Accounting Officer	Proof of submission of RBAP and Annual Operational Plan to AC and AO	Submitted RBAP to relevant stakeholders by due date	number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1
58	Basic Service Delivery (NKPA 1)	An Accountable Local Authority with a Fit for Purpose Workforce and Transparent Financial Management Practices (PDO 1)	MM	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2019 (Actual amount spent on capital projects/ Total amount budgeted for capital projects x 100)	% of capital budget spent as at 30 June 2019 (Actual amount spent on capital projects/ Total amount budgeted for capital projects x 100)	Proof that 95% of the capital buget was spent on capital projects (AFS and section 71 In-year reporting, MIG expenditure)	90%	Percentage	95%	30-Jun-19	[illegible]	N/A	N/A	N/A	N/A	N/A	N/A	95%
59	Good Governance and Public Participation (NKPA 5)	An Accountable Local Authority with a Fit for Purpose Workforce and Transparent Financial Management Practices (PDO 1)	PMS	Compile and submit the Section 46 report to the Auditor-General (AGSA) by 31 August 2018	Compilation and submission of Section 46 (Performance) report by 31/08/2018 to AG	Proof of submission of report to AG	Adopted section 46 report submitted to AG	number	1	30-Jun-19	1	1	N/A	N/A	N/A	N/A	N/A	N/A
60	Municipal Transformation and Institutional Development (NKPA 4)	An Accountable Local Authority with a Fit for Purpose Workforce and Transparent Financial Management Practices (PDO 4)	Risk Management Unit	Submit Risk Management Plan to Risk Management Committee by 30 June 2018	Strategic risk register	Risk Manager: Strategic risk register (Council adoption)	Approved Risk Management Plan	number	1	30-Jun-19	1	N/A	N/A	N/A	N/A	N/A	N/A	1
61	Municipal Transformation and Institutional Development (NKPA 4)	An Accountable Local Authority with a Fit for Purpose Workforce and Transparent Financial Management Practices (PDO 4)	Finance department	Actual Operational expenditure / Operational Budget. 10% Deviation of actual operational expenditure of municipal budget by 30 June 2019	Actual operational budget expenditure / Operational budget (x 100). Deviation from budget must be 10% or less	Actual operational expenditure/ Operational Budget	New	percentage	10%	30-Jun-19	1%	N/A	N/A	N/A	N/A	N/A	N/A	10%

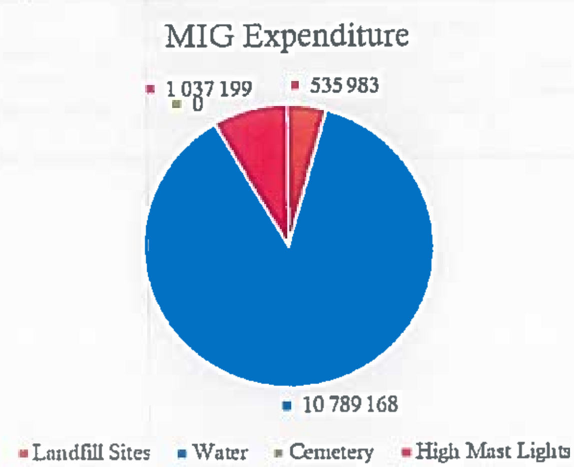
6. IDP IMPLEMENTATION: MIG PROJECTS

6.1 INTRODUCTION

MIG Expenditure for the year under review amounted to 73,49% expenditure on the adjusted allocated budget.







6.2 CAPITAL PROJECTS

Funding	Directorate	Indicator	Target Date	Q1 Target	Q1 Results	Q2 Target	Q2 Results	Q3 Target	Q3 Results	Q4 Target	Q4 Resu
MIG	Planning and Development	Upgrading of Water Network: Bloemsmond/Mctaggert skamp -100% completed by 30 June 2019	30/06/2019	25%	0%	50%	0%	75%	50%	100%	75%
MIG	Planning and Development	Upgrading of Water Network: Eenduin/ Loxtonvale completed by 30 June 2019	30/06/2019	25%	7%	50%	0%	75%	50%	100%	75%
MIG	Planning and Development	Providing community lighting in Kenhardt (Ward 10) before 30 June 2019	30/06/2019	25%	0%	50%	0%	75%	0%	100%	5%
WSIG	Planning and Development	Refurbishment of Kakamas Sewer Pump Stations before 30 June 2019	30/06/2019	25%	0%	50%	0%	75%	50%	100%	50%

6.3 WATER INFRASTRUCTURE

Project Name	Ward	Total Project Cost	MIG Budget	MIG Expenditure	Counter Funding	Project Status
Soverby: Upgrading of Water Purification and Distribution Network	8	7 516 487	6 593 410	958 526	3 529 049	Completed
Bloemsmond/McTaggerskamp: Upgrading of water purification and distribution network	8	14 296 232	12 540 554	3 277 755	3 435 313	Construction – projected completion date end of October 2019
Currieskamp: Upgrading of Water Purification and Distribution Network	8	7 801 989	6 843 850	0	471 486	Project de-registered due to change of scope
Eenduin/ Loxtonvale: Upgrading of Water Purification System and Distribution Network	7	9 417 571	8 189 192	6 552 887	885 164	Construction – projected completion date end of October 2019
	Total	**39 032 279**	**34 167 006**	**10 789 168**	**8 321 012**	

Kai! Garib Local Municipality has 3 Bulk Treatment Plants Namely: Kakamas, Keimoes and Lennertsville bulk treatment plants and has 10 smaller treatment plants, with some settlements getting transported purified water. The older utilities are not of the latest technology which leads to the scarcity of repair material and increases in repair costs, hence the upgrading of water systems in the area. The seven (7) new purification plants will be able to achieved blue drop status within the new year. NKPA 1: Service Delivery and Infrastructure Development.

6.4 CEMETERIES

Project Name	Ward	Total Project Cost	MIG Budget	MIG Expenditure	Counter Funding	Project Status
Alheit: New Cemetery	2	1 994 249	1 994 249	0	136 450	Registration
Kakamas: Cemetery Feasibility Study	3, 4	664 392	664 392	0	518 927	Feasibility Study
Lutzburg: Cemetery Feasibility Study	7	488 290	488 290	0	398 666	Feasibility Study
Marchand: Cemetery Feasibility Study	2	488 290	488 290	0	398 666	Feasibility Study
TOTAL		**3 635 221**	**3 635 221**	**0**	**1 452 708**	

The need for the development of cemeteries at prioritised sites: Kakamas, Keimoes, Kenhardt, Marchand, Lutzburg and Alheit was identified during the public participation processes for the development of the IDP. NKPA 1: Service Delivery and Infrastructure Development.

6.5 SOLID WASTE

Project Name	Ward	Total Project Cost	MIG Budget	MIG Expenditure	Counter Funding	Project Status
Keimoes: Development of new landfill site	5	17 045 769	0	361 560	0	Feasibility Study
Curriescamp: Development of new landfill site	8	7 879 506	0	174 423	0	Feasibility Study

6.6 COMMUNITY / AREA LIGHTING

Project Name	Ward	Total Project Cost	MIG Budget	MIG Expenditure	Counter Funding	Project Status
Keimoes: Provision of High Mast Lighting	5, 6, 7	3 002 652	3 002 652	0	342 477	Complete
Kakamas: Provision of High Mast Lighting	3, 4, 5	4 729 039	4 729 039	945 100	489 874	Complete
Ward 10: Provision of High Mast Ligthing	10	5 434 670	4 717 415	92 099	352 620	Construction
TOTAL		**13 166 361**	**12 449 107**	**1 037 199**	**1 184 971**	

A lack of proper and effective lighting was identified as a contributing factor to the crime within the area. This is in direct contradiction to the municipal priority area which clearly outlines that the municipality will attempt to ensure safe, integrated human settlements. This was also identified during public participation processes. NKPA1: Service Delivery and Infrastructure Development.

Annexure B

Oversight Report

2018/2019

KAI! GARIB LOCAL MUNICIPALITY

KAI !GARIB
MUNISIPALITEIT-MUNICIPALITY

2018/19 OVERSIGHT REPORT ON 2018/19 ANNUAL REPORT

DATE: 05 JUNE 2020

VENUE: VIRTUAL MEETING

TIME: 11:00 am

TABLE OF CONTENTS

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERS

No	Position	Name
1	Chairperson	Cllr B Bock
2	Municipal Manager	Mr. I De Waal
3	Member	Cllr V. Sacco
4	Member	Cllr E. Strauss
5	Member	Cllr. Y. Basson
6	Member	Cllr. B. Kordom

1. **Introduction**

In accordance with section 121 of the Municipal Finance Management Act (MFMA) all municipalities must compile an annual report with the intent purpose of reporting on the activities of the Municipality for a specific financial year.

The relationship between the IDP, Budget and Annual Report is well documented in National Treasury's MFMA circular no. 11, which stated, "The IDP and Budget is forward looking, they set out what a municipality intends to do and the funds it will raise and spend. The annual report on the other hand, is backward looking as it reports on actual performance at the end of the financial year."

In compiling the document Task Team was appointed to formulating the Draft Annual Report.

Once all the information was gathered it was consolidated into the format provided by National Treasury. All directors were approached to ensure the accuracy of the said information.

The Draft Annual Report 2018/2019 was submitted with the Annual Financial Statements and the Annual Performance Report to the office of the Auditor General by the end of August 2019 as required by legislation.

The oversight report is the final major step in the annual reporting process of a municipality in accordance with section 129 of the MFMA. This section determines that the Oversight Report is to be adopted by council during March of each year. This was unfortunately postponed due to the magnitude and severity of the Covid-19 (Corona Virus) outbreak which has been declared a global pandemic by the World Health Organization (WHO).

2. Legal Framework

Section 46 of the Municipal Systems Act requires the municipality to prepare a Performance Report for each financial year, which reflects the performance of the municipality as measured by predetermined targets as well as the performance of the previous year. The annual performance report must form part of the Municipality's Annual Report in terms of section 127 (1) of the MFMA.

Kai !Garib Local Municipality tabled its Draft Annual Report on 28 February 2020 in accordance with section 127 (2) of the MFMA. The Draft Annual Report was made public in terms of section 127 (5) of the same act and the closing date for public submissions was on 27 March 2020.

3. The oversight committee

The oversight role of council is an important component of the financial reforms and it is achieved through the separation of roles and responsibilities between the Council, the Executive and the Administration. Good governance, effective accountability and oversight can only be achieved if there is a clear distinction between the functions performed by the different role players.

The functions of the Municipal Public Accounts Committee are stipulated in the guidelines provided by National Treasury.

Section 129 (4) of the MFMA further provides for the issuance of guidance on the manner in which municipal councils should consider annual reports and conduct public hearings, and the functioning and composition of any public accounts or oversight committees established by the council to assist it to consider an annual report

The primary functions of the MPAC are inter alia

i. To consider and evaluate the content of the annual report and to make recommendations to council when adopting an oversight report on the Annual Report.
ii. In order to assist with the conclusion of matters that may not be finalized, information relating to past recommendations made on the Annual Report must also be reviewed.

This related to current in-year reports, including the quarterly, mid - year and annual reports.

4. Executive summary

In terms of the Municipal Finance Management Act (Act No 56 of 2003) and the Municipal Systems Act (Act No 32 of 2000), each municipality must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

- Provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;
- Provide a report on performance against the budget of the municipality or the municipal entity for that financial year; and
- Promote accountability to the local community for the decisions made throughout the year by the municipality

5. Annual Report 2018/2019 Consultation and Oversight Process

The 2018/19 Annual Report was completed using the template that was rolled out by National Treasury and the National Department of Cooperative Governance and Traditional Affairs (COGSTHA).

6. Conclusions on the Annual Report of Kai !Garib Municipality

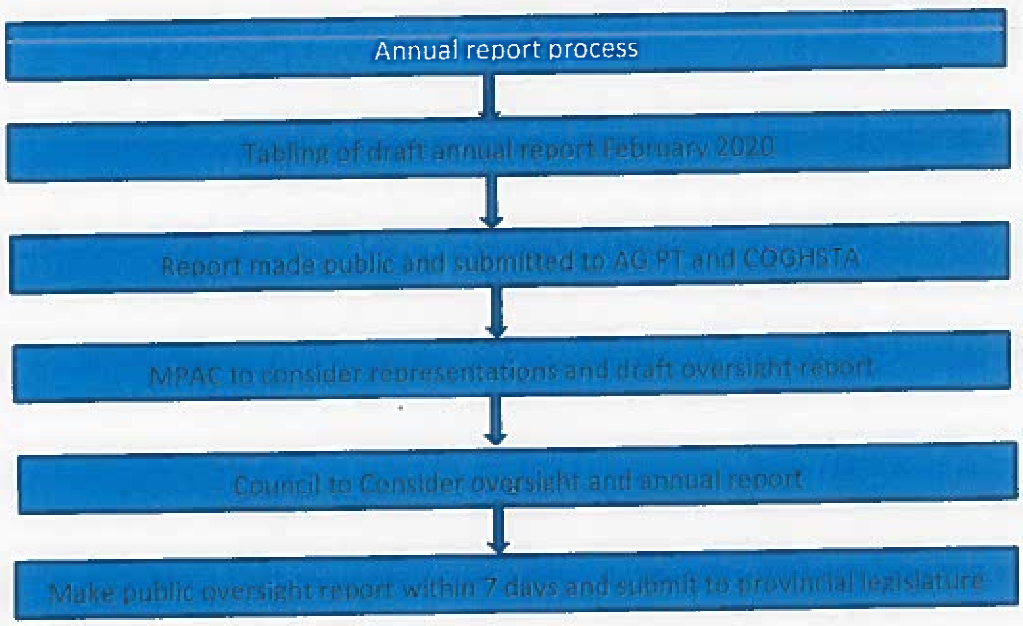
The Municipal Public Accounts Committee notes with appreciation the improvement in the quality of annual reporting made by the management. It is pleasing to note that the following requirements as required in terms of section 121 (3) of the MFMA as follows were included in the Annual Report:

- Annual Financial Statements
- Auditor General's Report
- Annual Performance Report in terms of section 46 Municipal Systems Act
- An assessment by the municipality's accounting officer of the municipality's performance against measurable objectives referred to in section 17 (3)(b) for revenue

collection from each revenue source and vote in the municipality's approved budget for the relevant financial year:

- Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports (audit recovery plan)
- Any explanation that may be necessary to clarify issues in connection with the financial statements
- Any information as determined by the municipality
- Any recommendations of the Municipality's Audit Committee

7. The process to be followed



8. Conclusion

The Municipal Public Accounts Committee recommends that:

i. Council having fully considers the annual report of Kai Garib and the representations thereon, adopt the oversight report and the Annual Report (2018/2019) without reservation.

Cllr B Bock

Municipal Public Accounts Committee, Chairperson. (MPAC)

Volume II A

Annual Financial Statements

2018/2019

KAI !GARIB

MUNISIPALITEIT-MUNICIPALITY

KAI !GARIB LOCAL MUNICIPALITY

(Demarcation code: NC082)

UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Index

The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

Kai !Garib Local Municipality
(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2019

Index

Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers
CPI	Consumer Price Index
DORA	Division of Revenue Act
DWS	Department of Water Affairs and Sanitation
DBSA	Development Bank of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognized Accounting Practice
GLCCM	General Landfill Closure Costing Model
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
INEP	Intergrated National Electrification Programme
LG SETA	Local Government Sector Education Training Programme
LSA	Long Service Awards
MEC	Member of the Executive Council
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MLCCM	Municipal Landfill Closure Costing Model
MSIG	Municipal Systems Improvement Grant
PAYE	Pay As You Earn
PEMA	Post-employment Medical Aid Subsidy Liability
PPP's	Public Private Partnerships
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Taxation
WCA	Workers Compensation Administration

Relevant Legislation

Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998)
Nature of business and principal activities	Kai !Garib Local Municipality is local municipality performing functions as set out in the Constitution (Act no 105 of 1996)
Vision statement	Creating an economically viable and fully developed Municipality, which enhances the standard of living of all the inhabitants/community of Kai !Garib through good governance, excellent service delivery and sustainable development
Mission statement	Provision of transparent, accountable and sustainable service delivery
Demarcation code	NC082
Grading of local authority	Low capacity municipality
Accounting Officer	Mr. I.G.A. de Waal (Acting)
Chief Finance Officer (CFO)	Mrs. A.F. Beukes (Acting)
Registered office	164 11th Avenue Kakamas 8870
Postal address	Private Bag X 6 Kakamas 8870
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Wessels & Smith Attorneys Inc
Level of assurance	These unaudited annual financial statements will be audited in compliance with the applicable requirements of the Municipal Finance Management Act, No. 56 of 2003.
Preparer	The unaudited annual financial statements were internally compiled by Wim Scheepers, the municipality's Budget and Reporting Manager
Telephone number	(054) 431 6300
Fax number	(054) 431 6301
Email address	admin@kaigarib.gov.za
Website	www.kaigarib.gov.za

Members of the Municipal Council

Mayor	Cllr. M.M. Louw	
Speaker	Cllr. D.W. Fienies	
Ward councillors	Cllr. D. Jaar	ANC
	Cllr. B.B. Kordom	ANC
	Cllr. B.M. Bock	ANC
	Cllr. P.A. Thomas	ANC
	Cllr. M.A. Papier	ANC
	Cllr. V.W. Sacco	ANC
	Cllr. N.J. Snyers	ANC
	Cllr. D.W. Fienies	ANC
	Cllr. E.E. Frits	ANC
	Cllr. W.D. Klim	ANC
Proportional members	Cllr. C. Markgraaf	DA
	Cllr. J.M. de Klerk	DA
	Cllr. C.F.P. Bezuidenhoudt	DA
	Cllr. C. Kruger	DA
	Cllr. M.Y. April	DA
	Cllr. E.K. Strauss	DF
	Cllr. R. van Rooyen	DF
	Cllr. C. April	EFF

Council committees

Executive committee

Chairperson:	Cllr. M.M. Louw
Members:	Cllr. W.D. Klim
	Cllr. C. Markgraaf

Socio-economic development committee

Chairperson:	Cllr. D.R. Jaar
Members:	Cllr. B.B. Kordom
	Cllr. M.A. Papier
	Cllr. C. April
	Cllr. C. Kruger

Institutional development committee

Chairperson:	Cllr. V.W.W. Sacco
Members:	Cllr. B.M. Bock
	Cllr. N.J. Snyers
	Cllr. J.M. de Klerk
	Cllr. E.K. Strauss

Infrastructure development committee

Chairperson:	Cllr. B.B. Kordom
Members:	Cllr. E.E. Fritz
	Cllr. P.A. Thomas
	Cllr. R. van Rooyen
	Cllr. C.F.P. Bezuidenhoudt

Municipal public account committee

Chairperson:	Cllr. B.M. Bock
Members:	Cllr. V.W.W. Sacco
	Cllr. D.R. Jaar
	Cllr. E.K. Strauss
	Cllr. M.Y. April

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality comply with all legislation requirements. The collection of outstanding consumer debtor accounts and effective service delivery is also a priority of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's unaudited annual financial statements. The unaudited annual financial statements will be audited by the municipality's external auditors and their report will be presented after the annual auditing process.

The unaudited annual financial statements set out on pages 7 to 87, which have been prepared on the going concern basis, were approved by the accounting officer and were signed by him.

Mr. I.G.A. de Waal (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Local Municipality
30 August 2019

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

Kai !Garib Municipality is local municipality performing functions as set out in the constitution (Act no 105 of 1996), and operates principally in the Northern Cape province of South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached unaudited annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was 88,222,603 (2018: deficit 67,267,087).

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated deficits of 309,409,677 and that the municipality's total liabilities exceed its assets by 309,409,677.

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note 42 of these unaudited annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer has no interest in contracts awarded, either direct or indirect.

5. Accounting policies

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

6. **Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. I.G.A. de Waal (Acting)	South Africa

7. **Corporate governance**

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King IV Report on Corporate Governance for South Africa of September 2009. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the Code on a quaterly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Audit committee

The audit committee was established with effect from 1 July 2014. The chairperson of the audit committee is Mr. H.C. Ogu, who is an independent audit committee member. Other independent members of the audit committee are, Me. M. Venter and Me. A. Viljoen.

Internal audit

The municipality established an internal audit unit on 1 April 2014. Since the establishment of the internal audit unit ZF Mgcawu District Municipality assists the municipality with their internal audit functions as required by legislation.

8. **Bankers**

The municipality's primary bank accounts are with ABSA Bank Limited and Standard Bank Limited and will continue to bank with them in the new financial year.

9. **Auditors**

The following auditors will continue in office for the following financial period:

- Auditor General of South Africa

10. **Public Private Partnership**

The municipality did not enter into any Public Private Partnerships for the financial year under review, nor does it have any existing PPP's

11. **Non-compliance with applicable legislation**

Details of the transactions where the municipality deviated from the supply chain management regulations relating to the its procurement processes and expenditure during the financial year under review is set out in note .

12. Municipal jurisdiction

Kai !Garib Municipality have the following surrounding towns under its jurisdiction:

- Kakamas
- Keimoes
- Kenhardt
- Alheit
- Augrabies
- Blaauwskop
- Bloemsmond
- Cillie
- Currieskamp
- Lennertsville
- Lutzburg
- Mactaggertscamp
- Marchand
- Riemvasmaak
- Soverby
- Vredesvallei
- Eksteenskuil

The unaudited annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved on 30 August 2019.

Mr. I.G.A. de Waal (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Local Municipality
30 August 2019

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Certification of Remuneration of Councillors

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

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 and according to the Government Gazette 42134 dated 21 December 2018. This read with the Remuneration of Public Officer Bearers Act, Circular 14/2015 dated 27 March 2015 of SALGA, the Minister of Corporative Governance and Traditional Affair's determination in accordance with this Act and the approval letter received from the Minister of Corporative Governance, Human Settlements and Traditional Affair's on 3 April 2018.

Mr. I.G.A. de Waal (Acting)
Municipal Manager (Accounting Officer)
Kai !Garib Local Municipality
30 August 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Notes	2019	2018 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	546,437	463,661
Inventories	4	888,728	765,256
Other financial assets	5	66,978	1,569,753
Receivables from exchange transactions	6&8	217,067,485	22,252,477
Receivables from non-exchange transactions	7&8	21,475,535	17,646,577
VAT receivable	9	13,575,260	10,737,438
Total Current Assets		**253,620,423**	**53,435,162**
Non-Current Assets			
Other financial assets	5	(1,813,441)	1,081,535
Heritage assets	10	5	5
Intangible assets	11	140,304	256,774
Investment property	12	1,540,000	1,524,000
Property, plant and equipment	13	759,710,858	758,456,130
Total Non-Current Assets		**759,577,726**	**761,318,444**
Total Assets		**1,013,198,149**	**814,753,606**
Liabilities			
Current Liabilities			
Bank overdraft	3	543,799	208,581
Consumer deposits	14	1,866,204	1,772,549
Employee benefit obligation		614,796	614,796
Finance lease obligation		2,643,456	2,643,456
Other financial liabilities	15	8,577,012	8,827,274
Payables from exchange transactions	16	562,985,690	285,389,746
Provisions	17	1,931,141	7,006,704
Unspent conditional grants and receipts	18	7,641,851	7,641,851
Total Current Liabilities		**586,803,949**	**314,104,957**
Non-Current Liabilities			
Employee benefit obligation		17,802,897	17,802,897
Finance lease obligation		9,260,210	9,260,210
Other financial liabilities	15	963,702	963,702
Provisions	17	88,957,714	62,711,600
Total Non-Current Liabilities		**116,984,523**	**90,738,409**
Total Liabilities		**703,788,472**	**404,843,366**
Net Assets		**309,409,677**	**409,910,240**
Accumulated surplus		309,409,677	409,910,240

The accounting policies on pages 21 to 50 and the notes on pages 51 to 87 form an integral part of the unaudited annual financial statements.

* See Note

Statement of Financial Performance

Figures in Rand	Notes	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Agency services	19	-	207,123
Interest received	20	19,040,475	12,012,926
Rental of facilities and equipment	21	338,903	334,335
Service charges	22	106,922,443	93,707,584
Other income	23	771,927	1,442,894
Total revenue from exchange transactions		**127,073,748**	**107,704,862**
Revenue from non-exchange transactions			
Property rates	24	17,560,030	17,449,258
Transfer revenue			
Fines and penalties	25	91,400	66,316
Government grants and subsidies	26	98,370,000	95,600,149
Public contributions and donations	27	12,688,053	5,688,307
Total revenue from non-exchange transactions		**128,709,483**	**118,804,030**
Total revenue	28	**255,783,231**	**226,508,892**
Expenditure			
Bulk purchases	29	59,139,292	54,307,833
Contracted services	30	15,424,139	16,801,026
Debt Impairment	31	19,910,197	6,988,959
Depreciation and amortisation	32	32,166,718	32,904,738
Employee related costs	33	111,970,127	105,731,759
Finance costs	34	46,933,754	32,696,246
General expenses	35	34,725,075	28,647,181
Grant expenses	36	15,100,902	155,206
Remuneration of councillors	38	7,184,757	6,585,940
Total expenditure		**342,554,961**	**284,818,888**
Operating deficit		**(86,771,730)**	**(58,309,996)**
Fair value adjustments	39	16,000	19,000
Reversal of impairments (Impairment loss)	37	745,091	(3,586,580)
Loss on disposal of assets and liabilities		(2,211,964)	(5,389,511)
		(1,450,873)	**(8,957,091)**
Deficit for the year		**(88,222,603)**	**(67,267,087)**

* See Note

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	477,177,327	477,177,327
Changes in net assets		
Surplus for the year	(67,267,087)	(67,267,087)
Total changes	(67,267,087)	(67,267,087)
Restated* Balance at 01 July 2018	397,632,280	397,632,280
Changes in net assets		
Surplus for the year	(88,222,603)	(88,222,603)
Total changes	(88,222,603)	(88,222,603)
Balance at 30 June 2019	309,409,677	309,409,677

Notes

The accounting policies on pages 21 to 50 and the notes on pages 51 to 87 form an integral part of the unaudited annual financial statements.
* The translation deficit represents the cumulative position of translation gains and losses arising from the conversion of the net assets of the foreign subsidiary companies, and also the long term loan to a subsidiary company, to the reporting currency.

* See Note

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	114,356,250	(2,535,600)	111,820,650	106,922,443	(4,898,207)	
Rental of facilities and equipment	69,300	248,700	318,000	338,903	20,903	
Agency services	1,140,000	(163,000)	977,000	-	(977,000)	
Other income	845,700	41,500	887,200	771,927	(115,273)	
Interest received	9,424,650	7,975,350	17,400,000	19,040,475	1,640,475	
Total revenue from exchange transactions	125,835,900	5,566,950	131,402,850	127,073,748	(4,329,102)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22,580,446	(4,588,446)	17,992,000	17,560,030	(431,970)	
Transfer revenue						
Government grants & subsidies	108,184,000	800,000	108,984,000	98,370,000	(10,614,000)	
Public contributions and donations	-	-	-	12,688,053	12,688,053	
Fines, Penalties and Forfeits	51,600	15,300	66,900	91,400	24,500	
Total revenue from non-exchange transactions	130,816,046	(3,773,146)	127,042,900	128,709,483	1,666,583	
Total revenue	256,651,946	1,793,804	258,445,750	255,783,231	(2,662,519)	
Expenditure						
Personnel	(101,614,165)	(6,279,507)	(107,893,672)	(111,970,127)	(4,076,455)	
Remuneration of councillors	(7,008,864)	3,864	(7,005,000)	(7,184,757)	(179,757)	
Depreciation and amortisation	(3,166,342)	3,166,342	-	(32,166,718)	(32,166,718)	
Impairment loss/ Reversal of impairments	-	-	-	745,091	745,091	
Finance costs	(1,589,765)	(8,559,463)	(10,149,228)	(46,933,754)	(36,784,526)	
Debt Impairment	(17,617,133)	17,617,133	-	(19,910,197)	(19,910,197)	
Bulk purchases	(58,656,085)	1,506,085	(57,150,000)	(59,139,292)	(1,989,292)	
Contracted Services	(12,365,000)	1,430,000	(10,935,000)	(15,424,139)	(4,489,139)	
Transfers and Subsidies	(900,000)	(10,022,300)	(10,922,300)	(15,100,902)	(4,178,602)	
General Expenses	(27,400,400)	4,521,850	(22,878,550)	(34,725,075)	(11,846,525)	
Total expenditure	(230,317,754)	3,384,004	(226,933,750)	(341,809,870)	(114,876,120)	
Operating deficit	26,334,192	5,177,808	31,512,000	(86,026,639)	(117,538,639)	
Loss on disposal of assets and liabilities	-	-	-	(2,211,964)	(2,211,964)	
Fair value adjustments	100,000	(100,000)	-	16,000	16,000	
	100,000	(100,000)	-	(2,195,964)	(2,195,964)	
Deficit before taxation	26,434,192	5,077,808	31,512,000	(88,222,603)	(119,734,603)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	26,434,192	5,077,808	31,512,000	(88,222,603)	(119,734,603)	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	1,607,188	(784,500)	822,688	2,638	(820,050)	
Inventories	987,000	-	987,000	888,728	(98,272)	
Other financial assets	2,100,000	(345,000)	1,755,000	66,978	(1,688,022)	
Receivables from exchange transactions	29,443,640	(9,695,060)	19,748,580	217,067,485	197,318,905	
Receivables from non-exchange transactions	23,349,286	(7,688,340)	15,660,946	21,475,535	5,814,589	
VAT receivable	-	-	-	13,575,260	13,575,260	
	57,487,114	(18,512,900)	38,974,214	253,076,624	214,102,410	
Non-Current Assets						
Other financial assets	4,218,940	514,000	4,732,940	(1,813,441)	(6,546,381)	
Heritage assets	-	-	-	5	5	
Intangible assets	410,000	(158,000)	252,000	140,304	(111,696)	
Investment property	1,580,000	40,000	1,620,000	1,540,000	(80,000)	
Property, plant and equipment	830,643,592	(54,870,400)	775,773,192	759,710,858	(16,062,334)	
	836,852,532	(54,474,400)	782,378,132	759,577,726	(22,800,406)	
Total Assets	894,339,646	(72,987,300)	821,352,346	1,012,654,350	191,302,004	
Liabilities						
Current Liabilities						
Consumer deposits	1,910,000	(150,000)	1,760,000	1,866,204	106,204	
Employee benefit obligation	-	-	-	614,796	614,796	
Finance lease obligation	-	-	-	2,643,456	2,643,456	
Other financial liabilities	4,180,000	7,165,000	11,345,000	8,577,012	(2,767,988)	
Payables from exchange transactions	215,650,000	84,079,000	299,729,000	562,985,695	263,256,695	
Provisions	6,387,000	(1,646,000)	4,741,000	1,931,141	(2,809,859)	
Unspent conditional grants and receipts	-	-	-	7,641,851	7,641,851	
VAT payable	3,587,000	-	3,587,000	-	(3,587,000)	
	231,714,000	89,448,000	321,162,000	586,260,155	265,098,155	
Non-Current Liabilities						
Employee benefit obligation	16,480,000	1,208,000	17,688,000	17,802,897	114,897	
Finance lease obligation	-	-	-	9,260,210	9,260,210	
Other financial liabilities	7,580,000	1,058,000	8,638,000	963,702	(7,674,298)	
Provisions	61,009,000	7,644,000	68,653,000	88,957,714	20,304,714	
	85,069,000	9,910,000	94,979,000	116,984,523	22,005,523	
Total Liabilities	316,783,000	99,358,000	416,141,000	703,244,678	287,103,678	
Net Assets	577,556,646	(172,345,300)	405,211,346	309,409,672	(95,801,674)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	577,556,646	(172,345,300)	405,211,346	309,409,672	(95,801,674)	

The accounting policies on pages 21 to 50 and the notes on pages 51 to 87 form an integral part of the unaudited annual financial statements.

ppropriation Statement

gures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
19											
nancial Performance											
operty rates	22,580,446	(4,588,446)	17,992,000	-		17,992,000	17,560,030		(431,970)	98 %	78 %
rvice charges	115,471,854	(2,029,704)	113,442,150	-		113,442,150	106,922,443		(6,519,707)	94 %	93 %
estment revenue	9,424,650	7,975,350	17,400,000	-		17,400,000	19,040,475		1,640,475	109 %	202 %
ansfers recognised - erational	82,249,800	800,000	83,049,800	-		83,049,800	76,548,000		(6,501,800)	92 %	93 %
her own revenue	2,005,000	120,600	2,125,600	-		2,125,600	1,218,230		(907,370)	57 %	61 %
tal revenue cluding capital nsfers and ntributions)	**231,731,750**	**2,277,800**	**234,009,550**	**-**		**234,009,550**	**221,289,178**		**(12,720,372)**	**95 %**	**95 %**
ployee costs	(101,837,460)	(4,736,774)	(106,574,234)	-	-	(106,574,234)	(111,970,127)	(5,395,893)	(5,395,893)	105 %	110 %
muneration of uncillors	(7,008,864)	3,864	(7,005,000)	-	-	(7,005,000)	(7,184,757)	(179,757)	(179,757)	103 %	103 %
bt impairment	(17,617,133)	17,617,133	-			-	(19,910,197)	(19,910,197)	(19,910,197)	DIV/0 %	113 %
preciation and asset pairment	(3,166,342)	3,166,342	-			-	(31,421,627)	(31,421,627)	(31,421,627)	DIV/0 %	992 %
ance charges	(1,589,765)	(8,559,463)	(10,149,228)	-	-	(10,149,228)	(46,933,754)	(36,784,526)	(36,784,526)	462 %	2,952 %
terials and bulk rchases	(65,242,385)	263,385	(64,979,000)	-	-	(64,979,000)	(59,139,292)	-	5,839,708	91 %	91 %
insfers and grants	-	-	-	-	-	-	(15,100,902)	(15,100,902)	(15,100,902)	DIV/0 %	DIV/0 %
her expenditure	(34,769,801)	(4,954,487)	(39,724,288)	-	-	(39,724,288)	(52,361,178)	(12,636,890)	(12,636,890)	132 %	151 %
tal expenditure	**(231,231,750)**	**2,800,000**	**(228,431,750)**	**-**	**-**	**(228,431,750)**	**(344,021,834)**	**(121,429,792)**	**(115,590,084)**	**151 %**	**149 %**
rplus/(Deficit)	**500,000**	**5,077,800**	**5,577,800**	**-**		**5,577,800**	**(122,732,656)**		**(128,310,456)**	**(2,200)%**	**(24,547)%**

Kai !Garib Local Municipality

(Registration number NC082)
Unaudited Annual Financial Statements for the year ended 30 June 2019

Transfers recognised - capital	25,934,200	-	25,934,200	-		25,934,200	21,822,000		(4,112,200)	84 %	84
Contributions recognised - capital and contributed assets	-	-	-	-		-	12,688,053		12,688,053	DIV/0 %	DIV/(
Surplus (Deficit) after capital transfers and contributions	**26,434,200**	**5,077,800**	**31,512,000**	-		**31,512,000**	**(88,222,603)**		**(119,734,603)**	**(280)%**	**(334**
Surplus/(Deficit) for the year	**26,434,200**	**5,077,800**	**31,512,000**	-		**31,512,000**	**(88,222,603)**		**(119,734,603)**	**(280)%**	**(334**

i !Garib Local Municipality
istration number NC082)
idited Annual Financial Statements for the year ended 30 June 2019

propriation Statement

es in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
ncial Performance				
erty rates				17,449,258
ce charges				93,707,584
tment revenue				12,012,926
sfers recognised - operational				67,429,708
own revenue				2,189,668
revenue (excluding capital transfers and contributions)				**192,789,144**
oyee costs	-	-	-	(105,731,759)
uneration of councillors	-	-	-	(6,585,940)
impairment	-	-	-	(6,988,959)
eciation and asset impairment	-	-	-	(36,491,318)
ce charges	-	-	-	(32,696,246)
ials and bulk purchases	-	-	-	(54,307,833)
sfers and grants	-	-	-	(155,206)
expenditure	-	-	-	(50,957,718)
expenditure	-	-	-	**(293,914,979)**
us/(Deficit)				**(101,125,835)**
sfers recognised - capital				28,170,441
ibutions recognised - capital and contributed assets				5,688,307
us (Deficit) after capital transfers and contributions				**(67,267,087)**
us/(Deficit) for the year				**(67,267,087)**

ccounting policies on pages 21 to 50 and the notes on pages 51 to 87 form an integral part of the unaudited annual ial statements.

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

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

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

The amounts disclosed in the unaudited annual financial statements are rounded-off to the nearest Rand.

1.2 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the 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 the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:
- Property intended for sale in the ordinary course of operations or in the process of construction or development from such sale;
- Property being constructed or developed on behalf of third parties;

Accounting Policies

1.5 Investment property (continued)

- Owner occupied property, including among other things property held for future use as owner occupied property, property held for future developments and subsequent use as owner occupied property, property occupied by employees such as housing personnel (whether or not the employees pay rent at market rates) and owner occupied property awaiting disposal;
- Property that is being constructed for future use as investment property;
- Property that is leased to another entity as investment property;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Accounting Policies

1.6 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10-50 years
Plant and machinery	Straight line	2-80 years
Furniture and fixtures	Straight line	3-15 years
Motor vehicles	Straight line	3-15 years
Office equipment	Straight line	2-5 years
Computer equipment	Straight line	2-5 years
Infrastructure assets	Straight line	5-60 years
Community assets	Straight line	5-60 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

Accounting Policies

1.6 Property, plant and equipment (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Intangible assets

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

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.8 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	1-2 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the unaudited annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

1.9 Heritage assets (continued)

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Recognition

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

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

Accounting Policies

1.10 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or

1.10 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Accounting Policies

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

1.15 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

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

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.18 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Accounting Policies

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Accounting Policies

1.23 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Comparative figures

When the presentation or classification of items in the unaudited annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.25 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance 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 the statement of financial performance

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance 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 the statement of financial performance

Accounting Policies

1.27 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.29 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.31 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

1.32 Events after reporting date

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

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

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

1.32 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

GRAP 103 (as amended 2016): Heritage Assets

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 unaudited annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

Guideline: Guideline on Accounting for Landfill Sites

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality has adopted the interpretation for the first time in the 2017/2020 unaudited annual financial statements.

The impact of the amendment is not material.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

Notes to the Unaudited Annual Financial Statements

2. **New standards and interpretations (continued)**

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The municipality expects to adopt the standard for the first time in the 2019/2019 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's unaudited annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;

2. **New standards and interpretations (continued)**

- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual unaudited annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2019 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2019 unaudited annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's unaudited annual financial statements.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Bank balances	98,925	51,309
Cash on hand	45,833	28,801
Short-term deposits	401,679	383,551
Bank overdraft	(543,799)	(208,581)
	2,638	**255,080**

	2019	2018
Current assets	546,437	463,661
Current liabilities	(543,799)	(208,581)
	2,638	**255,080**

	2019	2018
The total amount of undrawn facilities available for future operating activities and commitments	2,638	255,080

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Current accounts						
ABSA Bank Limited: 4051 445 435	(543,799)	(208,581)	491,025	(543,799)	(208,581)	429,013
Standard Bank Limjted: 0417 902 19	98,925	51,309	76,874	98,925	51,309	76,874
Short-term Investments						
ABSA Bank Limited: 9117 271 903	2,850	3,336	23,407	2,850	3,336	23,407
First National Bank: 6200 698 309 4	1,667	1,868	1,918	1,667	1,868	1,918
Standard Bank Limited: 0486 432 700 02	18,639	1,074	2,558	18,639	1,074	2,558
Standard Bank Limited: 0489 042 950 04	59,930	59,930	59,930	59,930	59,930	59,930
Stanlib: I533 550 21	318,593	317,343	319,570	318,593	317,343	319,570
Total	**(43,195)**	**226,279**	**975,282**	**(43,195)**	**226,279**	**913,270**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

4. Inventories

Maintenance materials	801,426	675,946
RDP Properties	1,340	1,340
Water for distribution	85,962	87,970
	888,728	**765,256**

No impairments of the values of inventory have been written off as management considers that all inventory and consumables are useable and any losses on ultimate realisation are immaterial. Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.

Inventory pledged as security

There are no Inventory pleged as security for overdraft facilities.

5. Other financial assets

Designated at fair value

Long-term debtors	(1,813,441)	2,584,310

The consumers made arrangements with the municipality to pay off their long overdue rates and services accounts. The outstanding accounts will be settled interest free in equal installments over a period of 12 to 24 months.

Old Mutual - 1166 5522	66,978	66,978

The policy (Registered in Eksteenskuil Bestuursraad) has reached the end of its term on 1 August 2003 and has been inactive since then. The maturity proceeds are not exposed to the market, thus the maturity value as at 1 August 2003 is still the same as at 30 June 2018.

	(1,746,463)	**2,651,288**

Non-current assets

Designated at fair value	(1,813,441)	1,081,535

Current assets

Designated at fair value	66,978	1,569,753

6. Receivables from exchange transactions

Consumer debtors - Electricity	4,490,195	9,591,006
Consumer debtors - Water	6,531,145	5,897,489
Consumer debtors - Waste water	3,453,312	3,390,746
Consumer debtors - Refuse	2,661,409	2,336,288
Consumer debtors - Long-term debtors	-	260,008
Consumer debtors - Other	199,931,424	776,940
	217,067,485	**22,252,477**

Trade and other receivables pledged as security

There are no Consumer debtors pleged as security for overdraft facilities.

Please refer to note 8 for the detailed consumer debtors disclosure.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

6. Receivables from exchange transactions (continued)

Fair value of trade and other receivables

Trade and other receivables	217,067,485	22,252,477

The carrying amount of trade and other receivables are denominated in the following currencies:

Rand	217,067,485	22,252,477

7. Receivables from non-exchange transactions

Consumer debtors - Rates	21,475,535	17,646,577

Receivables from non-exchange transactions pledged as security

There are no Consumer debtors pleged as security for overdraft facilities.

Please refer to note 8 for detailed consumer debtors disclosure.

Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	21,475,535	17,646,577

The carrying amount of other receivables from non-exchange transactions are denominated in the following currencies:

Rand	21,475,535	17,646,577

8. Consumer debtors disclosure

Gross balances		
Rates	44,098,078	37,601,508
Electricity	19,466,497	25,812,167
Water	49,131,805	42,185,289
Waste water	22,359,448	19,082,151
Refuse	22,430,913	18,396,682
Long-term debtor's installments	-	3,873,775
Other	206,655,705	6,624,934
	364,142,446	**153,576,506**

Less: Allowance for impairment		
Rates	(22,622,543)	(19,954,931)
Electricity	(14,976,302)	(16,221,161)
Water	(42,600,660)	(36,287,800)
Waste water	(18,906,136)	(15,691,405)
Refuse	(19,769,504)	(16,060,394)
Long-term debtor's installments	-	(3,613,767)
Other	(6,724,281)	(5,847,994)
	(125,599,426)	**(113,677,452)**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

8. Consumer debtors disclosure (continued)

Net balance		
Rates	21,475,535	17,646,577
Electricity	4,490,195	9,591,006
Water	6,531,145	5,897,489
Waste water	3,453,312	3,390,746
Refuse	2,661,409	2,336,288
Long-term debtor's installments	-	260,008
Other	199,931,424	776,940
	238,543,020	**39,899,054**

Included in above is receivables from exchange transactions		
Electricity	4,490,195	9,591,006
Water	6,531,145	5,897,489
Waste water	3,453,312	3,390,746
Refuse	2,661,409	2,336,288
Long-term debtor's installments	-	260,008
Other	199,931,424	776,940
	217,067,485	**22,252,477**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	21,475,535	17,646,577
Net balance	**238,543,020**	**39,899,054**

Rates		
Current (0 -30 days)	1,768,086	1,339,379
31 - 60 days	721,903	191,210
61 - 90 days	692,828	157,292
91 - 120 days	669,157	717,279
120 - 150 days	661,670	-
151 - 180 days	668,120	-
181 - 365 days	10,622,685	8,805,571
> 365 days	28,293,628	26,390,777
Less: Allowance for impairment	(22,622,542)	(19,954,931)
	21,475,535	**17,646,577**

Electricity		
Current (0 -30 days)	3,814,347	3,397,192
31 - 60 days	481,116	881,379
61 - 90 days	322,798	693,451
91 - 120 days	279,457	590,685
121 - 150 days	229,211	-
151 - 180 days	280,602	-
181 - 365 days	1,211,840	4,461,633
> 365 days	12,847,125	15,787,828
Less: Allowance for impairment	(14,976,301)	(16,221,162)
	4,490,195	**9,591,006**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

8. Consumer debtors disclosure (continued)

Water		
Current (0 -30 days)	1,797,498	1,570,701
31 - 60 days	2,081,644	1,053,208
61 - 90 days	1,044,739	992,672
91 - 120 days	1,019,464	951,729
121 - 150 days	1,069,358	-
151 - 180 days	1,060,298	-
181 - 365 days	4,752,931	7,135,909
> 365 days	36,305,872	30,481,070
Less: Allowance for impairment	(42,600,659)	(36,287,800)
	6,531,145	**5,897,489**

Waste water		
Current (0 -30 days)	964,767	922,128
31 - 60 days	546,671	513,181
61 - 90 days	501,232	461,218
91 - 120 days	483,828	452,279
121 - 150 days	470,190	-
151 - 180 days	458,826	-
181 - 365 days	2,550,621	2,981,313
> 365 days	16,383,313	13,752,031
Less: Allowance for impairment	(18,906,136)	(15,691,404)
	3,453,312	**3,390,746**

Refuse		
Current (0 -30 days)	741,425	686,511
31 - 60 days	503,345	455,395
61 - 90 days	472,751	414,921
91 - 120 days	459,257	399,427
121 - 150 days	448,661	-
151 - 180 days	440,880	-
181 - 365 days	2,502,318	2,789,067
> 365 days	16,862,275	13,651,360
Less: Allowance for impairment	(19,769,503)	(16,060,393)
	2,661,409	**2,336,288**

Long-term debtor installments		
Current (0 -30 days)	-	170,846
31 - 60 days	-	107,846
61 - 90 days	-	97,086
91 - 120 days	-	93,154
181 - 365 days	-	529,680
> 365 days	-	2,875,162
Less: Allowance for impairment	-	(3,613,766)
	-	**260,008**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

8. Consumer debtors disclosure (continued)

Other services		
Current (0 -30 days)	6,498,666	202,870
31 - 60 days	51,600	52,023
61 - 90 days	49,326	51,055
91 - 120 days	49,020	51,706
121 - 150 days	49,538	-
151 - 180 days	75,270	-
181 - 365 days	194,121,054	393,287
> 365 days	5,761,231	5,873,994
Less: Allowance for impairment	(6,724,281)	(5,847,995)
	199,931,424	**776,940**

Total		
Current (0 -30 days)	15,584,789	8,118,781
31 - 60 days	4,386,279	3,146,396
61 - 90 days	3,083,674	2,770,609
91 - 120 days	2,960,183	3,163,105
121 - 150 days	2,928,628	-
151 - 180 days	2,983,996	-
181 - 365 days	215,761,449	26,566,780
> 365 days	116,453,444	105,937,060
Less: Allowance for impairment	(125,599,422)	(110,063,685)
	238,543,020	**39,639,046**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

8. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

	2019	2018
Consumers		
Current (0 -30 days)	7,147,632	6,707,764
31 - 60 days	3,993,868	2,975,428
61 - 90 days	2,757,260	2,662,209
91 - 120 days	2,667,321	2,487,770
121 - 150 days	2,628,610	-
151 - 180 days	2,639,316	-
181 - 365 days	16,115,901	21,620,555
> 365 days	104,204,948	93,796,726
	142,154,856	130,250,452
Less: Allowance for impairment	(125,178,716)	(110,064,020)
	16,976,140	**20,186,432**

	2019	2018
Industrial/ commercial		
Current (0 -30 days)	1,462,510	900,290
31 - 60 days	256,184	164,133
61 - 90 days	206,965	115,557
91 - 120 days	181,392	406,721
121 - 150 days	186,777	-
151 - 180 days	199,369	-
181 - 365 days	2,752,169	2,319,647
> 365 days	8,313,539	8,049,968
	13,558,905	**11,956,316**

	2019	2018
National and provincial government		
Current (0 -30 days)	7,002,960	469,017
31 - 60 days	178,442	88,484
61 - 90 days	142,009	66,442
91 - 120 days	130,577	334,850
121 - 150 days	126,733	-
151 - 180 days	123,402	-
181 - 365 days	195,947,365	2,115,285
> 365 days	3,476,045	3,861,173
	207,127,533	**6,935,251**

	2019	2018
Other services		
Current (0 -30 days)	144,489	212,557
31 - 60 days	87,692	26,196
61 - 90 days	87,527	23,487
91 - 120 days	85,487	26,918
121 - 150 days	87,709	-
151 - 180 days	118,216	-
181 - 365 days	1,480,880	1,040,972
> 365 days	3,865,604	3,104,356
	5,957,604	4,434,486
Less: Allowance for impairment	(4,795,166)	(3,613,431)
	1,162,438	**821,055**

	2019	2018
Total		
Current (0 -30 days)	15,757,591	8,289,628
31 - 60 days	4,516,186	3,254,241

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

8. Consumer debtors disclosure (continued)

	2019	2018
61 - 90 days	3,193,761	2,867,695
91 - 120 days	3,064,777	3,256,259
121 - 150 days	3,029,829	-
151 - 180 days	3,080,303	-
181 - 365 days	216,296,315	27,096,459
> 365 days	119,860,136	108,812,223
	368,798,898	153,576,505
Less: Allowance for impairment	(129,973,882)	(113,677,451)
	238,825,016	**39,899,054**

Less: Allowance for impairment		
Current (0 -30 days)	-	(2,160,370)
31 - 60 days	-	(1,475,660)
61 - 90 days	-	(1,415,275)
91 - 120 days	-	(1,343,550)
181 - 365 days	-	(14,480,888)
> 365 days	-	(92,801,708)
	-	**(113,677,451)**

Total debtor past due but not impaired		
Current (0 -30 days)	-	6,129,258
31 - 60 days	-	1,778,581
61 - 90 days	-	1,452,420
91 - 120 days	-	1,912,709
181 - 365 days	-	12,615,571
> 365 days	-	16,010,515
	-	**39,899,054**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(113,677,461)	(108,256,859)
Contributions to allowance	-	(5,420,602)
	(113,677,461)	**(113,677,461)**

9. VAT receivable

South African Revenue Services	13,575,260	10,737,438

Only once payment is received from debtors or payments made to suppliers the VAT is paid over to or claimed from the South African Revenue Service (SARS).

VAT is payable/receivable on the cash basis.

10. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other (specify class)	5	-	5	5	-	5

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	645,263	(504,959)	140,304	645,263	(388,489)	256,774

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	256,774	37,452	(153,922)	140,304

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	376,470	37,452	(157,148)	256,774

Pledged as security

There are no Intangible assets pleged as security for overdraft facilities.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

12. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,540,000	-	1,540,000	1,524,000	-	1,524,000

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	1,524,000	16,000	1,540,000

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	1,470,000	54,000	1,524,000

	2019	2018
Fair value of investment properties	1,540,000	1,524,000

Pledged as security

There are no Investment properties pleged as security for overdraft facilities.

Details of property

	2019	2018
Erf 1654 Kakamas		
Title deed number T74252/198		
- Purchase price: 1 December 2008	19,830	19,830
- Fair value adjustme	470,170	450,170
	490,000	470,000
Erf 666 Keimoes		
Title deed number G16/1942		
- Fair value adjustment	250,000	254,000
Erf 667 Keimoes		
Title deed number G16/1942		
- Fair value adjustment	800,000	800,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

13. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Immovable assets						
Buildings	61,388,481	(15,328,161)	46,060,320	61,310,071	(15,447,450)	45,862,621
Community assets	31,779,113	(10,347,100)	21,432,013	27,346,530	(9,493,621)	17,852,909
Infrastructure assets	788,988,094	(245,258,734)	543,729,360	754,932,135	(224,128,005)	530,804,130
Land	95,348,380	-	95,348,380	95,702,380	-	95,702,380
Landfill sites	31,726,582	(30,921,500)	805,082	31,726,582	(28,790,428)	2,936,154
Work-in-progress	36,667,372	-	36,667,372	45,983,199	-	45,983,199
Movable assets						
Computer equipment	2,790,358	(2,104,000)	686,358	2,540,751	(1,838,265)	702,486
Furniture and fixtures	6,511,614	(4,551,477)	1,960,137	6,052,708	(3,873,825)	2,178,883
Motor vehicles	14,611,454	(6,905,346)	7,706,108	14,611,454	(6,230,813)	8,380,641
Office equipment (Leased)	11,408,306	(6,896,970)	4,511,336	11,408,307	(3,897,374)	7,510,933
Plant and machinery	2,051,352	(1,246,960)	804,392	1,601,944	(1,060,150)	541,794
Total	**1,083,271,106**	**(323,560,248)**	**759,710,858**	**1,053,216,061**	**(294,759,931)**	**758,456,130**

otes to the Unaudited Annual Financial Statements

ȷures in Rand

. **Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Immovable assets								
Buildings	45,862,621	2,206,424	(1,514,149)	-	(1,558,159)	-	1,063,583	46,060,320
Community assets	17,852,909	5,289,134	(263,922)	-	(1,446,108)	-	-	21,432,013
Infrastructure assets	530,804,130	36,229,566	(875,260)	-	(22,429,076)	-	-	543,729,360
Land	95,702,380	-	(354,000)	-	-	-	-	95,348,380
Landfill sites	2,936,154	-	-	-	(2,131,072)	-	-	805,082
Work-in-progress	45,983,199	34,409,298	-	(43,725,125)	-	-	-	36,667,372
Movable assets								
Computer equipment	702,486	249,607	-	-	(248,071)	(17,664)	-	686,358
Furniture and fixtures	2,178,883	458,907	-	-	(655,437)	(22,216)	-	1,960,137
Motor vehicles	8,380,641	-	-	-	(414,564)	(259,969)	-	7,706,108
Office equipment (Leased)	7,510,933	-	-	-	(2,999,597)	-	-	4,511,336
Plant and machinery	541,794	449,409	-	-	(168,168)	(18,643)	-	804,392
	758,456,130	**79,292,345**	**(3,007,331)**	**(43,725,125)**	**(32,050,252)**	**(318,492)**	**1,063,583**	**759,710,858**

Notes to the Unaudited Annual Financial Statements

Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Immovable assets							
Buildings	47,391,238	-	(15,517)	-	(1,513,100)	-	45,862,6
Community assets	16,477,091	2,910,855	(239,647)	-	(1,295,390)	-	17,852,9
Infrastructure assets	553,917,958	859,723	(431,367)	-	(23,542,184)	-	530,804,1
Land	96,242,380	-	(540,000)	-	-	-	95,702,3
Landfill sites	5,749,023	-	-	-	(2,812,869)	-	2,936,1
Work-in-progress	17,771,384	31,982,393	-	(3,770,578)	-	-	45,983,1
Movable assets							
Computer equipment	884,503	84,556	-	-	(251,524)	(15,049)	702,4
Furniture and fixtures	2,296,600	468,165	(2,486)	-	(562,214)	(21,182)	2,178,8
Motor vehicles	10,105,856	-	-	-	(466,870)	(1,258,345)	8,380,6
Office equipment (Leased)	5,936,490	9,024,478	(3,002,625)	-	(2,165,749)	(2,281,661)	7,510,9
Plant and machinery	635,914	53,913	-	-	(137,688)	(10,345)	541,7
	757,408,437	45,384,083	(4,231,642)	(3,770,578)	(32,747,588)	(3,586,582)	758,456,1

Pledged as security

There are no Property, plant and equipment pleged as security for overdraft facilities.

All property, plant and equipment is being fully utilised by the municipality. There is therefore no idle property, plant and equipment.

Depreciation rates

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2019	2018

13. **Property, plant and equipment (continued)**

Land	Straight line	Indefinite
Buildings	Straight line	10-50 years
Plant and machinery	Straight line	2-80 years
Furniture and fixtures	Straight line	3-15 years
Motor vehicles	Straight line	3-15 years
Office equipment	Straight line	2-5 years
Computer equipment	Straight line	2-5 years
Infrastructure assets	Straight line	5-60 years
Community assets	Straight line	5-60 years
Landfill sites	Straight line	1-12 years

Assets subject to finance lease (Net carrying amount)

	2019	2018
Office equipment (Leased)	4,511,336	7,510,933

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

14. Consumer deposits

Electricity	1,342,984	1,249,329
Water	523,220	523,220
	1,866,204	**1,772,549**

Guarantees held in lieu of electricity and water deposits

No interest is paid on deposits.

15. Other financial liabilities

At amortised cost		
Development Bank of Southern Africa Ltd	1,271,902	1,522,164

Loan number: 100498/1
Product number: 61000080

The loan is secured and is being repaid over a period of 20 years in equal installments of R130,186.67 every 6 months with a fixed interest rate of 12.100% per annum.

Redemption date: 30/06/2023.

Development Bank of Southern Africa Ltd	7,400,278	7,400,278

Loan number: 103723/2
Product number: 61001016

The loan is secured and is being repaid monthly over a period of 7 years in equal installments of R110,140.87 with a fixed interest rate of 6.750% per annum.

Redemption date: 28/02/2019.

Development Bank of Southern Africa Ltd	12,919	12,919

Loan Number: 103723/3
Product number: 61001017

The loan is secured and is being repaid monthly over a period of 5 years in equal installments of R32,506.21 with a fixed interest rate of 6.750% per annum.

Redemption date: 31/08/2015.

Development Bank of Southern Africa Ltd	855,615	855,615

Loan number: 13702/101
Product number: 61003256

The loan is secured and is being repaid over a period of 20 years in equal capital installments of R39,349.17 every 6 months with a semi-floating interest rate of 9.800% per annum.

Redemption date: 30/06/2021.

	9,540,714	**9,790,976**

Figures in Rand	2019	2018

15. Other financial liabilities (continued)

Total other financial liabilities	**9,540,714**	**9,790,976**
Non-current liabilities		
At amortised cost	963,702	963,702
Current liabilities		
At amortised cost	8,577,012	8,827,274

16. Payables from exchange transactions

Accrual for employee bonusses	3,016,170	3,016,170
Accrual for employee leave pay	6,451,296	6,451,296
Capital projects retention fees	992,368	1,039,355
Consumer debtors with credit balances	9,386,539	10,550,002
Department of Transport, Safety and Liaison	37,434,713	37,596,663
Deposits received	307,133	290,783
Payroll creditors	42,688,599	41,659,720
Trade payables	264,527,171	185,840,816
Unallocated deposits and receipts	198,181,701	(1,055,059)
	562,985,690	**285,389,746**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

17. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Total
Landfill sites rehabilitation	67,632,887	21,170,551	88,803,438
Long service awards	2,085,417	-	2,085,417
	69,718,304	21,170,551	90,888,855

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Landfill sites rehabilitation	56,661,331	-	-	10,971,556	67,632,887
Long service awards	1,931,141	154,276	-	-	2,085,417
Performance bonuses	171,629	-	(171,629)	-	-
	58,764,101	154,276	(171,629)	10,971,556	69,718,304

	2019	2018
Non-current liabilities	88,957,714	62,711,600
Current liabilities	1,931,141	7,006,704
	90,888,855	69,718,304

Environmental rehabilitation provision

ESS has developed a General Landfill Closure Costing Model (GLCCM) to estimate the final rehabilitation and closure costs for general landfills. The GLCCM is being updated in cooperation with Jones and Wagener Consulting Civil Engineers (Pty) Ltd, a company that is actively involved in rehabilitation and closure of landfill sites. The GLCCM standardises the determination of landfill closure costs between different landfills and for the same landfill over time. The GLCCM is based on the Minimum Requirements for Waste Disposal by Landfill of the Department of Water Affairs (1998), as amended by more recent regulations. The GLCCM provides a reliable best possible estimate of closure costs in terms of paragraph .49 of GRAP 19 or paragraph 36 of IAS 37.

The liability calculated using the GLCCM includes costs associated with:

- Pre-closure planning and approvals (four cost elements)
- Final rehabilitation and closure (seven cost elements)
- 30 years post-closure monitoring (seven costs elements)

Adjustment of unit costs:

Unit costs for each of the cost elements are obtained annually by means of a commercial quotation. Details of this are provided separately.

CPI:

The CPI is used for determining the future value of current costs in the year when the cost is projected to be incurred. The CPI figure used in the GLCCM is based on the three-month average CPI for the quarter that includes the financial year-end date. The average of the CPI for the last quarter amounted to 4.1947%.

17. Provisions (continued)

Discount rate:

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. The liability for this purpose is in most cases determined for a government entity (municipality). Therefore, government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used.

The rate most consistent with the remaining life of the landfills published at the end of the quarter that includes the financial year-end date was used

- For landfills with an expected remaining life of three years or less, the rate associated with a maximum period of 3 years is used.
- For landfills with an expected remaining life of four of five years, the rate associated with a maximum period of 5 years is used.
- For landfills with an expected remaining life of more than five years, the rate associated with a maximum period of 10 years is used.

Key financial assumptions used:

	For Marchand and Lennertsville landfills	For Kakamas, Keimoes, Kenhardt and Currieskamp landfills
CPI	4.1947 %	4.1947 %
Discount rate	7.6947 %	8.1947 %
Net effective discount rate	3.5 %	4.0 %
	-	-

Long Service Award Provision

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 thereafter, until 45 years of service (inclusive), to employees. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

Performance bonus

The municipality's Council took a resolution within the previous financial year to award the directors of the municipality with performance bonusses.

The provided performance bonusses are not been paid to the directors of the municipality yet, and no new resolutions to award the directors with performance bonusses for the year under review has been taken, nor to reverse the previous year's provision.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Expanded Public Works Programme (EPWP)	68,292	68,292
Integrated National Electrification Programme (INEP)	885,544	885,544
Municipal Infrastructure Grant (MIG)	1,096,222	1,096,222
Water Service Infrastructure Grant (WSIG)	5,591,793	5,591,793
	7,641,851	**7,641,851**

The nature and extent of government grants recognised in the unaudited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

19. Agency services

Department of transport, safety and liason	-	207,123

20. Investment revenue

Interest revenue		
Cash and cash equivalents	252,135	205,296
Interest charged on trade and other receivables	18,788,340	11,807,630
	19,040,475	**12,012,926**

21. Rental of facilities and equipment

Land, facilities and equipment owned by the municipality		
Land and buildings	78,308	123,413
Community and library halls	54,891	66,794
Facilities and equipment	205,704	144,128
	338,903	**334,335**

22. Service charges

Sale of electricity	69,425,239	66,307,265
Sale of water	17,891,992	15,440,109
Sewerage and sanitation charges	11,320,342	6,915,893
Refuse removal	8,284,870	5,044,317
	106,922,443	**93,707,584**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

23. Other income

Administration income	290	22,640
Buildingplan fees	45,318	51,703
Call out fees	4,435	1,111
Cemetery fees	38,076	32,716
Clearance certificates	103,798	72,526
Commission: Policies and other	270,889	227,894
Connection fees	105,943	155,672
Firesafety certificates and inspections	1,200	-
Photocopies	1,669	1,737
Posters and banners	2,974	4,213
Re-connection fees	15,946	23,565
Resort entrance fees	67,791	66,779
Rezoning applications	62,083	380
Sewer blockages	-	20,821
Sub-divisions	-	40,450
Tender fees	26,191	6,930
Testing of installations - Meters	-	456
Traffic documents and registrations	-	705,242
Traffic escorts	320	993
Valuation certificates	8,700	5,697
Sundry income	16,304	1,369
	771,927	1,442,894

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

24. Property rates

Rates received

	2019	2018
All properties within the municipality's jurisdiction	21,056,616	20,659,175
Less: Rebates	(3,496,586)	(3,209,917)
	17,560,030	**17,449,258**

Valuations

	2019	2018
Residential	943,383,000	997,374,000
Commercial	129,134,200	85,124,200
State	163,928,000	239,858,000
Municipal	7,433,000	7,433,000
Small holdings and farms	5,302,184,655	5,218,713,655
Exempted valuations	196,022,000	197,742,000
	6,742,084,855	**6,746,244,855**

Valuations on properties within the municipal jurisdiction are performed every 5 years. The last general valuation roll came into effect on 1 July 2014. Interim valuations are not being performed, as prescribed by legislation, on an annual basis due to the low level of new developments within the municipal jurisdiction. The low level of new developments deemed the interim valuation process not be cost effective. Interim valuations, if performed, will consider the changes in individual property values due to alterations and subdivisions.

The detailed schedule of applicable tariffs and rebates are advertised annually and is available from the municipality on request.

Rates are levied on an annual basis with the final date for payment for annual rate payers to be 30 September and 30 June for monthly rate payers. Interest at the maximum bank percentage charged per annum plus 1%, is levied on consumer's property rates outstanding amount, one month after the due date.

The municipality was granted extension by MEC for Corporative Governance, Human Settlements and Traditional Affairs to implement a new general valuation roll until 30 June 2021. The new general valuation will be implemented on 1 July 2021.

25. Fines and Penalties

	2019	2018
Overdue Books Fines	2,183	1,012
Municipal Traffic Fines	63,940	54,730
Disconnection Fees Penalties	25,091	10,574
General fines	186	-
	91,400	**66,316**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

26. Government grants and subsidies

Operating grants		
Equitable share	72,186,000	63,164,000
Local Government Finance Management Grant (FMG)	2,415,000	2,345,000
Department of Sports, Arts and Culture - Library	400,000	989,000
Expanded Public Works Programme (EPWP)	1,547,000	931,708
	76,548,000	**67,429,708**
Capital grants		
Municipal Infrastructure Grant (MIG)	16,822,000	21,647,778
Integrated National Electrification Programme (INEP)	-	2,114,456
Water Service Infrastructure Grant (WSIG)	5,000,000	4,408,207
	21,822,000	**28,170,441**
	98,370,000	**95,600,149**

27. Public contributions and donations

Materials and supplies	-	4,375
National Treasury	-	5,673,932
Property, plant and equipment	12,688,053	-
Social events	-	10,000
	12,688,053	**5,688,307**

28. Revenue

Service charges	106,922,443	93,707,584
Rental of facilities and equipment	338,903	334,335
Agency services	-	207,123
Other income	771,927	1,442,894
Interest received - investment	19,040,475	12,012,926
Property rates	17,560,030	17,449,258
Government grants & subsidies	98,370,000	95,600,149
Public contributions and donations	12,688,053	5,688,307
Fines, Penalties and Forfeits	91,400	66,316
	255,783,231	**226,508,892**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	106,922,443	93,707,584
Rental of facilities and equipment	338,903	334,335
Agency services	-	207,123
Other income - (rollup)	771,927	1,442,894
Interest received - investment	19,040,475	12,012,926
	127,073,748	**107,704,862**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

28. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	17,560,030	17,449,258
Transfer revenue		
Government grants & subsidies	98,370,000	95,600,149
Public contributions and donations	12,688,053	5,688,307
Fines, Penalties and Forfeits	91,400	66,316
	128,709,483	**118,804,030**

29. Bulk purchases

Electricity - Eskom	56,077,693	51,172,805
Water	3,061,599	3,135,028
	59,139,292	**54,307,833**

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers.

The municipality purchases electricity in bulk from Eskom and water from Kakamas Waterverbruikers Vereniging and then redistributes it to consumers.

30. Contracted services

Presented previously		
Information Technology Services	7,681,871	6,893,082
Fleet Services	6,736,135	7,860,742
Operating Leases	138,723	688,422
Specialist Services	867,410	581,183
Other Contractors	-	777,597

31. Debt impairment

Consumer debtors	15,535,741	5,420,603
Long-term debtors	4,374,456	1,568,356
	19,910,197	**6,988,959**

IAS 39 states that an impairment of a financial asset is calculated as being the difference between the expected future cash flows and their present (discounted) value. This means another discounting calculation, distinct from any discounting calculations that may have been required to determine fair value at initial recognition.

An impairment calculation is forward-looking and the municipality therefore used the number of days that the particular consumer debtor is still expected to be outstanding based on the best information available at year-end.

32. Depreciation and amortisation

Property, plant and equipment	32,050,248	32,747,588
Intangible assets	116,470	157,150
	32,166,718	**32,904,738**

Figures in Rand	2019	2018

33. Employee related costs

Acting allowances	1,580,637	1,509,361
Basic salaries and wages	74,888,832	70,089,907
Bonusses	6,130,845	5,709,189
Cellphone allowances	239,544	222,710
Group insurance	2,203	5,974
Housing benefits and allowances	800,340	550,086
Industrial council contributions	43,570	39,644
Leave pay provision charge	428,087	1,548,940
Long-service awards	-	161,968
Medical aid contributions	3,177,885	2,441,172
Nightshift allowances	446,267	329,086
Overtime payments	4,248,971	4,783,938
Pension fund contributions	12,177,190	10,828,096
Performance bonuses	-	124,778
Shift allowances	290,185	268,392
Skills development levy (SDL)	952,843	894,781
Standby allowances	2,509,259	2,336,031
Travel allowances	2,793,165	2,697,045
Unemployment insurance fund contributions (UIF)	706,304	692,661
Ward committee members allowances	554,000	498,000
	111,970,127	**105,731,759**

Remuneration of Municipal Manager

Annual remuneration	484,716	442,392
Acting allowance	194,408	249,468
Annual bonus	40,393	36,866
Travel allowance	99,052	99,052
Telephone allowance	11,400	11,400
Medical aid contributions	43,610	40,644
Pensionfund contributions	86,614	79,631
UIF contributions	1,785	1,785
Bargaining council contributions	105	97
	962,083	**961,335**

Mr. I.G.A. de Waal was appointed as acting Municipal Manager on 1 February 2018.

Remuneration of Chief Finance Officer

Annual remuneration	451,428	412,020
Acting allowance	224,110	379,701
Annual bonus	37,619	34,335
Travel allowance	101,688	101,688
Telephone allowance	11,400	11,400
Medical aid contributions	49,062	33,902
Pensionfund contributions	80,666	74,164
UIF Contributions	1,785	1,785
Bargaining council contributions	105	97
	957,863	**1,049,092**

Mrs. A.F. Beukes was as appointed acting Chief Financial Officer (CFO) on 1 February 2019.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

33. Employee related costs (continued)

Remuneration of Director: Corporate Services

	2019	2018
Annual remuneration	815,439	760,704
Acting allowance	3,647	-
Performance bonus	66,132	62,389
Travel allowance	269,841	253,572
Telephone allowance	17,100	17,100
UIF contributions	1,785	1,785
	1,173,944	**1,095,550**

Adv. R.S. Neethling was permanently appointed as the Director: Corporate Services on 1 December 2013.

Remuneration of Director: Properties, Planning and Development

	2019	2018
Annual remuneration	1,085,280	1,014,276
Acting allowance	16,278	-
Performance bonus	66,132	623,689
Telephone allowance	17,100	17,100
UIF contributions	1,785	1,785
	1,186,575	**1,656,850**

Mr. J. MacKay was permanently appointed as Director: Development and Planning on 1 December 2013.

Remuneration of Director: Technical and Enginering Services

	2019	2018
Annual remuneration	90,440	-
Telephone allowance	1,425	-
UIF contributions	149	-
	92,014	**-**

Mr. M. Links was appointed as acting Director: Technical and Enginering Services on 1 June 2019.

34. Finance costs

	2019	2018
Environmental rehabilitation	21,170,551	10,971,557
Finance leases	-	910,163
Non-current borrowings	353,686	834,744
Trade and other payables	25,409,517	19,979,782
	46,933,754	**32,696,246**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

35. General expenses

Advertising	229,927	190,425
Auditors remuneration	2,901,748	3,805,582
Bank charges	813,281	745,884
Billing charges	907,503	-
Commission: Sale of pre-paid electricity	209,242	90,551
Community development and training	1,788,964	1,102,960
Computer expenses	64,859	87,000
Consulting and professional fees	1,951,921	824,127
Conferences and seminars	12,000	-
Consumables and materials	1,386,059	4,801,851
Donations	46,717	233,456
Entertainment	219,184	122,867
Land surveyor costs	254,176	-
Lease rentals on operating leases	122,910	2,368
Licence fees	2,028	-
Motor vehicle expenses	4,734,238	4,604,691
Postage and courier	31,680	58,313
Printing and stationery	348,674	611,440
Protective clothing	646,530	356,457
Refuse removal	428,064	102,143
Small tools and equipment	-	2,630
Spatial development	352,251	134,611
Subscriptions and membership fees	18,045	33,702
Town planning fees	4,800	110,252
Training fees	243,983	156,826
Travel and subsistence	6,004,139	4,348,555
Valuation roll expenses	127,695	169,414
Water purification chemicals	2,622,065	1,970,089
Repairs and maintenance	8,252,392	3,980,987
	34,725,075	**28,647,181**

36. Grants and subsidies paid

Other subsidies		
CoGSTHA RDP Houses	-	113,168
Indigent Support	14,539,243	-
Special Projects	561,659	42,038
	15,100,902	**155,206**

37. Impairment of assets

Impairments

Property, plant and equipment	(745,091)	3,586,580

Due to extreme vandilism of the buildings the condition rating of the buildings decreased above expectations. Because of the extreme differences in the buildings original carying value and the fair value valuation done by an independant valuer (DDP Valuers), management decided to impair the buildings to disclose the buildings at a more realistic fair value.

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

38. Remuneration of councillors

Mayor	868,549	808,603
Speaker	703,000	653,217
Executive committee members	783,787	710,470
Councillors	4,829,421	4,413,650
	7,184,757	**6,585,940**

In-kind benefits

The Mayor, Speaker and Councillors are full-time Councillors of the municipality.

The Mayor is provided with secretarial support at the cost of the Council, and the Mayor has use of a Council provided vehicle for official duties.

The Councillors remuneration is in line with the upper limits as per the latest Government Gazette.

39. Fair value adjustments

Investment property (Fair value model)	16,000	19,000

40. Cash generated from operations

Deficit	(88,222,603)	(67,267,087)
Adjustments for:		
Depreciation and amortisation	32,166,718	32,904,738
Gain on sale of assets and liabilities	2,211,964	5,389,511
Fair value adjustments	(16,000)	(19,000)
Finance costs - Finance leases	-	910,163
Impairment	(745,091)	3,586,580
Debt impairment	19,910,197	6,988,959
Movements in provisions	21,170,551	10,954,203
Changes in working capital:		
Inventories	(123,472)	4,194,229
Receivables from exchange transactions	(194,815,008)	(2,005,774)
Consumer debtors	(19,910,197)	(6,988,959)
Other receivables from non-exchange transactions	(3,828,958)	1,584,435
Payables from exchange transactions	277,595,952	46,236,965
VAT	(2,837,822)	(3,937,139)
Unspent conditional grants and receipts	-	7,641,851
Consumer deposits	93,655	37,642
	42,649,886	**40,211,317**

41. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Suppliers in service of the state	NB Mechanical sales/Wife
Members of key management	Mr. I.G.A. de Waal
	Mrs. A.F. Beukes
	Adv. R.S. Neethling
	Mr. J. Mac Kay
	Mr. M.C. Links

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

42. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the municipality is very reliant on grants from National Treasury. Funding will be received from National Treasury as long as the municipality comply with all legislation requirements. The collection of outstanding consumer debtor accounts are also a priority for the municipality for the financial year.

43. Events after the reporting date

The municipality is unaware of any events after the reporting date which required disclosure.

44. Unauthorised expenditure

	2019	2018
Opening balance as previously reported	-	395,848,919
Opening balance as restated	-	**395,848,919**
Add: Unauthorised expenditure	-	76,531,631
Closing balance	-	**472,380,550**

45. Fruitless and wasteful expenditure

	2019	2018
Opening balance as previously reported	62,269,042	42,289,260
Opening balance as restated	**62,269,042**	**42,289,260**
Add: Fruitless and wasteful expenditure	25,410,003	19,979,782
Closing balance	**87,679,045**	**62,269,042**

Due to the high outstanding ammount of the municipality's creditors, suppliers is charging the municipality interest on the outstandiings ammounts due to them.

46. Irregular expenditure

	2019	2018
Opening balance as previously reported	69,370,029	61,604,987
Opening balance as restated	**69,370,029**	**61,604,987**
Add: Irregular Expenditure	713,237	7,765,042
Closing balance	**70,083,266**	**69,370,029**

47. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2019	2018
Opening balance	8,126,512	11,113,850
Current year subscription / fee	2,710,153	2,900,716
Value Added Tax (VAT)	406,523	406,310
Interest charged	1,034,977	1,092,539
Amount paid - current year	(250,000)	(1,712,971)
Payments made on behalf of the municipality by National Treasury	-	(5,673,932)
	12,028,165	**8,126,512**

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Pension Fund Deductions

	2019	2018
Opening balance	3,779,797	707,537
Current year subscription / fee	6,423,029	5,722,239
Amount paid - current year	(5,336,682)	(3,374,541)
Amount paid - previous years	(2,356,961)	724,562
	2,509,183	**3,779,797**

Medical Aid Deductions

	2019	2018
Opening balance	126,421	118,801
Current year subscription / fee	1,912,273	1,591,332
Amount paid - current year	(1,741,921)	(1,447,098)
Amount paid - previous years	(144,234)	(136,614)
	152,539	**126,421**

VAT

	2019	2018
VAT receivable	13,575,260	10,737,438

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

None of the municipality's Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr. N.J. Snyers	1,248	1,642	2,890
Cllr. C.F.P. Bezuidenhoudt	59,699	61,716	121,415
	60,947	**63,358**	**124,305**

During the year none of the municipality's Councillors had arrear accounts outstanding for more than 90 days.

30 June 2018	Highest outstanding amount	Aging (in days)
Cllr. N.J. Snyers	1,642	150
Cllr. C.F.P. Bezuidenhoudt	61,716	360
	63,358	

Volume II B

Audit Recovery Plan

2018/2019

KAI !GARIB
MUNISIPALITEIT-MUNICIPALITY

Audit Recovery Plan

2018/19

Project OPCAR (Operation Clean Audit Report) – 2018/19

Joint Action Item List (JAIL)

Champion:	**Wim Scheepers**
Designation:	**Manager: Budget and reporting**
Date:	**25 January 2019**
Purpose:	**Rectify ALL prior period errors and internal control deficiencies identified during the prior audit process**

Nr:	Ex Nr:	Finding:	Rating:	Internal Control Deficiency	Due date:	Prog %	Responsibility:	Notes:
1	23	Non-compliance: Consequences Management	Non-compliance with legislation	Financial and performance management				
2	1	IT: Control Deficiencies	Internal control deficiency	Financial and performance management				
3	8	Prior year: F&WE	Misstatements in financial statements	Financial and performance management				
4	27	Expenditure: 30 days' payment	Non-compliance with legislation	Leadership				
5	65	F&WE understated: Bulk Water	Misstatements in financial statements	Financial and performance management				
6	110	(Prior Year) Trade Payables- Incorrect Classification of payroll creditors	Misstatements in financial statements	Financial and performance management				
7	92	Employee benefit obligations: Limitation of scope	Misstatements in financial statements	Financial and performance management				

8	105	Other financial assets: possible misstatement on long term debtors	Misstatements in financial statements	Financial and performance management				
9	106	Receivables and payables -Debtors with credit balance	Misstatements in financial statements	Financial and performance management				
10	58	Overstatement of grant expenses/ revenue - indigent support	Misstatements in financial statements	Financial and performance management				
11	102	Revenue - Municipal Accounts included in revenue and receivables and expenditure	Misstatements in financial statements	Financial and performance management				
12	6	Use of consultants - Non-compliance	Non-compliance with legislation	Financial and performance management				
13	14	Conditional Grants - Internal Control deficiencies	Internal control deficiency	Leadership & Financial and performance management				
14	19	AoPO: (KPA1 and KPA 2) ALL indicators and targets are not measurable	Misstatements in annual performance	Financial and performance management				
15	48	Asset Useful lives - internal control deficiency	Internal control deficiency	Leadership				

16	81	WIP - Internal control deficiencies	Misstatements in financial statements	Financial and performance management				
17	10	Cash and Cash Equivalents-Control deficiencies	Internal control deficiency	Leadership				
18	97	Cash and Cash equivalents - Rights to an account not confirmed	Misstatements in financial statements	Financial and performance management				
19	120	Cash and bank - Non-compliance	Non-compliance with legislation	Financial and performance management				
20	88	Employee related costs: No employment contracts	Internal control deficiency	Financial and performance management				
21	4	MPAC and Risk Management Committee Meeting-Control deficiencies	Internal control deficiency	Leadership				
22	5	Use of consultants - Internal control deficiencies	Internal control deficiency	Leadership				
23	7	Strategic planning and budgeting-non-compliance	Non-compliance with legislation	Financial and performance management				
24	11	Job descriptions do not exist for post of MM and CFO	Non-compliance with legislation	Leadership				

25	22	Contract register incomplete	Internal control deficiency	Financial and performance management				
26	25	Limitation of scope - Cut-off letter No 1	Misstatements in financial statements	Financial and performance management				
27	46	Unauthorised expenditure - No register in place	Internal control deficiency	Financial and performance management				
28	91	Prior year misstatements - Payables and expenditure	Misstatements in financial statements	Leadership				
29	109	UIF - No section 32(4) reports	Non-compliance with legislation	Financial and performance management				
30	78	PPE - Prior Period error adjustment	Misstatements in financial statements	Financial and performance management				
31	86	Investments-Accrual for interest receivable at year end not accounted for	Misstatements in financial statements	Financial and performance management				
32	29	Expenditure - Incorrect classification of grants expenses	Misstatements in financial statements	Financial and performance management				
33	42	Bad debts written off not disclosed in the AFS	Misstatements in financial statements	Financial and performance management				
34	47	S&T: No pre-approval	Internal control deficiency	Leadership				

35	49	Repairs and Maintenance- Incorrect classification	Misstatements in financial statements	Financial and performance management				
36	62	Contract Services - Understated (Actual payment recorded instead of invoice amount)	Misstatements in financial statements	Financial and performance management				
37	66	Bulk Water - Understated	Misstatements in financial statements	Financial and performance management				
38	90	Inventory - prior year issue not corrected	Misstatements in financial statements	Financial and performance management				
39	13	DTSL - Differences identified	Misstatements in financial statements	Financial and performance management				
40	17	Internal Control deficiency- SLA not signed by both parties	Internal control deficiency	Leadership				
41	44	Trade payables overstated with Payroll creditors	Misstatements in financial statements	Financial and performance management				
42	45	Payables from exchange transactions consists of credit amounts	Misstatements in financial statements	Financial and performance management				

43	54	Unallocated deposits and receipts (Opening bal.) - Limitation of scope: Cut-off letter No. 2	Misstatements in financial statements	Financial and performance management				
44	103	Related parties: Differences noted in the opening balances	Misstatements in financial statements	Financial and performance management				
45	95	AGSA Audit fees opening balance overstated	Misstatements in financial statements	Financial and performance management				
46	107	Trade payables: Limitation of scope	Misstatements in financial statements	Financial and performance management				
47	3	Quarterly reports are not in place	Misstatements in annual performance	Leadership				
48	15	AoPO: SDBIP not aligned with the IDP	Misstatements in annual performance	Financial and performance management				
49	31	AoPO: No listings/ summaries/ reports prepared	Misstatements in annual performance	Financial and performance management				
50	36	AoPO: (KPA 1 and KPA 2) ALL Indicators and related targets not properly presented and disclosed in the APR	Misstatements in annual performance	Financial and performance management				

51	38	AoPO: (KPA 2) Targets not consistent	Misstatements in annual performance	Financial and performance management				
52	16	SCM: Details of person in service of state not disclosed in notes to AFS	Misstatements in financial statements	Financial and performance management				
53	20	SCM - Internal Control deficiencies	Internal control deficiency	Financial and performance management				
54	41	SCM: Supplier did not declare connection with person in service of the state	Non-compliance with legislation	Financial and performance management				
55	79	SCM: Contract management - Performance monitoring not done	Non-compliance with legislation	Financial and performance management				
56	85	SCM (IE): Total payments exceed contract amount	Non-compliance with legislation	Financial and performance management				
57	51	Debt impairment: No change in accounting policy done	Misstatements in financial statements	Financial and performance management				
58	21	Long Term debtors - Application forms not received - Limitation of scope	Misstatements in financial statements	Financial and performance management				

59	123	Consumer debtors - Internal control deficiency - Service discontinuance	Internal control deficiency	Financial and performance management				
60	124	Receivables - Internal control deficiency	Internal control deficiency	Financial and performance management				
61	125	Receivables - Internal control deficiency	Internal control deficiency	Financial and performance management				
62	2	Debt write off policy-Control deficiencies	Internal control deficiency	Leadership				
63	82	Credit and debt management policy does not indicate what is considered a long outstanding debt	Internal control deficiency	Leadership				
64	89	Consumer deposits understated	Misstatements in financial statements	Financial and performance management				
65	108	Conditional grants - Limitation of scope	Misstatements in financial statements	Financial and performance management				