

Umsobomvu Municipality

Annual Performance Report

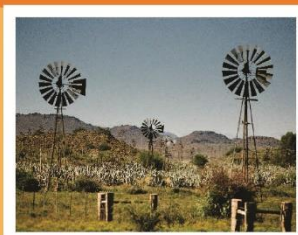


2016/17



UMSOBOMVU LOCAL MUNICIPALITY

Continuously Rising



CONTENTS

CONTENTS.....	2	2.4.1	<i>Intergovernmental Structures</i>	25
LIST OF TABLES.....	4	COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION..... 25		
LIST OF GRAPHS	7	2.5	PUBLIC ACCOUNTABILITY AND PARTICIPATION	25
CHAPTER 1.....	8	2.5.1	<i>Public Meetings</i>	26
COMPONENT A: MAYOR’S FOREWORD.....	8	2.5.2	<i>Ward Committees</i>	26
COMPONENT B: EXECUTIVE SUMMARY	10	2.5.3	<i>Functionality of Ward Committee</i>	29
1.1	MUNICIPAL MANAGER’S OVERVIEW	2.5.4	<i>Representative Forums</i>	29
1.2	MUNICIPAL OVERVIEW	COMPONENT D: CORPORATE GOVERNANCE... 30		
1.2.1	<i>Vision and Mission.....</i>	2.6	RISK MANAGEMENT.....	31
1.3	MUNICIPAL FUNCTIONS POPULATION AND ENVIRONMENTAL OVERVIEW	2.7	ANTI-CORRUPTION AND ANTI-FRAUD.....	31
1.3.1	<i>Population.....</i>	2.8	AUDIT COMMITTEE.....	32
1.3.2	<i>Demographic Information</i>	2.8.1	<i>Functions of the Audit Committee</i>	32
1.4	SERVICE DELIVERY OVERVIEW	2.8.2	<i>Members of the Audit Committee</i>	33
1.4.1	<i>Basic Service Delivery Highlights.....</i>	2.9	PERFORMANCE AUDIT COMMITTEE.....	33
1.4.2	<i>Basic Service Delivery Challenges.....</i>	2.9.1	<i>Functions of the Performance Audit Committee</i>	33
1.4.3	<i>Households with Access to Basic Services.....</i>	2.9.2	<i>Members of the Performance Audit Committee</i>	34
1.5	FINANCIAL HEALTH OVERVIEW	2.10	INTERNAL AUDITING	34
1.5.1	<i>National Key Performance Indicators - Municipal Financial Viability and Management (Ratios).....</i>	2.11	BY-LAWS AND POLICIES.....	35
1.5.2	<i>Financial Overview.....</i>	2.12	COMMUNICATION	35
1.5.3	<i>Total Capital Expenditure</i>	2.13	WEBSITE.....	36
1.6	ORGANISATIONAL DEVELOPMENT OVERVIEW	2.14	SUPPLY CHAIN MANAGEMENT.....	38
1.6.1	<i>Municipal Transformation and Organisational Development Highlights.....</i>	2.14.1	<i>Competitive Bids in Excess of R200 000.....</i>	38
1.6.2	<i>Municipal Transformation and Organisational Development Challenges.....</i>	2.14.2	<i>Deviation from Normal Procurement Processes</i>	39
1.7	AUDITOR GENERAL REPORT	2.15	DISCLOSURES OF FINANCIAL INTERESTS.....	39
1.7.1	<i>Audited Outcomes.....</i>	CHAPTER 3..... 42		
1.8	<i>2016/17 IDP/Budget Process.....</i>	3.1	OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION	42
CHAPTER 2.....	21	3.1.1	<i>Legislative Requirements.....</i>	42
COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE.....	21	3.1.2	<i>Organisational Performance</i>	43
2.1	NATIONAL KEY PERFORMANCE INDICATORS - GOOD GOVERNANCE AND PUBLIC PARTICIPATION	3.1.3	<i>Performance Management System used in the Financial Year 2016/17.....</i>	43
2.2	INTRODUCTION TO GOOD GOVERNANCE	3.1.4	<i>Actual Performance</i>	44
2.3	GOVERNANCE STRUCTURE.....	3.1.5	<i>Monitoring of the SDBIP</i>	44
2.3.1	<i>Political Governance Structure.....</i>	3.1.6	<i>Individual Performance Management.....</i>	44
2.3.2	<i>Administrative Governance Structure</i>	3.2	INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2016/17....	45
COMPONENT B: INTERGOVERNMENTAL RELATIONS..... 24		3.2.1	<i>Strategic SDBIP (Top Layer).....</i>	45
2.4	INTERGOVERNMENTAL RELATIONS	3.2.2	<i>Municipal Functions</i>	55
		3.3	COMPONENT A: BASIC SERVICES.....	56
		3.3.1	<i>Water Provision.....</i>	56
		3.3.2	<i>Waste Water (Sanitation) Provision.....</i>	59

Content

3.3.3	Electricity	62	4.3.3	HR Policies and Plans	101
3.3.4	Waste Management (Refuse Collections, Waste Disposal, Street Cleaning and Recycling)	65	4.4	CAPACITATING THE MUNICIPAL WORKFORCE	102
3.3.5	Housing	68	4.4.1	Skills Matrix	102
3.3.6	Free Basic Services and Indigent Support.....	71	4.4.2	Skills Development - Training Provided	103
3.4	COMPONENT B: ROAD TRANSPORT	73	4.4.3	Skills Development - Budget Allocation.....	104
3.4.1	Roads.....	73	4.4.4	MFMA Competencies.....	104
3.4.2	Waste Water (Stormwater)	75	4.5	MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE	105
3.5	COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT	76	4.5.1	Personnel Expenditure	105
3.5.1	Planning.....	76	CHAPTER 5	107	
3.5.2	Local Economic Development (Including Tourism and Market Places).....	78	COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE	107	
3.6	COMPONENT D: COMMUNITY AND SOCIAL SERVICES.....	79	5.1	Financial Summary	107
3.6.1	Libraries and Museums	79	5.2	Financial Performance per Municipal Function	112
3.6.2	Cemeteries.....	82	5.3	Grants.....	118
3.6.3	Child Care, Aged Care and Social Programmes	83	5.4	Asset Management	120
3.7	COMPONENT E: SECURITY AND SAFETY	83	5.5	Financial Ratios Based on Key Performance Indicators	120
3.7.1	Public Safety.....	83	COMPONENT B: SPENDING AGAINST CAPITAL BUDGET	121	
3.8	COMPONENT F: SPORT AND RECREATION ..	85	5.6	Capital Expenditure: Sources of Finance.....	121
3.8.1	Sport and Recreation	85	5.7	Capital Spending	122
3.9	COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES.....	87	5.8	Municipal Infrastructure Grant (MIG).....	123
3.9.1	Executive and Council.....	87	COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS	123	
3.9.2	Financial Services	88	5.9	Cash Flow.....	123
3.9.3	Human Resource Services.....	90	5.10	Gross Outstanding Debtors per Service	124
3.10	COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2017/18.....	91	5.11	Total Debtors Age Analysis.....	125
3.10.1	Development and Service Delivery Priorities for 2017/18	91	5.12	Borrowing and Investments	126
CHAPTER 4	97		CHAPTER 6	127	
4.1	NATIONAL KEY PERFORMANCE INDICATORS - MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	97	COMPONENT A: AUDITOR-GENERAL OPINION 2015/16.....	127	
4.2	INTRODUCTION TO THE MUNICIPAL WORKFORCE.....	97	6.1	Auditor-General Report 2015/16.....	127
4.2.1	Employment Equity.....	97	COMPONENT B: AUDITOR-GENERAL OPINION 2016/17	127	
4.2.2	Vacancy Rate.....	99	6.2	Auditor-General Report 2016/17.....	127
4.2.3	Staff Turnover Rate	100	LIST OF ABBREVIATIONS	128	
4.3	MANAGING THE MUNICIPAL WORKFORCE	100	ANNEXURE A - AUDITED FINANCIAL STATEMENTS		
4.3.1	Injuries.....	100	ANNEXURE B - AUDITOR-GENERAL REPORT		
4.3.2	Sick Leave	101			

LIST OF TABLES

Table 1: Population.....	13	Table 30: Ward 5 Committee Meetings.....	28
Table 2: Gender Statistics.....	14	Table 31: Ward 6 Committee Meetings.....	28
Table 3: Population Profile.....	15	Table 32: Functioning of Ward Committees.....	29
Table 4: Municipal Wards.....	16	Table 33: Labour Forum.....	30
Table 5: Natural Resources.....	17	Table 34: IDP Forum.....	30
Table 6: Basic Service Delivery Highlights.....	17	Table 35: Top Five Risks.....	31
Table 7: Basic Services Delivery Challenges.....	18	Table 36: Members of the Audit Committee.....	33
Table 8: Households with Minimum Level of Basic Services.....	18	Table 37: Members of the Performance Audit Committee.....	34
Table 9: National KPI's for Financial Viability and Management.....	18	Table 38: Policies Developed and Reviewed.....	35
Table 10: Financial Overview.....	19	Table 39: Communication Activities.....	36
Table 11: Total Capital Expenditure.....	19	Table 40: Newsletter.....	36
Table 12: Municipal Transformation and Organisational Development Highlights..	19	Table 41: Website Checklist.....	37
Table 13: Municipal Transformation and Organisational Development Challenges.	20	Table 42: Bid Committee Meetings.....	38
Table 14: Audit Outcomes.....	20	Table 43: Attendance of Members of Bid Evaluation Committee.....	38
Table 15: 2016/17 IDP/Budget Process.....	20	Table 44: Attendance of Members of Bid Adjudication Committee.....	38
Table 16: National KPIs - Good Governance and Public Participation Performance.....	21	Table 45: Highest Bids Awarded by the Bid Adjudication Committee.....	39
Table 17: Council 2011-16.....	22	Table 46: Highest Bids Awarded by the Bid Adjudication Committee.....	39
Table 18: Council.....	23	Table 47: Deviations Approved for the Year 2015/16.....	39
Table 19: Council Meetings.....	23	Table 48: Deviations Approved for the Year 2016/17.....	41
Table 20: Portfolio Committee.....	24	Table 49: SDBIP Measurement Criteria.....	45
Table 21: Municipal Public Accounts Committee.....	24	Table 50: Top Layer SDBIP per Strategic Objective.	47
Table 22: Administrative Governance Structure.....	24	Table 51: Top Layer SDBIP - Develop a Capable and Capacitated Institution to Respond to Community Needs.....	48
Table 23: Intergovernmental Structures.....	25	Table 52: Top Layer SDBIP - Ensure that the Municipality is Financially Viable.....	50
Table 24: Members of the IGR Forum.....	25	Table 53: Top Layer SDBIP - Establish and Strengthen Governance Structures.....	50
Table 25: Public Meetings.....	26		
Table 26: Ward 1 Committee Meetings.....	26		
Table 27: Ward 2 Committee Meetings.....	27		
Table 28: Ward 3 Committee Meetings.....	27		
Table 29: Ward 4 Committee Meetings.....	28		

Content

Table 54:	Top Layer SDBIP – Facilitate Economic Growth in the Municipal Area	50	Table 81:	Houses Built and Sites Serviced.....	70
Table 55:	Top Layer SDBIP – Ongoing Maintenance of Municipal Infrastructure	52	Table 82:	Statistical Indicators on Housing Service Delivery	71
Table 56:	Top Layer SDBIP – Provide Appropriate Services to All Households.....	53	Table 83:	Free Basic Services to Indigent Households	72
Table 57:	Top Layer SDBIP - Provide Quality and Sustainable Municipal Infrastructure.....	54	Table 84:	Free Basic Electricity Services to Indigent Households.....	72
Table 58:	Functional Areas.....	56	Table 85:	Free Basic Water Services to Indigent Households.....	72
Table 59:	Water Services Highlights.....	57	Table 86:	Free Basic Sanitation Services to Indigent Households.....	72
Table 60:	Water Services Challenges.....	57	Table 87:	Free Basic Refuse Removal Services to Indigent Households	73
Table 61:	Water Service Delivery Levels: Households	58	Table 88:	Roads Highlights	73
Table 62:	Employees: Water Services.....	59	Table 89:	Roads Challenges.....	74
Table 63:	Capital Expenditure 2016/17: Water Services.....	59	Table 90:	Gravel Roads Infrastructure	74
Table 64:	Waste Water (Sanitation) Provision Highlights.....	60	Table 91:	Tarred Road Infrastructure	74
Table 65:	Waste Water (Sanitation) Provision Service Delivery Levels	61	Table 92:	Cost of Construction/Maintenance of Roads	74
Table 66:	Employees Waste Water (Sanitation) Provision.....	61	Table 93:	Employees: Roads.....	75
Table 67:	Capital Expenditure 2016/17: Waste Water (Sanitation) Provision	62	Table 94:	Capital Expenditure 2016/17: Roads.....	75
Table 68:	Electricity Challenges	63	Table 95:	Waste Water (Stormwater) Challenges	76
Table 69:	Electricity Challenges	63	Table 96:	Stormwater Infrastructure	76
Table 70:	Electricity Service Delivery Levels	64	Table 97:	Planning Highlights	77
Table 71:	Employees: Electricity.....	65	Table 98:	Planning Challenges.....	77
Table 72:	Capital Expenditure 2016/17: Electricity. 65		Table 99:	Additional Performance Town Planning and Building Control	77
Table 73:	Waste Management Highlights.....	66	Table 100:	Employees: Planning.....	77
Table 74:	Waste Management Challenges.....	66	Table 101:	LED Highlights.....	78
Table 75:	Waste Management Service Delivery Levels	67	Table 102:	Challenges LED.....	78
Table 76:	Employees: Waste Management	68	Table 103:	LED Objectives and Strategies	79
Table 77:	Housing Highlights.....	69	Table 104:	Job Creation Through EPWP Projects	79
Table 78:	Housing Challenges.....	69	Table 105:	Libraries and Museums Highlights.....	80
Table 79:	Households with Access to Basic Housing 70		Table 106:	Libraries and Museums Challenges	80
Table 80:	Housing Waiting List.....	70	Table 107:	Service Statistics for Libraries and Museums	81
			Table 108:	Employees: Libraries and Museums	81

Content

Table 109: Cemeteries Highlights.....	82	Table 135: Service Delivery Priorities - Strengthen Community Participation.....	96
Table 110: Cemeteries Challenges.....	82	Table 136: National KPIs- Municipal Transformation and Organisational Development	97
Table 111: Service Statistics for Cemeteries.....	82	Table 137: 2016/17 EE Targets/Actual by Racial Classification.....	97
Table 112: Public Safety Highlights.....	84	Table 138: 2016/17 EE Targets/Actual by Gender Classification.....	98
Table 113: Public Safety Challenges.....	84	Table 139: Occupational Categories.....	98
Table 114: Additional Performance Service Statistics for Public Safety.....	84	Table 140: Occupational Levels.....	98
Table 115: Employees: Public Safety.....	85	Table 141: Department - Race	99
Table 116: Sport and Recreation Highlight.....	85	Table 142: Vacancy Rate per Post and Functional Level	99
Table 117: Sport and Recreation Challenges.....	85	Table 143: Vacancy Rate per Salary Level	100
Table 118: Additional Performance Information for Sport and Recreation	86	Table 144: Turnover Rate	100
Table 119: Sport and Recreation	86	Table 145: Injuries.....	100
Table 120: Capital Expenditure 2016/17: Roads.....	87	Table 146: Sick Leave.....	101
Table 121: Executive and Council Highlights.....	88	Table 147: HR Policies and Plans	102
Table 122: Executive and Council Challenges.....	88	Table 148: Skills Matrix.....	102
Table 123: Employees: Corporate Services.....	88	Table 149: Skills Development	103
Table 124: Debt Recovery	89	Table 150: Budget Allocated and Spent for Skills Development.....	104
Table 125: Employees: Financial Services.....	90	Table 151: Financial Competency Development: Progress Report	105
Table 126: Human Resources Challenge.....	91	Table 152: Personnel Expenditure.....	105
Table 127: Employees: Human Resources	91	Table 153: Personnel Expenditure.....	106
Table 128: Service Delivery Priorities - Develop a Capable and Capacitated Institution to Respond to Community Needs.....	92	Table 154: Financial Performance 2016/17.....	108
Table 129: Services Delivery Priorities - Enhance Good Governance Processes and Accountability.....	92	Table 155: Revenue.....	109
Table 130: Service Delivery Priorities - Enhance Municipal Financial Viability.....	93	Table 156: Operating Expenditure.....	109
Table 131: Services Delivery Priorities - Facilitate Economic Growth in the Municipal Area	93	Table 157: Revenue by Vote.....	110
Table 132: Service Delivery Priorities - Ongoing Maintenance of Municipal Infrastructure	94	Table 158: Revenue by Source.....	110
Table 133: Service Delivery Priorities - Provide Appropriate Services to All Households ...	94	Table 159: Operational Services Performance.....	112
Table 134: Service Delivery Priorities - Provide Quality and Sustainable Municipal Infrastructure within available resources.....	96	Table 160: Financial Performance: Water Services ..	112
		Table 161: Financial Performance: Waste Water (Sanitation) Services.....	113
		Table 162: Financial Performance: Electricity.....	113

Content

Table 163: Financial Performance: Waste Management	114	Table 175: Reliance on Grants & Subsidies	120
Table 164: Financial Performance: Housing	114	Table 176: Repairs & Maintenance	120
Table 165: Financial Performance: Roads and Stormwater	115	Table 177: Liquidity Financial Ratio	120
Table 166: Financial Performance: Libraries	115	Table 178: Financial Viability National KPAs	121
Table 167: Financial Performance: Traffic and Law Enforcement	116	Table 179: Borrowing Management	121
Table 168: Financial Performance: Office of the Municipal Manager	116	Table 180: Employee Costs	121
Table 169: Financial Performance: Corporate Services	117	Table 181: Capital Expenditure by Funding Source	122
Table 170: Financial Performance: Finance	117	Table 182: Capital Spending of the Largest Projects	122
Table 171: Financial Performance: Community Facilities	118	Table 183: Municipal Infrastructure Grant (MIG)	123
Table 172: Financial Performance: Parks and Recreation	118	Table 184: Cash Flow	124
Table 173: Grant Performance	119	Table 185: Gross Outstanding Debtors per Service ..	124
Table 174: Conditional Grant (excl. MIG)	119	Table 186: Outstanding Debt per Type of Service	125
		Table 187: Outstanding Debtor Age Analysis	125
		Table 188: Actual Borrowings	126
		Table 189: Municipal Investments	126
		Table 190: AG Report 2016/17	127

LIST OF GRAPHS

Graph 1: Total Population	13
Graph 2: Population by Race	13
Graph 3: Gender Statistics	14
Graph 4: Top Layer SDBIP per Strategic Objective	46
Graph 5: Water Service Delivery levels	58
Graph 6: Sanitation/Sewerage Service Delivery Levels	61
Graph 7: Electricity Service Delivery Levels	64
Graph 8: Waste Management Service Delivery Levels	67

CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD

KEY SERVICE DELIVERY IMPROVEMENTS

During this oversight period 2016/17 the Municipality addressed the issues as in the Integrated Development Plan (IDP).

The projects implemented are:

1. Municipal Infrastructure Grant (MIG)
 - Noupoot Sports Complex : 90% physical completion
 - New Ouboks Arterial: 51% physical completion and one part of the road 100% completed.
2. 2017/18 Water Service Infrastructure Grant (WSIG)
 - The Colesberg project for the replacement replacing of the internal water network in old areas will start under this WSIG. This process is at tender stage and local contractors will be used on this project.
 - A business plan has been submitted for another WSIG for the project of VIP toilets. Feedback will be received by the end of January 2018
3. Department of Energy (DoE)
 - 2016/17 Integrated National Electrification Program (INEP) allocation 100% spent on materials and no expenditure on 2017/18 allocation. Funds were only transferred to the Municipality before the closure of the office in December 2017.
 - 2016/17 Energy Efficiency and Demand Side Management (EEDSM): Implementation of smart metering/online data management of municipal buildings and the network. A total of 33 smart meters have already been installed and tested in Colesberg and Norvalspont. Only Noupoot is still outstanding
4. Extended Public Works Program (EPWP)
 - Noupoot Voortrekker Street, 70% completed.
 - De Jager and Murray Street extensions in Colesberg would start in January 2018, including Murray Street circle in Noupoot.

All 12 unfinished houses of the Noupoot 100 houses project has been completed and handed over, but the uncompleted houses are still in the audit process. The housing project in Tjoksville are 50% completed.

Chapter 1: Mayor's Foreword and Summary Executive

PUBLIC PARTICIPATION

- With the implementation of the Monitoring & Evaluation citizen - based model project our participation with our communities has improved tremendously because of the door-to-door program and the regular feedback to the various wards by means of Council Meets the People. This has also created meetings with various department to ensure that the Municipality can implement the Integrated Development Plan (IDP) successfully.
- Ward committee meetings are taking place monthly
- Ward community meetings are taking place quarterly
- Council Meets the People took place more than the normal quarterly meetings
- The implementation of the service delivery WhatsApp groups in each ward has ensured that service delivery turnaround time has improved to less than 24 hours. We need to applaud our committed staff that ensure the effectiveness of this program.

Together we can work as one and build better communities.

AGREEMENTS/PARTNERSHIPS

- The Municipality is in shared service agreement with the Pixley Ka Seme district Municipality
- The partnership with the windfarm in Noupoort have created a project on learners and licenses for 30 youth in the area
- Our partnership with Vineyard Academy has ensured that a learnership program has started and ensured that youth could qualify with a certificate of South Africa Qualification Authority (SAQA) level 3, Colesberg 40 learners, Norvalspont 30 learners and Noupoort 30 learners

BUDGETS

Due to irregular expenditure (proper procurement processes not followed) that occurred at year end I submitted a special draft budget in terms of the MFMA and Budget Circular 74 for approval by Council. As required by legislation the special adjustment budget with detailed explanations is included as an addendum to this report and all figures and tables submitted in this report represent the special adjusted figures.

CONCLUSION

Let me also take this opportunity to thank my fellow Councillors for the great teamwork we displayed during this period, together we can achieved more. To the administration lead by the Municipal Manager and his management, for steering Umsobomvu Municipality in the correct direction with our hardworking staff. If we continue with this spirit we are safely on our way in achieving "A Developmental Municipality in South Africa"

MAYOR M S TOTO

COMPONENT B: EXECUTIVE SUMMARY

1.1 Municipal Manager's Overview



Effective, efficient and economical provision of services to communities in a municipality, firmly resides in the vigilance and ability of the municipal senior management and municipal council to ensure that the responsibilities entrusted to them in terms of Chapter 8, Section 60 of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and other legislations are uncompromisingly implemented, i.e. to -

- (a) Exercise the functions and powers assigned to the accounting officer in terms of this Act, and
- (b) Provide guidance and advice on compliance with this Act to -
 - (i) The political structures, political office bearers and officials of the municipality; and
 - (ii) Any municipal entity under the sole or shared control of the municipality.

In order for the political and administrative leadership to adhere to the prescripts of Section 62 of the Act, the following is expected:

General Financial Management Functions -

- (1) The accounting officer of a municipality is responsible for managing the financial administration, and must for this purpose take all reasonable steps to ensure -
 - (a) That the resources of the municipality are used effectively, efficiently and economically;
 - (b) The full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;
 - (c) That the municipality has and maintains effective, efficient and transparent systems
 - (i) Of financial and risk management and internal controls; and
 - (ii) Internal audit operating in accordance with any prescribed norms and standards;
 - (d) The unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;
 - (e) That disciplinary or when appropriate, criminal proceedings are instituted against any official of the municipality who has allegedly committed an act of financial misconduct or offence in terms of Chapter 15; and
 - (f) That the municipality has and implements -

Chapter 1: Mayor's Foreword and Summary Executive

- (I) A tariff policy referred to in Section 74 of the Municipal Systems Act;
- (II) A rates policy as may be required in terms of any applicable national legislation;
- (III) A credit control and debt collection policy referred to in Section 96 (a) of the Municipal Systems Act; and
- (IV) A supply chain management policy in accordance with Chapter 11.

All the recent negativity in 2015/16 and 2016/17 circulating around municipalities being unable to meet their financial obligations, like paying Eskom, Water Boards and DWAE accounts resulting in planned cut-off of these services, could or can be avoided, provided that senior managers and councils in municipalities seriously and religiously follow the prescripts of the legislation.

Having raised some serious shortcomings preventing municipalities to perform optimally, let me take this opportunity to express my appreciation to the political leadership being led by the Honourable Mayor, Councillor M.S. Toto for the support and operating space, they have offered to Umsobomvu Administration. Not forgetting my colleagues, the senior management of our Municipality and the ordinary employees who have made us proud during the year under review

A MPELA

MUNICIPAL MANAGER

Chapter 1: Mayor's Foreword and Summary Executive

1.2 Municipal Overview

This report addresses the performance of the Umsobomvu Municipality in the Northern Cape in respect of its core legislative obligations. Local government must create the participatory framework that defines and enhances the relationship between elected leaders and their communities. This requires that the council of the municipality provides regular and predictable reporting on programme performance and the general state of affairs in their locality.

The 2016/17 Annual Report reflects on the performance of the Umsobomvu Municipality for the period 1 July 2016 to 30 June 2017. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA) in terms of which the Municipality must prepare an Annual Report for each financial year.

1.2.1 Vision and Mission

The Umsobomvu Municipality committed itself to the following vision and mission:

Vision:

“A Developmental Municipality in South Africa”

Mission:

“To serve our community by delivering quality services and customer care through dedicated staff for the upliftment of our community socially and economically”

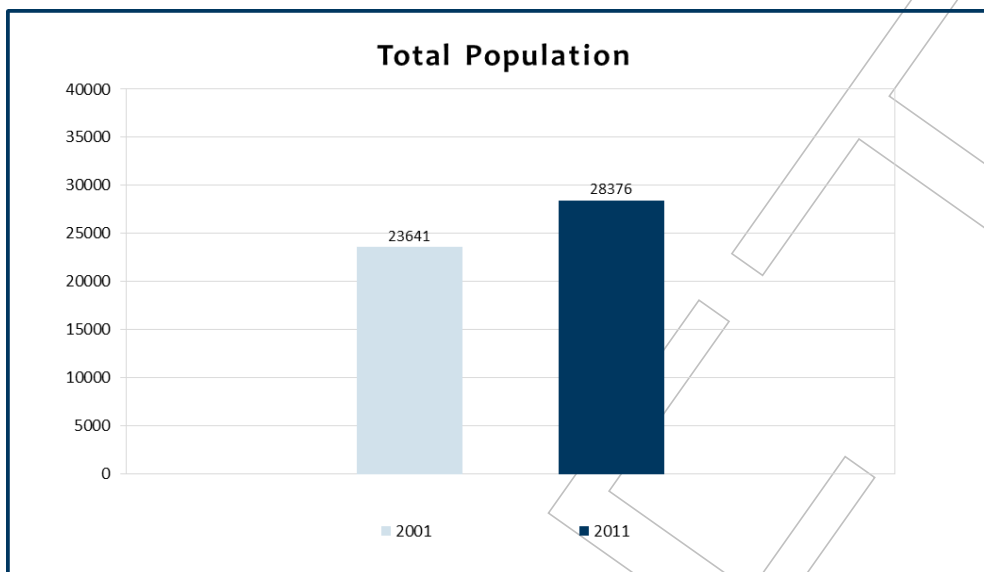
1.3 Municipal Functions Population and Environmental Overview

1.3.1 Population

a) Total Population

As per Census 2011 Umsobomvu Municipality's population has risen from 23 641 in 2001 to 28 376 in 2011 and it accounts for about 15% of the total population of Pixley ka Seme District Municipality.

Chapter 1: Mayor's Foreword and Summary Executive



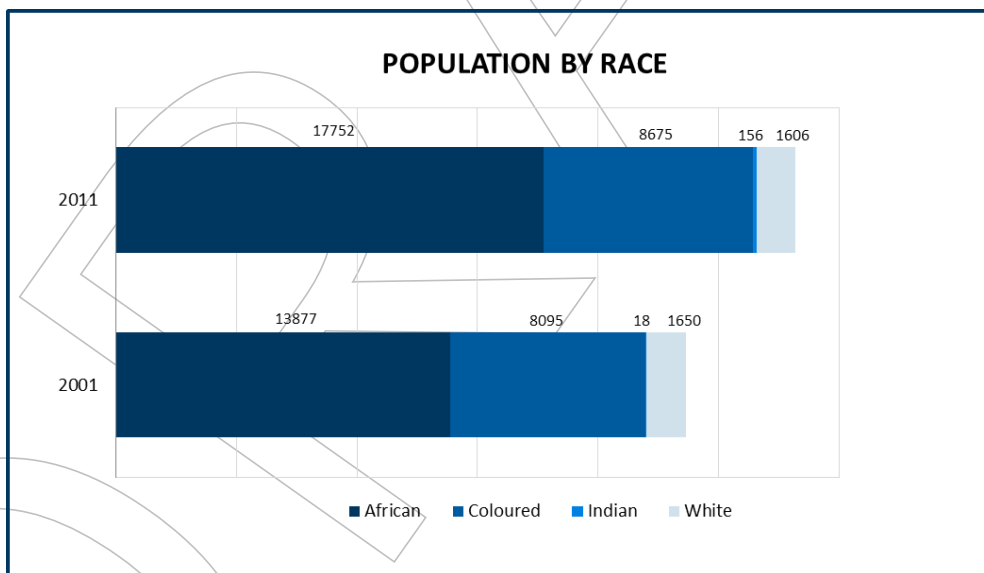
Graph 1: Total Population

The table below indicates the total population by race within the municipal area:

Year	African	Coloured	Indian/Asian	White
2001	13 877	8 095	18	1 650
2011	17 752	8 675	156	1 606

Source: Census 2001 & 2011

Table 1: Population



Graph 2: Population by Race

In 2011 the population showed that females represent 52% and males 48% of the total population of Umsobomvu.

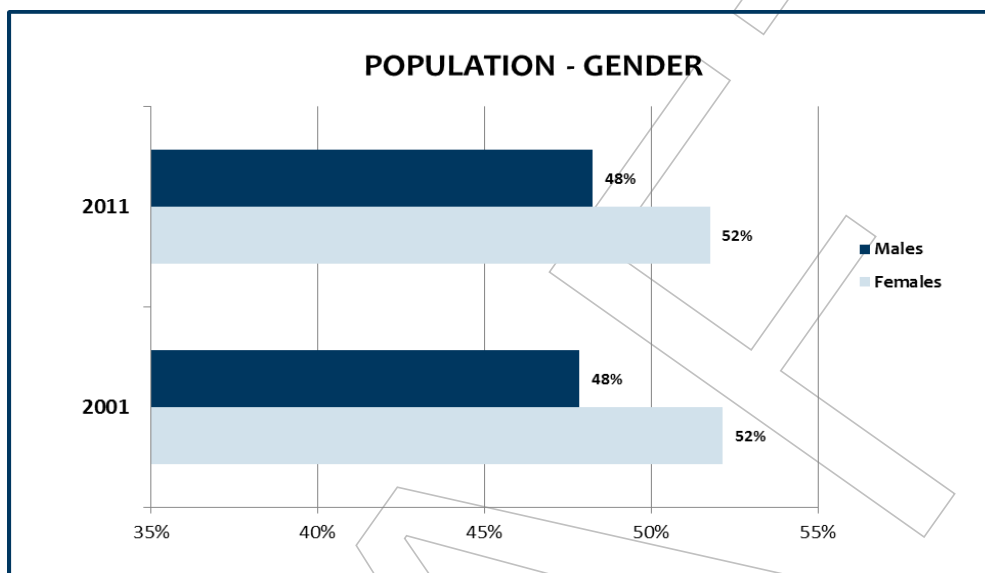
Population - Gender	2001	2011
Females	12 329	14 687

Chapter 1: Mayor's Foreword and Summary Executive

Population - Gender	2001	2011
Males	11 312	13 689
Total	23 641	28 376

Source: Census 2001 & 2011

Table 2: Gender Statistics



Graph 3: Gender Statistics

b) Population Profile

Age	2001			2011		
	Male	Female	Total	Male	Female	Total
Age: 0-4	1 234	1 171	2 405	1 451	1 573	3 024
Age: 5-9	1 359	1 363	2 722	1 474	1 542	3 016
Age: 10-14	1 415	1 415	2 829	1 482	1 392	2 874
Age: 15-19	1 352	1 328	2 681	1 395	1 294	2 689
Age: 20-24	1 034	1 035	2 069	1 179	1 225	2 404
Age: 25-29	857	814	1 671	1 280	1 228	2 508
Age: 30-34	787	881	1 667	1 065	1 060	2 125
Age: 35-39	686	769	1 455	839	807	1 646
Age: 40-44	548	723	1 271	766	833	1 599
Age: 45-59	513	687	1 201	699	838	1 537
Age: 50-54	436	548	984	540	735	1 275
Age: 55-59	363	415	778	483	654	1 137
Age: 60-64	261	395	657	397	499	896
Age: 65-69	184	262	446	279	338	617
Age: 70-74	117	194	311	155	293	448
Age: 75-79	88	134	222	113	142	255
Age: 80-84	54	107	161	50	105	155

Age	2001			2011		
	Male	Female	Total	Male	Female	Total
Age: 85+	25	89	114	43	127	170
Total	11 312	12 329	23 641	13 689	14 687	28 376

Census 2001 & 2011

Table 3: Population Profile

1.3.2 Demographic Information

a) Municipal Geographical Information

Umsobomvu Municipality was established to manage and provide services to the local management area NC 072 which is 6 819 square km in size. The Municipality forms part of the Pixley Ka Seme District Municipality which is located in the south-eastern part of the Northern Cape Province and is a Category B Municipality. It consists of three main entities namely Colesberg, Noupoort and Norvalspont which is also known as Kwa-Masizakhe.

Farming in the area is dedicated almost entirely to horses and merino sheep, which spreads over half-a-million hectares. The greater Colesberg breeds many of the country's top merinos and it is also renowned for producing high-quality racehorses. Many stud farms, including one owned by legendary golfer Gary Player, are nearby. The ostrich-feather boom of the early 1900's which left many farmers rich is forgotten.

The District Municipality is neighboured by 3 provinces namely Free State on the northern side, Eastern Cape on the eastern side and the Western Cape on the southern side. Within the Northern Cape the district is neighboured by Frances Baard Siyanda and the Namakwa Districts. Umsobomvu Local Municipality's economical activities are dominated by agricultural services and tourism. The locality of the Municipality in relation to other municipalities and provinces in the region is depicted in Figure 1. Major road transport corridors are within the boundaries of the Municipality for example the N1 that links Cape Town in the south with Johannesburg/Pretoria in the north the N9 which links Port Elizabeth and the Eastern Cape with Johannesburg/Pretoria in the north.

Chapter 1: Mayor's Foreword and Summary Executive

Below is a map that indicates the Municipal Area in the Pixley Ka Seme District Area:

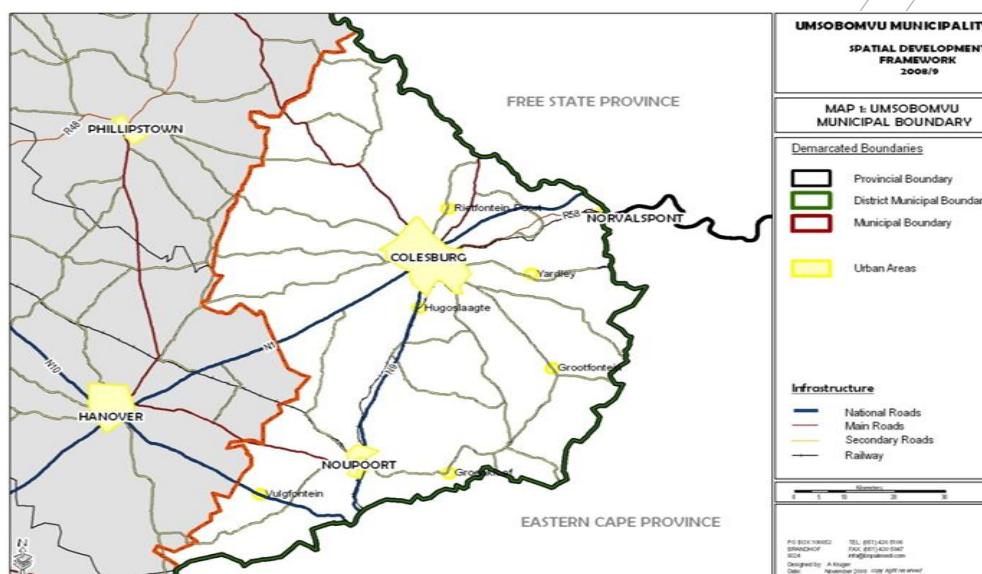


Figure 1: Umsobomvu Area Map

a) Wards

The municipality is structured into the following 6 wards:

Ward	Areas
1	Kwazamuxolo , Eurekaville and Noupoort
2	Portion of Eurekaville and Tjoksville
3	Zwelithsha, Towervallei and Operation Vula
4	New Ouboks, Lowryville, Phillipstown Informal Area
5	Draai Location, Colesberg, New Brighton, Squatter Camp, Thuthwini and Hukwini
6	Khayelitsha, Masipahkame, Chris Hani, Norvalspont and Farming Area

Table 4: Municipal Wards

Colesberg

Colesberg is the “capital” of the Municipality and was named after Sir Lowry Cole - Governor of the Cape of Good Hope, 1828 - 1833. The town of Colesberg is situated in the Great Karoo in the Northern Cape. It is located at the junction of the national roads from Johannesburg to Cape Town and Port Elizabeth in the south. It is approximately 25 kilometres south of the Orange River and 284 kilometres southeast of Kimberley the provincial capital.

Noupoort

Noupoort is situated along the N9 route from Colesberg to Middelburg on the way to Cradock and Port Elizabeth. It is 56 kilometres south of Colesberg. Noupoort experienced dramatic economic decline after the closure of the Spoornet station.

Chapter 1: Mayor's Foreword and Summary Executive

Norvalspont

The smallest of the three entities Norvalspont is a settlement situated 40 kilometres east of Colesberg on the way to the Gariep Dam. It rests on the banks of the Orange River and is a small black settlement also called Kwa-Masizakhe.

b) Natural Resources

The following table shows the natural resources within the Umsobomvu Local Municipality

Major Natural Resource	Relevance to Community
Orange River	Water source for human consumption, agriculture recreation, industries and businesses and electricity generation
Abundance of land	Housing and business development
Major transport routes	Business opportunities effective and efficient marketing of area
Unpolluted areas	Healthy population attractive to metropolitan residents
Doornkloof Nature Reserve	Recreation and tourist attraction

Table 5: Natural Resources

1.4 Service Delivery Overview

1.4.1 Basic Service Delivery Highlights

The table below indicates the highlights for basic service delivery during the year:

Highlights	Description
Completion of Noupoot bulk water project	Upgrading of all bulk water pipe from the three water wells: Caroluspoort, Haartebeeshoek and Barredeel
Completion of internal sewer network: Norvalspont	Upgraded sewer network from french drains to full waterborne
Upgrade of connections at Platberg: Vodacom/Sentech	Power supply to the tower upgraded from 100 kilovolt-ampere (kVa) to 150kVa with breaker sizes of 150 ampere (A) and 100A each
Noupoot 164 housing project	Noupoot 164 is the Tjokville project and currently 25 houses are being built under this project

Table 6: Basic Service Delivery Highlights

1.4.2 Basic Service Delivery Challenges

The table below indicates the challenges for basic service delivery during the year:

Challenges	Actions to address
High water loss in the network	Replaced some asbestos pipes with uPVC. Availability of water agent to help with meter reading, replacement and repairs
The power supply interruption in New Ouboks when windy	Investigate the root cause of the problem

Chapter 1: Mayor's Foreword and Summary Executive

Challenges	Actions to address
Refuse truck breakdowns experienced during the year	The trucks have been fixed. The truck from Noupoort was used during maintenance of the truck used for Colesberg
Vandalised houses where the owners are nowhere to be found	Track down the owners and contact the Department of Housing to look into the matter as well

Table 7: Basic Services Delivery Challenges

1.4.3 Households with Access to Basic Services

Description	2015/16	2016/17
Electricity - service connections	8 156	8 152
Water - available within 200 m from dwelling	8 812	8 812
Sanitation - Households with at least VIP service	7 905	7 905
Waste collection - kerbside collection once a week	7 454	7 454

Table 8: Households with Minimum Level of Basic Services

1.5 Financial Health Overview

1.5.1 National Key Performance Indicators - Municipal Financial Viability and Management (Ratios)

The following table indicates the Municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the Municipal Systems Act (MSA). These key performance indicators are linked to the National Key Performance Area (KPA) namely Municipal Financial Viability and Management.

KPA & Indicator	2015/16	2016/17
Financial viability measured in terms of the outstanding service debtors as at 30 June 2017 ((Total outstanding service debtors/ revenue received for services)X100)	95%	44.10%
Financial viability measured in terms of the municipality's ability to meet it's service debt obligations as at 30 June 2017 ((Total operating revenue-operating grants received)/debt service payments due within the year)	0.01	36.77%
Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2017 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	2.34	0.2

Table 9: National KPI's for Financial Viability and Management

1.5.2 Financial Overview

Details	Original budget	Adjustment Budget	Actual
	R'000		
Income	160 328	162 550	129 293
Less Expenditure	153 430	155 322	130 644
Net surplus/(deficit)	6 898	7 228	(1 351)

Table 10: Financial Overview

1.5.3 Total Capital Expenditure

Detail	2016/17
	R'000
Original Budget	29 641
Adjustment Budget	31 748
Actual	26 379
% Spent	83.09%

Table 11: Total Capital Expenditure

1.6 Organisational Development Overview

1.6.1 Municipal Transformation and Organisational Development Highlights

The table below indicates the highlights for municipal transformation and organisational development during the year:

Highlights
Organogram was reviewed and submitted to the Local Labour Forum and Council
Workplace Skills Plan (WSP) and Authority To Recruit (ATR) was submitted
Training was provided to the employees
Employment Equity Plan was submitted to the Department of Labour

Table 12: Municipal Transformation and Organisational Development Highlights

Chapter 1: Mayor's Foreword and Summary Executive

1.6.2 Municipal Transformation and Organisational Development Challenges

The table below indicates the challenges for municipal transformation and organisational development during the year:

Description	Actions to address
Human Resource Developmental Plan	5 year plan of HR to be developed
Skills of employees	Skills of employees have been addressed by various training interventions to develop the required skills to be fully effective
Skills in local government matters	Skills of councillors were addressed by means of various actions, i.e. induction training, making strategic documents available to councillors, training on policies and by-laws and coaching and mentoring

Table 13: *Municipal Transformation and Organisational Development Challenges*

1.7 Auditor General Report

1.7.1 Audited Outcomes

Year	2013/14	2014/15	2015/16	2016/17
Opinion received	Unqualified with matters	Unqualified with matters	Unqualified with matters	Unqualified with matters

Table 14: *Audit Outcomes*

1.8 2016/17 IDP/Budget Process

The table below provides details of the key deadlines for the 2016/17 IDP/Budget process:

Activity	Responsible person	Date
IDP Process Plan	Dionne Visagie & Birtus Kapp	30 August 2016
Budget, IDP and Performance Management Table	Dionne Visagie & Birtus Kapp	30 August 2016
Approved Draft 2016/17 IDP	Birtus Kapp	31 March 2016
Approved Draft Budget 2016/17	Dionne Visagie	31 March 2016
21 Days Public Comments on IDP and Budget	Dionne Visagie & Birtus Kapp	4 April to 13 May 2016
IDP & Budget Roadshow	Dionne Visagie & Birtus Kapp	4 April to 13 May 2016
Approved Final 2016/17 IDP	Birtus Kapp	31 May 2016
Approved Final Budget 2016/17	Dionne Visagie	31 May 2016
Approved SDBIP 2016/17	Dionne Visagie	10 June 2016

Table 15: *2016/17 IDP/Budget Process*

CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society.

2.1 National Key Performance Indicators - Good Governance and Public Participation

The following table indicates the municipality's performance in terms of the National Key Performance Indicator required in terms of the Local Government: Municipal Planning and the Performance Management Regulations 796 of 2001 and Section 43 of the MSA. This key performance indicator is linked to the National Key Performance Area - Good Governance and Public Participation.

Indicator	Municipal Achievement	Municipal Achievement
	2015/16	2016/17
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 integrated development plan (After roll over projects)	82.70%	83%

Table 16: National KPIs - Good Governance and Public Participation Performance

2.2 Introduction to Good Governance

The political leadership of the Municipality comprises of elected Councillors through both the ward system and proportional representation and is led by the Mayor. On the other side the administration of the Municipality is composed of executive management appointed in terms of Sections 54A and 56 of the MSA as amended. The Municipal Manager is the head of administration. In order to realise the constitutional mandate of the Municipality these two components, including the community, have to work together.

2.3 Governance Structure

2.3.1 Political Governance Structure

The Council performs both legislative and executive functions. They focus on legislative oversight and participatory roles and have delegated its executive function to the Mayor. Their primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as decision makers Councillors are also actively involved in community work and the various social programmes in the municipal area.

a) Council

Below is a table that categorized the Councillors within their specific political parties and wards for the elective period of 2011-2016:

Council Members	Capacity	Political Party	Ward representing or proportional
N Hermans	Mayor	ANC	Proportional
N Mdala	Councillor	ANC	Ward Councillor
E Humphries	Councillor	ANC	Ward Councillor
M Sestile	Councillor	ANC	Proportional
S Ngalimani	Councillor	ANC	Ward Councillor
S Mlenzana	Councillor	ANC	Ward Councillor
A Fritz	Councillor	ANC	Ward Councillor
S Siko	Councillor	COPE	Proportional
N Reyners	Councillor	COPE	Proportional
C Gronum	Councillor	DA	Proportional

Table 17: Council 2011-16

The Council comprise of 11 elected Councillors as at 30 June 2017 made up from 6 Ward Councillors and 5 Proportional Representation (PR) Councillors. The portfolio committees are made up of Councillors drawn from all political parties. Below is a table that categorise the Councillors within their specific political parties and wards for the 2016/17 financial year:

Council Members	Capacity	Political Party	Ward representing or proportional	Number of meetings attended
M Toto	Mayor/Chairperson Rules Committee	ANC	Proportional	10/10
M Kafi	Chief Whip/Chairperson Corporate Services Portfolio	ANC	Ward	10/10
N Stafa	Councillor/Member Corporate Services Portfolio	ANC	Ward	10/10

Chapter 2: Governance

Council Members	Capacity	Political Party	Ward representing or proportional	Number of meetings attended
E Humphries	Councillor/Member Finance Portfolio	ANC	Ward	10/10
M Sestile	Chairperson MPAC	ANC	Ward	10/10
W Minnie	Chairperson Technical Services Portfolio	ANC	Ward	10/10
V Harmse	Councillor/Chairperson Finance Portfolio	ANC	Ward	10/10
M Williams	Councillor/Member Rules Committee	EFF	Proportional	10/10
S Brown	Councillor/Member Technical Services Portfolio	DA	Proportional	10/10
N Batties	Councillor/Member Corporate Services Portfolio and MPAC	DA	Proportional	9/10
J Matthee	Councillor/Member Technical Services Portfolio and MPAC	DA	Proportional	10/10

Table 18: Council

Below is a table which indicates the Council meeting attendance for the 2016/17 financial year:

Meeting dates	Council Meeting Attendance	Apologies for non-attendance
18 August 2016	11	None
30 August 2016	11	None
10 November 2016	10	1
3 December 2016	11	None
31 January 2017	11	None
28 February 2017	11	None
31 March 2017	11	None
12 April 2017	11	None
31 May 2017	11	None
15 June 2017	11	None

Table 19: Council Meetings

b) Portfolio Committees

The Council of the Umsobomvu Local Municipality has established Portfolio Committees. Each of these committees is chaired by a member of Council and the allocation is as follows:

Name of committee	Name of member and capacity
Municipal Public Accounts Committee	Councillors M Sestile (Chairperson), JP Matthee and NJ Batties
Corporate Services Portfolio Committee	Councillors M Kafi (Chairperson) ND Stafa and NJ Batties
Technical Services Portfolio Committee	Councillors W Minnie (Chairperson) JP Matthee and SK Brown

Chapter 2: Governance

Name of committee	Name of member and capacity
Finance Portfolio Committee	Councillors V Harmse (Chairperson) E Humphries and N Batties

Table 20: Portfolio Committee

c) Municipal Public Accounts Committee (MPAC)

Name of member	Capacity
M Sestile	Chairperson
J Matthee	Member
N Batties	Member

Table 21: Municipal Public Accounts Committee

2.3.2 Administrative Governance Structure

The Municipal Manager is the Chief Accounting Officer of the Municipality. He is the head of the administration and primarily has to serve as chief custodian of service delivery and implementation of political priorities. He is assisted by his direct reporters, which constitutes the management team whose structure is outlined in the table below:

Name of Official	Department	Performance agreement signed
		Yes/No
A Mpela	Office of the Municipal Manager	Yes
D Visagie	Financial Services	Yes
B Kapp	Corporate Services	Yes
P Mosompha	Technical Services	Yes

Table 22: Administrative Governance Structure

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.4 Intergovernmental Relations

In terms of the Constitution of South Africa, all spheres of government and all organs of state within each sphere must co-operate with one another in mutual trust and good faith fostering friendly relations. They must assist and support one another, inform and consult one another on matters of common interest; coordinate their actions, adhering to agreed procedures and avoid legal proceedings against one another.

Chapter 2: Governance

2.4.1 Intergovernmental Structures

To adhere to the principles of the Constitution as mentioned above the municipality participates in the following intergovernmental structures:

Name of Structure	Outcomes of Engagements/Topics Discussed
Pixley ka Seme District IGR	Government services delivery, challenges, sharing best practices, coordination and technical advice to the Provincial IGR
Municipal Managers and Chief Financial Officers Forum	Technical and financial matters related to local government issues, m SCOA, Budgeting, bulk purchases from Eskom and Water Affairs Shared Services and audit outcomes of internal and external auditors

Table 23: Intergovernmental Structures

a) Intergovernmental Relations Forum

Department Name	Member
Rural Development and Land Reform	T Maphalala
Public Works	Mr Ngxabazi
COGHSTA	Mr Z Mjandana
Community Radio Station	Mrs Bosch
Department of Education	Mr Petshwa
Social Development	Mr Pula
Local Municipality	Mr A Mpela
SAPS	Capt Bolintaba
Correctional Services	Ms B. Masuku
IEC	Mr Loko

Table 24: Members of the IGR Forum



b) Intergovernmental Relations Steering Committee

The committee is dormant at present.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.5 Public Accountability and Participation

Section 16 of the MSA refers specifically to the development of a culture of community participation within municipalities. It states that a municipality must develop a culture of municipal governance that complements formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of:

-  The preparation implementation and review of the IDP
-  Establishment implementation and review of the performance management system

Chapter 2: Governance

- Monitoring and review of the performance including the outcomes and impact of such performance
- Preparation of the municipal budget

2.5.1 Public Meetings

Nature and purpose of meeting	Date of events	Number of Community members attending
Introduction of newly elected Council	17 October 2016	132
Introduction of newly elected Council	19 October 2016	112
Introduction of newly elected Council	26 October 2016	88
IDP and Budget	10 April 2017	89
IDP and Budget	11 April 2017	123
IDP and Budget	12 April 2017	113

Table 25: Public Meetings

2.5.2 Ward Committees

The ward committees support the ward councillor who receives reports on development, participate in development planning processes and facilitate wider community participation. To this end the municipality constantly strives to ensure that all ward committees function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities.

Ward 1: Kwazamuxolo, Eurekaville and Noupoort

Name of representative	Capacity representing	Dates of meetings held during the year
M Sestile	Chairperson	23 January 2017 14 February 2017 20 March 2017 18 April 2017 11 May 2017 20 June 2017
E Duma	Member	
M Sictogo	Member	
B Magaliso	Member	
N Thinbane	Member	
S Smith	Member	
L Lehata	Member	
M Mbayisa	Member	
P Ruiters	Member	
M Kei	Member	
F Koela	Member	

Table 26: Ward 1 Committee Meetings

Chapter 2: Governance

Ward 2: Portion of EurekaVille and Tjoksville

Name of representative	Capacity representing	Dates of meetings held during the year
W Minnie	Chairperson	17 January 2017 16 February 2017 7 March 2017 28 April 2017 10 May 2017 9 June 2017
A Pretorius	Member	
T Nofemele	Member	
M Stofile	Member	
A Fritz	Member	
B Bokland	Member	
T Thibane	Member	
R Reed	Member	
B Bengu	Member	
N Wonga	Member	
P Malan	Member	
T Thibane	Member	

Table 27: Ward 2 Committee Meetings

Ward 3: Zwelithsha, Towervallei and Operation Vula

Name of representative	Capacity representing	Dates of meetings held during the year
E Humphries	Chairperson	28 January 2017 14 February 2017 23 March 2017 19 April 2017 25 May 2017 20 June 2017
J Konono	Member	
L Tshaka	Member	
N Maciki	Member	
B George	Member	
V Thobisilo	Member	
J Nazo	Member	
M Gayiya	Member	
M Tshabalala	Member	
E Jafta	Member	
J Moremoholo	Member	

Table 28: Ward 3 Committee Meetings

Ward 4: New Ouboks, Lowryville, Phillipstown Informal Area

Name of representative	Capacity representing	Dates of meetings held during the year
V Harmse	Chairperson	24 January 2017
E Jacobs	Member	9 February 2017
J Andrews	Member	8 March 2018
E Jafta	Member	18 April 2017
J Dick	Member	18 May 2017
		19 June 2017

Chapter 2: Governance

Name of representative	Capacity representing	Dates of meetings held during the year
W Pienaar	Member	
M Stuurman	Member	
L Steenbok	Member	
L Seekoei	Member	
J Jacobs	Member	
Q Arries	Member	

Table 29: Ward 4 Committee Meetings

Ward 5: Draai Location, Colesberg, New Brighton, Squatter Camp, Thuthwini and Hukwini

Name of representative	Capacity representing	Dates of meetings held during the year
N Stafa	Chairperson	1 February 2017 22 March 2017 26 April 2017 30 May 2017 9 June 2017
S May	Member	
D Mlenzana	Member	
S Hloyd	Member	
Z Paul	Member	
J Taljaard	Member	
J le Roux	Member	
D van Wyk	Member	
L Mynard	Member	
K Mankayi	Member	
D Msebenzi	Member	

Table 30: Ward 5 Committee Meetings

Ward 6: Khayelitsha, Masipahkame, Chris Hani, Norvalspont and Farming Area

Name of representative	Capacity representing	Dates of meetings held during the year
M Kafi	Chairperson	27 January 2017 8 February 2017 21 March 2017 19 April 2017 17 May 2017 13 June 2017
N Dumezweni	Member	
B Sindelo	Member	
F Nomvete	Member	
N Molise	Member	
K January	Member	
L Dyonkile	Member	
N Jacobs	Member	
S Gcanga	Member	
S Ngalimani	Member	
Y Mtshotwana	Member	

Table 31: Ward 6 Committee Meetings

Chapter 2: Governance

2.5.3 Functionality of Ward Committee

The purpose of a ward committee is:

- to get better participation from the community to inform council decisions
- to make sure that there is more effective communication between the Council and the community
- to assist the ward councillor with consultation and report-backs to the community

Ward committees should be elected by the community they serve. A ward committee may not have more than 10 members and women should be well represented. The ward councillor serves on the ward committee and act as the chairperson. Although ward committees have no formal powers they advise the ward councillor who makes specific submissions directly to the administration. These committees play a very important role in the development and annual revision of the integrated development plan of the area.

The table below provides information on the establishment of ward committees and their functionality:

Ward Number	Committee established Yes / No	Number meetings held during the year	Committee functioning effectively (Yes / No)
1	Yes	6	Yes
2	Yes	6	Yes
3	Yes	6	Yes
4	Yes	6	Yes
5	Yes	5	Yes
6	Yes	6	Yes

Table 32: *Functioning of Ward Committees*

2.5.4 Representative Forums

a) Labour Forum

The table below specifies the members of the Labour Forum for the 2016/17 financial year:

Name of representative	Capacity	Meeting dates
M Sestile	Chairperson - Employer Representative	14 December 2016 22 February 2017 15 March 2017 12 April 2017 2 May 2017 8 June 2017
M Chenge	Deputy Chair - Employee Representative -SAMWU	
M. Kafi	Employer Representative	
J Matthee	Employer Representative	
A Mpela	Employer Representative	
D Visagie	Employer Representative	
A van Niekerk	Employee Representative -SAMWU	
T Ntoni	Employee Representative-SAMWU	

Chapter 2: Governance

Name of representative	Capacity	Meeting dates
L Gedezana	Employee Representative-SAMWU	
M Booï	Employee Representative-IMATU	

Table 33: Labour Forum

b) IDP Forum

The table below specifies the members of the IDP Forum for the 2016/17 financial year:

Name of representative	Capacity
M Toto	Mayor
M Kafi	Chairperson: Corporate Services Portfolio Committee
V Harmse	Chairperson: Corporate Services Portfolio Committee
W Minnie	Chairperson: Corporate Services Portfolio Committee
M Sestile	Chairperson: MPAC
A Mpela	Municipal Manager
B Kapp	Snr. Manager: Corporate Services
D Visagie	Chief Financial Services
P Mosonpha	Snr. Manager Technical Services
G Mgcineni	Section Head: Community Development
L Gedezana	Skills Development Officer

Table 34: IDP Forum

COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

2.6 Risk Management

In terms of Section 62 (1)(c)(i) *“the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure- that the municipality has and maintains effective, efficient and transparent systems - of financial and risk management and internal control;”...*

The table below include the top 5 risks of the Municipality:

Risk	Department
1. Limited funds and adequate staff	Technical Services
2. Limited finance to implement plans and projects	Technical Services
3. Lack of facilities to attract skilled employees	Corporate Services
4. Political leadership	Corporate Services
5. Inadequate knowledge in community with regard to functions and systems of local government	Corporate Services

Table 35: Top Five Risks

2.7 Anti-Corruption and Anti-Fraud

Section 83(1)(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption. The MFMA, Section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favoritism and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud.

Umsobomvu Municipality has the following strategies in place to prevent corruption, fraud and theft:

- 🌟 Presidential Hotline on fraud prevention and corruption, and service delivery matters
- 🌟 Risk Management Policy
- 🌟 Internal Audit reviews the effectiveness of the systems of internal control, governance and risk management on a continuous basis
- 🌟 Disciplinary procedures to discipline employees who transgress the stipulations of the Act, procedures and policies
- 🌟 Disciplinary Board as envisaged by the MFMA: Municipal Regulations on Financial Misconduct

A Risk Management Committee is also in place to assist the Accounting Officer in addressing oversight requirements of risk management and evaluating and monitoring the municipality's performance with regards to risk management, fraud prevention and corruption.

2.8 Audit Committee

Section 166(2) of the MFMA states that an audit committee is an independent advisory body which must -

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, on matters relating to -

- internal financial control
- risk management
- performance management
- effective governance

The Audit Committee have the following main functions as prescribed in Section 166 (2)(a-e) of the MFMA and the Local Government Municipal and Performance Management Regulation:

2.8.1 Functions of the Audit Committee

- To advise the Council on all matters related to compliance and effective governance
- To review the annual financial statements to provide Council with an authoritative and credible view of the financial position of the municipality, its efficiency and its overall level of compliance with the MFMA, the annual Division of Revenue Act (DoRA) and other applicable legislation
- Respond to the council on any issues raised by the Auditor-General in the audit report
- To review the quarterly reports submitted to it by the internal audit
- To evaluate audit reports pertaining to financial, administrative and technical systems
- The compilation of reports to Council, at least twice during a financial year
- To review the performance management system and make recommendations in this regard to Council
- To identify major risks to which Council is exposed and determine the extent to which risks have been minimised
- To review the annual report of the municipality
- Review the plans of the internal audit function and in so doing; ensure that the plan addresses the high-risk areas and ensure that adequate resources are available
- Provide support to the internal audit function
- Ensure that no restrictions or limitations are placed on the Internal Audit section
- Evaluate the activities of the internal audit function in terms of their role as prescribed by legislation

2.8.2 Members of the Audit Committee

The table below indicates the members of the audit committee:

Name of representative	Capacity	Meeting dates
J Blair	Chairperson	29 August 2016
M Puley	Member	10 November 2016
M Mnyamana	Member	9 May 2017 29 June 2017

Table 36: Members of the Audit Committee

2.9 Performance Audit Committee

The Municipal Planning and Performance Management Regulation, GNR796, require that the performance audit committee is comprised of a minimum of three members, the majority of whom are external (neither a councillor nor an employee) of the municipality. Section 14(2)(b) of the R Municipal Planning and Performance Management Regulation further stipulates that the performance audit committee must include at least one person who has expertise in performance management. It is also a requirement of the Municipal Planning and Performance Management Regulation in Section 14(2)(d) that the Council of a municipality designate neither a member of the performance audit committee who is neither a councillor nor an employee of the municipality as the chairperson of the committee.

Section 14(3)(a) of the Municipal Planning and Performance Management Regulation requires that the performance audit committee of a municipality must meet at least twice during each financial year. However, additional special meetings of the performance audit committee may be called for by any member of the committee, where sufficient justification exists in terms of Section 14(3)(b) of the Regulations.

2.9.1 Functions of the Performance Audit Committee

In terms of Section 14(4)(a) of the Municipal Planning and Performance Management Regulation the performance audit committee has the responsibility to -

- review the quarterly reports produced and submitted by the internal audit process
- review the municipality's performance management system and make recommendations in this regard to the council of the municipality
- at least twice during each financial year submit a performance audit report to the council of the municipality

Chapter 2: Governance

2.9.2 Members of the Performance Audit Committee

The table below indicates the members of the performance audit committee:

Name of representative	Capacity
MS Toto	Chairperson for Municipal Manager's Performance
AC Mpela	Chairperson for Section 56 Managers' Performance
VP Harmse	Chairperson Finance Committee
MA Sestile	Chairperson MPAC
W Minnie	Chairperson Technical Services Committee
MR Kafi	Chairperson Corporate Services Committee

Table 37: Members of the Performance Audit Committee

2.10 Internal Auditing

Section 165 (2)(a), (b)(iv) of the MFMA requires that:

The internal audit unit of a municipality must -

- prepare a risk based audit plan and an internal audit program for each financial year
- advise the accounting officer and report to the audit committee on the implementation on the internal audit plan and matters relating to:
 - internal audit
 - internal controls
 - accounting procedures and practices
 - risk and risk management
 - performance management
 - loss control
 - compliance with this Act, the annual DoRA and any other applicable legislation
- perform other duties as may be assigned to it by the accounting officer

The Municipality concluded a shared service agreement with the Pixley ka Seme District Municipality to render legal, planning and internal audit services.

Chapter 2: Governance

2.11 By-Laws and Policies

Section 11 of the MSA gives a Council the executive and legislative authority to pass and implement by-laws and policies. No by-laws were developed and/or reviewed during the year under review. Below is a list of all the policies developed and reviewed during the financial year:

Policies developed/ revised	Date adopted	Public Participation Conducted Prior to adoption of policy Yes/No
Tariff policy	31 May 2016	Yes
Credit Control, Customer Care and Revenue Management	31 May 2016	Yes
Rates Policy	31 May 2016	Yes
Indigent Policy	31 May 2016	Yes
Virement Policy	31 May 2016	Yes
Bad Debt Write-off Policy	31 May 2016	Yes
MFMA Delegations	31 May 2016	Yes
Unauthorised, Irregular, Wasteful and Fruitless Expenditure	31 May 2016	Yes
Supply Chain Management Policy	31 May 2016	Yes
Travel and Subsistence Policy	31 May 2016	Yes
Cash and Investment Policy	31 May 2016	Yes
Reviewed Performance Management Policy	30 August 2016	Yes
Impoundment of Animals By-Law	15 July 2016	Yes
Travel and Subsistence Policy	10 November 2018	Yes
Standing Rules of Order By-Law	10 November 2018	No
Delegation of Powers	10 November 2018	No
Code of Conduct	10 November 2018	No

Table 38: Policies Developed and Reviewed

2.12 Communication

Local government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of the Republic of South Africa, 1996 and other statutory enactments all impose an obligation on local government and require high levels of transparency, accountability, openness, participatory democracy and direct communication with the communities to improve the lives of all.

Good customer care is clearly of fundamental importance to any organisation. A successful communication strategy therefore links the people to the municipality's programme for the year.

Chapter 2: Governance

Below is a communication checklist of the compliance to the communication requirements:

Communication activities	Yes/No
Communication Strategy	Yes
Communication Policy	Yes
Functional complaint management systems	Yes
Customer satisfaction surveys	No

Table 39: Communication Activities

Newsletters

Newsletters distributed are as follows:

Type of Newsletter	Distributed
Internal	No
External	Yes

Table 40: Newsletter

2.13 Website

Municipalities are required to develop and maintain a functional website that displays relevant information as per the requirements of Section 75 of the MFMA and S21A and B of the MSA as amended.

The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tool that should allow easy and convenient access to relevant information. The municipal website should serve as an integral part of the municipality's communication strategy.

The table below gives an indication about the information and documents that are published on our website:

Description of information and/or document	Yes/No and/or Date Published
Municipal contact details (Section 14 of the Promotion of Access to Information Act)	
Full Council details	Yes
Contact details of the Municipal Manager	Yes
Contact details of the CFO	Yes
Physical address of the Municipality	Yes
Postal address of the Municipality	Yes
Financial Information (Sections 53, 75, 79 and 81(1) of the Municipal Finance Management Act)	
Draft Budget 2016/17	Yes
Adjusted Budget 2016/17	Yes

Chapter 2: Governance

Description of information and/or document	Yes/No and/or Date Published
Asset Management Policy	Yes
Customer Care Credit control & Debt collection Policy	Yes
Indigent Policy	Yes
Unauthorised Irregular Fruitless and Wasteful Expenditure Policy	Yes
Cash and Investment Policy	Yes
Rates Policy	Yes
Supply Chain Management Policy	Yes
Tariff Policy	Yes
Virement Policy	Yes
Travel and Subsistence Policy	Yes
SDBIP 2016/17	Yes
Budget and Treasury Office Structure	Yes
MFMA Delegations	Yes
Integrated Development Plan and Public Participation (Section 25(4)(b) of the Municipal Systems Act and Section 21(1)(b) of the Municipal Finance Management Act)	
Reviewed IDP for 2016/17	Yes
IDP Process Plan for 2016/17	Yes
Supply Chain Management (Sections 14(2), 33, 37 & 75(1)(e) & (f) and 120(6)(b) of the Municipal Finance Management Act and Section 18(a) of the National SCM Regulation)	
List of capital assets that have been disposed - No disposals	No disposals
Long term borrowing contracts	Yes
SCM contracts above R200-000	Yes
Section 37 of the MFMA,; No 56 of 2003 (Unsolicited Bids/Contracts)	None
Public invitations for formal price quotations	Yes
Reports (Sections 52(d), 71, 72 & 75(1)(c) and 129(3) of the Municipal Finance Management Act)	
Annual Report of 2015/16	Yes
Oversight reports	Yes
Mid-year budget and performance assessment	Yes
Quarterly Reports	Yes
Monthly Budget Statement	Yes
Performance Management (Section 75(1)(d) of the Municipal Finance Management Act)	
Performance Agreements for employees appointed as per S57 of Municipal Systems Act	Yes

Table 41: Website Checklist

2.14 Supply Chain Management

The supply chain management policy of the Umsobomvu Local Municipality is deemed to be fair, equitable, transparent, competitive and cost-effective as required by Section 217 of the Constitution.

2.14.1 Competitive Bids in Excess of R200 000

a) Bid Committee Meetings

The following table details the number of bid committee meetings held for the 2016/17 financial year:

Bid Evaluation Committee	Bid Adjudication Committee
5	4

Table 42: Bid Committee Meetings

The attendance figures of members of the bid evaluation committee are as follows:

Member	Percentage attendance
S Nkcithiso	100%
G Mgcineni	100%
N Thiso	100%
M Mostert	100%
N Hermanus	100%

Table 43: Attendance of Members of Bid Evaluation Committee

The attendance figures of members of the bid adjudication committee are as follows:

Member	Percentage attendance
D Visagie	100%
B Kapp	100%
T Mosompha	100%
N Khapha	100%

Table 44: Attendance of Members of Bid Adjudication Committee

The percentages as indicated above include the attendance of those officials acting in the position of a bid committee member.

Chapter 2: Governance

b) Awards Made by the Bid Adjudication Committee

The highest bids awarded by the bid adjudication committee are as follows:

Bid number	Date of award	Title of bid	Successful Bidder	Value of bid awarded (R)
47/2013	2 February 2017	Prime development land next to N1 for sale: alienation erf 1728 Colesberg.	RFLIPF Truck	8 740 613.70
2/08/2016	3 February 2017	Upgrading of Noupoort sport ground	Salani Group CC (24 weeks)	9 960 041.72

Table 45: Highest Bids Awarded by the Bid Adjudication Committee

c) Awards made by the Accounting Officer

Bid number	Title of bid	Directorate	Value of bid awarded (R)
01/11/2016	Upgrading of New Ouboks gravel Arterial Street to concrete block paved street. Tender no 01/11/2016	Technical Services	19 569 406.00

Table 46: Highest Bids Awarded by the Bid Adjudication Committee

d) Appeals Lodged by Aggrieved Bidders

There were no appeals lodged by aggrieved bidders in the 2016/17 financial year.

2.14.2 Deviation from Normal Procurement Processes





The following table provides a summary of deviations approved for the financial year 2016/17:

Type of deviation	Value of deviations	Percentage of total deviations value
Emergency	1 487 526.85	40,64%
Sole Provider	1 169 490.01	31,95%
Exceptional Cases	1 003 427.76	27,41%
Total	3 660 444.62	100%

Table 47: Deviations Approved for the Year 2016/17

2.15 Disclosures of Financial Interests

Schedule 1, Section 7 as well as Schedule 2, Section 5A of the MSA states that when a councillor is elected or appointed or a person appointed in terms of section 56 or a municipal manager, he or she must within 60 days declare in writing to the municipal manager or the chairperson of the municipal council the following financial interests held:

-  shares and securities in any company
-  membership of any close corporation
-  interest in any trust
-  directorships

Chapter 2: Governance

- 🏠 partnerships
- 🏠 other financial interests in any business undertaking
- 🏠 employment and remuneration
- 🏠 interest in property
- 🏠 pension
- 🏠 subsidies, grants and sponsorships by any organisation

Any change in the nature or detail of the financial interests of any councillor or official must be declared in writing to the municipal manager or to the chairperson of the municipal council annually. The municipal council must determine which of the financial interests referred in the abovementioned list must be made public, having regard to the need for confidentiality and the public interest for disclosure.

The following table lists the disclosure of financial interests of the administrative and strategic role players of the Municipality which were deemed to be disclosed for public interest:

Disclosures of Financial Interests	
2016/17	
Name	Description of Financial interests*
Executive Mayor	
M Toto	🏠 House - Noupoort
Councillors	
M Kafi	🏠 Sakhisiswe Tours 🏠 Meals on Wheels
N Batties	🏠 Mighty Warriors Transport 🏠 House, 7 Bernadette Avenue Colesberg
M Sestile	🏠 Erf 406, Kwazamuxolo, Noupoort
V Harmse	🏠 House, 7 Carol Street, Colesberg
J Matthee	🏠 JPM Consultancy 🏠 Monthly payment Sanlam - Retirement annuity
W Minnie	🏠 Jaswill Contractors (inactive) 🏠 House - 23 Claassen Street, Noupoort
Municipal Manager	
A Mpela	🏠 House - Strand 🏠 House - Phillipi 🏠 Erf - Albertinia 🏠 Erf - Dimbaza 🏠 House - Colesberg 🏠 House - Colesberg
Directors	
B Kapp	🏠 Birtus Kapp Investments CC 🏠 Kapp Family Trust 🏠 Erf 2036 - Colesberg 🏠 Erf 36 - Colesberg 🏠 Shares - Old Mutual and Sanlam

Chapter 2: Governance

Disclosures of Financial Interests	
2016/17	
Name	Description of Financial interests*
D Visagie	<ul style="list-style-type: none"> 🏠 Erf 1127 - Colesberg 🏠 Shares - Sasol and Phuthuma
T Mosompha	<ul style="list-style-type: none"> 🏠 House Fichart Park 🏠 House Mangaung
* Financial interests to be disclosed even if they incurred for only part of the year	

Table 48: Deviations Approved for the Year 2016/17

CHAPTER 3

This chapter provides an overview of the key service achievements of the municipality that came to fruition during 2016/17 in terms of the deliverables achieved compared to the key performance objectives and indicators in the IDP.

3.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management is a process which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets to meet its strategic goals, set by the organisation and its employees, are met.

3.1.1 Legislative Requirements

The Constitution of the RSA, 1996, Section 152, dealing with the objectives of local government paves the way for performance management with the requirements for an "accountable government". The democratic values and principles in terms of Section 195 (1) are also linked with the concept of performance management, with reference to the principles of inter alia:

- the promotion of efficient, economic and effective use of resources
- accountable public administration
- to be transparent by providing information
- to be responsive to the needs of the community
- to facilitate a culture of public service and accountability amongst staff

The MSA, 2000 requires municipalities to establish a performance management system. Further, the MSA and the MFMA requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players." Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external

Chapter 3: Service Delivery Performance

service providers and the Municipal Entities. This framework, *inter alia*, reflects the linkage between the IDP, Budget, SDBIP and individual and service provider performance.

The Municipality continues to implement performance in terms of the performance management framework that was approved by Council on 30 August 2016.

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 any service provider's performance during the financial year, including comparison with targets of and with the performance of the previous financial year. The report must, furthermore, indicate the development and service delivery priorities and the performance targets set by the Municipality for the following financial year and measures that were or are to be taken to improve performance.

3.1.2 Organisational Performance

Strategic performance indicates how well the municipality is meeting its objectives and whether policies and processes are working effectively. All government institutions must measure and report on their strategic performance to ensure that service delivery is done in an efficient, effective and economical manner. Municipalities must therefore develop strategic plans and allocate resources for the implementation. The implementation of the plans must be monitored on an on-going basis and the results must be reported on during the financial year to various role-players to enable them to timeously implement corrective measures where required.

This report highlights the strategic performance in terms of the Municipality's Top Layer SDBIP, high level performance in terms of the Strategic Objectives and performance on the National Key Performance Indicators as prescribed in terms of Section 43 of the MSA.

3.1.3 Performance Management System used in the Financial Year 2016/17

a) The IDP and the Budget

The IDP and the main budget for 2016/17 was approved by Council on **31 May 2016**. As the IDP process and the performance management process are integrated, the IDP fulfils the planning stage of performance management whilst performance management in turn, fulfils the implementation management, monitoring and evaluation of the IDP.

In terms of the performance management framework, the Mayor approved the Top Layer SDBIP on **10 June 2016**. The Top layer SDBIP indicators are aligned with the budget which was prepared in terms of the reviewed IDP. The indicators in the Top layer SDBIP include indicators required by legislation, indicators that will assist to achieve the objectives adopted in the IDP and indicators that measure service delivery responsibilities.

Chapter 3: Service Delivery Performance

The actual performance achieved in terms of the KPI's was reported on quarterly. The indicators and targets were adjusted after the finalisation of the previous year budget and mid-year budget assessment. The Top Layer SDBIP was revised with the adjustments budget in terms of Section 26 (2)(c) of the Municipal Budget and Reporting Regulations and an amended Top Layer SDBIP was approved by the Council on **28 February 2017**.

The performance agreements of the senior managers were compiled and revised in terms of the SDBIP indicators and the portfolio of evidence that support the actual targets reported.

3.1.4 Actual Performance

The municipality utilizes an electronic web-based system on which KPI owners update actual performance on a monthly basis. KPI owners report on the results of the KPI by documenting the following information on the performance system:

- the actual result in terms of the target set
- a performance comment
- actions to improve the performance against the target set, if the target was not achieved

It is the responsibility of every KPI owner to maintain a portfolio of evidence to support actual performance results updated.

3.1.5 Monitoring of the SDBIP

Municipal performance is measured as follows:

- Quarterly reports were submitted to Council on the actual performance in terms of the Top Layer SDBIP
- Mid-year assessment and submission of the mid-year report to the Mayor in terms of Section 72(1) (a) and 52(d) of the MFMA to assess the performance of the municipality during the first half of the financial year

3.1.6 Individual Performance Management

a) Municipal Manager and Managers directly accountable to the Municipal Manager

The MSA prescribes that the Municipality must enter into performance based agreements with all the s57-employees and that performance agreements must be reviewed annually. This process and the format are further regulated by Regulation 805 (August 2006). The performance agreements for the Municipal Manager and applicable directors for the 2016/17 financial year was signed in June 2016.

The appraisal of the actual performance in terms of the signed agreement takes place twice per annum as regulated. The final evaluation of the 2015/16 financial year (1 January 2016 to 30 June 2016) took place on **21 September 2016** and the mid-year performance of 2016/17 (1 July 2016 to 31 December 2016) took place on **13 March 2017**.

Chapter 3: Service Delivery Performance

The appraisals were done by an evaluation panel as indicated in the signed performance agreements and in terms of Regulation 805 and consisted of the following people:

- 👤 Executive Mayor
- 👤 Portfolio Councillor
- 👤 Municipal Manager
- 👤 Chairperson of the Audit Committee

3.2 INTRODUCTION TO STRATEGIC AND MUNICIPAL PERFORMANCE FOR 2016/17

This section provides an overview of the key service achievements of the Municipality that came to fruition during 2016/17 in terms of the deliverables achieved against the strategic objectives of the IDP.

3.2.1 Strategic SDBIP (Top Layer)

This section provides an overview on the achievement of the municipality in terms of the strategic intent and deliverables achieved as stated in the IDP. The Top Layer SDBIP assists with documenting and monitoring of the municipality's strategic plan and shows the strategic alignment between the IDP, budget and performance plans.

In the paragraphs below the performance achieved is illustrated against the Top Layer SDBIP KPI's applicable to 2016/17 in terms of the IDP strategic objectives.

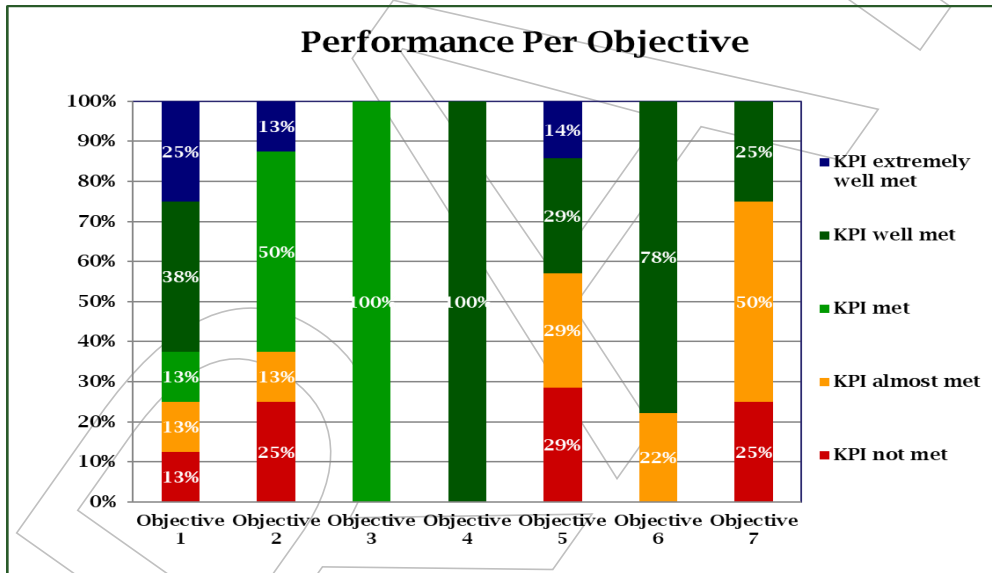
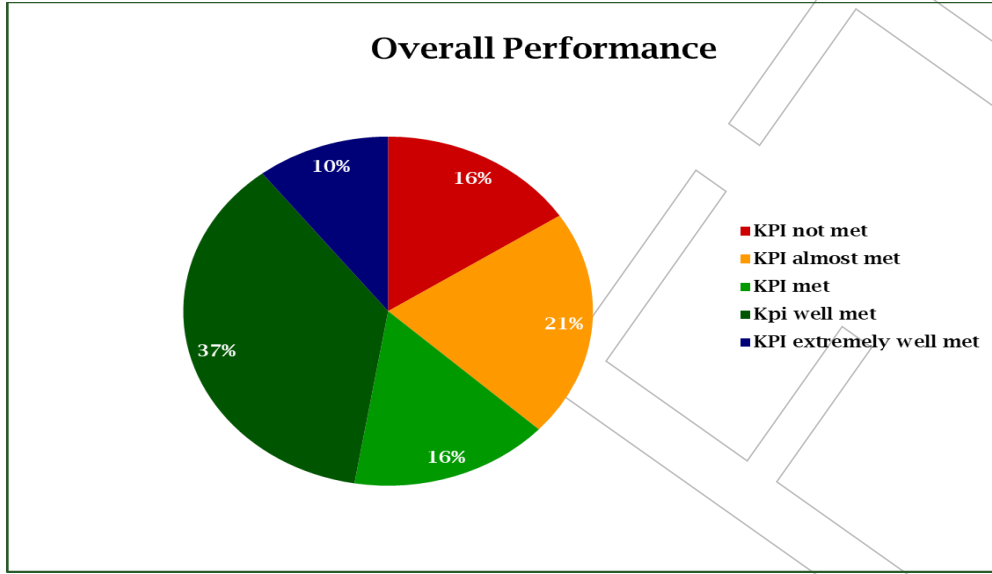
The following table explains the method by which the overall assessment of the actual performance against the targets set for the key performance indicators (KPI's) of the SDBIP are measured:

Category	Colour	Explanation
KPI Not Yet Measured	N/A	KPI's with no targets or actuals in the selected period
KPI Not Met	R	0% > = Actual/Target < 75%
KPI Almost Met	O	75% > = Actual/Target < 100%
KPI Met	G	Actual/Target = 100%
KPI Well Met	G2	100% > Actual/Target < 150%
KPI Extremely Well Met	B	Actual/Target > = 150%

Table 49: SDBIP Measurement Criteria

Chapter 3: Service Delivery Performance

The graphs below display the overall performance per Strategic Objectives for 2016/17:



Graph 4: Top Layer SDBIP per Strategic Objective

Measurement Category	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7	Total
	Develop a capable and capacitated institution to respond to community needs	Ensure that the municipality is financially viable	Establish and strengthen governance structures	Facilitate economic growth in the municipal area	Ongoing maintenance of municipal infrastructure	Provide appropriate services to all households	Provide quality and sustainable municipal infrastructure	
KPI Not Met	1 (12.5%)	2 (25%)	0	0	2 (28.6%)	0	1 (25%)	6
KPI Almost Met	1 (12.5%)	1 (12.5%)	0	0	2 (28.6%)	2 (22.2%)	2 (50%)	8
KPI Met	1 (12.5%)	4 (50%)	1 (100%)	0	0	0	0	6
KPI Well Met	3 (37.5%)	0	0	1 (100%)	2 (28.6%)	7 (77.8%)	1 (25%)	14

Chapter 3: Service Delivery Performance

Measurement Category	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Objective 7	Total
	Develop a capable and capacitated institution to respond to community needs	Ensure that the municipality is financially viable	Establish and strengthen governance structures	Facilitate economic growth in the municipal area	Ongoing maintenance of municipal infrastructure	Provide appropriate services to all households	Provide quality and sustainable municipal infrastructure	
KPI Extremely Well Met	2 (25%)	1 (12.5%)	0	0	1 (14.3%)	0	0	4
Total	8	8	1	1	7	9	4	38

Table 50: Top Layer SDBIP per Strategic Objective

a) Actual Strategic Performance for 2016/17 And Corrective Measures that will be Implemented

i) Top Layer SDBIP - Develop a capable and capacitated institution to respond to community needs

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						Actual	R
					Target							
					Q1	Q2	Q3	Q4	Annual			
TL33	The number of people from employment equity target groups employed in the three highest levels of management in compliance with the equity plan	Number of people employed	All	2	0	0	0	1	1	1	G	
TL34	The percentage of the municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2017 [(Actual amount spent on training/total operational budget)x100]	% of the municipality's personnel budget (Actual amount spent on training/total operational budget)x100	All	0.43%	0%	0%	0%	0.50%	0.50%	0.74%	G2	
TL35	Limit the vacancy rate to less than 10% of budgeted posts by 30 June 2017 ((Number of posts filled/Total number of budgeted posts)x100)	% vacancy rate of budgeted posts (Number of posts filled/Total number of budgeted posts)x100	All	9.40%	0%	0%	0%	10%	10%	7.70%	B	
TL36	Appoint a Fire Fighting Officer by 31 December 2016 in order to establish a fire fighting unit	Fire Fighting Officer appointed by 31 December 2016	All	New key performance indicator for 2016/17	0	1	0	0	1	0	R	

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						Actual	R
					Target							
					Q1	Q2	Q3	Q4	Annual			
Corrective measures			Budget for a Fire Fighting Officer post									
TL37	Purchase land for the extension of Colesberg cemetery by 30 June 2017	Land purchased for the extension of Colesberg cemetery	5	New key performance indicator for 2016/17	0	0	0	1	1	1	G	
TL38	Spent 90% of the maintenance budget for municipal buildings by 30 June 2017 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent ((Actual expenditure divided by the approved budget)x100)	All	New key performance indicator for 2016/17	0%	0%	0%	90%	90%	99.70%	G2	
TL39	Spent 90% of the maintenance budget for parks and recreation facilities by 30 June 2017 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent ((Actual expenditure divided by the approved budget)x100)	All	New key performance indicator for 2016/17	0%	0%	0%	90%	90%	92.40%	G2	
TL40	Spend 100% of the library grant by 30 June 2017 ((Actual expenditure divided by the approved budget)x100)	% of the library grant spent ((Actual expenditure divided by the approved budget)x100)	All	New key performance indicator for 2016/17	0%	0%	0%	100%	100%	96.40%	O	
Corrective measures			Unspent funds to be carried over to new financial year with permission from the Department of Arts, Sports and Culture									

Table 51: Top Layer SDBIP - Develop a Capable and Capacitated Institution to Respond to Community Needs

ii) Top Layer SDBIP - Ensure that the municipality is financially viable

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						Actual	R
					Target							
					Q1	Q2	Q3	Q4	Annual			
TL25	Financial viability measured in terms of the municipality's ability to meet its service debt obligations as at 30 June 2017 ((Total operating revenue-operating grants received)/debt service payments due within the year))	% of debt coverage	All	0.01	0%	0%	0%	17%	17%	36.77%	B	

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL26	Financial viability measured in terms of the outstanding service debtors as at 30 June 2017 ((Total outstanding service debtors/ revenue received for services)X100)	% of outstanding service debtors	All	95%	0%	0%	0%	43%	43%	44.10%	R
Corrective measures			Stricter debt collection to be implemented								
TL27	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2017 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))	Number of months it takes to cover fix operating expenditure with available cash	All	2.34	0	0	0	0.5	0.5	0.2	R
Corrective measures			Debt collection must be implemented more vigorously than before. Council support will be needed in this process								
TL28	Submit the annual financial statements for 2015/16 to AGSA by 31 August 2016	Annual financial statements for 2015/16 submitted	All	1	1	0	0	0	1	1	G
TL29	Compile Plan to address audit findings of the 2015/16 audit report and submit to MM by 31 January 2017	Plan completed and submitted to MM	All	1	0	0	1	0	1	1	G
TL30	Submit the main budget for 2017/18 to Council for consideration by 31 March 2017	Main budget for 2017/18 submitted to Council	All	1	0	0	1	0	1	1	G
TL31	Achieve a debtor payment percentage of 70% by 30 June 2017 ((Gross	% debtor payment achieved	All	98.45%	80%	80%	80%	70%	70%	61%	O

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100										
Corrective measures			Payment level as result of no credit control and debt collection measures could be instituted in areas where Eskom provide electricity. Will engage Eskom in regard								
TL32	Purchase a new financial system by 31 March 2017	Number of new financial systems purchased	All	New key performance indicator for 2016/17	0	0	0	1	1	1	G

Table 52: Top Layer SDBIP - Ensure that the Municipality is Financially Viable

iii) Top Layer SDBIP - Establish and strengthen governance structures

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL15	Compile and submit the Risk Based Audit Plan (RBAP) for 2016/17 to the Audit committee by 30 June 2016	Compile and submit the Risk Based Audit Plan (RBAP) for 2016/17 to the Audit committee	All	1	0	0	0	1	1	1	G

Table 53: Top Layer SDBIP - Establish and Strengthen Governance Structures

iv) Top Layer SDBIP - Facilitate economic growth in the municipal area

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL1	Create temporary jobs - FTE's in terms of EPWP by 30 June 2017 (Person days / FTE (230 days))	Number of FTE's created	All	28	0	0	0	25	25	35	G2

Table 54: Top Layer SDBIP - Facilitate Economic Growth in the Municipal Area

v) Top Layer SDBIP - Ongoing maintenance of municipal infrastructure

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL2	Limit unaccounted for electricity to less than 25% by 30 June 2017 {(Number of Electricity Units Purchased and/or	% of unaccounted electricity	All	16.56%	27%	27%	25%	25%	25%	23.71%	B

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017							
					Target					Actual	R	
					Q1	Q2	Q3	Q4	Annual			
	Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated) × 100}											
TL3	90% of the electricity maintenance budget spent by 30 June 2017 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	43%	25%	40%	60%	90%	90%	82%	O	
Corrective measures			Some of the work on the network in Noupoot to be carried out in July 2017									
TL4	90% of the roads and stormwater maintenance budget spent by 30 June 2017 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	116%	25%	40%	60%	90%	90%	104%	G2	
TL5	90% of the sewerage maintenance budget spent by 30 June 2017 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	68%	25%	40%	60%	90%	90%	82.92%	O	
Corrective measures			Management will ensure that the maintenance planning will be in line with the budget									
TL7	90% of the water maintenance budget spent by 30 June 2017 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	43%	25%	40%	60%	90%	90%	116%	G2	
TL8	Limit unaccounted for water to less than 40% by 30 June 2017 {(Number of Kiloliters Water	% of water unaccounted	All	57.36%	51%	47%	43%	40%	40%	56%	R	

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	Purchased or Purified - Number of Kiloliters Water Sold) / Number of Kiloliters Water Purchased or Purified × 100}										
Corrective measures			Measure own use and read all the water meters in the Municipality								
TL14	Upgrade 4000 square meters gravel road to paved street in New Ouboks by 30 June 2017	Square meters street paved	4	New key performance indicator for 2016/17	0	0	0	4000	4 000	0	R
Corrective measures			The New Ouboks arterial is in progress and it will proceed to the next financial year								

Table 55: Top Layer SDBIP - Ongoing Maintenance of Municipal Infrastructure

vi) Top Layer SDBIP - Provide appropriate services to all households

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL16	Number of formal residential properties that receive piped water (credit) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2017	Number of residential properties which are billed for water	All	6 164	0	6500	0	6500	6 500	6658	G2
TL17	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2017	Number of residential properties which are billed for sewerage	All	4 619	0	5950	0	5950	5 950	6044	G2
TL18	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June 2017	All	2 743	0	2750	0	2750	2 750	2881	G2

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
	billed for the service as at 30 June 2017										
TL19	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2017	Number of residential properties which are billed for refuse removal	All	6 419	0	6500	0	6500	6 500	6602	G2
TL20	Provide free basic water to indigent households as at 30 June 2017	Number of households receiving free basic water	All	1 940	0	2100	0	2100	2 100	2074	O
Corrective measures			This is a National Reporting KPI in terms of Regulation 796. The Municipality has no control over the amount of indigent households that will apply for the free services and therefore no corrective actions can be taken. The target will be adjusted in the next financial year								
TL21	Provide free basic sanitation to indigent households as at 30 June 2017	Number of households receiving free basic sanitation services	All	1 873	0	2100	0	2100	2 100	2036	O
Corrective measures			This is a National Reporting KPI in terms of Regulation 796. The Municipality has no control over the amount of indigent households that will apply for the free services and therefore no corrective actions can be taken. The target will be adjusted in the next financial year								
TL22	Provide free basic electricity to indigent households as at 30 June 2017	Number of households receiving free basic electricity	All	3 290	0	2100	0	2100	2 100	2633	G2
TL23	Provide free basic refuse removal to indigent households as at 30 June 2017	Number of households receiving free basic refuse removal services	All	1 956	0	2100	0	2100	2 100	2109	G2
TL24	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2017 [(Amount actually spent on capital projects/ Amount budgeted for capital projects)x100]	% of capital budget spent on capital projects	All	82.70%	0%	0%	0%	70%	70%	83%	G2

Table 56: Top Layer SDBIP - Provide Appropriate Services to All Households

vii) Top Layer SDBIP - Provide quality and sustainable municipal infrastructure

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						
					Target					Actual	R
					Q1	Q2	Q3	Q4	Annual		
TL6	Achieve a 70% average effluent quality for	% effluent quality	All	28%	70%	70%	70%	70%	70%	30.6%	R

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Previous Year Performance	Overall Performance 2016/2017						Actual	R
					Target							
					Q1	Q2	Q3	Q4	Annual			
	Colesberg by 30 June 2017											
Corrective measures			The Head of Department will check that all information is captured correctly									
TL9	90% spent of the approved budget for the upgrade of Norvalspont Sewer Network by 30 June 2017 {(Actual expenditure divided by the total approved project budget)x100}	% of total approved project budget spent	1	69%	15%	40%	60%	90%	90%	100%		R
TL10	40% spent of the approved budget for the retrofitting of street lights with energy saving technology by 30 June 2017 {(Actual expenditure divided by the total approved project budget)x100}	% of total approved project budget spent	All	53%	15%	40%	40%	40%	40%	37%		G2
Corrective measures			The Head of Department must ensure that the National Department of Energy approves the business plan earlier									
TL11	Achieve a 95% average drinking water quality as per SANS 241 criteria for all sampling points	% water quality level	All	72%	95%	95%	95%	95%	95%	84%		O
Corrective measures			Re-sampling after identifying the problem and correcting it									

Table 57: Top Layer SDBIP - Provide Quality and Sustainable Municipal Infrastructure

b) Service Provider Strategic Performance

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement. A service provider:

- ☞ means a person or institution or any combination of persons and institutions which provide to or for the benefit of the local community
- ☞ External service provider means an external mechanism referred to in Section 76(b) which provides a municipal service for a municipality

Chapter 3: Service Delivery Performance

- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in Section 76(b) in terms of which a municipal service is provided by that institution or person either for its own account or on behalf of the municipality

During the year under review the Municipality did not appoint any service providers who provided municipal services to or for the benefit of the local community on behalf of the municipality and therefore this report contains no such details. All other contract appointments are regularly monitored and ensured that the requirements of the contract are complied with.

3.2.2 Municipal Functions

a) Analysis of Functions

The municipal functional areas are as indicated below:

Municipal Function	Municipal Function Yes / No
Constitution Schedule 4 Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	Yes
Municipal planning	Yes
Municipal health services	No
Municipal public transport	Yes
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes
Pontoons ferries jetties piers and harbours excluding the regulation of international and national shipping and matters related thereto	No
Storm Water management systems in built-up areas	Yes
Trading regulations	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Constitution Schedule 5 Part B functions:	
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes

Municipal Function	Municipal Function Yes / No
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	Yes
Licensing and control of undertakings that sell food to the public	No
Local amenities	Yes
Local sport facilities	Yes
Markets	Yes
Municipal abattoirs	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	Yes
Public places	Yes
Refuse removal refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Table 58: Functional Areas

3.3 COMPONENT A: BASIC SERVICES




This component includes basic service delivery highlights and challenges, includes details of services provided for water, waste water (sanitation), electricity, waste management, housing services and a summary of free basic services.

3.3.1 Water Provision

a) Introduction to Water Services

The Constitution of the South Africa assigns the responsibility of ensuring access to water services to Local Government. Furthermore, the Water Services Act entrust the local municipality with provision of affordable, efficient, effective on-going water services which is sustainable.

The Water Section within the Technical Services Department of Umsobomvu Municipality is tasked and responsible for:

-  potable drinking water distribution
-  waste water collection and treatment
-  water quality management

Chapter 3: Service Delivery Performance

- ☀ water and sewer infrastructure maintenance and upgrade
- ☀ water conservation and demand management

Water provisioning is about providing quality water supply to consumers sustainably and affordable. There are seven pump stations working around the clock to pump water to four reservoirs. These pump stations forms part of municipal assets that must be maintained to function properly. There are 8 812 water connections in the Municipality requiring maintenance and pipe network totaling around 182 kilometers.

b) Highlights: Water Services

The table below specifies the highlights for the year:

Highlight	Description
Completion of Noupoot bulk water project	Upgrading of all bulk water pipe from the three water wells: Caroluspoort, Haartebeeshoek and Barredeel
Completion of Norvalspont bulk water project	Construction of new stainless-steel reservoir, abstraction point, refurbishment of existing WTW and 200 mm diameter pipeline
Upgrading of Van der Waltsfontein pump station	Installation of two new KSB multistage pumps, replacing asbestos with corrugated sheet and upgrading of MCC
Shifting water meters out of properties to road reserve or servitude: Colesberg	Moving of water meters to the municipal boundary
Replacement of asbestos pipe line with uPVC in Campbell street	Replace 75mm diameter asbestos pipe with uPVC pipe

Table 59: Water Services Highlights

c) Challenges: Water Services

The challenges that are experienced are as follows:

Description	Actions to address
High water loss in the network	Replaced some asbestos pipes with uPVC. Availability of water agent to help with meter reading, replacement and repairs
Old isolation valves in Noupoot	The valves to be replaced in 2017/18 financial year using WSIG funding
Calcium carbonate built up in the pipes: Noupoot	Currently the only solution is to keep the water network pressurised 24 hours and not allow air inside the water network
Lack of funds to complete 4.5 km of bulk water pipe line: Noupoot	Submission of MIG funding application to COGTA

Table 60: Water Services Challenges

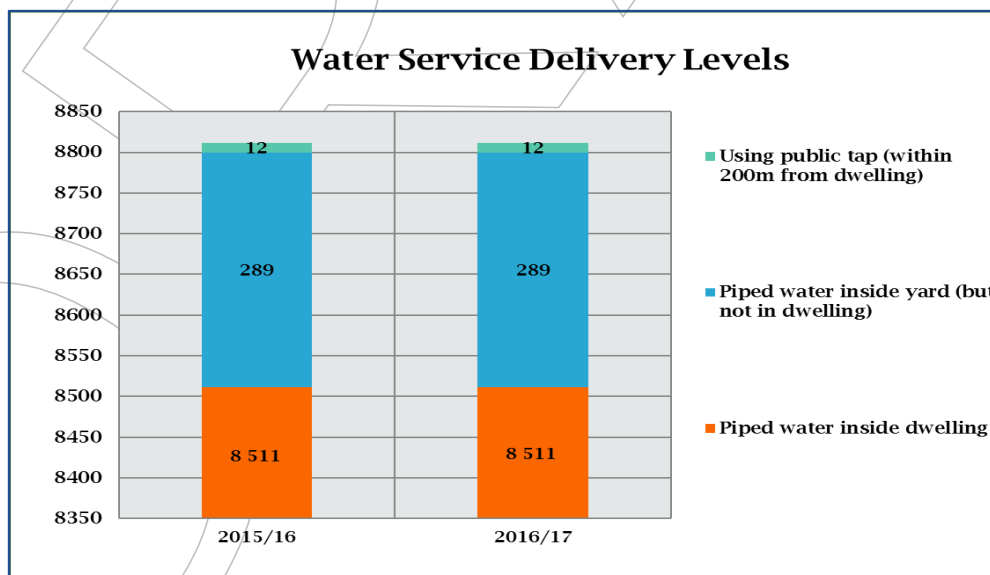
Chapter 3: Service Delivery Performance

d) Service Delivery Levels: Water Services

The table below specifies the different water service delivery levels per households for the financial years 2015/16 and 2016/17 in the areas in which the Municipality is responsible for the delivery of the service:

Households		
Description	2015/16	2016/17
	Actual	Actual
	No.	No.
<u>Water: (above min level)</u>		
Piped water inside dwelling	8 511	8 511
Piped water inside yard (but not in dwelling)	289	289
Using public tap (within 200m from dwelling)	12	12
Other water supply (within 200m)	0	0
Minimum Service Level and Above sub-total	8 812	8 812
Minimum Service Level and Above Percentage	100%	100%
<u>Water: (below min level)</u>		
Using public tap (more than 200m from dwelling)	0	0
Other water supply (more than 200m from dwelling)	0	0
No water supply	0	0
Below Minimum Service Level sub-total	0	0
Below Minimum Service Level Percentage	0%	0%
Total number of households	8 812	8 812
<i>Include informal settlements</i>		

Table 61: Water Service Delivery Levels: Households



Graph 5: Water Service Delivery levels

Chapter 3: Service Delivery Performance

e) Employees: Water Services

The following table indicates the staff composition for this division:

Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	3	3	3	0	0%
10 - 12	4	4	4	0	0%
13 - 15	13	13	13	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	20	20	20	0	0%

Table 62: Employees: Water Services

f) Capital: Water Services

The following table indicates the capital expenditure for this division:

Capital Project	2016/17			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Noupoort Water Supply Network	0	0	1 906 923	N/A
Norvalspont Bulk Water Supply	0	0	1 529 079	N/A

Table 63: Capital Expenditure 2016/17: Water Services

3.3.2 Waste Water (Sanitation) Provision

a) Introduction to Waste Water (Sanitation) Provision

The Waste Water Service is the only services with more technology in use in the Municipality. In Colesberg, the sewerage is treated by the use of activated sludge while in Noupoort and Norvalspont the treatment is done by oxidation ponds. The types of sanitation in Colesberg range from the bucket to the full flush water system.

Chapter 3: Service Delivery Performance

b) Highlights: Waste Water (Sanitation) Provision

The table below specifies the highlights for the year:

Highlight	Description
Completion of internal sewer network: Norvalspont	Upgrading sewer network from french drains to full waterborne

Table 64: Waste Water (Sanitation) Provision Highlights

c) Challenges: Waste Water (Sanitation) Provision

The challenges that are experienced are as follows:

- VIP toilets: Colesberg not emptied because of sewerage truck breaking
- Norvalspont clinic sewer connection not done
- Misuse of the Norvalspont pump station inlet
- Effluent quality in Colesberg Waste Water Treatment Works (WWTW)

d) Services Delivery levels: Waste Water (Sanitation) Provision

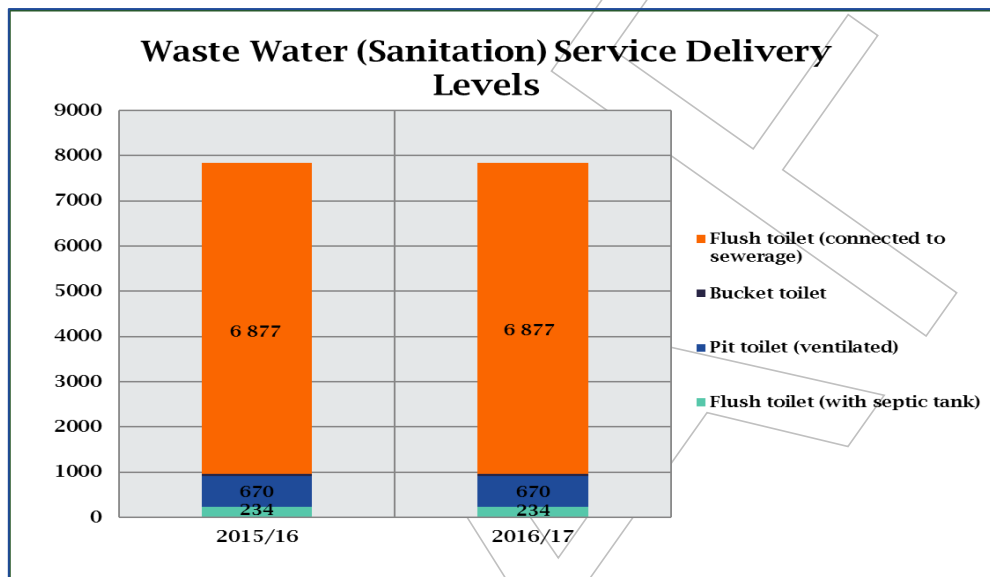
The table below specifies the different sanitation service delivery levels per households for the financial years 2015/16 and 2016/17 in the areas in which the Municipality is responsible for the delivery of the service:

Households		
Description	2015/16	2016/17
	Outcome	Actual
	No.	No.
<i>Sanitation/sewerage: (above minimum level)</i>		
Flush toilet (connected to sewerage)	6 877	6 877
Flush toilet (with septic tank)	234	234
Chemical toilet	0	0
Pit toilet (ventilated)	670	670
Other toilet provisions (above min.service level)	0	0
<i>Minimum Service Level and Above sub-total</i>	7 905	7 905
<i>Minimum Service Level and Above Percentage</i>	99.33%	99.33%
<i>Sanitation/sewerage: (below minimum level)</i>		
Bucket toilet	51	51
Other toilet provisions (below min.service level)	0	0
No toilet provisions	0	0
<i>Below Minimum Service Level sub-total</i>	51	51

Chapter 3: Service Delivery Performance

Households		
Description	2015/16	2016/17
	Outcome	Actual
	No.	No.
<i>Below Minimum Service Level Percentage</i>	0.64%	0.64%
Total households	7 958	7 958
<i>Including informal settlements</i>		

Table 65: Waste Water (Sanitation) Provision Service Delivery Levels



Graph 6: Sanitation/Sewerage Service Delivery Levels

e) Employees: Waste Water (Sanitation) Provision

The following table indicates the staff composition for this division:

Job Level	2015/16		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	1	1	1	0	0%
7 - 9	4	4	4	0	0%
10 - 12	2	2	2	0	0%
13 - 15	10	13	10	3	23.07%
16 - 18	0		0	0	0%
19 - 20	0		0	0	0%
Total	18	21	18	3	14.3%

Table 66: Employees Waste Water (Sanitation) Provision

Chapter 3: Service Delivery Performance

f) Capital: Waste Water (Sanitation) Provision

The following table indicates the capital expenditure for this division:

Capital Project	2016/17			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Norvalspont Sewer Network	0	0	5 656 696	N/A

Table 67: Capital Expenditure 2016/17: Waste Water (Sanitation) Provision

3.3.3 Electricity

a) Introduction to Electricity

The Municipality is the electricity service authority in Colesberg, Lowryville, Towervallei, New Ouboks and Noupoort. Areas within the municipal boundary not mentioned above, fall under Eskom's area of supply. Eskom covers almost 60% of the households in the Municipality while the Municipality supply only 40%. The main key performance indicators during the financial year are spot checks, reduction of electricity losses, implementation of the Energy Efficiency and Demand Side Management (EEDSM), network maintenance and upgrading of Noupoort electrical network.

The Municipality, as the license holder, must adhere to certain standards. During the request for power supply, the quotation should be supplied within 10 working days where the infrastructure exists and can be used. Where the infrastructure extension is required, the quotation should be supplied within 1 month. During the 2016/17 financial year the connection for a new business, where the extension of the network was required, were provided for and 100% of other quotations were met.

b) Highlights: Electricity

The challenges that are experienced are as follows:

Highlights	Description
Implementation of EEDSM 2016/17: second phase	Phase 2 of the EEDSM implementation progressed well with final retrofitting of high mast lighting and the introduction of online data management of major electrical installations
Noupoort network being nominated by the Department of Energy (DoE) for funding	Noupoort electrical network is currently obsolete. Part of the funding was received to start with the upgrade of the 6.6 kilovolt (kV) power supply to 22 kV
Upgrade of connections at Platberg: Vodacom/Sentech	Power supply to the tower upgraded from 100 kilovolt-ampere (kVa) to 150kVa with breaker sizes of 150 ampere (A) and 100A each
Procurement of re-closer	The Municipality installed an automatic breaker on the megavolt (MV) line next to the Eskom substation

Chapter 3: Service Delivery Performance

Highlights	Description
Procurement of 4 MV bulk metering	4 MV bulk meters will be installed in Colesberg to measure areas such as Towervallei, New Ouboks, Louwryville and remainder of the town

Table 68: Electricity Challenges

c) Challenges: Electricity

The challenges that are experienced are as follows:

Description	Actions to address
The need for a crane truck	To source the necessary funding
Dark spots in the Eskom supply areas	To source the necessary funding to allow additional installation of street lighting
Electricity theft: Noupoot	Conduct once-off inspections of all households
The power supply interruption in New Ouboks when windy	Investigate the root cause of the problem
MV line supplying Platberg, Coleskop, Palmietfontein, Telkom Tower Noupoot, Waterval and Altever farms	In Noupoot, the farm lines will be covered during the project implementation if funding is sufficient. Funding to be outsourced either through loans or in-kind from sector departments

Table 69: Electricity Challenges

d) Service Delivery Levels: Electricity

The table below specifies the different electricity service delivery levels per households for the financial years 2015/16 and 2016/17 in the areas in which the Municipality is responsible for the delivery of the service:

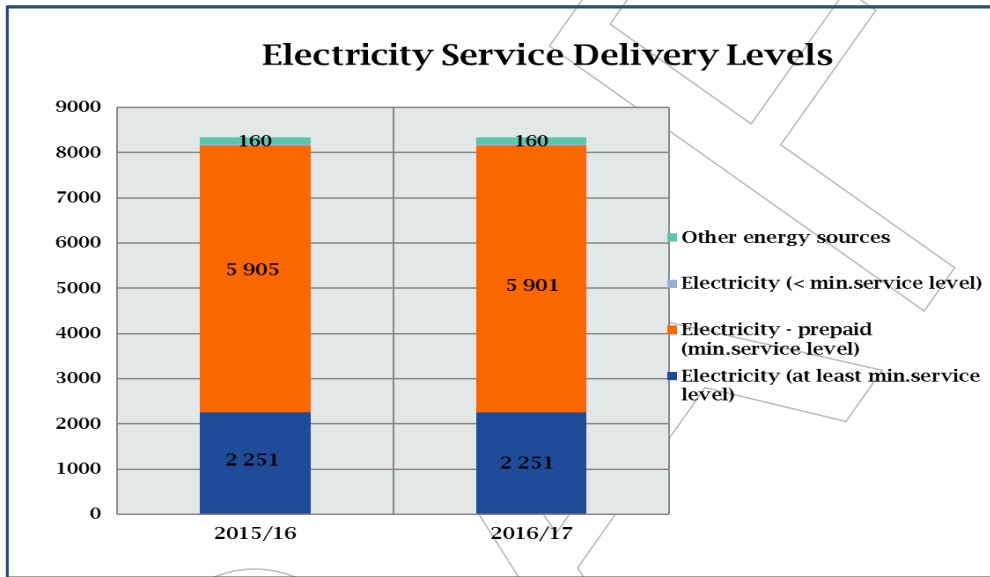
Households		
Description	2015/16	2016/17
	Actual	Actual
	No.	No.
Energy: (above minimum level)		
Electricity (at least min.service level)	2 251	2 251
Electricity - prepaid (min.service level)	5 905	5 901
Minimum Service Level and Above sub-total	8 156	8 152
Minimum Service Level and Above Percentage	97.78%	97.73%
Energy: (below minimum level)		
Electricity (< min.service level)	25	29
Electricity - prepaid (< min. service level)	0	0
Other energy sources	160	160
Below Minimum Service Level sub-total	185	189
Below Minimum Service Level Percentage	2.22%	2.27%

Chapter 3: Service Delivery Performance

Households		
Description	2015/16	2016/17
	Actual	Actual
	No.	No.
Total number of households	8 341	8 341

Table 70: Electricity Service Delivery Levels

Four households were disconnected from the network during the financial year due to electricity theft by bypassing the meter.



Graph 7: Electricity Service Delivery Levels

Chapter 3: Service Delivery Performance

e) Employees: Electricity

The following table indicates the staff composition for this division:

Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0		0	0	0%
4 - 6	2	2	2	0	0%
7 - 9	2	2	2	0	0%
10 - 12	0	0	0	0	0%
13 - 15	2	2	2	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	6	6	6	0	0%

Table 71: Employees: Electricity

f) Capital: Electricity

The following table indicates the capital expenditure for this division:

Capital Project	2016/17			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Retrofitting Lights in buildings	8 000 000	11 300 000	6 153 708	(23.08%)
Electricity Ouboks Phase 3	2 500 000	2 500 000	37 988	(98.48%)

Table 72: Capital Expenditure 2016/17: Electricity

3.3.4 Waste Management (Refuse Collections, Waste Disposal, Street Cleaning and Recycling)

a) Introduction to Waste Management

Section 84(1)(e) of the Municipal Structures Act (Act 117 of 1998) mandate the Waste Management Department of the Umsobomvu Municipality to make provision for the disposal of waste which includes:

- determining and implementing its waste management strategy i.e. refuse collection, waste recycling, transportation, disposal etc
- regulating the disposal of waste within its area of jurisdiction
- establishing, operating and controlling waste disposal facilities including waste transfer station

Chapter 3: Service Delivery Performance

In order to achieve its legislative mandate, the section is subdivided into the following functional sub-units, namely:

- 🗑️ refuse removal services
- 🗑️ street cleaning & litter-picking
- 🗑️ illegal dumping removal
- 🗑️ waste minimization
- 🗑️ landfill operations and management of sub-units

The Municipality in terms of the Constitution is the authority in providing solid waste services. The service is not rendered to farmers, but only to households within the municipal area. Solid waste is collected from households on a weekly basis and buried at the land fill site. There are currently three land fill sites of which two are licensed.

b) Highlights: Waste Management

The table below specify the highlight for the year:

Highlight	Description
The targeted monthly cycles are being met	Ongoing

Table 73: Waste Management Highlights

c) Challenges: Waste Management

The challenges that are experienced are as follows:

Description	Actions to address
Refuse truck breakdowns experienced during the year with	The trucks have been fixed. The truck from Noupoort was used during maintenance of the truck used for Colesberg
Landfill sites are not managed properly	Apply for funding for personnel and equipment to run the landfill sites effectively

Table 74: Waste Management Challenges

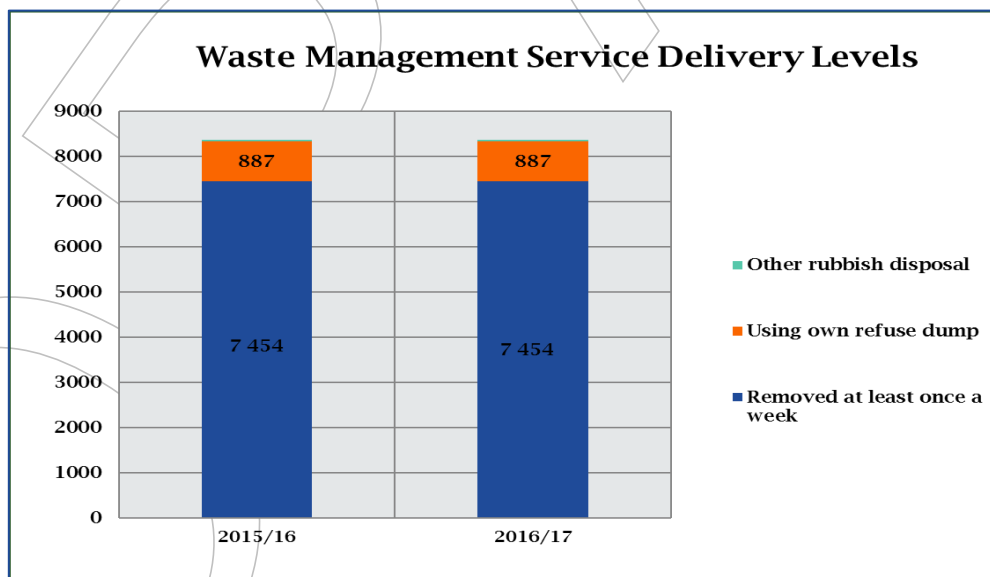
Chapter 3: Service Delivery Performance

d) Service Delivery Levels: Waste Management

The table below specifies the different refuse removal service delivery levels per households for the financial years 2015/16 and 2016/17 in the areas in which the Municipality is responsible for the delivery of the service:

Description	Households	
	2015/16	2016/17
	Actual	Actual
	No.	No.
<i>Solid Waste Removal: (Minimum level)</i>		
Removed at least once a week	7 454	7 454
<i>Minimum Service Level and Above sub-total</i>	7 454	7 454
<i>Minimum Service Level and Above percentage</i>	87.8%	87.8%
<i>Solid Waste Removal: (Below minimum level)</i>		
Removed less frequently than once a week	0	0
Using communal refuse dump	0	0
Using own refuse dump	887	887
Other rubbish disposal	30	30
No rubbish disposal	120	120
<i>Below Minimum Service Level sub-total</i>	1 027	1 027
<i>Below Minimum Service Level percentage</i>	12.2%	12.2%
Total number of households	8 491	8 491

Table 75: Waste Management Service Delivery Levels



Graph 8: Waste Management Service Delivery Levels

Chapter 3: Service Delivery Performance

e) Employees: Waste Management

The following table indicates the staff composition for this division:

Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	2	2	2	0	0%
10 - 12	0	0	0	0	0%
13 - 15	16	21	16	5	23.8%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	15	23	18	5	21.7%

Table 76: Employees: Waste Management

3.3.5 Housing

a) Introduction to Housing

The Housing and Property Administration Section of the Umsobomvu Local Municipality is entrusted with overseeing facilitation of integrated human settlements, management of Council owned property, management of informal settlements and ensuring security of tenure through issuing of title deeds.

The following housing programmes are currently being prioritised by the Umsobomvu Local Municipality:

- 🏠 sustainable human settlements
- 🏠 formalisation of informal settlements
- 🏠 essential services/consolidation
- 🏠 urban renewal
- 🏠 social housing
- 🏠 land reform projects
- 🏠 rural development
- 🏠 capturing of beneficiaries on the National Housing Needs Register (NHNR)
- 🏠 transferring of pre 1994 houses

The Municipality's housing initiatives are aligned with the provincial agenda which is based on the Sustainable Human Settlement Plan adopted by National Government in 2004. The plan has the following objectives:

Chapter 3: Service Delivery Performance

- Progressive informal settlement upgrading: This ranges from the provision of basic services to the development of formal housing. The main focus of this programme is on in situ upgrading. (Ouboks In-Situ Upgrading Programme)
- Promoting densification and integration: Preventing urban sprawl by locating housing within the urban core
- Enhancing the location of new housing projects: Well-located land owned by the Municipality will be identified for housing
- Urban renewal programmes e.g Ouboks Informal Settlement Upgrading Projects (ISUP)
- Developing social and economic infrastructure: This intervention is aimed at facilitating the provision of community facilities such as crèches, community halls, taxi ranks, hawkker stalls, etc
- Promoting rental housing: after 1994 the development of public rental stock was not regarded as a high priority for government. The directorate has discovered that there are people who come to the Umsobomvu municipal area to work who are not interested in home ownership

b) Highlights: Housing

The table below specifies the highlights for the year:

Highlights	Description
Noupoort 164 housing project	Noupoort 164 is the Tjoksville project and currently 25 houses are being built under this project
Noupoort 100 housing project	Noupoort 100 is an old project that is being finalised. There are 57 houses completed and currently there are 12 houses built in addition to the 57

Table 77: Housing Highlights

c) Challenges: Housing

The challenges that are experienced are as follows:

Description	Actions to address
Ou Boks project has not been active for the past 3 years and is administered by the District Municipality.	A meeting with the Head of the Department (HOD) of the District Municipality was held and from that a decision was made that the HOD will decide the future of the project
Vandalised houses where the owners are nowhere to be found	Track down the owners and contact the Department of Housing to look into the matter as well

Table 78: Housing Challenges

Chapter 3: Service Delivery Performance

d) Services Delivery Levels: Housing

The table below indicates the service statics for the division:

Number of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in informal settlements	Percentage of HHs in informal settlements
2015/16	4 902	129	2.62
2016/17	4 939	142	2.95

Table 79: Households with Access to Basic Housing

The following table shows the decrease in the number of people on the housing waiting list. There are currently approximately 1 689 housing units on the waiting list.

Financial year	Number of housing units on waiting list	% Housing waiting list increase/(decrease)
2015/16	1 726	20.28
2016/17	1 689	18.50

Table 80: Housing Waiting List

The table below indicates the number of houses built and sites serviced:

Financial year	Allocation	Amount spent	% spent	Number of houses built	Number of sites serviced
	R'000	R'000			
2015/16	4 435	4 435	100	33	33
2016/17	4 850	2 300	50	37 (project in progress)	264

Table 81: Houses Built and Sites Serviced

The table below indicates the statistical indicators on housing service delivery for 2016/17:

Description	2016/17
Number of households living in informal settlement	333
Number of hectares of land already acquired and suitable for human settlement development	0
Number of households living in informal areas receiving water services	333
Number of households living in informal areas receiving sewerage services	49
Number of households living in informal areas with access to refuse removal	333
Number of hectares of land procured and suitable for greenfield development	0
Number of hectares of land procured and suitable for brownfield development	0

Chapter 3: Service Delivery Performance

Description	2016/17
Number of hectares of land proclaimed (township establishment completed)	0
Number of dwelling units developed per hectore	0
Percentage density reduction in total informal settlement	
Number of informal settlement targeted for upgrading	105
Number of households living in informal settlement targeted for upgrading	105
Number of informal settlement targeted for upgrading with upgrading plans	2
Number of informal settlement upgraded (services provided): In Situ	0
Number of informal settlement targeted for formalization (services provided): relocated	2
Number of households living in informal backyard rental agreement	710
Number of sited serviced	269
Number of title deeds transferred to eligible beneficiaries	0
Number of libraries to be developed/upgrade development	1
Number of museums/theatre and art galleries to be developed/upgraded	0

Table 82: Statistical Indicators on Housing Service Delivery

3.3.6 Free Basic Services and Indigent Support

a) Introduction

Indigent applications are processed annually but new applications are assessed and updated monthly. The indigent register was reconciled with the financial system (Abakus) and the Pre-paid Electricity System. Credit Control officials are continuously updating indigent households (IHH) on the Pre-paid Electricity System.

New indigent household applications were processed and approved, so that these households received their levied free basic services (FBS) during the month. Indigent households will receive their FBS on the first of the month following the approval of their applications.

The table indicates the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than **R2 000** per month will receive the free basic services as prescribed by national policy.

Chapter 3: Service Delivery Performance

The tables, furthermore, indicates the total number of indigent households and other households that received free basic services in the past two financial years:

Financial year	Number of households								
	Total no of HH	Free Basic Electricity		Free Basic Water		Free Basic Sanitation		Free Basic Refuse Removal	
		No. Access	%	No. Access	%	No. Access	%	No. Access	%
2015/16	2 531	2 531	100	2 531	100	2 531	100	2 531	100
2016/17	2 633	2 633	100	2 631	100	2 633	100	2 633	100

Table 83: Free Basic Services to Indigent Households

Electricity			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2015/16	2 531	50	1 296
2016/17	2 633	50	1 619

**Figures as at 30 June*

Table 84: Free Basic Electricity Services to Indigent Households

Water			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2015/16	2 531	6	2 048
2016/17	2 633	6	2 258

**Figures as at 30 June*

Table 85: Free Basic Water Services to Indigent Households

Sanitation			
Financial year	Indigent Households		
	No. of HH	Unit per HH (kwh)	Value
			R'000
2015/16	2 531	92.68	3 209
2016/17	2 633	104.13	3 751

**Figures as at 30 June*

Table 86: Free Basic Sanitation Services to Indigent Households

Refuse Removal			
Financial year	Indigent Households		
	No. of HH	Unit per HH	Value
			R'000
2015/16	2 531	71.44	2 473
2016/17	2 633	72.98	2 629
<i>*Figures as at 30 June</i>			

Table 87: Free Basic Refuse Removal Services to Indigent Households

3.4 COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (stormwater drainage).

3.4.1 Roads

a) Introduction to Roads

The core function of the roads section is:

- 🛠 re-gravelling and blading of the unpaved roads/streets
- 🛠 construction, maintenance and rehabilitation of roads/streets
- 🛠 installing and upgrading of stormwater
- 🛠 maintenance of surfaced and un-surfaced roads/streets in general

The main challenges faced are the ageing infrastructure and the inadequate budget for both capital projects and the maintenance of existing infrastructure.

The roads section also handles:

- 🛠 the maintenance of road infrastructure, both gravel and surface, within the Municipality
- 🛠 cleaning of stormwater channels and opening of the inlets
- 🛠 reconstruction of damaged inlets and constructing new stormwater where needed

b) Highlights: Roads

The table below specifies the highlights for the year:

Highlights	Description
Upgrading of New Ouboks arterial	Upgrading of gravel street to concrete block paved
Re-gravelling 11 km of streets	Exceeding the re-gravelling target by 1 km
Blading 41 km of streets	Exceeding the blading target by 1 km

Table 88: Roads Highlights

Chapter 3: Service Delivery Performance

b) Challenges: Roads

The challenges that are experienced are as follows:

Description	Actions to address
Old roads deteriorating rapidly	Optimize by slurry and continue maintaining the roads
Heavy vehicle loads entering our road network	Erect height restriction elements to limit heavy vehicles from entering the road network

Table 89: Roads Challenges

c) Services Delivery Levels: Roads

The tables below indicate the service statics for the division:

Gravel Road Infrastructure: Kilometres				
Year	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
2015/16	37.263	0	4.75	32.51
2016/17	53.46	0	0.6	52.86

Table 90: Gravel Roads Infrastructure

Tarred Road Infrastructure: Kilometres					
Year	Total tarred roads	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
2015/16	28.52	4.75	0	0	33.27
2016/17	28.52	0	0	0	28.52

Table 91: Tarred Road Infrastructure

The table below shows the costs involved for the maintenance and construction of roads within the municipal area:

Financial year	New & Replacements	Resealed	Maintained
	R'000		
2015/16	10 936	0	16 272
2016/17	973	0	15 516

The cost for maintenance include stormwater

Table 92: Cost of Construction/Maintenance of Roads

Chapter 3: Service Delivery Performance

d) Employees: Roads

The following table indicates the staff composition for this division:

Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	0	0	0	0	0%
7 - 9	7	7	7	0	0%
10 - 12	0	0	0	0	0%
13 - 15	15	20	15	5	25%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	23	28	23	5	17.9%

Table 93: Employees: Roads

e) Capital: Roads

The following table indicates the capital expenditure for this division:

Capital Project	2016/17			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Ouboks Gravel to Pave street	16 590 800	14 890 800	2 313 439	(86.06%)
Voortrekker Street Noupoot	1 000 000	1 000 000	946 966	(5.30%)

Table 94: Capital Expenditure 2016/17: Roads

3.4.2 Waste Water (Stormwater)

a) Introduction to Waste Water (Stormwater)

It is common practice to provide a formal drainage system of pipes or channels to convey stormwater away from erven and streets and to discharge this water into natural watercourses. The stormwater system must be cleaned and maintained on a regular basis to ensure a proper working drainage system.

b) Challenges: Waste Water (Stormwater)

The challenges that are experienced are as follows:

Description	Actions to address
Access to old stormwater infrastructure	Unblock critical stormwater kerb inlet (kI) using sewer jet machine

Chapter 3: Service Delivery Performance

Description	Actions to address
Vegetation in natural water courses: Colesberg	To use community public programme workers

Table 95: Waste Water (Stormwater) Challenges

c) Services Delivery Statistics: Waste Water (Stormwater)

The table below shows the total kilometers of stormwater system maintained and upgraded as well as the kilometers of new stormwater pipes installed:

Stormwater Infrastructure: Kilometres			
Year	New stormwater measures	Stormwater measures upgraded	Stormwater measures maintained
2015/16	4	0	49 (inlets)
2016/17	2	0	11 (inlets)

Table 96: Stormwater Infrastructure

3.5 COMPONENT C: PLANNING AND LOCAL ECONOMIC DEVELOPMENT

3.5.1 Planning

a) Introduction to Planning

The Town Planning Section renders a strategic spatial planning and economic area regeneration program for the Municipality with its focus on the following development aspects as part of its key performance area:

- Development of a Spatial Planning and Land Use By-Law in terms of the approved Spatial Planning and Land Use Act (SPLUMA)
- Land Use Scheme where the Municipality is compiling a new land use scheme to incorporate all areas into one scheme as part of an updated Land Use Management System
- Development facilitation which facilitates and encourage residential, business and industrial development

The Planning section also handles the building control function, which includes regulation of all building control activities within the municipal area of jurisdiction, undertaking of inspections for new buildings, alteration and drainage inspections.

b) Highlights: Planning

The table below specify the highlight for the year:

Highlights	Description
Implementation of the District Municipal Planning Tribunal	The District Municipal Planning Tribunal was formally launched in the 2016/17 financial year and all land use change applications are now submitted to the Tribunal

Chapter 3: Service Delivery Performance

Highlights	Description
	whereas previously local councils considered land use applications

Table 97: Planning Highlights

c) Challenges: Planning

The challenges that are experienced is as follows:

Description	Actions to address
Encroachment	Law enforcement and community awareness programmes will be used to inform the community of the correct procedures
Building without plans	

Table 98: Planning Challenges

c) Statistics: Planning

The table below indicates the service statics for the division:

Type of service	2015/16	2016/17
Building plans application processed	33	22
Total surface (m ²)	5 652	2 736
Residential extensions	1 195	2 106
Business extensions	4 457	630
Land use applications processed	1	2

Table 99: Additional Performance Town Planning and Building Control

d) Employees: Planning

The following table indicates the staff composition for this division:

Job Level	2015/16		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	1	1	1	0	0%

Table 100: Employees: Planning

Chapter 3: Service Delivery Performance

3.5.2 Local Economic Development (Including Tourism and Market Places)

a) Introduction to Local Economic Development (LED)

The economy of Umsobomvu Local Municipality relies to a great extent on the performance of agriculture, trade, financial services, hospitality industry and transport. Sectors that can provide future growth include:

- 🌱 **Construction** - Infrastructure investment by government in terms of transport and electricity, as well as the provision of houses and services to rural areas are the main potential for local residents to benefit
- 🌱 **Trade** - An important sector that is currently showing signs of improvement in the economy of Umsobomvu and pro-active measures have to be implemented in order to retain the stability and future growth of the sector
- 🌱 **Transport and business & financial services** - These essential service providers are becoming increasingly important for this service orientated economy
- 🌱 **Tourism** - This sector's influence spans over a multitude of economic sectors and has a significantly important multiplier effect
- 🌱 **Agriculture** - This sector has a comparative advantage, as well as the potential to expand into more niche markets like essential oils, aquaculture and horticulture

Sectoral Employment

The recent growth in the South African economy has direct implications for formal employment levels. While informal or second economy employment also plays an important role in providing access to household income, accurate data only exists for the trends in the formal employment levels.

b) Highlights: LED

The table below specify the highlight for the year:

Highlights	Description
Alienation of Erf 1728 to a business person	Develop and start a truck stop which will contribute to the growth of our local economy and job creation

Table 101: LED Highlights

c) Challenges: LED

The challenge that is experienced is as follow:

Description	Actions to address challenges
Employment of a permanent person in this unit	The position will be advertised and filled

Table 102: Challenges LED

Chapter 3: Service Delivery Performance

d) LED Strategy

LED includes all activities associated with economic development initiatives:

Objectives	Strategies
Defining LED in the context of Umsobomvu Local Municipality	<p>Pillars of our strategy:</p> <ul style="list-style-type: none"> 🌾 Agriculture and agro-processing - increase and diversify local farming activities and production 🏠 Enterprise development: business development and networking 🏢 Small, Medium and Micro-sized Enterprises (SMMEs) & entrepreneurial support 🏞️ Tourism development - tourism marketing and development <ul style="list-style-type: none"> 🌳 Improve tourism profile 🏗️ Infrastructure & industrial development - mining and mineral beneficiation
To develop an LED Development Framework and Strategy for the Municipality	
Broadly accessing the provision for LED within the municipal area and more specifically, the institutional infrastructure and programmes available to implement LED initiatives	
Broadly identifying economic opportunities across the municipal area	
A proposed implementation plan to address gaps and solutions that contribute to a more coherent and coordinated LED approach	

Table 103: LED Objectives and Strategies

e) Job Creation: Expanded Public Works Programme (EPWP)

Within a limited budget for LED projects and one official to assist with LED implementation the following initiatives have been initiated in the municipal area:

Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2015/16	1	25
2016/17	1	48

Table 104: Job Creation Through EPWP Projects

3.6 COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.6.1 Libraries and Museums

a) Introduction to Libraries and Museums

The Libraries Section focus on the following areas:

- 🏠 to provide accelerated, effective, efficient, quality social development services for the community of Umsobomvu through sport, recreation, arts and culture and library and information programs
- 🏠 to ensure the community have access to information as prescribed by the South African Constitution
- 🏠 to promote employment equity and skills development

Chapter 3: Service Delivery Performance

- to position libraries as centres for the dissemination of information and knowledge
- to position libraries as places where people from all backgrounds can find each other (promoting social cohesion)

The Museum Section focus on the following areas:

- to accommodate visiting school groups
- to develop shared understandings
- introducing students to original works of art
- providing museum tour exhibitions
- offering visitors to the museum's website additional ways to interact with the museum and its collections
- using social media to promote the museum and its events and investigate the development of applications for smartphone devices that allows for virtual tours of exhibitions

The museum in Colesberg is quite a popular destination for tourists looking for information on establishment and rich history of the region, especially the displays on the Khoisan, Karretjie People and the Anglo Boer War.

b) Highlights: Libraries and Museums

The table below specifies the highlight for the year:

Highlight	Description
Renovation of two libraries in Noupoort and Colesberg	Two libraries have been renovated

Table 105: Libraries and Museums Highlights

c) Challenges: Libraries and Museums

The challenge that is experienced is as follow:

Description	Actions to address
Vacant position of a Librarian in Mongezi Juda Library	Acting Librarian was appointed to assist

Table 106: Libraries and Museums Challenges

d) Service Statistics for Libraries and Museums

The table below indicates the service statics for the division:

Type of service	2015/16	2016/17
Number of libraries	3	3
Library members	6 222	8 310
Books circulated	10 8000	11 415
Exhibitions held	2	4

Chapter 3: Service Delivery Performance

Type of service	2015/16	2016/17
Internet users	10 800	14 602
New library service points or wheelie wagons	2	2
Children programmes	26	29
Visits by school groups	1 600	2 100
Book group meetings for adults.	5	8
Researches by school children and adults	162	215
Calendar year programmes for communities	24	30
Visits to museum by school children	27	34
Visits to museum by tourists	21	23

Table 107: Service Statistics for Libraries and Museums

e) Employees: Libraries and Museums

The following table indicates the staff composition for this division:

Job Level	2015/16		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	0	0%
7 - 9	0	0	0	0	0%
10 - 12	1	1	1	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	2	2	2	0	0%

Table 108: Employees: Libraries and Museums

Chapter 3: Service Delivery Performance

3.6.2 Cemeteries

a) Introduction to Cemeteries

The Community Development Section is the custodian for cemetery management within the Municipality. The section provides burial services and cemetery maintenance. The department manages and maintains twelve municipal owned cemeteries within the municipal boundaries. Out of the twelve cemeteries, only five cemeteries are still active and the rest are passive. The passive cemeteries are currently maintained on a needs basis. The Municipality is currently faced with a challenge of shortage of burial space and the Colesberg and Kwazamuxolo cemeteries are already running out of space for new burials.

b) Highlights: Cemeteries

The table below specify the highlight for the year:

Highlights	Description
Purchase of erf 2 064 in Colesberg to extend cemeteries	Erf 2 064 has been bought to extend cemeteries as the current one is at full capacity

Table 109: Cemeteries Highlights

c) Challenges: Cemeteries

The challenges that are experienced are as follows:

Description	Actions to address
Colesberg cemetery: Lack of land to open new cemeteries as the current one is left with a life span of two years or less. Current open land available is either too rocky or has been identified for human settlement	Soil testing in various open land of the Municipality
Noupoort & Norvalspont cemeteries: Installation of water and ablution facilities at the new cemeteries	Engage Technical Service Department to assist with installation

Table 110: Cemeteries Challenges

d) Service Statistics for Cemeteries

The table below indicate the service static for the division:

Type of service	2015/16	2016/17
Burials	223	201

Table 111: Service Statistics for Cemeteries

Chapter 3: Service Delivery Performance

3.6.3 Child Care, Aged Care and Social Programmes

a) Introduction to Child Care, Aged Care and Social Programmes

The Special Development Section in the Mayor's Office focuses mainly on community awareness and outreach programmes. The section focus on promotion of social wellness and implementation of programmes to prevent social illness.

Three main priority service delivery

- Poverty alleviation programme, implement training programme and substance abuse programme
- Implementation of training programmes
- The social, children, woman, disability and elderly programmes

Child and aged care are predominantly run by private institutions with government subsidies. HIV/AIDS, woman and youth programmes are initiated by the Municipality through the Office of the Mayor. This includes:

- social programmes
- elderly programmes
- children's programmes
- HIV/AIDS: Door-to-door educational programme
- health programmes
- 16 days of Activism and awareness on World Aids Day

3.7 COMPONENT E: SECURITY AND SAFETY

This component includes: Traffic, Law Enforcement, Fire and Disaster Management

3.7.1 Public Safety

a) Introduction to Public Safety

Roads in Umsobomvu are becoming safer and this has been confirmed by many motorists from other parts of the province using our route. In partnership with the South African Police Service and community members through community policing forums, crime was reduced. Umsobomvu Municipality has successfully conducted arrive alive campaigns during the December holidays. In addition to this campaign, the Municipality offers to do roadworthy checks free of charge during December for vehicle owners who go on holiday.

Zero-tolerance approach towards transgressors of laws

In reducing the rate of accidents on our roads, the Municipality has replaced road signs, erected speed humps in various communities and re-painted road marks.

Chapter 3: Service Delivery Performance

In promotion of legal trading and enforcement of our by-laws, the Municipality has issued trading licenses to hawkers and are in a process of identifying adequate space for trading.

b) Highlights: Public Safety

The table below specifies the highlight for the year:

Highlights	Description
Speed variation project	Speed project that brings revenue to the Municipality
Visible policing	Traffic officers enforcing law to local drivers and issuing fines
Law enforcement	Road blocks in and around the Municipality

Table 112: Public Safety Highlights

c) Challenges: Public Safety

The challenge that is experienced is as follow:

Challenges	Actions to overcome
Shortage of traffic vehicles	Budget for traffic vehicles

Table 113: Public Safety Challenges

d) Service statistics for Public Safety

The table below indicates the service statics for the division:

Details	2015/16	2016/17
Motor vehicle licenses processed	4 463	4 908
Learner driver licenses processed	1 134	1 071
Driver licenses processed	1 514	125
Driver licenses issued	125	125
Fines issued for traffic offenses (number)	1 231	1 330
Operational call-outs	3	7
Roadblocks held	13	9
Complaints attended to by Traffic Officers	36	51
Awareness initiatives on public safety	3	4
Operational call-outs: Fire Services	75	56
Awareness initiatives on fire safety	2	0
Reservists and volunteers trained on fire fighting	10	0

Table 114: Additional Performance Service Statistics for Public Safety

Chapter 3: Service Delivery Performance

e) Employees: Public Safety

The following table indicates the staff composition for this division:

Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	8	9	9	1	11.1%
7 - 9	1	1	1	0	0%
10 - 12	0		0	0	0%
13 - 15	1	1	1	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	10	11	11	1	9.1%

Table 115: Employees: Public Safety

3.8 COMPONENT F: SPORT AND RECREATION

3.8.1 Sport and Recreation

a) Highlights: Sport and Recreation

The table below specify the highlight for the year:

Highlight	Description
Hosting of major programmes at the stadium	Conferences and sport tournaments were held during the 2016/17 financial year

Table 116: Sport and Recreation Highlight

b) Challenges: Sport and Recreation

The challenge that is experienced is as follow:

Description	Actions to address
Upgrading of ward 6,4 and 2 sportfields	Application to lotto for funding to use for upgrade s

Table 117: Sport and Recreation Challenges

Chapter 3: Service Delivery Performance

c) Service statistics for Sport and Recreation

The table below indicates the service statics for the division:

Type of service	2015/16	2016/17
Community parks		
Number of parks with play park equipment	0	0
Number of wards with community parks	3	3
Sportfields		
Number of wards with sport fields	4	4
Number of sport associations utilizing sport fields	3	3
Sport halls		
Number of wards with sport halls	2	2

Table 118: Additional Performance Information for Sport and Recreation

d) Employees: Sport and Recreation

The following table indicates the staff composition for this division:

Employees: Sport and Recreation					
Post Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	1	1	1	0	0%
10 - 12	0	0	0	0	0%
13 - 15	3	5	3	2	40%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	4	6	4	2	33.33%

Table 119: Sport and Recreation

Chapter 3: Service Delivery Performance

e) Capital: Sport and Recreation

The following table indicates the capital expenditure for this division:

Capital Project	2016/17			
	Budget	Adjustment Budget	Actual Expenditure (R)	Variance from original budget Total Project Value
Upgrade Sport stadium Noupoot	0	0	4 690 515	N/A

Table 120: Capital Expenditure 2016/17: Roads

3.9 COMPONENT G: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: Executive and Council; Financial Services; Human Resource Services; ICT Services; Legal Services; And Procurement Services.

3.9.1 Executive and Council

This component includes: Executive office (mayor, councillors and municipal manager).

Umsobomvu Municipality is committed to the development of a culture of community participation. The Municipality encourages and creates conditions for the local community to participate in the affairs of the Municipality through the following processes:

- The preparation, implementation and review of its IDP
- The establishment, implementation and review of its performance management system
- Determination, consideration and adoption of by-laws
- The monitoring and review of its performance, including the outcome and impact of such performance
- The preparation of its budget
- Strategic decisions relating to the provision of services

a) Highlights: Executive and Council

The table below specifies the highlights for the year:

Highlights	Description
Regular council meetings were held	Council met its legislative requirement by meeting quarterly and had a quorum at each meeting. Thus, Council was able to resolve on all issues contained in the agendas. Attendance figures of councillors are in the region of 98%
Ward committees established in all wards	Ward committees were established in all wards following the 2016 local government elections. Members serving on the committee were elected from all recognised structures in the communities

Chapter 3: Service Delivery Performance

Highlights	Description
Functionality of ward committees	All wards are functional and attendance is ensured by making meetings compulsory to receive the ward committee stipend

Table 121: Executive and Council Highlights

b) Challenges: Executive and Council

The challenges that are experienced are as follows:

Description	Actions to address
Skills in local government matters	Skills of councillors were addressed by means of various actions, i.e. induction training, making strategic documents available to councillors, training on policies and by-laws and coaching and mentoring
Skills of employees	Skills of employees have been addressed by various training interventions to develop the required skills to be fully effective

Table 122: Executive and Council Challenges

c) Employees Executive and Council

The following table indicates the staff composition for this division:

Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	8	7	7	0	0%
4 - 6	3	3	3	0	0%
7 - 9	3	2	2	0	0%
10 - 12	1	1	1	0	0%
13 - 15	1	1	1	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	16	13	13	0	0%

Table 123: Employees: Corporate Services

3.9.2 Financial Services

The application of sound financial management principles is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The key objective of the MFMA is to modernise municipal financial management in South Africa so as to lay a sound financial base for the sustainable delivery of services. Municipal financial management involves

Chapter 3: Service Delivery Performance

managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable.

The Municipality has undertaken various customer care initiatives to ensure the Municipality truly involves all citizens in the process of ensuring a people lead government. Encouragement of structured community participation in the matters of the Municipality is an important focus area.

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards.

The MFMA determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation such measures in terms of section 168 thereof.

The management of key financial and governance areas is achieved by focusing on:

- reducing the levels of outstanding debt owed to the Municipality, to assist with service delivery spending and maintaining a healthy cash flow;
- maintaining an unqualified audit for the Municipality by resolving audit findings and improving financial governance and over and above before - mentioned, also upholding our Unqualified Audit status for five consecutive years since in 2012/2013;
- spending budgets to maximise delivery.

a) Debt Recovery

The following table indicates the debt recovery:

Details of the types of account raised and recovered	Debt Recovery				
	R'000				
	2015/16		2016/17		
	Billed in Year	Actual for accounts billed in year	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %
Property Rates	8 144	8 144	8 971	8 971	57.7%
Electricity	21 752	21 752	21 203	21 203	84%
Water	8 214	8 214	10 140	10 140	42.1%
Sanitation	8 447	8 447	11 598	11 598	28.2%
Refuse	6 450	6 450	8 445	8 445	17.04%

Table 124: Debt Recovery

Chapter 3: Service Delivery Performance

b) Employees: Financial Services

The following table indicates the staff composition for this division:

Job Level	2015/16	2016/17			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	5	5	5	0	0%
4 - 6	7	7	7	0	0%
7 - 9	19	23	19	4	17.4%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	31	35	31	4	11.4%

Table 125: Employees: Financial Services

3.9.3 Human Resource Services

a) Introduction to Human Resource Services

The Umsobomvu Municipality currently employs 208 officials (permanent and non-permanent) who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and administrative functions.

b) Highlights: Human Resources

The table below specifies the highlights for the year:

- ☘ The Municipality has HR policies in place
- ☘ Advertised posts are being filled within the prescribed time
- ☘ Organogram was reviewed and submitted to the Local Labour Forum and Council
- ☘ Workplace Skills Plan (WSP) and Authority To Recruit (ATR) was submitted
- ☘ Training was provided to the employees
- ☘ Employment Equity Plan was submitted to the Department of Labour

Chapter 3: Service Delivery Performance

c) Challenges: Human Resources

The challenge that is experienced is as follow:

Description	Actions to address
Human Resource Developmental Plan	5 year plan of HR to be developed

Table 126: Human Resources Challenge

d) Employees: Human Resources

The following table indicates the staff composition for this division:

Job Level	2015/16		2016/17		
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	1	1	0	0%
7 - 9	1	1	1	0	0%
10 - 12	1	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	2	2	2	0	0%

Table 127: Employees: Human Resources

3.10 COMPONENT G: SERVICE DELIVERY PRIORITIES FOR 2017/18

The main development and service delivery priorities for 2017/18 forms part of the Municipality's top layer SDBIP for 2017/18 and are indicated in the table below:

3.10.1 Development and Service Delivery Priorities for 2017/18

a) Develop a capable and capacitated institution to respond to community needs

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL1	Submit the Workplace Skills Plan and ATR (Annual Training Report) to LGSETA by 30 April 2018	Workplace Skills Plan and ART submitted to LGSETA	All	1
TL2	Reviewed the organogram and submit to Council by 30 June 2018	Reviewed organogram submitted to Council	All	1
TL3	The number of people from employment equity target groups employed during 2017/18 in the three highest levels of	Number of people employed	All	1

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
	management in compliance with the equity plan			
TL4	The percentage of the Municipality's personnel budget actually spent on implementing its workplace skills plan by 30 June 2018 [(Actual amount spent on training/total operational budget)x100]	% of the Municipality's personnel budget spent on training (Actual amount spent on training/total operational budget)x100	All	0.50%
TL5	Limit the vacancy rate to less than 10% of budgeted posts by 30 June 2018 ((Number of posts filled/Total number of budgeted posts)x100)	% vacancy rate of budgeted posts (Number of posts filled/Total number of budgeted posts)x100	All	10%
TL6	Establish a call centre by 30 June 2018	Call centre established by 30 June 2018	All	1

Table 128: Service Delivery Priorities - Develop a Capable and Capacitated Institution to Respond to Community Needs

b) Enhance good governance processes and accountability

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL7	Submit the Draft Annual Performance Report to the AG by 31 August 2017	Draft Annual Report submitted to the AG	All	1
TL8	Submit the Draft Annual Report to Council by 31 January 2018	Draft Annual Report submitted to Council	All	1
TL39	Compile and submit the Risk Based Audit Plan (RBAP) to the Audit committee by 30 June 2018	Risk Based Audit Plan (RBAP) submitted to the Audit committee by 30 June	All	1

Table 129: Services Delivery Priorities - Enhance Good Governance Processes and Accountability

c) Enhance municipal financial viability

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL20	Submit the draft main budget to Council for consideration by 31 March 2018	Draft Main budget submitted to Council by 31 March	All	1
TL21	Submit the Adjustments budget to Council for consideration by 28 February 2018	Submit the Adjustments budget to Council for consideration by 28 February	All	1
TL22	Financial viability measured in terms of the Municipality's ability to meet its service debt obligations as at 30 June 2018 ((Total operating revenue-operating grants received)/debt service payments due within the year)	% of debt coverage	All	17%
TL23	Financial viability measured in terms of the outstanding service debtors as at 30 June 2018 ((Total outstanding service debtors/ revenue received for services)x100)	% of outstanding service debtors	All	43%
TL24	Financial viability measured in terms of the available cash to cover fixed operating expenditure as at 30 June 2018	Number of months it takes to cover fixed operating expenditure with available cash	All	0.5

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets))			
TL25	Submit the annual financial statements to AGSA by 31 August 2017	Annual financial statements submitted	All	1
TL26	Compile Plan to address audit findings in reports of the AG and submit to MM by 31 January 2018	Plan completed and submitted to MM	All	1
TL27	Achieve a debtor payment percentage of 80% by 30 June 2018 ((Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance + Bad Debts Written Off)/Billed Revenue) x 100	% debtor payment achieved	All	80%
TL28	Develop a long term financial plan and submit to council by 30 June 2018	Plan submitted to council by 30 June 2018	All	1
TL29	Upgrade the financial system by 30 June 2018	Financial system updated	All	1

Table 130: Service Delivery Priorities – Enhance Municipal Financial Viability

d) Facilitate economic growth in the municipal area

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL9	Review the LED strategy and submit to council by 30 June 2018	Reviewed strategy submitted to council by 30 June 2018	All	1
TL10	Sign a lease agreement with the investor for the development of a theme park by 31 March 2018	Lease agreement signed by 31 March 2018	All	1
TL40	Create temporary jobs - FTE's in terms of EPWP by 30 June 2018 (Person days / FTE (230 days))	Number of FTE's created	All	25

Table 131: Services Delivery Priorities - Facilitate Economic Growth in the Municipal Area

e) Ongoing maintenance of municipal infrastructure

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL11	Spent 90% of the maintenance budget for Sport and Recreation by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	% of the budget spent ((Actual expenditure divided by the approved budget)x100)	All	90%
TL41	90% of the Road Transport maintenance budget spent by 30 June 2018 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	90%

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL42	90% of the electricity maintenance budget spent by 30 June 2018 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	90%
TL43	90% of the Water Management maintenance budget spent by 30 June 2018 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	90%
TL44	90% of the Waste Water management maintenance budget spent by 30 June 2018 {(Actual expenditure on maintenance divided by the total approved maintenance budget)x100}	% of the maintenance budget spent	All	90%
TL45	Complete research on the maintenance of stormwater systems and submit report with recommendations to council by 30 June 2018	Report with recommendations submitted to council by 30 June 2018	All	1

Table 132: Service Delivery Priorities - Ongoing Maintenance of Municipal Infrastructure

f) Provide appropriate services to all households

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL12	Spend 100% of the library grant by 30 June 2018 ((Actual expenditure divided by the approved budget)x100)	% of the library grant spent ((Actual expenditure divided by the approved budget)x100)	All	100%
TL13	Submit the reviewed the Disaster Management Plan to Council by 31 March 2018	Reviewed Disaster Management Plan submitted	All	1
TL14	Establish a municipal pound by 30 June 2018	Municipal pound established by 30 June 2018	All	1
TL15	Develop a new cemetery site for Colesberg by 30 June 2018	New cemetery site developed by 30 June 2018	4	1
TL30	Provide free basic electricity to indigent households as at 30 June 2018	Number of households receiving free basic electricity	All	2 100
TL31	Provide free basic water to indigent households as at 30 June 2018	Number of households receiving free basic water	All	1 878
TL32	Provide free basic sanitation to indigent households as at 30 June 2018	Number of households receiving free basic sanitation services	All	1 808
TL33	Provide free basic refuse removal to indigent households as at 30 June 2018	Number of households receiving free basic refuse removal services	All	1 878
TL46	Achieve a 95% average drinking water quality as per SANS 241 criteria for all sampling points	% water quality level	All	95%

Table 133: Service Delivery Priorities - Provide Appropriate Services to All Households

g) Provide quality and sustainable municipal infrastructure within available resources

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL16	Submit a business plan for the demolition of 100 Tjoksville houses to COGTA by 31 March 2018	Business plan submitted by 31 March 2018	All	1
TL34	The percentage of the municipal capital budget actually spent on capital projects by 30 June 2018 [(Amount actually spent on capital projects/ Amount budgeted for capital projects)x100]	% of capital budget spent on capital projects	All	70%
TL35	Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2018	Number of residential properties which are billed for electricity or have pre paid meters (Excluding Eskom areas) as at 30 June	All	1 876
TL36	Number of formal residential properties that receive piped water (credit) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2018	Number of residential properties which are billed for water	All	6 626
TL37	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2018	Number of residential properties which are billed for sewerage	All	6 006
TL38	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June	Number of residential properties which are billed for refuse removal	All	6 568
TL47	Limit unaccounted for electricity to less than 25% by 30 June 2018 {(Number of Electricity Units Purchased and/or Generated - Number of Electricity Units Sold) / Number of Electricity Units Purchased and/or Generated} × 100}	% of unaccounted electricity	All	25%
TL48	Limit unaccounted for water to less than 40% by 30 June 2018 {(Number of Kiloliters Water Purchased or Purified - Number of Kiloliters Water Sold) / Number of Kiloliters Water Purchased or Purified × 100}	% of water unaccounted	All	40%
TL49	90% of the budget spent by 30 June 2018 to upgrade Murray, De Jagger, Golf, Grey and Stockenstroom street portion {(Actual expenditure divided by the total approved budget)x100}	% of the budget spent	All	90%
TL50	Investigate the technology available for installing speed humps in all main gravel streets and submit report with recommendations to council by 30 June 2018	Report with recommendations submitted to council by 30 June 2018	All	1
TL51	90% of the budget spent by 30 June 2018 to install speed humps in all main streets	% of the budget spent	All	90%

Chapter 3: Service Delivery Performance

Ref	KPI	Unit of Measurement	Ward	Annual Target
	{(Actual expenditure divided by the total approved budget)x100}			
TL52	90% of the budget spent by 30 June 2018 to install street lights {(Actual expenditure divided by the total approved budget)x100}	% of the budget spent	All	90%
TL53	Complete research for a wheelie bin refuse collection system and submit report with recommendations to council by 30 June 2018	Report with recommendations submitted to council by 30 June 2018	All	1
TL54	Investigate technology for crossing bridges in flooding areas and submit report with recommendations to council by 30 June 2018	Report with recommendations submitted to council by 30 June 2018	All	1
TL55	90% of the budget spent by 30 June 2018 to upgrade water supply line in Kuyasa Main Road, to improve pressure in Lowryville, Khayelitsha and Masiphakame {(Actual expenditure divided by the total approved budget)x100}	% of the budget spent	All	90%
TL56	Complete the sports field in Noupoort by 30 June 2018	Project completed by 30 June 2018	2	1
TL57	90% of the budget spent by 30 June 2018 for the Noupoort electrical network {(Actual expenditure divided by the total approved budget)x100}	% of the budget spent	2	90%

Table 134: Service Delivery Priorities - Provide Quality and Sustainable Municipal Infrastructure within available resources

h) Strengthen community participation

Ref	KPI	Unit of Measurement	Ward	Annual Target
TL17	Review the Communication Strategy and submit to council by 31 March 2018	Strategy submitted to council by 31 March 2018	All	1
TL18	Compile quarterly external newsletters	Number of external newsletters compiled	All	4
TL19	Submit the reviewed IDP to Council by the 31 March 2018	Reviewed IDP submitted to Council	All	1

Table 135: Service Delivery Priorities - Strengthen Community Participation

CHAPTER 4

4.1 NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area – Municipal Transformation and Organizational Development.

KPA & Indicators	Municipal Achievement	Municipal Achievement
	2015/16	2016/17
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	2	1
The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.43%	0.74%

Table 136: National KPIs- Municipal Transformation and Organizational Development

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Municipality currently employs 198 (excluding non-permanent positions) and 208 (including non-permanent positions) officials who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

4.2.1 Employment Equity

The Employment Equity Act (1998) Chapter 3 Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "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".

a) Employment Equity targets/actual

The tables below indicate the employment equity targets/actual:

African		Coloured		Indian		White	
Target June	Actual June	Target June	Actual June	Target June	Actual June	Target June	Actual June
50.5%	70.7%	38.4%	27.3%	0%	0.5%	10.6%	2.9%

Table 137: 2016/17 EE Targets/Actual by Racial Classification

Chapter 4: Organisational Development Performance

Male			Female			Disability		
Target June	Actual June	Target reach	Target June	Actual June	Target reach	Target June	Actual June	Target reach
57.58%	73.73%	67.05%	42.42%	26.26%	55.76%	1%	0%	0%

Table 138: 2016/17 EE Targets/Actual by Gender Classification

b) Specific Occupational Categories - Race

The table below indicates the number of employees by race within the specific occupational categories:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators senior officials and managers	2	1	0	1	1	0	0	0	5
Professionals	3	2	0	0	2	0	0	1	8
Technicians and associate professionals	12	2	0	0	3	0	0	1	18
Clerks	8	2	0	0	2	4	0	1	17
Service and sales workers	12	7	0	0	7	6	0	0	32
Craft and related trades workers	8	5	0	0	0	0	0	0	13
Plant and machine operators and assemblers	11	6	0	0	0	0	0	0	17
Elementary Occupations	49	15	0	0	20	4	0	0	88
Total	105	40	0	1	35	14	0	3	198

Table 139: Occupational Categories

c) Specific Occupational Levels - Race

The table below categories the number of employees by race within the occupational levels:

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	2	1	0	1	0	0	0	0	4
Senior Management	5	2	0	0	1	0	0	0	8
Professionally qualified and experienced specialists and mid-management	15	6	0	0	4	4	0	3	32
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	13	5	0	0	3	1	0	0	22
Semi-skilled and discretionary decision making	21	11	0	0	7	5	0	0	44
Unskilled and defined decision making	49	15	0	0	20	4	0	0	88
Total	105	40	0	1	35	14	0	3	198

Table 140: Occupational Levels

Chapter 4: Organisational Development Performance

d) Departments - Race

The following table categorises the number of employees by race within the different departments:

Department	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager	6	2	0	1	1	0	0	0	10
Corporate Services	29	8	0	0	18	6	0	2	63
Financial Services	14	5	0	0	9	3	0	1	32
Technical Services/Electricity	64	24	0	0	3	2	0	0	93
Total	112	40	0	1	30	12	0	3	198

Table 141: Department - Race

4.2.2 Vacancy Rate

The approved organogram for the Municipality had **222 approved** posts for the 2016/17 financial year. The actual positions filled are indicated in the tables below by post level and by functional level. 17 posts were vacant at the end of 2016/17, resulting in a vacancy rate of 7.7%.

Below is a table that indicates the vacancies within the Municipality:

Per Post Level		
Post level	Filled	Vacant
MM & MSA section 57 & 56	4	0
Middle management	13	0
Admin Officers	59	2
General Workers	122	15
Total	198	17
Per Functional Level		
Functional area	Filled	Vacant
Executive and Council	15	0
Finance and Administration	73	7
Technical Services	110	10
Total	198	17

Table 142: Vacancy Rate per Post and Functional Level

The table below indicates the number of staff per level expressed as total positions and current vacancies expressed as full-time staff equivalents:

Salary Level	Number of current critical vacancies	Total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Municipal Manager	0	1	0	0%
Chief Financial Officer	0	1	0	0%

Chapter 4: Organisational Development Performance

Salary Level	Number of current critical vacancies	Total posts as per organogram	Vacancy job title	Vacancies (as a proportion of total posts per category)
Other Section 57 Managers	0	2	0	0%
Senior management	0	68	0	0%
Highly skilled supervision	0	126	0	0%
Total	0	198	0	0%

Table 143: Vacancy Rate per Salary Level

4.2.3 Staff Turnover Rate

A high staff turnover may be costly to a municipality and might negatively affect productivity service delivery and institutional memory/organizational knowledge. Below is a table that shows the staff turnover rate within the Municipality. The staff turnover rate shows an increase from 8% in 2015/16 to 9.1% in 2016/17.

The table below indicates the staff turnover rate over the last two years:

Financial year	Total no appointments at the end of each Financial Year	New appointments	No Terminations during the year	Turn-over Rate
2015/16	196	9	16	8%
2016/17	198	13	19	9.1%

Table 144: Turnover Rate

4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

4.3.1 Injuries

An occupational injury is a personal injury disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The table below indicates the total number of injuries within the different directorates:

Directorates	2015/16	2016/17
Office of the Municipal Manager	0	0
Financial Services	0	0
Corporate Services	0	0
Technical Services	5	5
Total	5	5

Table 145: Injuries

4.3.2 Sick Leave

The number of day's sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified corrective action can be taken.

The total number of employees that have taken sick leave during the 2016/17 financial year shows a decrease when compared it with the 2015/16 financial year.

The table below indicates the total number sick leave days taken within the year:

Year	Total number of sick leave days taken within the year
2015/16	1 142
2016/17	915

Table 146: Sick Leave

4.3.3 HR Policies and Plans

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the HR policies and plans that are approved and that still needs to be developed:

Approved policies	
Name of policy	Date approved/ revised
Recruitment Selection and Appointment	27 September 2007
Leave Policy	27 September 2007
Study Assistance Policy	27 September 2007
Employee Wellness Policy	27 September 2007
Staff performance Policy	27 September 2007
Health and Safety Policy	27 September 2007
Union Support and Facilities Policy	27 September 2007
Sexual Harassment Policy	27 September 2007
Attendance and Punctuality Policy	27 September 2007
Termination of Contract Policy	27 September 2007
Training and skills development Policy	17 December 2015
Retrenchment Policy	27 September 2007
Bonus Policy	27 September 2007
Private Work Policy	27 September 2007
Job Evaluation Policy	17 December 2015
PMS Framework	28 July 2016
Travelling and Subsistence Allowance Policy	3 June 2016
Occupational Health and Safety Policy	17 December 2015
Advance and Micro Loans Policy	28 July 2015

Approved policies
Policies and plans that still need to be developed
Human Resource Plan

Table 147: HR Policies and Plans

4.4 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical effective efficient and accountable way. For this purpose, the human resource capacity of a municipality must comply with the Skills Development Act (SDA), 1998, (Act No. 81 of 1998) and the Skills Development Levies, Act 20, 1999 (Act No. 28 of 1999).

4.4.1 Skills Matrix

The table below indicates the number of employees that received training in the year under review:

Management level	Gender	Number of employees identified for training at start of the year	Number of Employees that received training (2015/16)
MM and S57	Female	0	0
	Male	4	4
Legislators senior officials and managers	Female	3	3
	Male	8	8
Associate professionals and Technicians	Female	2	2
	Male	4	4
Professionals	Female	4	4
	Male	3	2
Clerks	Female	4	2
	Male	4	2
Service and sales workers	Female	6	3
	Male	4	2
Craft and related trade workers	Female	4	1
	Male	3	1
Plant and machine operators and assemblers	Female	0	0
	Male	4	2
Elementary occupations	Female	4	2
	Male	3	1
Sub total	Female	27	17
	Male	37	26
Total		64	43

Table 148: Skills Matrix

Chapter 4: Organisational Development Performance

4.4.2 Skills Development - Training Provided

The Skills Development Act (1998) and the MSA require employers to supply employees with the necessary training to develop its human resource capacity. Section 55(1)(f) states that as head of administration the Municipal Manager is responsible for the management utilization and training of staff.

Occupational categories	Gender	Training provided within the reporting period 2016/17						
		Learnerships		Skills programmes & other short courses		Total		
		Actual	Target	Actual	Target	Actual	Target	% Variance
MM and S56	Female	0	0	0	0	0	0	N/A
	Male	0	0	4	4	4	4	0%
Legislators senior officials and managers	Female	0	0	10	6	10	6	67%
	Male	0	0	5	3	5	3	67%
Professionals	Female	1	2	3	2	4	4	0%
	Male	3	3	5	2	8	5	60%
Technicians and associate professionals	Female	0	0	3	2	3	2	50%
	Male	0	0	1	1	1	1	0%
Clerks	Female	0	0	3	1	3	1	200%
	Male	0	0	0	0	0	0	N/A
Service and sales workers	Female	0	0	6	2	6	2	200%
	Male	0	0	6	2	6	2	200%
Craft and related trade workers	Female	0	0	5	2	5	2	150%
	Male	0	0	6	2	6	2	200%
Plant and machine operators and assemblers	Female	0	0	2	1	2	1	100%
	Male	0	0	2	2	2	2	0%
Elementary occupations	Female	0	0	2	2	2	2	0%
	Male	0	0	3	2	3	2	50%
Sub total	Female	1	2	34	18	35	20	75%
	Male	3	3	32	18	35	21	67%
Total		4	5	66	36	70	41	71%

Table 149: Skills Development

Chapter 4: Organisational Development Performance

4.4.3 Skills Development - Budget Allocation

The table below indicates that a total amount of R52 852 were allocated to the workplace skills plan in the 2016/17 financial year:

Year	Total Allocated (R)	Total Spend (R)	% Spent
2015/16	271 296	162 950	60%
2016/17	52 852	297 941	564%

Table 150: Budget Allocated and Spent for Skills Development

4.4.4 MFMA Competencies

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013, employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations."

The table below provides details of the financial competency development progress as required by the regulation:

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials				
Accounting officer	1	1	1	1
Chief financial officer	1	1	1	1
Senior managers	2	2	2	2
Any other financial officials	3	3	0	0
Supply Chain Management Officials				
Heads of supply chain management units	1	1	0	0
Supply chain management senior managers	0	0	0	0

Chapter 4: Organisational Development Performance

Description	Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	Competency assessments completed (Regulation 14(4)(b) and (d))	Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Total	8	8	4	4

Table 151: Financial Competency Development: Progress Report

4.5 MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the accounting officer of a municipality must report to Council on all expenditure incurred by the municipality on staff salaries wages allowances and benefits. This is in line with the requirements of the Public Service Regulations (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

4.5.1 Personnel Expenditure

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years and that the Municipality is well within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure	Percentage
	R'000	R'000	
2015/16	37 645	139 164	27%
2016/17	38 985	130 644	30%

Table 152: Personnel Expenditure

Below is a summary of Councilor and staff benefits for the year under review:

Financial year	2015/16	2016/17		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
Councillors (Political Office Bearers plus Other)				
Salary	2 700	3 246	3 461	2 994
Motor vehicle allowance	186	0	0	166
Cell phone allowance	209	0	0	269
Sub Total	3 095	3 246	3 461	3 429
% increase/ decrease	N/A	5%	7%	(1%)
Senior Managers of the Municipality				
Salary	3 431	3 091	3 091	3 660

Chapter 4: Organisational Development Performance

Financial year	2015/16	2016/17		
Description	Actual	Original Budget	Adjusted Budget	Actual
	R'000			
Motor vehicle allowance	834	546	584	465
Housing allowance	12	13	13	0
Performance Bonus	457	309	309	388
Other benefits or allowances	7	0	0	0
Sub Total	4 741	3 959	3 997	4 513
% increase/ decrease	N/A	(16%)	1%	13%
Other Municipal Staff				
Basic Salaries and Wages	21 484	31 250	30 572	25 803
Pension Contributions	3 942	5 379	5 378	4 156
Medical Aid Contributions	758	879	944	863
Motor vehicle allowance	841	0	0	393
Housing allowance	372	5	243	372
Overtime	1 459	2 398	1 702	1 667
Other benefits or allowances	4 049	3 346	3 142	1 218
Sub Total	32 905	43 257	41 981	34 472
% increase/ decrease	N/A	31%	(3%)	(18%)
Total Municipality	40 741	50 462	49 439	42 414
% increase/ decrease	N/A	24%	(2%)	(14%)

Table 153: Personnel Expenditure

CHAPTER 5

This chapter provides details regarding the financial performance of the Municipality for the 2016/17 financial year.

Component A: Statements of Financial Performance

The statement of financial performance provides an overview of the financial performance of the Municipality and focuses on the financial health of the Municipality.

5.1 Financial Summary

5.1.1 Overall Financial Summary

The table below indicates the summary of the financial performance for the 2016/17 financial year:

Financial Summary						
R'000						
Description	2015/16	2016/17		2016/17 %Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Financial Performance						
Property rates	8 361	8 958	9 032	8 881	(0.87)	(1.70)
Service charges	38 893	65 572	66 272	44 670	(46.79)	(48.36)
Investment revenue	538	422	560	453	6.88	(23.57)
Transfers recognised - operational	60 850	40 925	40 840	48 960	16.41	16.58
Other own revenue	54 197	16 360	16 070	7 806	(109.59)	(105.88)
Total Revenue (excluding capital transfers and contributions)	162 839	132 237	132 774	110 770	(19.38)	(19.86)
Employee costs	37 333	47 216	45 979	38 985	(21.11)	(17.94)
Remuneration of Councillors	3 095	3 246	3 461	3 429	5.32	(0.93)
Depreciation & asset impairment	59 801	35 601	40 830	39 212	9.21	(4.13)
Finance charges	1 814	310	230	1 982	84.36	88.39
Materials and bulk purchases	21 065	22 962	22 962	22 917	(0.20)	(0.20)
Other expenditure	24 847	44 094	41 859	24 120	(82.82)	(73.55)
Total Expenditure	147 956	153 430	155 322	130 644	(17.44)	(18.89)
Surplus/(Deficit)	14 883	(21 193)	(22 548)	(19 874)	(6.64)	(13.46)
Transfers recognised - capital	38 942	28 091	29 776	18 523	(51.65)	(60.75)
Surplus/(Deficit) for the year	53 825	6 898	7 228	(1 351)	610.76	635.17
Capital expenditure & funds sources						
Capital expenditure						
Transfers recognised - capital	63 780	28 091	29 691	18 523	(51.65)	(60.29)

Chapter 5: Financial Performance

Financial Summary						
R'000						
Description	2015/16	2016/17			2016/17 %Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Borrowing	0	0	0	1 631	100.00	100.00
Internally generated funds	799	1 550	2 057	1 336	(16.06)	(54.04)
Total sources of capital funds	64 579	29 641	31 748	21 490	(37.93)	(47.74)
<u>Financial position</u>						
Total current assets	35 097	82 403	78 733	38 191	(115.77)	(106.16)
Total non-current assets	533 089	550 189	550 339	529 747	(3.86)	(3.89)
Total current liabilities	42 321	27 167	23 497	43 155	37.05	45.55
Total non-current liabilities	17 833	25 887	25 887	19 109	(35.47)	(35.47)
Community wealth/Equity	508 031	579 537	579 687	505 674	(14.61)	(14.64)
<u>Cash flows</u>						
Net cash from (used) operating	66 072	34 115	37 027	23 194	(47.09)	(59.64)
Net cash from (used) investing	(64 579)	(29 641)	(31 748)	(26 188)	(13.18)	(21.23)
Net cash from (used) financing	(693)	(655)	(655)	861	176.12	176.12
Cash/cash equivalents at the year end	19 248	27 542	23 872	17 114	(60.93)	(39.49)
<u>Cash backing/surplus reconciliation</u>						
Cash and investments available	19 248	27 542	23 872	17 114	(60.93)	(39.49)
Balance - surplus (shortfall)	19 248	27 542	23 872	17 114	(60.93)	(39.49)
<u>Asset management</u>						
Asset register summary (WDV)	515 047	550 189	552 279	529 747	(3.86)	(4.25)
Depreciation & asset impairment	28 622	29 407	29 442	25 962	(13.27)	(13.40)
Repairs and Maintenance	3 932	3 722	3 510	3 111	(19.65)	(12.82)
<u>Free services</u>						
Cost of Free Basic Services provided	6 771	0	0	6 772	100.00	100.00
Revenue cost of free services provided	670	0	0	0	N/A	N/A
<i>Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 154: Financial Performance 2016/17

Chapter 5: Financial Performance

The following graph indicates the various types of revenue items in the municipal budget for 2016/17

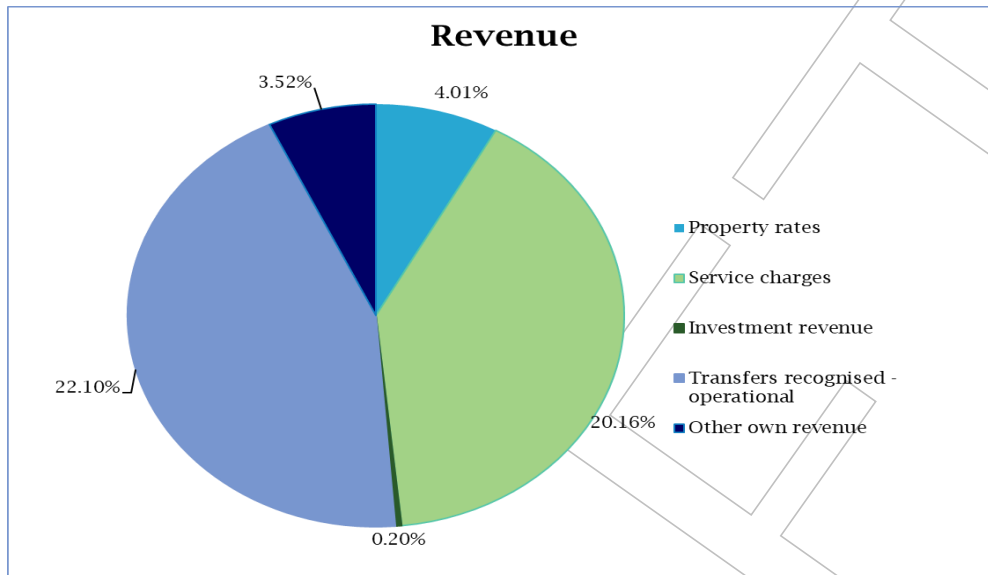


Table 155: Revenue

The following graph indicates the various types of expenditure items in the municipal budget for 2016/17

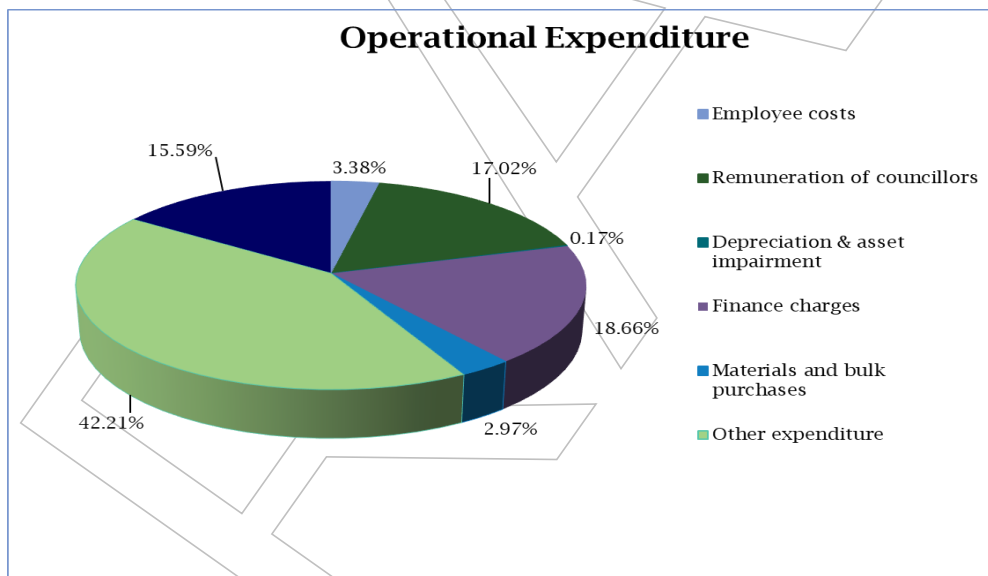


Table 156: Operating Expenditure

Chapter 5: Financial Performance

5.1.2 Revenue Collection by Vote

The table below indicates the revenue collection performance by vote:

Vote Description	2015/16	2016/17			2016/17 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Executive & Council	35 034	36 658	36 658	30 508	(20.16)	(20.16)
Finance & Admin	12 668	16 374	16 568	15 989	(2.41)	(3.62)
Community Services	5 776	10 655	10 153	5 267	(102.32)	(92.79)
Technical Services	109 362	96 640	99 171	77 530	(24.65)	(27.91)
Total Revenue by Vote	162 839	160 328	162 550	129 293	(24.00)	(25.72)

Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 157: Revenue by Vote

5.1.3 Revenue Collection by Source

The table below indicates the revenue collection performance by source for the 2016/17 financial year:

Description	2015/16	2016/17			2016/17 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
	R'000					
Property rates	8 144	8 742	8 742	8 591	(1.75)	(1.75)
Property rates - penalties & collection charges	217	216	290	290	25.46	(0.02)
Service Charges - electricity revenue	21 752	35 891	35 901	14 147	(153.69)	(153.77)
Service Charges - water revenue	8 214	13 945	13 945	11 471	(21.56)	(21.56)
Service Charges - sanitation revenue	8 447	9 000	9 690	9 494	5.21	(2.06)
Service Charges - refuse revenue	6 450	6 737	6 737	7 044	4.36	4.36
Service Charges - other	(5 970)	0	0	0	N/A	N/A
Rentals of facilities and equipment	759	938	314	357	(163.11)	11.88
Interest earned - external investments	538	422	560	453	6.88	(23.57)
Interest earned - outstanding debtors	2 169	2 047	2 242	2 513	18.56	10.79
Fines	672	5 586	5 586	24	(2 3122.76)	(2 3122.76)
Licences and permits	0	2 533	2 662	0	N/A	N/A
Transfers recognised - operational	60 447	40 925	40 840	37 046	(10.47)	(10.24)
Other revenue	12 058	5 256	5 266	7 425	29.21	29.08
Total Revenue (excluding capital transfers and contributions)	123 897	132 237	132 774	98 856	(33.77)	(34.31)

Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 158: Revenue by Source

Chapter 5: Financial Performance

5.1.4 Operational Services Performance

The table below indicates the operational services performance for the 2016/17 financial year:

Financial Performance of Operational Services						
R'000						
Description	2015/16	2016/17			2016/17 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating Cost						
Water	32 990	27 326	26 663	25 450	(7.37)	(4.77)
Waste Water (Sanitation)	14 016	9 527	10 742	9 863	3.41	(8.92)
Electricity	25 542	27 930	28 065	27 674	(0.92)	(1.41)
Waste Management	11 315	6 428	8 473	5 886	(9.21)	(43.95)
Component A: sub-total	83 863	71 211	73 943	68 873	(3.39)	(7.36)
Roads	0	0	0	0	N/A	N/A
Transport	17 688	17 741	16 856	14 202	(24.92)	(18.69)
Component B: sub-total	17 688	17 741	16 856	14 202	(24.92)	(18.69)
Planning	0	0	0	0	N/A	N/A
Local Economic Development	0	0	0	0	N/A	N/A
Component C: sub-total	0	0	0	0	N/A	N/A
Housing	578	769	818	791	2.75	(3.45)
Social services & community development	0	0	0	0	N/A	N/A
Component D: sub-total	578	769	818	791	2.75	(3.45)
Environment Protection (Pollution Control Bio(Diversity Landscape Open Spaces Parks And Coastal Protection)	0	0	0	0	N/A	N/A
Component E: sub-total	0	0	0	0	N/A	N/A
Traffic & licensing	2 140	7 566	7 678	3 316	(128.13)	(131.53)
Fire Services and Disaster Management	0	0	0	0	N/A	N/A
Component F: sub-total	2 140	7 566	7 678	3 316	(128.13)	(131.53)
Sport and Recreation	932	3 085	3 003	2 755	(11.98)	(9.01)
Cemeteries	1 441	1 437	1 451	969	(48.26)	(49.71)
Libraries	1 209	1 571	1 673	1 460	(7.58)	(14.55)
Museum	515	559	570	566	1.19	(0.67)
Community halls facilities Thusong centres	1 641	3 469	3 517	2 338	(48.34)	(50.43)
Component G: sub-total	5 737	10 120	10 213	8 088	(25.12)	(26.28)
Budget and Treasury Office	17 813	17 986	19 563	17 123	(5.04)	(14.25)
Executive and Council	12 887	21 772	20 161	13 254	(64.28)	(52.11)
Corporate Services	7 249	6 265	6 090	4 997	(25.37)	(21.88)
Component H: sub-total	37 950	46 024	45 814	35 374	(30.11)	(29.51)

Chapter 5: Financial Performance

Financial Performance of Operational Services						
R'000						
Description	2015/16	2016/17			2016/17 % Variance	
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Operating Cost						
Total Expenditure	147 957	153 430	155 322	130 644	(17.44)	(18.89)
<i>Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual.</i>						

Table 159: Operational Services Performance

5.2 Financial Performance per Municipal Function

5.2.1 Water Services

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	50 384	15 418	10 435	15 706	1.84
Expenditure:					
Employees	3 415	5 378	4 580	4 062	(32.40)
Repairs and Maintenance	255	611	724	716	14.65
Other	29 320	21 337	21 360	19 992	(6.73)
Total Operational Expenditure	32 990	27 326	26 663	24 770	(10.32)
Net Operational (Service) Expenditure	17 394	(11 908)	(16 228)	(9 064)	(31.38)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 160: Financial Performance: Water Services

Chapter 5: Financial Performance

5.2.2 Waste Water (Sanitation)

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	14 349	9 305	10 055	15 738	40.88
Expenditure:					
Employees	2 684	3 306	3 306	3 117	(6.04)
Repairs and Maintenance	285	245	245	253	3.38
Other	0	7 030	7 030	6 492	(8.28)
Total Operational Expenditure	2 968	10 580	10 580	9 863	(7.27)
Net Operational (Service) Expenditure	11 381	(1 275)	(525)	9 863	121.70
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 161: Financial Performance: Waste Water (Sanitation) Services

5.2.3 Electricity

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	33 486	46 904	50 214	34 968	(34.13)
Expenditure:					
Employees	1 464	1 681	1 681	1 542	(9.01)
Repairs and Maintenance	617	1 127	1 127	957	(17.77)
Other	23 461	24 922	25 057	25 176	1.01
Total Operational Expenditure	25 542	27 729	27 864	27 674	(0.20)
Net Operational (Service) Expenditure	7 944	19 174	22 349	7 294	(162.89)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 162: Financial Performance: Electricity

Chapter 5: Financial Performance

5.2.4 Waste Management

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	6 767	7 050	7 158	7 453	5.41
Expenditure:					
Employees	3 344	2 303	2 194	1 564	(47.30)
Repairs and Maintenance	99	149	119	79	(88.05)
Other	7 881	3 976	6 159	4 243	6.29
Total Operational Expenditure	11 325	6 428	8 473	5 886	(9.21)
Net Operational (Service) Expenditure	(4 558)	622	(1 314)	1 567	60.32
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 163: Financial Performance: Waste Management

5.2.5 Housing

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	N/A
Expenditure:					
Employees	521	725	751	707	(2.56)
Repairs and Maintenance	0	2	0	0	N/A
Other	57	42	67	84	49.37
Total Operational Expenditure	578	769	818	791	2.75
Net Operational (Service) Expenditure	(578)	(769)	(818)	(789)	2.56
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 164: Financial Performance: Housing

Chapter 5: Financial Performance

5.2.6 Roads and Stormwater

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	10 174	17 651	16 048	3 665	(381.55)
Expenditure:					
Employees	4 321	5 394	4 716	4 250	(26.91)
Repairs and Maintenance	999	963	801	757	(27.21)
Other	0	10 923	10 859	9 195	(18.80)
Total Operational Expenditure	5 320	17 280	16 376	14 202	(21.67)
Net Operational (Service) Expenditure		371	(329)	(10 536)	103.52
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 165: Financial Performance: Roads and Stormwater

5.2.7 Libraries

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				
Total Operational Revenue	1 543	1 570	1 570	1 901	17.41
Expenditure:					
Employees	574	1 164	1 237	722	(61.17)
Repairs and Maintenance	0	4	4	0	N/A
Other	635	403	431	738	45.38
Total Operational Expenditure	1 209	1 571	1 673	1 460	(7.58)
Net Operational (Service) Expenditure	334	(1)	(103)	441	100.17
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 166: Financial Performance: Libraries

Chapter 5: Financial Performance

5.2.8 Traffic and Law Enforcement

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	3 902	8 094	8 221	3 341	(142.28)
Expenditure:					
Employees	1 771	2 903	2 945	2 760	(5.16)
Repairs and Maintenance	83	121	113	60	(102.45)
Other	287	4 542	4 620	496	(815.04)
Total Operational Expenditure	2 140	7 566	7 678	3 316	(128.13)
Net Operational (Service) Expenditure	1 762	528	543	24	(2 058.98)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 167: Financial Performance: Traffic and Law Enforcement

5.2.9 Office of the Municipal Manager

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	N/A
Expenditure:					
Employees	1 296	2 056	1 915	1 328	(54.87)
Repairs and Maintenance	0	0	0	0	N/A
Other	730	639	643	529	(21.38)
Total Operational Expenditure	2 025	2 695	2 557	1 854	(45.37)
Net Operational (Service) Expenditure	(2 025)	(2 695)	(2 557)	(1 854)	(45.37)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 168: Financial Performance: Office of the Municipal Manager

Chapter 5: Financial Performance

5.2.10 Corporate Services

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	10	11	11	34	66.27
Expenditure:					
Employees	6 342	5 170	5 063	4 052	(27.57)
Repairs and Maintenance	48	45	45	51	12.16
Other	865	1 050	982	894	(17.53)
Total Operational Expenditure	7 256	6 265	6 090	4 997	(25.37)
Net Operational (Service) Expenditure	(7 246)	(6 253)	(6 079)	(4 963)	(25.99)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 169: Financial Performance: Corporate Services

5.2.11 Finance

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	3 988	7 405	7 524	3 215	(130.32)
Expenditure:					
Employees	6 912	8 831	8 594	7 806	(13.13)
Repairs and Maintenance	26	23	23	16	(46.25)
Other	7 866	8 004	9 021	8 287	3.41
Total Operational Expenditure	14 804	16 859	17 638	16 109	(4.65)
Net Operational (Service) Expenditure	(10 817)	(9 454)	(10 114)	(12 894)	26.68
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 170: Financial Performance: Finance

Chapter 5: Financial Performance

5.2.12 Community Facilities

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	309	960	331	3 859	75.13
Expenditure:					
Employees	1 148	1770	1 769	1 672	(5.87)
Repairs and Maintenance	383	313	182	141	(122.26)
Other	110	1 387	1 566	526	(163.72)
Total Operational Expenditure	1 641	3 469	3 517	2 338	(48.38)
Net Operational (Service) Expenditure	(1 331)	(2 510)	(3 186)	1 520	265.09
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 171: Financial Performance: Community Facilities

5.2.13 Parks and Recreation

Description	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget
	R'000				%
Total Operational Revenue	0	0	0	0	N/A
Expenditure:					
Employees	813	2 943	2 924	2 676	(9.98)
Repairs and Maintenance	32	69	22	12	(498.64)
Other	87	72	56	67	(7.95)
Total Operational Expenditure	932	3 085	3 003	2 755	(11.98)
Net Operational (Service) Expenditure	(932)	(3 085)	(3 003)	(2 755)	(11.98)
<i>Variations are calculated by dividing the difference between the actual and original budget by the actual.</i>					

Table 172: Financial Performance: Parks and Recreation

5.3 Grants

5.3.1 Grant Performance

The Municipality had a total amount of R41.2 million for infrastructure and other projects available that was received in the form of grants from the national and provincial governments during the 2016/17 financial year. The performance in the spending of these grants is summarised as follows:

Chapter 5: Financial Performance

Grant Performance						
R'000						
Description	2015/16	2016/17			2016/17 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
Capital Transfers and Grants						
National Government:	38 289	39 756	39 756	39 756	0.00	0.00
Equitable share	34 931	36 658	36 658	36 658	0.00	0.00
Municipal systems improvement grant (MSIG)	940	0	0	0	N/A	N/A
MIG - project management unit	403	873	873	873	0.00	0.00
Electricity demand side grant	83	400	400	400	0.00	0.00
Finance management grant (FMG)	1 932	1 825	1 825	1 825	0.00	0.00
Provincial Government:	1 209	1 900	1 900	1 460	(30.13)	(30.13)
Library Grant	1 209	1 900	1 900	1 460	(30.13)	(30.13)
Total Capital Transfers and Grants	39 498	41 656	41 656	41 216	(1.07)	(1.07)

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 173: Grant Performance

5.3.2 Conditional Grants (Excluding MIG)

Grant Performance						
R'000						
Description	2015/16	2016/17			2016/17 % Variance	
	Actual	Budget	Adjusted Budget	Actual	Original Budget	Adjusted Budget
FMG	1 932	1 825	1 825	1 825	0.00	0.00
MSIG	940	0	0	0	N/A	N/A
Integrated national electrification programme	1 350	3 915	3 915	43	(8 940.32)	(8 940.32)
EPWP	2 214	1 000	1 000	1 059	5.55	5.55
Library grant	1 209	1 900	1 900	1 460	(30.13)	(30.13)
Regional bulk infrastructure grant: water affairs	39 547	9 537	9 537	6 840	(39.45)	(39.45)
Equitable share	34 931	36 658	36 658	36 658	0.00	0.00
Electricity demand-side management grant	3 242	8 000	8 000	6 554	(22.07)	(22.07)
Total	85 365	62 835	62 835	54 438	(15.43)	(15.43)

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 174: Conditional Grant (excl. MIG)

Chapter 5: Financial Performance

5.3.3 Level of Reliance on Grants & Subsidies

Financial year	Total grants	Total	Percentage
	and subsidies received	Operating Revenue	
	R'000	R'000	%
2015/16	85 365	162 839	52.42
2016/17	67 483	129 293	52.19

Table 175: Reliance on Grants & Subsidies

5.4 Asset Management

5.4.1 Repairs and Maintenance

The table below indicates the repairs and maintenance as a % of total revenue:

Description	2015/16	2016/17			
	Actual (Audited Outcome)	Original Budget	Adjustment Budget	Actual	Budget variance
		R' 000			
Repairs and Maintenance Expenditure	2 916	3 722	3 510	3 111	(11.37)

Table 176: Repairs & Maintenance

5.5 Financial Ratios Based on Key Performance Indicators

5.5.1 Liquidity Ratio

Description	Basis of calculation	2015/16	2016/17
		Audited outcome	Pre-audit outcome
Current Ratio	Current assets/current liabilities	0.81	0.88
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.68	0.67
Liquidity Ratio	Cash and equivalents/Trade creditors and short term borrowings	0.44	0.88

Table 177: Liquidity Financial Ratio

5.5.2 IDP Regulation Financial Viability Indicators

Description	Basis of calculation	2015/16	2016/17
		Audited outcome	Pre-audit outcome
Cost Coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.21	0.20
Total Outstanding Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	0.31	0.37

Chapter 5: Financial Performance

Description	Basis of calculation	2015/16	2016/17
		Audited outcome	Pre-audit outcome
Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	18.66	16.44

Table 178: Financial Viability National KPAs

5.5.3 Borrowing Management

Description	Basis of calculation	2015/16	2016/17
		Audited outcome	Pre-audit outcome
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.02	0.01

Table 179: Borrowing Management

5.5.4 Employee Costs

Description	Basis of calculation	2015/16	2016/17
		Audited outcome	Pre-audit outcome
Employee costs	Employee costs/(Total Revenue - capital revenue)	36%	35%

Table 180: Employee Costs

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.6 Capital Expenditure: Sources of Finance

The table below indicates the capital expenditure by funding source for the 2016/17 financial year:

Details	2015/16	2016/17				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
	R'000				%	
External loans	0	0	0	1 631	N/A	N/A
Public contributions and donations	0	0	0	0	N/A	N/A
Grants and subsidies	63 534	28 091	29 691	23 413	5.70	(22.35)
Own funding	1 045	1 550	2 057	1 336	32.72	(46.56)
Total	64 579	29 641	31 748	26 379	7.11	(18.11)
Percentage of finance (%)						
External loans	0	0	0	0		
Public contributions and donations	0	0	0	6		

Chapter 5: Financial Performance

Details	2015/16	2016/17				
	Actual	Original Budget (OB)	Adjustment Budget	Actual	Adjustment to OB Variance	Actual to OB Variance
	R'000				%	
Grants and subsidies	98	95	94	0		
Own funding	2	5	6	89		
Capital expenditure						
Water and sanitation	48 279	0	0	9 270	N/A	N/A
Electricity	6 162	10 500	13 800	6 192	31.43	(72.46)
Housing	0	0	0	0	N/A	N/A
Roads and stormwater	9 093	17 591	15 891	3 260	(9.66)	(71.80)
Other	1 045	1 550	2 057	7 657	32.72	361.28
Total	64 579	29 641	31 748	26 379	7.11	(18.11)
Percentage of expenditure (%)						
Water and sanitation	75	0	0	35		
Electricity	10	35	43	23		
Housing	0	0	0	0		
Roads and stormwater	14	59	50	12		
Other	2	5	6	29		

Table 181: Capital Expenditure by Funding Source

5.7 Capital Spending

The table below indicates the capital spending on the largest projects:

Name of Project	2016/17				
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance	Adjustment variance
	R'000			%	
Noupoort water supply network	0	0	5 410	100.00	100.00
Ouboks gravel to paved road	0	15 891	2 529	100.00	(528.29)
Norvalspont bulk water supply	0	0	2 385	100.00	100.00
Upgrade of Noupoort sports ground	0	0	5 301	100.00	100.00

Table 182: Capital Spending of the Largest Projects

Chapter 5: Financial Performance

5.8 Municipal Infrastructure Grant (MIG)

This grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households micro enterprises and social institutions servicing poor communities.

Municipal Infrastructure Grant (MIG)* Expenditure 2016/17					
R					
Details	Original Budget	Adjustments Budget	Actual	% Variance	
				Original Budget	Adjustments Budget
Infrastructure - Sanitation	0	0	5 819 783	100.00	100.00
Sewerage purification	0	0	5 819 783	100.00	100.00
Infrastructure - Roads	17 590 800	15 890 800	2 529 202	(595.51)	(528.29)
Roads	17 590 800	15 890 800	2 529 202	(595.51)	(528.29)
Other Specify: Recreational Facilities	0	0	3 183 340	100.00	100.00
Upgrade of Noupoot sport ground	0	0	3 183 340	100.00	100.00
Total	17 590 800	15 890 800	11 532 325	(52.53)	(37.79)

* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: water; sanitation; roads; electricity. Expenditure on new upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

Table 183: Municipal Infrastructure Grant (MIG)

Component C: Cash Flow Management and Investments

Cash flow management is critical to the municipality as it enables the organisation to assess whether enough cash is available at any point in time to cover the council's commitments. Cash flow is rigorously managed and monitored on a regular basis.

5.9 Cash Flow

Description	2016/17		
	Original Budget	Adjusted Budget	Actual
Cash flow from operating activities			
Receipts			
Ratepayers and other	80 438	78 080	44 245
Government - operating	69 016	70 616	73 362
Interest	2 469	2 802	2 967
Payments			
Suppliers and employees	(117 499)	(114 241)	(96 228)

Chapter 5: Financial Performance

Description	2016/17		
	Original Budget	Adjusted Budget	Actual
Finance charges	(310)	(230)	(1 152)
Net cash from/(used) operating activities	34 115	37 027	23 194
Cash flows from investing activities			
Receipts			
Proceeds on disposal of PPE	(29 641)	(31 748)	(26 363)
Payments			
Capital assets	0	0	175
Net cash from/(used) investing activities	(29 641)	(31 748)	(26 188)
Cash flows from financing activities			
Receipts			
Increase(Decrease) in Consumer Debtors	145	145	0
Borrowing long term/refinancing	0	0	1 631
Payments			
Repayment of borrowing	(800)	(800)	(770)
Net cash from/(used) financing activities	(800)	(800)	861
Net increase/ (decrease) in cash held	3 674	4 479	(2 134)
Cash/cash equivalents at the year begin:	23 723	19 248	19 248
Cash/cash equivalents at the year-end:	27 397	23 727	17 114
Source: MBRR SA7			

Table 184: Cash Flow

5.10 Gross Outstanding Debtors per Service

Financial year	Rates	Trading services	Economic services	Housing rentals	Other	Total
		(Electricity and Water)	(Sanitation and Refuse)			
R'000						
2015/16	1 963	7 746	2 583	0	0	12 292
2016/17	2 603	11 307	4 480	0	0	18 390
Difference	640	3 561	1 897	0	0	6 098
% growth year on year	33	46	73	N/A	N/A	50
Note: Figures exclude provision for bad debt						

Table 185: Gross Outstanding Debtors per Service

Chapter 5: Financial Performance

The following graph indicates the total outstanding debt per type of service for 2016/17

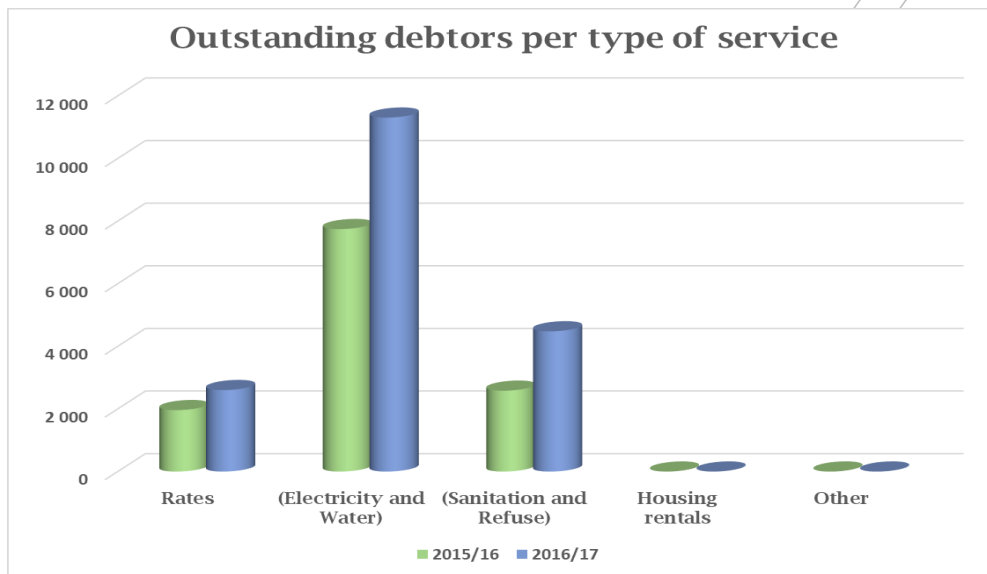


Table 186: Outstanding Debt per Type of Service

5.11 Total Debtors Age Analysis

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2015/16	3 781	981	602	6 928	12 292
2016/17	5 918	1 280	946	10 246	18 390
Difference	2 137	299	344	3 318	6 098
% growth year on year	57	30	57	48	50

Note: Figures exclude provision for bad debt

Table 187: Outstanding Debtor Age Analysis

Chapter 5: Financial Performance

5.12 Borrowing and Investments

Infrastructure needs to be replaced and therefore borrowings for periods of 15 years are taken up to lessen the impact on consumers.

5.12.1 Actual Borrowings

Actual Borrowings		
R' 000		
Instrument	2015/16	2016/17
Long-term loans (annuity/reducing balance)	2 161	1 048
Financial leases	336	2 309
Total	2 497	3 358

Table 188: Actual Borrowings

5.12.2 Municipal Investments

Actual Investments		
R'000		
Investment type	2015/16	2016/17
	Actual	Actual
Deposits - bank	6 292	837
Total	6 292	837

Table 189: Municipal Investments

CHAPTER 6

Component A: Auditor-General Opinion 2015/16

6.1 Auditor-General Report 2015/16

Details	
Audit Report Status:	Unqualified with other matters
Issue raised	Corrective steps implemented
Unauthorised expenditure	Prevent unauthorized expenditures by implementing correct measures in determining provisions for impairment on trade debtors and depreciations when the budget is compiled. This should be submitted to council for approval
Irregular expenditure	Prevent irregular expenditure by implementing the SCM Policy and Regulation strictly
Material losses and impairment	Investigation will be conducted to address the water- and electricity losses
Restatement of corresponding figures	Corresponding figures for 30 June 2015 have been restated as a result of an error discovered during 2016 in the financial statements relating to various financial statement line items

Component B: Auditor-General Opinion 2016/17

6.2 Auditor-General Report 2016/17

Details	
Audit Report Status:	Unqualified with other matters
Issue raised	Corrective steps implemented
Unauthorised Expenditure	Prevent Unauthorized expenditures by implementing correct measures in determining provisions for impairment on trade debtors and depreciations when the budget is compiled. This should be submitted to council for approval.
Irregular expenditure	Prevent irregular expenditure by implementing the SCM policy and -regulation strictly
Material Losses and Impairment	Investigating to be done to address the water- and electricity losses
Restatement of corresponding figures	Corresponding figures for 30 June 2016 have been restated as a result of an error discovered during 2017 in the financial statements relating to various financial statement line items.

Table 190: AG Report 2016/17

Abbreviations

LIST OF ABBREVIATIONS

A	Ampere	MAYCOM	Executive Mayoral Committee
AG	Auditor-General	MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
CAPEX	Capital Expenditure	MIG	Municipal Infrastructure Grant
CBP	Community Based Planning	MM	Municipal Manager
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
CIDB	Construction Industry Development Board	MSA	Municipal Systems Act No. 32 of 2000
DPLG	Department of Provincial and Local Government	MTECH	Medium Term Expenditure Committee
DWAF	Department of Water Affairs and Forestry	NGO	Non-governmental organisation
EE	Employment Equity	NT	National Treasury
FET	Further Education and Training	OPEX	Operating expenditure
GAMAP	Generally Accepted Municipal Accounting Practice	PACA	Participatory Appraisal Competitive Advantage
GRAP	Generally Recognised Accounting Practice	PMS	Performance Management System
GDPR	Growth Domestic Product of Region	PRV	Pressure Reducing Valve
HR	Human Resources	PT	Provincial Treasury
IDP	Integrated Development Plan	PVC	Polyvinyl Chloride
IFRS	International Financial Reporting Standards	SALGA	South African Local Government Organisation
IMFO	Institute for Municipal Finance Officers	SAMDI	South African Management Development Institute
KPA	Key Performance Area	SCM	Supply Chain Management
KPI	Key Performance Indicator	SDBIP	Service Delivery and Budget Implementation Plan
KV	Kilovolt	SDF	Spatial Development Framework
kVa	Kilovolt Ampere	SMMEs	Small, Medium and Macro Enterprises
UADAAG	Umsobomvu Anti-Drug and Alcohol Action Group	uPVC	Unplasticised Polyvinyl Chloride
LED	Local Economic Development	VCP	Vehicle Check Point

**ANNEXURE A:
ANNUAL
FINANCIAL
STATEMENTS**

UMSOBOMVU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 9 to 94, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in Note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager:

Thursday, 31 August 2017

UMSOBOMVU LOCAL MUNICIPALITY
INDEX TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

Description	Page
Report of the Chief Financial Officer	1
Statement of Financial Position	9
Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash Flow Statement	12
Budget Statement	13
Accounting Policies	18
Notes to the Financial Statements	41
The following does not form part of the Annual Financial Statements:	
Appendix A	95
Appendix B	96
Appendix C	99
Appendix D	100
Appendix E(1)	101
Appendix E(2)	102
Appendix E(3)	103
Appendix E(4)	104
Appendix E(5)	105
Appendix F	106
Appendix G	107
Appendix H	109

UMSOBOMVU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2017

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Umsobomvu Local Municipality at 30 June 2017.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/12 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2017 indicates a decrease in Net Assets, and an increase in Non-current Liabilities and a decrease in Current Liabilities.

The decrease in Net Assets is ascribed primarily to the decrease in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increase of finance leases. The decrease in Current Liabilities is primarily as a result of a decrease in accounts payables at yearend

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2017	2016
Surplus / (Deficit) before Appropriations	(1,350,526)	15,159,659
Surplus / (Deficit) at the end of the Year	505,673,505	507,024,032
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	29.84%	25.23%
Remuneration of Councilors	2.62%	2.09%
Depreciation and Amortisation	21.30%	19.02%
Impairment Losses	8.72%	21.41%
Repairs and Maintenance	2.38%	1.97%
Interest Paid	1.52%	1.23%
Bulk Purchases	17.54%	14.24%
General Expenses	15.23%	12.62%
Current Ratio:		
Trade Creditors Days	47	88
Debtors from Exchange Transactions Days	118	83

2. KEY FINANCIAL INDICATORS (Continued)

2.2 Performance Indicators:

INDICATOR	2017	2016
Borrowing Management:		
Capital Charges to Operating Expenditure	2.11%	1.69%
Capital Charges to Own Revenue	4.45%	3.93%
Borrowed Funding to Own Capital Expenditure	54.98%	0.00%
Borrowing to Total Capital Assets	0.45%	0.24%
Safety of Capital:		
Gearing	0.47%	0.25%
Liquidity:		
Current Ratio	0.88	0.82
Liquidity Ratio	0.40	0.44
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	88.75%	99.53%
Revenue Management:		
Current Debtors Collection Rate	62.88%	51.51%
Outstanding Debtors to Revenue	33.39%	24.73%
Creditors Management:		
Creditors to Cash and Investments	71.73%	104.71%
Financial Viability:		
Debt Coverage	16.54	18.74
Outstanding Service Debtors to Revenue	38.28%	31.23%
Cost Coverage	0.17	0.16

For detailed ratio analysis and explanation regarding these refer to appendix H attached.

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The services offered by Umsobomvu Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2017 are as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	506,830,687	492,955,579	2.81	572,459,307	(11.46)
Operating income for the year	129,293,295	163,119,852	(20.74)	162,549,974	(20.46)
	636,123,982	656,075,432	(3.04)	735,009,281	(13.45)
Expenditure:					
Operating expenditure for the year	130,643,821	147,960,194	(11.70)	155,321,923	(15.89)
Closing surplus / (deficit)	505,480,161	506,830,687	(0.27)	579,687,357	(12.80)
	636,123,982	656,075,432	(3.04)	735,009,280	(13.45)

3. OPERATING RESULTS (Continued)

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	55,426,765	57,845,908	(4.18)	79,426,843	(30.22)
Expenditure	60,980,162	63,509,298	(3.98)	80,561,265	(24.31)
Surplus / (Deficit)	(5,553,397)	(5,663,391)	(1.94)	(1,134,422)	389.54
Surplus / (Deficit) as % of total income	(10.02)%	(9.79)%		(1.43)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	1,559	-	100.00	-	100.00
Expenditure	790,820	578,029	36.81	818,073	(3.33)
Surplus / (Deficit)	(789,261)	(578,029)	36.54	(818,073)	(3.52)
Surplus / (Deficit) as % of total income	(50619.94)%	(100.00)%		(100.00)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	23,191,045	21,122,377	9.79	17,375,682	33.47
Expenditure	15,748,947	25,340,537	(37.85)	19,214,950	(18.04)
Surplus / (Deficit)	7,442,099	(4,218,160)	(276.43)	(1,839,268)	(504.62)
Surplus / (Deficit) as % of total income	32.09%	(19.97)%		(10.59)%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R22,353,189 (2016: R20,671,934). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	34,967,629	33,767,183	3.56	50,414,506	(30.64)
Expenditure	27,674,021	25,542,160	8.35	28,065,043	(1.39)
Surplus / (Deficit)	7,293,608	8,225,023	(11.32)	22,349,463	(67.37)
Surplus / (Deficit) as % of total income	20.86%	24.36%		44.33%	

3. OPERATING RESULTS (Continued)

3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R563,812 (2016: R393,286). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Income	15,706,297	50,384,385	(68.83)	15,332,943	2.43
Expenditure	25,449,871	32,990,170	(22.86)	26,662,592	(4.55)
Surplus / (Deficit)	(9,743,575)	17,394,215	(156.02)	(11,329,649)	(14.00)
Surplus / (Deficit) as % of total income	(62.04)%	34.52%		(73.89)%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R26,379,467 (2015/16: R65,598,449). Full details of Assets are disclosed in Notes 7, 8, 9 and Appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R26,379,467 was financed as follows:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Percentage Variance %	Budgeted 2016/17 R	Variance actual/ budgeted %
Finance Leases	1,631,000	-	100.00	-	100.00
Grants and Subsidies	23,412,958	63,779,809	(63.29)	28,090,800	(16.65)
Own Funds (Accumulated Surplus)	1,335,509	798,874	67.17	1,550,000	(13.84)
	26,379,467	64,578,683	(59.15)	29,640,800	(11.00)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2017	2016
Finance Leases	6.18%	-
Grants and Subsidies	88.75%	98.76%
Own Funds (Accumulated Surplus)	5.06%	1.24%
	100.00%	100.00%

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2017	2016
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	7,228,051	56,925,403
Revenue variances	(33,256,679)	(41,195,202)
Expenditure variances:		
Employee Related Costs	6,993,683	4,978,867
Remuneration of Councilors	31,876	27,186
Depreciation and Amortisation	1,619,109	1,336,895
Impairment Losses	(260)	(25,485,091)
Repairs and Maintenance	611,319	1,127,031
Interest Paid	(1,751,508)	(1,470,714)
Bulk Purchases	45,420	219,244
General Expenses	18,215,646	21,928,023
Loss on disposal of Property, Plant and Equipment	(1,087,186)	(3,231,983)
Actual surplus before appropriations	(1,350,526)	15,159,659

DETAILS	2017	2016
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	7,228,051	56,925,403
Executive and Council	756,632	977,976
Finance and Administration	2,954,153	3,981,576
Community and Social Services	1,627,415	11,678,023
Technical Services	(13,916,778)	(58,416,221)
Actual surplus before appropriations	(1,350,526)	15,146,756
		(12,902.00)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5.2 Capital Budget:

DETAILS	Actual 2016/17 R	Actual 2015/16 R	Variance actual 2016/17 / 2015/16 R	Budgeted 2016/17 R	Variance actual/ budgeted R
Executive & Council	-	20,488	(20,488)	-	-
Finance & Admin	2,966,509	581,923	2,384,586	2,057,210	909,299
Community Services	4,690,515	291,353	4,399,162	-	4,690,515
Technical Services	18,722,443	58,452,423	(39,729,980)	29,690,800	(10,968,357)
	26,379,467	59,346,187	(32,966,720)	31,748,010	(5,368,543)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a cryptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (2)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2017 amounted to R505,673,505 (30 June 2016: R507,024,032) and is made up as follows:

Capital Replacement Reserve	193,344
Accumulated Surplus	<u>505,480,161</u>
	<u><u>505,673,505</u></u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 19 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2017 was R2,367,031 (30 June 2016: R1,256,313).

Refer to Note 16 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R12,434,224 as at 30 June 2017 (30 June 2016: R12,665,959) and is made up as follows:

Post-retirement Health Care Benefits Liability	11,106,113
Provision for Long Service Awards	<u>1,328,111</u>
	<u><u>12,434,224</u></u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long Service liability is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees. This liability is unfunded.

Refer to Note 17 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R4,307,465 as at 30 June 2017 (30 June 2016: R3,910,555) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	<u>4,307,465</u>
	<u><u>4,307,465</u></u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 18 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R39,369,043 as at 30 June 2017 (30 June 2016: R43,364,274) and is made up as follows:

Consumer Deposits	Note 10	813,266
Provisions	Note 11	1,004,441
Payables	Note 12	12,276,516
Unspent Conditional Grants and Receipts	Note 14	15,690,173
VAT Payable	Note 15	8,536,423
Current Portion of Long-term Liabilities	Note 16	1,048,223
		<u>39,369,043</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R527,480,222 as at 30 June 2017 (30 June 2016: R530,689,313).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R205,779 as at 30 June 2017 (30 June 2016: R53,826).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R2,060,899 as at 30 June 2017 (30 June 2016: R2,060,899).

Investment Property is property 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.

Refer to Note 9 and Appendix "B" for more detail.

14. CURRENT ASSETS

Current Assets amounted R38,190,520 as at 30 June 2017 (30 June 2016: R35,417,094) and is made up as follows:

Inventories	Note 2	437,405
Receivables from Exchange Transactions	Note 3	16,403,285
Receivables from Non-exchange Transactions	Note 4	4,235,175
Cash and Cash Equivalents	Note 5	17,114,154
Operating Lease Assets	Note 6	500
		<u>38,190,520</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 48.

16. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, Councilors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.



CHIEF FINANCIAL OFFICER

31 August 2017

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

2016	Budget		2017 Adjusted	Note	Actual	
	2016	2017 Original			2017	2016
R	R	R		R	R	
ASSETS						
78,544,038	82,402,939	78,733,318	Current Assets		38,190,520	35,417,094
401,000	401,000	401,000	Inventories	2	437,405	409,848
50,344,679	50,384,797	50,384,797	Receivables from Exchange Transactions	3	16,403,285	10,730,282
4,075,342	4,075,342	4,075,342	Receivables from Non-exchange Transactions	4	4,235,175	5,027,234
23,723,017	27,541,800	23,872,179	Cash and Cash Equivalents	5	17,114,154	19,248,106
-	-	-	Operating Lease Receivables	6	500	1,624
556,222,587	550,188,679	550,338,679	Non-Current Assets		529,746,900	532,804,038
554,087,949	546,577,780	546,577,780	Property, Plant and Equipment	7	527,480,222	530,689,313
73,739	1,550,000	1,700,000	Intangible Assets	8	205,779	53,826
2,060,899	2,060,899	2,060,899	Investment Property	9	2,060,899	2,060,899
634,766,625	632,591,618	629,071,997	Total Assets		567,937,419	568,221,133
LIABILITIES						
33,132,707	27,167,006	23,497,385	Current Liabilities		43,155,194	43,364,274
760,885	906,000	906,000	Consumer Deposits	10	813,266	774,489
961,006	961,006	961,006	Provisions	11	1,004,441	734,800
21,000,000	21,000,000	17,330,379	Payables from Exchange Transactions	12	12,276,516	20,154,505
-	-	-	Payables from Non-exchange Transactions	13	3,786,151	3,494,203
7,500,000	-	-	Unspent Conditional Grants and Receipts	14	15,690,173	9,810,902
2,000,000	3,500,000	3,500,000	VAT Payable	15	8,536,423	7,154,491
910,816	800,000	800,000	Current Portion of Long-term Liabilities	16	1,048,223	1,240,883
26,187,652	25,887,255	25,887,255	Non-Current Liabilities		19,108,720	17,832,827
1,279,397	979,000	979,000	Long-term Liabilities	16	2,367,031	1,256,313
12,515,345	12,515,345	12,515,345	Employee Benefit Liability	17	12,434,224	12,665,959
12,392,910	12,392,910	12,392,910	Non-current Provisions	18	4,307,465	3,910,555
59,320,359	53,054,261	49,384,640	Total Liabilities		62,263,914	61,197,100
575,446,266	579,537,357	579,687,357	Total Assets and Liabilities		505,673,506	507,024,032
575,446,266	579,537,357	579,687,357	NET ASSETS		505,673,505	507,024,032
575,446,266	579,537,357	579,687,357	Accumulated Surplus / (Deficit)	19	505,673,505	507,024,032
575,446,266	579,537,357	579,687,357	Total Net Assets		505,673,505	507,024,032

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Budget				Note	Actual	
2016 R	2017 Original R	2017 Adjusted R			2017 R	2016 R
REVENUE						
Revenue from Non-exchange Transactions						
8,405,668	8,741,895	8,741,895	Property Rates	20	8,591,233	8,144,051
207,800	216,112	290,000	Property Rates - Penalties imposed and collection charges	25	289,933	217,246
5,320,879	5,585,876	5,585,876	Fines		24,053	671,518
2,412,554	2,532,982	2,662,358	Licences and Permits		-	-
117,693,000	69,016,000	70,616,000	Government Grants and Subsidies Received	21	67,483,155	99,389,539
Revenue from Exchange Transactions						
61,506,093	65,571,847	66,271,600	Service Charges	22	42,156,927	39,173,539
886,587	938,146	314,208	Rental of Facilities and Equipment	23	356,565	758,723
470,600	422,000	560,000	Interest Earned - External Investments	24	453,176	538,281
2,054,657	2,046,979	2,242,072	Interest Earned - Outstanding Debtors	24	2,513,333	2,168,573
5,357,217	5,256,025	5,265,965	Other Revenue	25	7,424,920	12,058,383
204,315,055	160,327,862	162,549,974	Total Revenue		129,293,295	163,119,852
EXPENDITURE						
42,311,911	47,215,689	45,978,901	Employee Related Costs	26	38,985,218	37,333,044
3,122,360	3,246,332	3,460,789	Remuneration of Councillors	27	3,428,913	3,095,174
29,480,306	29,406,915	29,442,204	Depreciation and Amortisation	28	27,823,095	28,143,411
6,196,324	6,194,054	11,388,256	Impairment Losses	29	11,388,516	31,681,415
4,043,090	3,721,980	3,721,980	Repairs and Maintenance	30	3,110,661	2,916,059
343,695	310,000	230,000	Finance Costs	31	1,981,508	1,814,409
21,284,464	22,962,420	22,962,421	Bulk Purchases	32	22,917,001	21,065,220
40,606,273	40,352,459	38,117,371	General Expenses	33	19,901,725	18,678,250
1,229	20,000	20,000	Loss on Disposal of Property, Plant and Equipment		1,107,186	3,233,212
147,389,652	153,429,849	155,321,923	Total Expenditure		130,643,821	147,960,194
56,925,403	6,898,012	7,228,051	SURPLUS / (DEFICIT) FOR THE YEAR		(1,350,526)	15,159,659

Refer to Appendix E(1) for explanation of budget variances

UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

Description	Accumulated Surplus / (Deficit) Account		Total for Accumulated Surplus/(Deficit) Account	Total
	Capital Replacement Reserve	Accumulated Surplus / (Deficit)		
	R	R	R	R
2016				
Balance at 30 June 2015	193,344	492,955,579	493,148,923	493,148,923
Correction of Error (Note 34)	-	(1,284,551)	(1,284,551)	(1,284,551)
Restated Balance	193,344	491,671,029	491,864,373	491,864,373
Surplus / (Deficit) for the year	-	15,159,659	15,159,659	15,159,659
Balance at 30 June 2016	193,344	506,830,687	507,024,031	507,024,032
2017				
Restated Balance	193,344	506,830,687	507,024,031	507,024,032
Surplus / (Deficit) for the year	-	(1,350,526)	(1,350,526)	(1,350,526)
Balance at 30 June 2017	193,344	505,480,161	505,673,505	505,673,505
	-			-

Details on the movement of the Funds and Reserves are set out in Note 19.

UMSOBOMVU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

2016	Budget		Note	Actual	
	2017 Original	2017 Adjusted		2017	2016
R	R	R		R	R
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
8,613,468	8,958,006	8,741,894	Property Rates	8,241,550	9,254,081
110,617,000	69,016,000	70,616,000	Government Grant and Subsidies	73,362,426	98,966,116
52,433,587	57,167,450	55,510,172	Service Charges	25,429,513	16,349,244
2,995,857	2,468,979	2,802,072	Interest Received	2,966,509	2,706,854
14,109,237	14,313,029	13,828,407	Other Receipts	10,573,690	21,395,379
Payments					
(56,645,012)	(58,603,632)	(58,105,812)	Employee Related Costs	(39,449,466)	(36,228,507)
(3,095,174)	(3,428,913)	(3,428,913)	Remuneration of Councillors	(3,428,913)	(3,095,174)
(343,695)	(310,000)	(230,000)	Interest Paid	(1,152,249)	(1,814,409)
(42,661,242)	(45,929,386)	(45,929,386)	Suppliers Paid	(52,614,599)	(42,344,661)
(8,966,670)	(9,536,950)	(6,777,352)	Other Payments	(734,718)	1,888,337
77,057,356	34,114,583	37,027,082	NET CASH FLOWS FROM OPERATING ACTIVITIES	23,193,743	67,077,260
CASH FLOWS FROM INVESTING ACTIVITIES					
(71,001,300)	(29,640,800)	(31,748,010)	Purchase of Property, Plant and Equipment	(26,174,792)	(65,558,766)
-	-	-	Purchase of Intangible Assets	(188,637)	(25,147)
			Proceeds on Disposal of Property, Plant and Equipment	130,000	-
			Profit on Sale of Land	45,203	-
(71,001,300)	(29,640,800)	(31,748,010)	NET CASH FLOWS FROM INVESTING ACTIVITIES	(26,188,226)	(65,583,913)
CASH FLOWS FROM FINANCING ACTIVITIES					
130,000	-	-	Proceeds from Borrowings	1,631,000	-
(910,816)	(800,000)	(800,000)	Repayment of Borrowings	(770,469)	(693,018)
	145,000	145,000	Increase (decrease) in consumer deposits	-	-
(780,816)	(655,000)	(655,000)	NET CASH FLOWS FROM FINANCING ACTIVITIES	860,531	(693,018)
5,275,240	3,818,783	4,624,072	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,133,952)	800,329
18,447,777	23,723,017	19,248,107	Cash and Cash Equivalents at Beginning of Period	19,248,106	18,447,777
23,723,017	27,541,800	23,872,179	Cash and Cash Equivalents at End of Period	17,114,154	19,248,106

UMSOBOMVU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2017

30 June 2017

Description	2016/2017							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	401,000	-	401,000	401,000	437,405	36,405	109.08	109.08
Receivables from Exchange Transactions	50,384,797	-	50,384,797	50,384,797	16,403,285	(33,981,512)	32.56	32.56
Receivables from Non-exchange Transactions	4,075,342	-	4,075,342	4,075,342	4,235,175	159,833	103.92	103.92
Cash and Cash Equivalents	27,541,800	(3,669,621)	23,872,179	23,872,179	17,114,154	(6,758,025)	71.69	62.14
Operating Lease Receivables	-	-	-	-	500	500	0.00	0.00
Non-Current Assets								
Property, Plant and Equipment	546,577,780	-	546,577,780	546,577,780	527,480,222	(19,097,558)	96.51	96.51
Intangible Assets	1,550,000	150,000	1,700,000	1,700,000	205,779	(1,494,221)	12.10	13.28
Investment Property	2,060,899	-	2,060,899	2,060,899	2,060,899	-	100.00	100.00
Total Assets	632,591,618	(3,519,621)	629,071,997	629,071,997	567,937,419	(61,134,578)	90.28	89.78
Current Liabilities								
Consumer Deposits	906,000	-	906,000	906,000	813,266	(92,734)	89.76	89.76
Provisions	961,006	-	961,006	961,006	1,004,441	43,435	104.52	104.52
Payables	21,000,000	(3,669,621)	17,330,379	17,330,379	16,062,667	(1,267,712)	92.69	76.49
Unspent Conditional Grants and Receipts	-	-	-	-	15,690,173	15,690,173	0.00	0.00
VAT Payable	3,500,000	-	3,500,000	3,500,000	8,536,423	5,036,423	243.90	243.90
Current Portion of Long-term Liabilities	800,000	-	800,000	800,000	1,048,223	248,223	131.03	131.03
Non-Current Liabilities								
Long-term Liabilities	979,000	-	979,000	979,000	2,367,031	1,388,031	241.78	241.78
Employee Benefit Liability	12,515,345	-	12,515,345	12,515,345	12,434,224	(81,121)	99.35	99.35
Non-current Provisions	12,392,910	-	12,392,910	12,392,910	4,307,465	(8,085,445)	34.76	34.76
Total Liabilities	53,054,261	(3,669,621)	49,384,640	49,384,640	62,263,914	12,879,274	126.08	117.36
Total Assets and Liabilities	579,537,357	150,000	579,687,357	579,687,357	505,673,506	(74,013,852)	87.23	87.25
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	579,537,357	150,000	579,687,357	579,687,357	505,673,505	(74,013,853)	87.23	87.25
Total Net Assets	579,537,357	150,000	579,687,357	579,687,357	505,673,505	(74,013,853)	87.23	87.25

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	8,741,895	-	8,741,895	8,741,895	8,591,233	(150,662)	98.28	98.28
Property Rates - Penalties imposed and collection charges	216,112	73,888	290,000	290,000	289,933	(67)	99.98	134.16
Fines	5,585,876	-	5,585,876	5,585,876	24,053	(5,561,823)	0.43	0.43
Licences and Permits	2,532,982	129,376	2,662,358	2,662,358	-	(2,662,358)	0.00	0.00
Government Grants and Subsidies Received	40,925,200	(85,000)	40,840,200	40,840,200	48,661,952	7,821,752	119.15	118.90
Revenue from Exchange Transactions								
Service Charges	65,571,847	699,753	66,271,600	66,271,600	42,156,927	(24,114,673)	63.61	64.29
Rental of Facilities and Equipment	938,146	(623,938)	314,208	314,208	356,565	42,357	113.48	38.01
Interest Earned - External Investments	422,000	138,000	560,000	560,000	453,176	(106,824)	80.92	107.39
Interest Earned - Outstanding Debtors	2,046,979	195,093	2,242,072	2,242,072	2,513,333	271,261	112.10	122.78
Other Income	5,256,025	9,940	5,265,965	5,265,965	7,424,920	2,158,955	141.00	141.26
Total Revenue	132,237,062	537,112	132,774,174	132,774,174	110,472,092	(22,302,082)	83.20	83.54
Expenditure								
Employee Related Costs	47,215,689	(1,236,788)	45,978,901	45,978,901	38,985,218	(6,993,683)	84.79	82.57
Remuneration of Councillors	3,246,332	214,457	3,460,789	3,460,789	3,428,913	(31,876)	99.08	105.62
Depreciation and Amortisation	29,406,915	35,289	29,442,204	29,442,204	27,823,095	(1,619,109)	94.50	94.61
Impairment Losses	6,194,054	5,194,202	11,388,256	11,388,256	11,388,516	260	100.00	183.86
Repairs and Maintenance	3,721,980	-	3,721,980	3,721,980	3,110,661	(611,319)	83.58	83.58
Finance Costs	310,000	(80,000)	230,000	230,000	1,981,508	1,751,508	861.53	639.20
Bulk Purchases	22,962,420	1	22,962,421	22,962,421	22,917,001	(45,420)	99.80	99.80
General Expenses	40,352,459	(2,235,088)	38,117,371	38,117,371	19,901,725	(18,215,646)	52.21	49.32
Loss on Disposal of Property, Plant and Equipment	20,000	-	20,000	20,000	1,107,186	1,087,186	5,535.93	5,535.93
Total Expenditure	153,429,849	1,892,073	155,321,923	155,321,923	130,643,821	(24,678,101)	84.11	85.15
Surplus/(Deficit)	(21,192,788)	(1,354,961)	(22,547,749)	(22,547,749)	(20,171,730)	2,376,019	89.46	95.18
Transfers Recognised - Capital	28,090,800	1,685,000	29,775,800	29,775,800	18,821,203	(10,954,597)	63.21	67.00
Surplus/(Deficit) after Capital Transfers and Contributions	6,898,012	330,039	7,228,051	7,228,051	(1,350,526)	(8,578,578)	0.00	0.00
Surplus/(Deficit for the Year)	6,898,012	330,039	7,228,051	7,228,051	(1,350,526)	(8,578,578)	-	-
CAPITAL EXPENDITURE PER FUNCTION								
Finance & Admin	1,550,000	507,210	2,057,210	2,057,210	2,966,509	909,299	144.20	191.39
Community Services	-	-	-	-	4,690,515	4,690,515	0.00	0.00
Technical Services	28,090,800	-	29,690,800	29,690,800	18,722,443	(10,968,357)	63.06	66.65
Total Sources of Capital Funds	29,640,800	507,210	31,748,010	31,748,010	26,379,467	(5,368,543)	83.09	89.00

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Property Rates	8,958,006	(216,112)	8,741,894	8,741,894	8,241,550	(500,344)	94.28	92.00
Grants	69,016,000	1,600,000	70,616,000	70,616,000	73,362,426	2,746,426	103.89	106.30
Service Charges	57,167,450	(1,657,278)	55,510,172	55,510,172	25,429,513	(30,080,659)	45.81	44.48
Interest Received	2,468,979	333,093	2,802,072	2,802,072	2,966,509	164,437	105.87	120.15
Other Receipts	14,313,029	(484,622)	13,828,407	13,828,407	10,573,690	(3,254,717)	76.46	73.87
Employee Related Costs	(58,603,632)	497,820	(58,105,812)	(58,105,812)	(39,449,466)	18,656,347	67.89	67.32
Remuneration of Councillors	(3,428,913)	-	(3,428,913)	(3,428,913)	(3,428,913)	-	100.00	100.00
Interest Paid	(310,000)	80,000	(230,000)	(230,000)	(1,152,249)	(922,249)	500.98	371.69
Suppliers Paid	(45,929,386)	-	(45,929,386)	(45,929,386)	(52,614,599)	(6,685,213)	114.56	114.56
Other Payments	(9,536,950)	2,759,598	(6,777,352)	(6,777,352)	(734,718)	6,042,634	10.84	7.70
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(29,640,800)	(2,107,210)	(31,748,010)	(31,748,010)	(26,174,792)	5,573,218	82.45	88.31
Purchase of Intangible Assets	-	-	-	-	(188,637)	(188,637)	0.00	0.00
Cash Flows from/(used in) Financing Activities								
Increase (decrease) in consumer deposits	145,000	-	145,000	145,000	-	(145,000)	0.00	0.00
Increase (decrease) in finance leases	-	-	-	-	1,631,000	1,631,000	0.00	
Loans repaid	(800,000)	-	(800,000)	(800,000)	(770,469)	29,531	96.31	96.31
Cash and Cash Equivalents at End of the Year	3,818,783	805,289	4,624,072	4,624,072	(2,133,952)	(6,758,024)	0.00	0.00

Financial Position: Explanation of Variances between Approved Budget and Actual

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

Receivables from Exchange Transactions

{The collection rate decreased resulting that the outstanding debt increased, contributed in an increase in debt impairment}

Cash and Cash Equivalents:

{A withdrawal of about R 5 619 604 was made in October. The cash and cash equivalents were not adjusted because we expected to receive about R 5 000 000 through a sale of land which has not materialized yet.}

Operating Lease Receivables:

{We didn't budget for this line item as the contracts were not renewed}

Intangible Assets:

{We planned to make the first payment of the acquisition of the new system before the end of June but unfortunately the service provider that we initially had an agreement with decided not to go through with the deal and made an agreement with another service provider to provide us with another financial system that is mSCOA compliant.}

Consumer Deposits:

{Tenants terminated their accounts and the services went back to the owner's account.}

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
Unspent Conditional Grants and Receipts:								
<p>{Initially the Department of Sports, Arts and Culture wanted to implement the project then later relegated the responsibility to the municipality to implement the project. There was also a change of scope from an indoor sports complex to an outdoor sports complex. The MIG approval letter for the sport ground was only received in May 2017, therefore the municipality could only spend on the MIG allocation funds in May and June 2017. On the New Oubox Arterial Streets project, the PSP took longer to complete the evaluation report, due to a bigger number of tenders that showed interest in the project. The municipality could not appoint the contractor on the anticipated time therefore no expenditure could be made for to the contractor as planned. The contractor was only appointed in April 2017 to commence with the work in May 2017.}</p>								
VAT Payable:								
<p>{Outstanding debt increased due to a low collection rate which resulted in an increase to the Vat Payable.}</p>								
Long-term Liabilities								
<p>{Management did not budget for the new telephone system that was acquired through a finance lease}</p>								
Non-Current Provisions								
<p>{Management did not adjust this line item after the correction done at the 2016 audit, which resulted in a decrease in the provision}</p>								
<p>Financial Performance: Explanation of Variances between Approved Budget and Actual</p>								
<p>For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, are as follow:</p>								
<p>Fines: Management budgeted for this under Fines, but the actual amount was reallocated to Other Income as disclosed as commission to comply with GRAP 9</p>								
<p>Licenses and permits: Management budgeted for this under Fines, but the actual amount was reallocated to Other Income as disclosed as commission to comply with GRAP 9</p>								
<p>Service Charges: This is a result of customers who are tempering with their Electricity meters as it can be witnessed in the increase of distribution losses. There's also a lot of water which is unaccounted for as the amount of water billed decreased this year as compared to the previous financial year. Management did also not account for the "own consumption" that was allocated to this line item, which decrease the actual amount disclosed.</p>								
<p>Rental of Facilities and Equipment: The budget was adjusted downwards during the adjustment budget due to low income from rental facilities, unfortunately the income increased during the last couple of months of the financial year.</p>								
<p>Interest Earned - External Investments: As a result of the withdrawal in investments and the sale that didn't realise in this financial year, the expected interest income decreased.</p>								
<p>Interest Earned - Outstanding Debtors: Outstanding Debtors: Due to the decrease in the collection rate, interest on outstanding debtors increased.</p>								
<p>Other Income: Management did not include the reallocation of the commission on fines and Licenses and Permits</p>								
<p>Employee Related Costs: This is a result of vacant positions that were not filled and a few resignations during the financial year.</p>								
<p>Repairs and Maintenance: Repairs on buildings was less than expected as well as maintenance on the sewerage network</p>								
<p>Finance Costs: Management did not budget for the increase in finance leases. Furthermore management, did not include the interest portion for landfill sites and Post retirement obligation under this line item</p>								
<p>General Expenses: Management did not account for the Indigent support amount that was allocated under service charges as revenue forgone. Other items that contributed to the variance was traffic TVS payments and marketing of the municipality's brand</p>								
<p>Loss on Disposal of Property, Plant and Equipment: Some assets could not be verified during the assets verification therefore the amount of loss was more than the budgeted amount.</p>								

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R		R	R	R	R	R
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual								
For reasons for Variances greater than 10% between Approved Budget and Actual Amount, are as follow:								
Finance & Admin: Management bought a new telephone system which was not included in the budget								
Community Services: The allocation received from MIG was for two projects, but we didn't split the allocation while preparing the budget as we received the letter detailing the split very late and management completely forgot to split it during the adjustment budget as well.								
Technical Services: Initially the Department of Sports, Arts and Culture wanted to implement the project then later relegated the responsibility to the municipality to implement the project. There was also a change of scope from an indoor sports complex to an outdoor sports complex. The MIG approval letter for the sport ground was only received in May 2017, therefore the municipality could only spend on the MIG allocation funds in May and June 2017. On the New Oubox Arterial Streets project, the PSP took longer to complete the evaluation report, due to a bigger number of tenders that showed interest in the project. The municipality could not appoint the contractor on the anticipated time therefore no expenditure could be made for to the contractor as planned. The contractor was only appointed in April 2017 to commence with the work in May 2017.								
Cash Flow: Explanation of Variances between Approved Budget and Actual								
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:								
Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.								
Service Charges								
This is a result of customers who are tempering with their Electricity meters as it can be witnessed in the increase of distribution losses. There's also a lot of water which is unaccounted for as the amount of water billed decreased this year as compared to the previous financial year. Management did also not account for the "own consumption" that was allocated to this line item, which decrease the actual amount disclosed.								
Other Receipts								
Management did not include the reallocation of the commission on fines and Licenses and Permits								
Employee Related Costs								
This is a result of vacant positions that were not filled and a few resignations during the financial year.								
Interest Paid								
Management did not budget for the increase in finance leases. Furthermore management, did not include the interest portion for landfill sites and Post retirement obligation under this line item								
Purchase of Property, Plant and Equipment								
Spending was less due to timing issues on the sports ground project								
Purchase of Intangible Assets								
Management accidentally did not include an amount under this line item								
Increase (decrease) in consumer deposits								
Management incorrectly budgeted for this item								
Increase (decrease) in finance leases								
Management accidentally did not include the new finance lease for the year								

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION

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

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

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

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS

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

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

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

1. 2. 1 Revenue Recognition

Accounting Policy 11.2 on *Revenue from Exchange Transactions* and Accounting Policy 11.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgment by management. Accounting Policy 8.1 on *Financial Assets Classification* and Accounting Policy 8.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgment, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. **BASIS OF PRESENTATION (continued)**

1. 2 **CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)**

1. 2. 3 ***Impairment of Financial Assets***

Accounting Policy 8.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R10 041 294 and that of trade and other receivable from non exchange transactions to R1 032 137

1. 2. 4 ***Useful lives of Property, Plant and Equipment, Intangible assets and Investment property***

As described in Accounting Policies 3.3. 5 and 6 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

The municipality has opted to early adopt the changes to GRAP 17: Property, Plant and Equipment as evident from Exposure Draft 126. Therefore, the useful lives and residual values of items of Property, Plant and Equipment, Intangible Assets and Investment Property shall only be amended if there has been any indicators that require such change to be made.

1. 2. 5 ***Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories***

Accounting Policy 7 on *Impairment of assets* and Accounting Policy 5.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 9.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgments are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgment, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property, plant and equipment amounted to R315 083, whilst no impairments were made to intangible assets or inventory.

1. 2. 6 ***Water inventory***

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 9.2 of the accounting policy to the Annual Financial Statements.

1. 2. 7 ***Defined Benefit Plan Liabilities***

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 17 and 18 to the Annual Financial Statements.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 6% (2016: 6%) and discounted to the present value:

a) For landfill sites with the remaining operating life of 15 years, were aligned to the yield of South African Government bonds with a similar maturity date i.e. 9.96% (2016:9.83%)

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the annual financial statements

1. 3 PRESENTATION CURRENCY

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

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 34 Separate Financial Statements
- GRAP 35 Consolidated Financial Statements
- GRAP 36 Investments in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interests in Other Entities
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- GRAP 110 Living and Non-living Resource
- IGRAP 17 Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset
- IGRAP 18 Recognition and Derecognition of Land
- IGRAP 19 Liabilities to Pay Levies
- Directive 12 The Selection of an Appropriate Reporting Framework by Public Entities

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:
Related Parties - GRAP 20

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

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

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 32 – Service Concession Arrangement Grantor

The proposed Standard of GRAP on Service Concession Arrangements: Grantor is drawn primarily from the equivalent International Public Sector Accounting Standard (IPSASs) on Service Concession Arrangements: Grantor issued by the International Federation of Accountants' International Public Sector Accounting Standards Board (IPSASB). The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 34 – Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. Separate financial statements are those presented by an entity, in which the entity could elect, subject to the requirements in this Standard, to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the Standard of GRAP on Financial Instruments (GRAP 104) or using the equity method as described in the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36). The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 35 – Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 36 – Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 37 – Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). To meet the objective, this Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 38 – Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and (b), the effects of those interests on its financial position, financial performance and cash flows. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 108 – Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 109 – Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. This Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

GRAP 110 – Living and Non-living Resource

The objective of this Standard is to prescribe the: (a) recognition, measurement, presentation and disclosure requirements for living resources; and (b) disclosure requirements for non-living resources. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

IGRAP 17 – Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION (continued)

IGRAP 18 – Recognition and Derecognition of Land

In the South African public sector there are numerous legislative requirements that govern immovable assets. Questions have arisen as to how these legislative requirements impact on the recognition and/or derecognition of land when the accounting principles in the Standards of GRAP are applied. This Interpretation of the Standards of GRAP provides guidance on when an entity should recognise and derecognise land as an asset in its financial statements. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

IGRAP 19 – Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19. The standard is not expected to have an impact on the Municipality. This standard does not yet have an effective date.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

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

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
 - The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
 - Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
 - If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.
- Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

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

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

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. 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. 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 shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<i>Infrastructure</i>		<i>Buildings</i>	<i>20 - 25</i>
Roads and Paving	10 - 15		
Electricity	5 - 50	<i>Other</i>	
Water	15 - 100	Specialist Vehicles	1 - 5
Sewerage	15 - 60	Other Vehicles	1 - 5
Landfill Sites	23 - 25	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
<i>Community</i>		Plant and Equipment	2 - 10
Recreational Facilities	20 - 25		

The assets' residual values, estimated useful lives and depreciation method are reviewed based on indicators, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Incomplete Construction Work

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

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is 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 an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

4. Heritage Assets

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

4. 1 Initial Recognition

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

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is 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 an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

5. INTANGIBLE ASSETS (Continued)

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

	Years
<i>Intangible asset</i>	
Software	3-Indefinite
Website	5

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

Estimated useful life and residual values is reviewed when there are indicators. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

5. 3 Derecognition

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

5. INTANGIBLE ASSETS (continued)

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2013 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- 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.

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (30 July 2013). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) 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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of Cash generating assets

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

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

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

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

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

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

7. 2 Impairment of Non-Cash generating assets

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

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

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

7. IMPAIRMENT OF ASSETS (continued)

7. 2 Impairment of Non-Cash generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

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

The effective interest rate method

Amortised cost

8. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured 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.

UMSOBOMVU LOCAL MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

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

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

8. 3 Initial and Subsequent Measurement (continued)

8. 3. 2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

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

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8. FINANCIAL INSTRUMENTS (continued)

8. 5 Derecognition of Financial Assets

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

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

8. 6 Derecognition of Financial Liabilities

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

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

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

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

9. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

10 REVENUE RECOGNITION

10. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

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

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10 REVENUE RECOGNITION (continued)

10. 2 Revenue from Exchange Transactions

10. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

10. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10. 2. 4 Tariff Charges

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

10. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

10. 2. 6 Sale of Goods (including Houses)

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

- The municipality has transferred to the buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

10. 2. 7 Rentals

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

10. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10 REVENUE RECOGNITION (continued)

10.3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised based on all fines issued for that current financial year..

10.3.3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

10 REVENUE RECOGNITION (continued)

10 3 Revenue from Non-exchange Transactions (continued)

10. 3. 4 Government Grants and receipts

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

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

10. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

11 PROVISIONS

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

12 EMPLOYEE BENEFITS

12 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

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

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

12 EMPLOYEE BENEFITS (continued)

12 2 Post employment benefits

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

12 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

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

12 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

12. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

12. 3. 2 Long-service Allowance

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

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

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

13 LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

13.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

13.3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

14. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

15. GRANTS-IN-AID

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

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 35 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 36 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

21. RELATED PARTIES

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

22. EVENTS AFTER THE REPORTING DATE

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

UMSOBOMVU LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

23. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

24. COMPARATIVE INFORMATION

24. 1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24. 2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2016 to 30 June 2017.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

27. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
1. GENERAL INFORMATION		
<p>Umsobomvu Local Municipality (the municipality) is a local government institution in Colesberg, Noupoort and Norvalspont, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley ka Seme District Municipality. The addresses of its registered office and principal place of business are Church Street, Colesberg. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
2. INVENTORIES		
Property Stock	370,300	370,300
Water - at cost	67,105	39,548
Total Inventories	437,405	409,848

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

The cost of water production for the year amounted to R5.84 per kilolitre (2016: R4.21 per kilolitre).

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

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Service Debtors:	110,465,150	94,677,991	15,787,159
Electricity	8,099,932	2,891,385	5,208,547
Refuse	28,002,291	26,214,442	1,787,848
Sewerage	23,877,253	21,184,889	2,692,364
Water	50,485,675	44,387,275	6,098,400
Other Receivables	3,078,212	2,462,086	616,125
Other Consumer Services	3,078,212	2,462,086	616,125
Total Receivables from Exchange Transactions	113,543,362	97,140,077	16,403,285
As at 30 June 2016			
Service Debtors:	94,263,747	83,614,328	10,649,419
Electricity	8,306,137	3,223,931	5,082,205
Refuse	23,737,334	22,724,494	1,012,840
Sewerage	19,281,282	17,711,200	1,570,082
Water	42,938,994	39,954,702	2,984,292
Other Receivables	2,464,912	2,384,048	80,863
Other Debtors	2,464,912	2,384,048	80,863
Total Receivables from Exchange Transactions	96,728,658	85,998,376	10,730,282

The management of the municipality is of the opinion that the carrying value of Receivables approximate their **amortised cost**.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Before accepting any new consumer, the municipality uses an external credit scoring system to assess the potential consumer's credit quality and defines credit limits by consumer. Limits and scoring attributed to consumers are reviewed twice a year. 80% of the Receivables that are neither past due nor impaired have the best credit scoring attributable under the external credit scoring system used by the municipality.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2017, the municipality is owed R4,691,313 (30 June 2016: R5,527,240) by National and Provincial Government.

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

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2017

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	2,787,850	596,076	332,785	4,383,221	8,099,932
Less: Provision for Impairment	43,202	44,519	37,343	2,766,320	2,891,385
Net Balances	2,744,648	551,557	295,442	1,616,901	5,208,547
Refuse:					
Gross Balances	463,424	382,488	372,567	26,783,812	28,002,291
Less: Provision for Impairment	313,002	316,832	322,327	25,262,281	26,214,442
Net Balances	150,422	65,656	50,240	1,521,531	1,787,848
Sewerage:					
Gross Balances	656,703	509,990	480,870	22,229,691	23,877,253
Less: Provision for Impairment	311,599	316,242	319,368	20,237,679	21,184,889
Net Balances	345,104	193,747	161,501	1,992,011	2,692,364
Water:					
Gross Balances	2,689,435	939,786	834,273	46,022,181	50,485,675
Less: Provision for Impairment	690,697	622,361	573,251	42,500,965	44,387,275
Net Balances	1,998,738	317,424	261,022	3,521,216	6,098,400
Other Receivables:					
Gross Balances	483,455	14,959	13,827	2,565,971	3,078,212
Less: Provision for Impairment	10,830	11,064	10,928	2,429,264	2,462,086
Net Balances	472,625	3,895	2,899	136,707	616,125

As at 30 June Receivables of R10,691,749 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	2,443,298	2,034,321	101,984,876	106,462,495
Less: Provision for Impairment	1,311,019	1,263,217	93,196,510	95,770,747
Net Balances	1,132,279	771,104	8,788,366	10,691,749

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	3,164,772	468,254	386,535	4,286,576	8,306,137
Less: Provision for Impairment	69,936	68,835	102,563	2,982,597	3,223,931
Net Balances	3,094,836	399,419	283,972	1,303,979	5,082,206
Refuse:					
Gross Balances	421,149	362,694	345,003	22,608,488	23,737,334
Less: Provision for Impairment	304,048	301,791	301,925	21,816,730	22,724,494
Net Balances	117,101	60,903	43,078	791,758	1,012,840
Sewerage:					
Gross Balances	586,102	460,179	392,397	17,842,605	19,281,283
Less: Provision for Impairment	301,539	298,203	298,829	16,812,630	17,711,201
Net Balances	284,563	161,976	93,568	1,029,975	1,570,082
Water:					
Gross Balances	2,956,746	1,013,615	792,532	38,176,101	42,938,994
Less: Provision for Impairment	2,653,333	750,348	670,896	35,880,126	39,954,703
Net Balances	303,413	263,267	121,636	2,295,975	2,984,291
Other Receivables:					
Gross Balances	12,152	14,024	13,798	2,424,938	2,464,912
Less: Provision for Impairment	12,044	12,019	11,883	2,348,103	2,384,049
Net Balances	108	2,005	1,915	76,835	80,863

As at 30 June Receivables of R6,930,261 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	2,318,766	1,930,265	85,338,708	89,587,739
Less: Provision for Impairment	1,431,196	1,386,096	79,840,186	82,657,478
Net Balances	887,570	544,169	5,498,522	6,930,261

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2017				
Current:				
0 - 30 days	4,380,004	2,213,691	487,171	
Past Due:				
31 - 60 Days	1,720,053	264,475	458,771	
61 - 90 Days	1,503,492	124,381	406,448	
+ 90 Days	97,775,470	2,517,092	1,692,314	
Sub-total	105,379,019	5,119,639	3,044,704	-
Less: Provision for Impairment	94,986,898	2,153,180	-	-
Total Trade Receivables by Customer Classification	10,392,122	2,966,460	3,044,704	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R	
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)			
Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2016			
<i>Current:</i>			
0 - 30 days	5,517,854	1,304,065	319,002
<i>Past Due:</i>			
31 - 60 Days	1,785,248	192,969	340,549
61 - 90 Days	1,554,655	182,111	193,499
+ 90 Days	81,947,867	2,794,491	596,349
Sub-total	90,805,624	4,473,636	1,449,399
Less: Provision for Impairment	82,095,031	3,903,345	-
Total Trade Receivables by Customer Classification	8,710,593	570,291	1,449,399

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	85,998,376	57,654,343
<i>All Consumer Debtors</i>	85,998,376	57,654,343
Impairment Losses recognised	11,412,676	28,695,429
<i>All Consumer Debtors</i>	11,412,676	28,695,429
Amounts written off as uncollectable	(270,975)	(351,396)
<i>All Consumer Debtors</i>	(270,975)	(359,996)
Balance at end of year	97,140,077	85,998,376

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Receivables from Exchange Transactions

<i>Current:</i>		
0 - 30 Days	1,369,331	3,340,899
<i>Past Due:</i>		
31 - 60 Days	1,311,019	1,431,196
61 - 90 Days	1,263,217	1,386,096
+ 90 Days	93,196,510	79,840,184
Total	97,140,077	85,998,376

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2017			
Assessment Rates Debtors	11,236,724	8,633,947	2,602,777
Sundry Debtors	1,885,567	866,863	1,018,704
Government Subsidies	613,694	-	613,694
Total Receivables from Non-exchange Transactions	13,735,985	9,500,810	4,235,175

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R	
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2016			
Assessment Rates Debtors	9,286,526	7,323,365	1,963,161
Payments Made In Advance	2,200	-	2,200
Sundry Debtors	1,710,395	1,004,344	706,051
Government Subsidies	2,355,822	-	2,355,822
Total Receivables from Non-exchange Transactions	13,354,943	8,327,709	5,027,234

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their amortised cost.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2017

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	812,189	282,766	313,648	9,828,121	11,236,724
Less: Provision for Impairment	133,166	131,639	135,369	8,233,773	8,633,947
Net Balances	679,023	151,127	178,279	1,594,348	2,602,777
Government Subsidy Claims:					
Gross Balances	613,694	-	-	-	613,694
Less: Provision for Impairment	-	-	-	-	-
Net Balances	613,694	-	-	-	613,694
Sundry Debtors:					
Gross Balances	651,634	17,360	16,771	1,199,801	1,885,567
Less: Provision for Impairment	9,309	9,299	9,299	838,957	866,863
Net Balances	642,325	8,061	7,473	360,845	1,018,704

As at 30 June Receivables of R2,300,133 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	300,126	330,420	11,027,922	11,658,468
Less: Provision for Impairment	140,938	144,668	9,072,729	9,358,335
Net Balances	159,188	185,752	1,955,193	2,300,133

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)

As at 30 June 2016

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	448,843	242,857	207,190	8,387,636	9,286,526
Less: Provision for Impairment	147,485	147,459	147,459	6,880,962	7,323,365
Net Balances	301,358	95,398	59,731	1,506,674	1,963,161
Payments made in Advance:					
Gross Balances	2,200	-	-	-	2,200
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2,200	-	-	-	2,200
Government Subsidy Claims:					
Gross Balances	2,355,822	-	-	-	2,355,822
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2,355,822	-	-	-	2,355,822
Sundry Debtors:					
Gross Balances	523,384	21,910	20,804	1,144,298	1,710,396
Less: Provision for Impairment	15,874	15,870	15,870	956,731	1,004,345
Net Balances	507,510	6,040	4,934	187,567	706,051

As at 30 June Receivables of R1,860,344 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	264,767	227,994	9,531,934	10,024,695
Less: Provision for Impairment	163,329	163,329	7,837,693	8,164,351
Net Balances	101,438	64,665	1,694,241	1,860,344

4.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2017				
<u>Current:</u>				
0 - 30 days	414,146	372,468	1,290,904	
<u>Past Due:</u>				
31 - 60 Days	248,057	43,087	8,982	
61 - 90 Days	226,193	95,245	8,982	
+ 90 Days	9,040,685	1,649,496	337,741	
Sub-total	9,929,081	2,160,296	1,646,609	-
Less: Provision for Impairment	8,268,783	1,232,027	-	-
Total Rates Debtors by Customer Classification	1,660,297	928,269	1,646,609	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R	
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)			
Household	Industrial/ Commercial	National and Provincial Government	Other
R	R	R	R
As at 30 June 2016			
<i>Current:</i>			
0 - 30 days	(126,966)	51,615	3,405,600
<i>Past Due:</i>			
31 - 60 Days	218,779	40,007	5,981
61 - 90 Days	194,279	30,212	3,503
+ 90 Days	7,299,539	1,569,637	662,757
Sub-total	7,585,631	1,691,471	4,077,841
Less: Provision for Impairment	7,723,063	604,647	-
Total Rates Debtors by Customer Classification	(137,432)	1,086,824	4,077,841

4.3 Reconciliation of Provision for Impairment

Balance at beginning of year	8,327,709	4,831,479
<i>Other Debtors</i>	966,656	469,613
<i>Assessment Rates Debtors</i>	7,361,053	4,361,866
Impairment Losses recognised	1,173,101	3,496,230
<i>Other Debtors</i>	(137,481)	497,043
<i>Assessment Rates Debtors</i>	1,310,582	2,999,187
Balance at end of year	9,500,810	8,327,709

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

The following Loans and Receivables are included in the total amount of the Provision for Impairment:

Assessment Rates	8,633,947	7,323,364
Sundry Debtors	866,863	1,004,345
Total Provision for Impairment on Receivables from Non-exchange Transactions	9,500,810	8,327,709

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
5. CASH AND CASH EQUIVALENTS		
Current Investments	837,083	6,291,870
Bank Accounts	16,273,371	12,952,536
Cash and Cash Equivalents	3,700	3,700
Total Bank, Cash and Cash Equivalents	17,114,154	19,248,106

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

5.1 Current Investment Deposits

Notice Deposits	837,083	6,291,870
Total Current Investment Deposits	837,083	6,291,870

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5,75 % (2016: 5% to 7,50%) per annum.

Deposits attributable to Unspent Conditional Grants	837,083	6,291,870
Total Deposits attributable to Commitments of the Municipality	837,083	6,291,870

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE		
STANDARD BANK	2889-016-06-001	Notice Deposit	83,637	83,637
STANDARD BANK	2889-015-41-001	Notice Deposit	151,485	151,485
			235,123	235,123
FIRST NATIONAL BANK	74107-295-062	Notice Deposit	24,356	24,356
			24,356	24,356
ABSA	2063-506-922	Notice Deposit	135,344	129,307
ABSA	2069-495-799	Notice Deposit	12,099	11,393
ABSA	20-7346-8449	Notice Deposit	430,162	406,944
ABSA	20-7482-3674	Notice Deposit	-	5,484,747
			577,605	6,032,391
			837,083	6,291,869

5.2 Bank Accounts

Cash in Bank	16,273,371	12,952,536
Total Bank Accounts	16,273,371	12,952,536

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Colesberg - Account Number: 2440000005

Cash book balance at beginning of year	3,057,497	1,260,098
Cash book balance at end of year	5,798,880	3,057,497
	5,798,880	3,057,497
Bank statement balance at beginning of year	3,533,103	1,894,658
Bank statement balance at end of year	5,986,787	3,533,103
	5,986,787	3,533,103

ABSA Bank - Colesberg - Account Number: 4052875289

Cash book balance at beginning of year	1,695,994	5,406,915
Cash book balance at end of year	3,279,345	1,695,994
	3,279,345	1,695,994
Bank statement balance at beginning of year	1,695,994	5,406,915
Bank statement balance at end of year	3,279,345	1,695,994
	3,279,345	1,695,994

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
5. CASH AND CASH EQUIVALENTS (Continued)		
Standard Bank - Noupoot - Account Number: 280412835		
Cash book balance at beginning of year	4,217,861	3,822,972
Cash book balance at end of year	<u>3,346,269</u>	<u>4,217,861</u>
Bank statement balance at beginning of year	4,199,794	3,805,526
Bank statement balance at end of year	<u>3,346,939</u>	<u>4,199,794</u>
ABSA Bank - Colesberg - Account Number : 4061642031		
Cash book balance at beginning of year	3,981,184	2,010,913
Cash book balance at end of year	<u>3,848,878</u>	<u>3,981,184</u>
Bank statement balance at beginning of year	3,981,184	2,010,913
Bank statement balance at end of year	<u>3,848,878</u>	<u>3,981,184</u>

An amount of R16 174 471 (2016: R9 810 902) is attributable to Unspent Conditional Grants.

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

5.1 Cash and Cash Equivalents

Cash Floats and Advances	3,700	3,700
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>3,700</u>	<u>3,700</u>

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

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

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate amortised cost.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

6. OPERATING LEASE RECEIVABLES

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

Balance at beginning of year	1,624	3,137
Operating Lease Revenue effected	(1,124)	(1,512)
Total Operating Lease Receivables	<u>500</u>	<u>1,624</u>

6.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 10 (2016: 1 to 10) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
6. OPERATING LEASE RECEIVABLES (Continued)		
6.2 Amounts receivable under Operating Leases		
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	448	500
2 to 5 years	1,209	1,524
More than 5 years	-	133
Total Operating Lease Arrangements	1,657	2,158

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of R1,124 (2016: decrease of R1,512) in current year income.

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2017

Reconciliation of Carrying Value

Description	Land and Buildings	Infra- structure	Other	Total
	R	R	R	R
Carrying values at 01 July 2016	43,654,448	477,457,394	9,577,471	530,689,313
Cost	52,069,728	884,349,310	21,685,436	958,104,473
- Completed Assets	52,069,728	799,849,099	21,685,436	873,604,262
- Under Construction	-	84,500,211	-	84,500,211
Accumulated Impairment Losses	-	(579,750)	(657,597)	(1,237,347)
Accumulated Depreciation:	(8,415,279)	(406,312,166)	(11,450,368)	(426,177,813)
- Cost	(8,415,279)	(406,312,166)	(11,450,368)	(426,177,813)
Acquisitions	-	157,643	2,777,872	2,935,515
Capital under Construction - Additions:	-	23,255,315	-	23,255,315
- Cost	-	23,255,315	-	23,255,315
Additions	-	23,255,315	-	23,255,315
Depreciation:	(352,609)	(25,793,944)	(1,639,889)	(27,786,442)
- Based on Cost	(352,609)	(25,793,944)	(1,639,889)	(27,786,442)
Carrying value of Disposals:	(45,203)	(683,446)	(569,747)	(1,298,396)
- Cost	(45,203)	(1,992,271)	(1,402,885)	(3,440,359)
- Accumulated Impairment Losses	-	26,366	159	26,525
- Accumulated Depreciation	-	1,282,459	832,979	2,115,438
Based on Cost	-	1,282,459	832,979	2,115,438
Impairment Losses	-	(1,745)	(313,339)	(315,084)
Capital under Construction - Completed	-	-	-	-
Carrying values at 30 June 2017	43,256,636	474,391,217	9,832,368	527,480,222
Cost	52,024,524	905,769,997	23,060,423	980,854,944
- Completed Assets	52,024,524	798,014,471	23,060,423	873,099,418
- Under Construction	-	107,755,526	-	107,755,526
Accumulated Impairment Losses	-	(555,129)	(970,777)	(1,525,906)
Accumulated Depreciation:	(8,767,888)	(430,823,650)	(12,257,278)	(451,848,816)
- Cost	(8,767,888)	(430,823,650)	(12,257,278)	(451,848,816)

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2016

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Other	Total
	R	R	R	R
Carrying values at 01 July 2015	43,965,957	442,679,350	10,401,894	497,047,201
Cost	51,546,631	826,815,144	21,665,126	900,026,901
- Completed Assets	47,345,699	692,320,163	21,665,126	761,330,988
- Under Construction	4,200,932	134,494,981	-	138,695,913
Accumulated Impairment Losses	-	-	(653,672)	(653,672)
Accumulated Depreciation:	(7,580,674)	(384,135,794)	(10,609,560)	(402,326,028)
- Cost	(7,580,674)	(384,135,794)	(10,609,560)	(402,326,028)
Acquisitions	-	-	773,727	773,727
Capital under Construction - Additions:	523,095	64,276,480	-	64,799,575
- Cost	523,095	64,276,480	-	64,799,575
Additions	523,095	64,276,480	-	64,799,575
Depreciation:	(834,605)	(25,817,972)	(1,460,743)	(28,113,320)
- Based on Cost	(834,605)	(25,817,972)	(1,460,743)	(28,113,320)
Carrying value of Disposals:	-	(3,100,714)	(132,498)	(3,233,212)
- Cost	-	(6,742,314)	(753,417)	(7,495,731)
- Accumulated Impairment Losses	-	-	984	984
- Accumulated Depreciation	-	3,641,600	619,935	4,261,535
- Based on Cost	-	3,641,600	619,935	4,261,535
Impairment Losses	-	(579,750)	(4,909)	(584,659)
Capital under Construction - Completed	(4,724,027)	(114,271,250)	-	(118,995,276)
Carrying values at 30 June 2016	43,654,448	477,457,394	9,577,471	530,689,313
Cost	52,069,728	884,349,310	21,685,436	958,104,473
- Completed Assets	52,069,728	799,849,099	21,685,436	873,604,262
- Under Construction	-	84,500,211	-	84,500,211
Accumulated Impairment Losses	-	(579,750)	(657,597)	(1,237,347)
Accumulated Depreciation:	(8,415,279)	(406,312,166)	(11,450,368)	(426,177,813)
- Cost	(8,415,279)	(406,312,166)	(11,450,368)	(426,177,813)

Property, Plant and Equipment have been restated as per note 34.3 and 34.5

The leased Property, Plant and Equipment is secured as set out in Note 16.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

7.3 Assets pledged as security

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

7.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R315,084 (2016: R584,659) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 29.

During the period, the municipality carried out a review of the recoverable amount of its infrastructure property, plant and equipment, having regard to its ongoing programme of modernisation and the extension of its services. These assets are used in the municipality's basic services delivery reportable segments. The review led to the recognition of an impairment loss of R315 084 (2016: R584 659), which has been recognised in the Statement of Financial Performance.

Infrastructure: Electricity	1,683	465,780
Infrastructure: Roads	62	502
Infrastructure: Sanitation	-	6,789
Infrastructure: Water	-	106,679
Other Assets: Computer Equipment	1,125	-
Other Assets: Furniture and Office Equipment	10,668	780
Other Assets: Motor Vehicles	298,079	-
Other Assets: Machinery and Equipment	3,466	4,129
Total Impairment of Property, Plant and Equipment	315,084	584,659

Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

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

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

Executive and Council	-	(80,257)
Municipal Manager	(66,630)	-
Finance and Administration	(46,043)	(353,256)
Community and Social Services	(628)	-
Waste Management	(31,134)	-
Roads and Transport	(105,740)	(165,460)
Water	(5,163)	-
Waste Management	-	(175,084)
Electricity	(185)	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(255,524)	(774,056)

7.6 Land and Buildings carried at Fair Value

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

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
7 PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.7 Work-in-progress		
The municipality has incurred expenditure on capital project which were no completed at year end. The details of the carrying amounts of expenditure included in each class of assets are listed below:		
Carrying amounts of Work-in-progress		
Infrastructure	107,693,842	83,721,095
	<u>107,693,841.95</u>	<u>83,721,094.70</u>

No projects that are currently in progress are experiencing significant delays.

7.8 Expenditure incurred to Repair and Maintain

The following specific costs included in the amount of Repairs and Maintenance disclosed in Note 30 were incurred by municipality

Electrical Infrastructure:	662,402	547,588
- Labour	662,402	547,588
Roads Infrastructure:	433,425	429,361
- Labour	433,425	429,361
Sanitation Infrastructure:	20,731	202,729
- Labour	20,731	202,729
Water Supply Infrastructure:	540,578	171,985
- Labour	540,578	171,985
Community Assets:	102,383	376,172
- Labour	102,383	376,172
Computer Equipment:	145,672	107,128
- Labour	145,672	107,128
Furniture and Office Equipment:	19,646	1,237
- Labour	19,646	1,237
Machinery and Equipment:	13,469	533
- Labour	13,469	533
Transport Assets:	1,172,356	1,079,325
- Labour	1,172,356	1,079,325
Total Expenditure incurred to Repair and Maintain	<u>3,110,661</u>	<u>2,916,059</u>

8 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

	205,779	53,826
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The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2016	53,826	53,826
Cost	1,724,296	1,724,296
Accumulated Amortisation	(1,670,470)	(1,670,470)
Acquisitions:	188,637	188,637
Purchased	188,637	188,637
Amortisation:	(36,684)	(36,684)
Purchased	(36,684)	(36,684)
Carrying values at 30 June 2017	205,779	205,779
Cost	1,912,933	1,912,933
Accumulated Amortisation	(1,707,154)	(1,707,154)
	Computer Software	Total
Carrying values at 01 July 2015	58,739	58,739
Cost	1,699,149	1,699,149
Accumulated Amortisation	(1,640,410)	(1,640,410)
Acquisitions:	25,147	25,147
Purchased	25,147	25,147
Amortisation:	(30,060)	(30,060)
Purchased	(30,060)	(30,060)
Carrying values at 30 June 2016	53,826	53,826
Cost	1,724,296	1,724,296
Accumulated Amortisation	(1,670,470)	(1,670,470)

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R 2016
R

8 INTANGIBLE ASSETS (Continued)

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

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

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

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

8.1 Significant Intangible Assets

The municipality has a Financial Accounting System, Abakus, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R3 141 (2016: R5 466). Management is in the process of changing Financial Accounting System.

8.2 Intangible Assets with Indefinite Useful Lives

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

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

8.3 Impairment of Intangible Assets

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

9 INVESTMENT PROPERTY

At Fair Value

2,060,899 2,060,899

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

2,060,899 2,060,899

Fair Value

2,060,899 2,060,899

Net Gains / (Losses) from Fair Value Adjustments

- -

Carrying values at 30 June

2,060,899 2,060,899

Fair Value

2,060,899 2,060,899

Estimated Fair Value of Investment Property at 30 June

2,060,899 2,060,899

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	93,574	585,465
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

9.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, evaluator Ducharme Consulting. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The evaluator is of the opinion that less or no change occurred to the values of these properties because of the slow property market.

The following assumptions were used:

Discount Rate	7.80%	6.74%
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9.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
10 CONSUMER DEPOSITS		
Electricity and Water	813,266	774,489
Total Consumer Deposits	813,266	774,489
Guarantees held in lieu of Electricity and Water Deposits	1,775,596	1,775,596

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximates their amortised cost .

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

11 PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability	220,842	225,648
Current Portion of Long-term Service:	307,118	82,837
Current Portion of Non-Current Provisions:	476,481	426,315
Rehabilitation of Land-fill Sites	476,481	426,315
Total Provisions	1,004,441	734,800

	Rehabilitation of Land-fill Sites	Long-term Service	Post-retirement
	R	R	R
30 June 2017			
Balance at beginning of year	426,315	82,837	225,648
Transfer from non-current	50,167	224,281	(4,806)
Balance at end of year	476,481	307,118	220,842
	R	R	R
30 June 2016			
Balance at beginning of year	455,016	110,054	199,716
Transfer from non-current	(28,702)	(27,217)	25,932
Balance at end of year	426,315	82,837	225,648

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
12 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	5,952,746	10,314,981
Retentions	4,567,741	6,938,711
Other Creditors	1,756,030	2,900,813
Total Payables	12,276,516	20,154,505

Payables from Exchange transactions have been restated to correctly as per note 34.3

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

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

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

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

13 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Staff Bonuses	745,086	735,024
Staff Leave Accrued	2,895,551	2,588,044
Sundry Deposits	145,514	171,136
Total Payables	3,786,151	3,494,203

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

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

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

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Conditional Grants from Government

	15,690,173	9,810,902
National Government Grants	3,927,295	726,463
Provincial Government Grants	7,997,861	3,532,358
Other Spheres of Government	3,765,017	5,552,081
Total Conditional Grants and Receipts	15,690,173	9,810,902

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

See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

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

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
15 VAT PAYABLE		
Vat Payable	8,536,423	7,154,491
	8,536,423	7,154,491

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

VAT Payable have been restated to correctly as per note 34.3 and 34.4

16 LONG-TERM LIABILITIES

Annuity Loans	1,048,320	2,161,470
Finance Lease Liabilities	2,366,934	335,726
Sub-total	3,415,254	2,497,196
Less: Current Portion transferred to Current Liabilities:-	1,048,223	1,240,883
Annuity Loans	881,029	1,114,150
Finance Lease Liabilities	167,194	126,733
Total Long-term Liabilities (Neither past due, nor impaired)	2,367,031	1,256,313

16.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 2 to 11 (2016: 1 to 12) years and at interest rates varying from 9,25% to 16,50% (2016: 9,25% to 16,50%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2016: 5) years. The effective interest rate on Finance Leases is between 13,21% and 48,13% (2016: 13,21 to 48,13%).

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

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

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

16.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2016: 5 years). The effective interest rate on Finance Leases is between 9.00% and 15.00% (2016: 9.00% and 15.00%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

16 LONG-TERM LIABILITIES (Continued)

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2017 R	2016 R	2017 R	2016 R
Amounts payable under finance leases:				
Within one year	647,954	167,194	647,954	167,194
In the second to fifth years, inclusive	1,941,172	208,992	1,941,172	208,992
Over five years	-	-	-	-
	2,589,126	376,186	2,589,126	376,186
Less: Future Finance Obligations	222,192	40,460	222,192	40,460
Present Value of Minimum Lease Obligations	2,366,934	335,726	2,366,934	335,726
Less: Amounts due for settlement within 12 months (Current Portion)			167,194	126,733
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			2,199,740	208,992

The municipality has finance lease agreements for the following significant classes of assets:
- Office Equipment

Included in these classes are the following significant leases:

(i) Printers	R 23,082	R 27,760
- Instalments are payable Monthly in advance		
- Average period outstanding	30 months	30 months
- Average effective interest rate	13.59%	10.00%
- Average quarterly instalment	R 201,614.76	R 92,327.52
- Carry amount at year end	R 1,612,678.74	R 351,397.59

17 EMPLOYEE BENEFIT LIABILITY

Post-retirement Health Care Benefits Liability	11,106,113	11,265,256
Provision for Long Service Awards	1,328,111	1,400,703
Total Employee Benefits	12,434,224	12,665,959

17.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	11,490,904	10,974,553
Expected Employer Benefit Payments	(225,648)	(199,716)
Current-service Cost	819,724	841,893
Interest Cost	1,039,974	986,616
Actuarial (Gain)/Loss Recognised in P&L	(1,797,999)	(1,112,442)
Balance at end of Year	11,326,955	11,490,904
Transfer to Current Provisions	(220,842)	(225,648)
Total Post-retirement Health Care Benefits Liability	11,106,113	11,265,256

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

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
17 EMPLOYEE BENEFIT LIABILITY (Continued)		
<p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p>		
<p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p>		
In-service Members (Employees)	36	42
In-service Non-members (Employees)	135	133
Continuation Members (Retirees, widowers and orphans)	4	5
Total Members	175	180
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service Members	5,792,063	5,855,043
In-service (employee) non-members	2,520,847	2,292,942
Continuation Members	3,014,045	3,342,919
Total Liability	11,326,955	11,490,904
<p>The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> - Bonitas - Hosmed - Keyhealth - LA Health - Samwumed 		
<p>The Current-service Cost for the year ending 30 June 2017 is estimated to be R819,724, whereas the cost for the ensuing year is estimated to be R 819 724 (30 June 2016: R841,893 and R819,724 respectively).</p>		
<p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p>		
Discount Rate	9.90%	9.17%
Health Care Cost Inflation Rate	8.17%	8.27%
Net Effective Discount Rate	1.60%	0.83%
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	60	60
<p>Movements in the present value of the Defined Benefit Obligation were as follows:</p>		
Balance at the beginning of the year	11,490,904	10,974,553
Current service costs	819,724	841,893
Interest cost	1,039,974	986,616
Benefits paid	(225,648)	(199,716)
Actuarial losses / (gains)	(1,797,999)	(1,112,442)
Present Value of Fund Obligation at the end of the Year	11,326,955	11,490,904
Total Recognised Benefit Liability	11,326,955	11,490,904
<p>The amounts recognised in the Statement of Financial Position are as follows:</p>		
Present value of fund obligations	11,326,955	11,490,904
Unfunded Accrued Liability	11,326,955	11,490,904
Total Benefit Liability	11,326,955	11,490,904
<p>The amounts recognised in the Statement of Financial Performance are as follows:</p>		
Current service cost	819,724	841,893
Interest cost	1,039,974	986,616
Benefits paid	(225,648)	(199,716)
Actuarial losses / (gains)	(1,797,999)	(1,112,442)
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	(163,949)	516,351

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017		2016	
	R		R	
17 EMPLOYEE BENEFIT LIABILITY (Continued)				
The history of experienced adjustments is as follows:				
	2017	2016	2015	2014
	R	R	R	R
Present Value of Defined Benefit Obligation	11,326,955	11,490,904	10,974,553	8,336,604
Deficit	<u>11,326,955</u>	<u>11,490,904</u>	<u>10,974,553</u>	<u>8,336,604</u>
				<u>6,980,619</u>

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

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

Increase:		
Effect on the aggregate of the current service cost and the interest cost	2,256,400	2,208,100
Effect on the defined benefit obligation	13,332,000	12,851,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1,547,300	1,528,200
Effect on the defined benefit obligation	9,709,000	9,179,000

The municipality expects to make a contribution of R819 724 (2016: R755 900) to the Defined Benefit Plans during the next financial year.

Refer to Note 44, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

17.2 Provision for Long Service Awards

	2017		2016	
	R		R	
Balance at beginning of year	1,483,540		1,350,562	
Current-service Cost	192,365		164,394	
Interest Cost	121,665		103,295	
Actuarial (Gain)/Loss	(79,504.0)		(24,657)	
Expected Employer Benefit Payments	(82,837)		(110,054)	
	<u>1,635,229</u>		<u>1,483,540</u>	
Transfer to current provisions	(307,118)		(82,837)	
Balance at end of year	<u>1,328,111</u>		<u>1,400,703</u>	

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 171 (2016: 175) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2017 is estimated to be R192,365, whereas the cost for the ensuing year is estimated to be R192 365 (30 June 2016: R164,394 and R192,365 respectively).

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R			
17 EMPLOYEE BENEFIT LIABILITY (Continued)					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	8.28%	8.42%			
Net Effective Discount Rate	2.06%	1.24%			
Expected Rate of Salary Increase	6.09%	7.09%			
Expected Retirement Age - Females	60	60			
Expected Retirement Age - Males	60	60			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	1,483,540	1,350,562			
Current service costs	192,365	164,394			
Interest cost	121,665	103,295			
Benefits paid	(82,837)	(110,054)			
Actuarial losses / (gains)	(79,504)	(24,657)			
Present Value of Fund Obligation at the end of the Year	1,635,229	1,483,540			
Total Recognised Benefit Liability	1,635,229	1,483,540			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	1,635,229	1,483,540			
Unfunded Accrued Liability	1,635,229	1,483,540			
Total Benefit Liability	1,635,229	1,483,540			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	192,365	164,394			
Interest cost	121,665	103,295			
Benefits paid	(82,837)	(110,054)			
Actuarial losses / (gains)	(79,504)	(24,657)			
Total Post-retirement Benefit included in Employee Related Costs (Note 26)	151,689	132,978			
The history of experienced adjustments is as follows:					
	2017	2016	2015	2014	2013
	R	R	R	R	R
Present Value of Defined Benefit Obligation	1,635,229	1,483,540	1,350,562	1,240,340	1,225,105
Deficit	1,635,229	1,483,540	1,350,562	1,240,340	1,225,105
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.					
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:					
Increase:					
Effect on the aggregate of the current service cost and the interest cost	335,200	286,100			
Effect on the defined benefit obligation	1,719,000	1,569,000			
Decrease:					
Effect on the aggregate of the current service cost and the interest cost	294,700	251,000			
Effect on the defined benefit obligation	1,558,000	1,405,000			
The municipality expects to make a contribution of R194 615 (2016: R192 365) to the defined benefit plans during the next financial year.					

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
18 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	4,307,465	3,910,555
Total Non-current Provisions	4,307,465	3,910,555

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

		Land-fill Sites
		R
30 June 2017		
Balance at beginning of year		4,336,869
Contributions to provision		447,077
		4,783,946
Transfer to current provisions		(476,481)
Balance at end of year	-	4,307,465
		R
30 June 2016		
Balance at beginning of year		3,948,711
Contributions to provision		388,158
		4,336,869
Transfer to current provisions		(426,314)
Balance at end of year		3,910,555

18.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R4,783,946 (2016: R4,336,869) to restore the site at the end of its useful life, estimated to be in 2031.

Provision has been made for the net present value of this cost, South African Bond rates with an expected life equal to the remaining useful lives of these sites were used to obtain an interest rate of 9.96% (2016:9.83%)

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site.

The provision for rehabilitation are reconciled as follows :

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

Landfill site

Balance at beginning of year	4,336,869	3,948,711
Contributions in current year	447,077	388,158
Less: Transfer to Current Provisions	(476,481)	(426,314)
Balance of landfill site	4,307,465	3,910,555

The council will incur rehabilitation cost on its three dumping/landfill sites over the period 2012/13 up to 2030/31. Provision has been made for the net present value of this cost.

	Proposed rehabilitation	2017	2016
Noupoort	2030/2031	1,594,649	1,445,623
Norvalspont	2030/2031	1,136,533	1,021,543
Colesberg	2030/2031	2,052,764	1,869,703
		4,783,946	4,336,869

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
19 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Capital Replacement Reserve (CRR)	193,344	193,344
Accumulated Surplus / (Deficit) due to the results of Operations	505,480,161	506,830,687
Total Accumulated Surplus	505,673,505	507,024,032

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

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

20 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2017	July 2016		
Agricultural	1,487,336,159	1,194,457,940	516,863	489,960
Commercial	204,948,816	164,591,400	2,374,884	2,251,269
Residential	561,062,380	450,581,000	4,598,730	4,359,361
State	87,828,145	70,533,500	1,100,756	1,043,461
Total Property Rates	2,341,175,500	1,880,163,840	8,591,233	8,144,051

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 1.13 c/R (2015/16: 1.11 c/R)

Business Properties: 1.34 c/R (2015/16: 1.287 c/R)

Agricultural Properties: 0.28 c/R (2015/16: 0.27 c/R)

State Properties: 1.82 c/R (2015/16: 1.75 c/R)

A discount of 20,00% (2015/16: 20,00%) was granted on properties owned by the State and a discount of 85% on all Agricultural

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

21 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	36,658,000	34,931,000
Operational Grants	36,658,000	34,931,000
Conditional Grants	67,483,155	99,389,539
National Government: EQUITABLE SHARE	36,658,000	34,931,000
National Government: FINANCE MANAGEMENT GRANT	1,825,000	1,932,385
National Government: MIG	10,989,274	13,237,414
National Government: MSIG	-	940,000
National Government: DWAF	6,839,530	39,547,094
National Government: EEDG	6,553,708	3,241,665
National Government: INEP	37,989	1,184,211
Provincial Government: DEPT. PUBLIC WORKS	954,410	2,127,899
Provincial Government: DEPT. SPORT, ARTS AND CULTURE	1,900,000	1,542,000
Other Government: Lotto	1,567,601	-
Other Government: DBSA	157,643	449,226
Other Government: WATER BLUE DROP MANAGEMENT	-	256,644
Total Government Grants and Subsidies	67,483,155	99,389,539

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
21 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Operational Grants:		
21.1 National: Equitable Share	36,658,000	34,931,000
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R166 (2016: R156), based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month. No funds have been withheld.		
Conditional Grants:		
21.2 National: Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	36,658,000	34,931,000
Conditions met - transferred to Revenue: Operating Expenses	(36,658,000)	(34,931,000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by National Treasury the funds are also utilized to enable the municipality to execute its functions as the local authority.		
21.3 National: Financial Management Grant		
Balance unspent at beginning of year	-	132,385
Current year receipts	1,825,000	1,800,000
Conditions met - transferred to Revenue: Operating Expenses	(1,825,000)	(1,932,385)
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance management Act (MFMA), 2003. No funds have been		
21.4 National: Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	6,944,274
Current year receipts	15,764,000	8,090,000
Conditions met - transferred to Revenue: Operating Expenses	(873,200)	(402,700)
Conditions met - transferred to Revenue: Capital Expenses	(10,116,074)	(12,834,714)
Conditions met - transferred to Revenue: VAT portion released	(1,416,250)	(1,796,860)
Conditions still to be met - transferred to Liabilities (see Note 14)	3,358,475	-
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. The original amount allocated as per the DoRA amounted to R17 500 000 for the current year, but National Treasury decreased the allocation to R15 764 000.		
21.5 National: Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	316,328
Current year receipts	-	940,000
Conditions met - transferred to Revenue: Operating Expenses	-	(940,000)
Other Adjustments/Refunds	-	(316,328)
Conditions still to be met - transferred to Liabilities (see Note 14)	-	-
The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. National Treasury discounted this grant for the current year. The opening balance in 2016 of R316 328 was paid back to the funder. No funds have been withheld.		

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
21 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.6 National: Department Water Affairs and Forestry (DWAf)		
Balance unspent at beginning of year	(2,312,441)	(5,543,624)
Current year receipts	9,537,466	48,305,989
Conditions met - transferred to Revenue: Operating Expenses	-	(83,139)
Conditions met - transferred to Revenue: Capital Expenses	(6,839,530)	(39,463,955)
Conditions met - transferred to Revenue: VAT portion released	(955,807)	(5,527,712)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>(570,313)</u>	<u>(2,312,441)</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWA to the municipality, the refurbishment of water infrastructure, the Olifants River Water Resource project and the payment of salaries of staff transferred from DWA. No funds have been withheld.

21.7 National: Electricity Demand Side Management Grant

Balance unspent at beginning of year	3,305,118	617
Current year receipts	8,000,000	7,000,000
Conditions met - transferred to Revenue: Operating Expenses	(400,000)	-
Conditions met - transferred to Revenue: Capital Expenses	(6,153,708)	(3,241,665)
Conditions met - transferred to Revenue: VAT portion released	(793,717)	(453,833)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>3,957,693</u>	<u>3,305,118</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure.

21.8 National: Integrated National Electrification Programme

Balance unspent at beginning of year	-	84,811
Current year receipts	3,915,000	1,350,000
Conditions met - transferred to Revenue: Capital Expenses	(37,988)	(1,184,211)
Conditions met - transferred to Revenue: VAT portion released	(5,318)	(165,789)
Other Adjustments/Refunds	-	(84,811)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>3,871,694</u>	<u>-</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure.

21.9 Provincial: Expanded Public Works Programme Integrated Grant for Municipalities

Balance unspent at beginning of year	58,940	1,273,426
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to Revenue: Operating Expenses	-	(310,636)
Conditions met - transferred to Revenue: Capital Expenses	(954,411)	(1,817,264)
Conditions met - transferred to Revenue: VAT portion released	(45,354)	(86,587)
Other Adjustments/Refunds	(59,000)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>175</u>	<u>58,940</u>

Expenses were incurred to promote rural development and upgrade of road infrastructure and for cleaning the grave sites in the municipal area. No funds have been withheld. The amount of R59 000 was paid back to National Treasury which relates to the opening balance of 2017

21.10 Provincial: Department of Arts and Culture

Balance unspent at beginning of year	-	-
Current year receipts	1,900,000	1,542,000
Conditions met - transferred to Revenue: Operating Expenses	(1,900,000)	(1,542,000)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
21 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.11 Provincial: Department of Housing		
Balance unspent at beginning of year	130,852	130,852
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>130,852</u>	<u>130,852</u>
<p>This grant was received for the building and maintenance of low costs housing in the district. No funds have been withheld.</p>		
21.12 Provincial: Department of Safety		
Balance unspent at beginning of year	124,919	124,919
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>124,919</u>	<u>124,919</u>
<p>This grant was received for the building of a taxi rank. No funds have been withheld.</p>		
21.13 Other Government: DBSA		
Balance unspent at beginning of year	163,980	664,046
Conditions met - transferred to Revenue: Capital Expenses	(157,643)	(449,226)
Conditions met - transferred to Revenue: VAT portion released	-	(50,840)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>6,337</u>	<u>163,980</u>
<p>This grant was received for the purchasing of water meters. No funds have been withheld.</p>		
21.14 Provincial: NLDTF (LOTTO)		
Balance unspent at beginning of year	5,757,000	-
Current year receipts	-	5,757,000
Conditions met - transferred to Revenue: Capital Expenses	(1,567,601)	-
Conditions met - transferred to Revenue: VAT portion released	(219,464)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>3,969,935</u>	<u>5,757,000</u>
<p>The municipality received this grant from the Lotto fund to upgrade the sport stadiums in the municipal area. The grant was utilised for this purpose. No funds have been withheld.</p>		
21.15 Other: Water Blue Drop Management		
Balance unspent at beginning of year	-	292,575
Conditions met - transferred to Revenue: Operating Expenses	-	(256,644)
Conditions met - transferred to Revenue: VAT portion released	-	(35,930)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>
<p>The municipality received this grant to improve the Blue Drop status of the municipality. The grant was utilised for this purpose. No funds have been withheld.</p>		
21.16 Other: Institutional Re-organization Grant		
Balance unspent at beginning of year	226,712	226,712
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>226,712</u>	<u>226,712</u>
<p>The municipality received this grant to help with the re-organization of the municipality after 1994. The grant was utilised for this purpose. No funds have been withheld.</p>		
21.17 Changes in levels of Government Grants		
<p>Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2017), government grant funding is expected to increase over the forthcoming three financial years.</p>		

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
22 SERVICE CHARGES		
Sale of Electricity	14,147,255	16,073,968
Sale of Water	11,471,499	8,202,703
Refuse Removal	7,043,884	6,450,153
Sewerage and Sanitation Charges	9,494,288	8,446,715
Total Service Charges	<u>42,156,927</u>	<u>39,173,539</u>
Attributable to:		
Continuing Operations	42,156,927	39,173,539
Discontinued Operations	-	-
	<u>42,156,927</u>	<u>39,173,539</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

23 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue:		
- Investment Property	93,750	584,163
Rental Revenue from Buildings	11,864	6,383
Rental Revenue from Halls	102,269	70,552
Rental Revenue from Land	85,966	86,668
Rental Revenue from Machinery	62,717	10,958
Total Rental of Facilities and Equipment	<u>356,565</u>	<u>758,723</u>
Attributable to:		
Continuing Operations	356,565	758,723
	<u>356,565</u>	<u>758,723</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

24 INTEREST EARNED

Property Rates:		
Penalties imposed and Collection Charges	289,933	217,246
	<u>289,933</u>	<u>217,246</u>
External Investments:		
Bank Account	273,899	177,043
Investments	179,277	361,237
	<u>453,176</u>	<u>538,281</u>
Outstanding Debtors:		
Outstanding Billing Debtors	2,513,333	2,168,573
	<u>2,513,333</u>	<u>2,168,573</u>
Total Interest Earned	<u>3,256,442</u>	<u>2,924,099</u>

Interest earned from outstanding debtors contribute R2 186 600 (2016: R1 995 087) towards debtors impaired and R326 733 (2016: R173 486) from debtors not impaired

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	453,176	538,281
Loans and Receivables	2,803,266	2,385,819
	3,256,442	2,924,099
	<u>3,256,442</u>	<u>2,924,099</u>

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
25 OTHER REVENUE		
Advertising Boards	3,600	3,600
Brick Oven	13,532	13,872
Building Plan Fees	16,309	45,906
Cemetery Fees	22,870	23,009
Commission On Collections	105,589	92,830
Dumping Fees	6,635	6,635
Guest House	526	4,647
Commission received on fines	2,573,835	2,677,884
Commission received on License and Permits	743,665	555,052
Insurance Claims	57,481	28,257
Other Income	286,915	400,945
Photocopies	2,435	2,019
Re-Zone	30,336	5,994
Sand, Gravel & Soil	57,427	6,331
Sdl Claims	52,852	68,106
Tender Documents	15,000	5,746
Vat Income	3,435,911	8,117,551
Total Other Revenue	<u>7,424,920</u>	<u>12,058,383</u>
Attributable to:		
Continuing Operations	7,424,920	12,058,383
	<u>7,424,920</u>	<u>12,058,383</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

26 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	31,611,777	29,811,029
Basic Salaries and Wages	29,462,602	27,614,980
Long Service Bonuses	30,024	29,683
Service Bonuses	2,119,152	2,166,366
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5,689,552	5,320,473
Group Life	7,801	7,092
Medical	863,437	757,538
Pension	4,155,687	3,941,674
Skills Development Levy	386,310	366,970
UIF	276,318	247,199
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	849,495	841,169
Allowances	849,495	841,169
Housing Benefits and Allowances	371,656	371,513
Overtime Payments	1,666,661	1,459,126
Defined Benefit Plan Expense:	(1,203,923)	(470,265)
Current Service Cost	819,724	841,893
Expected Return on Plan Assets	(225,648)	(199,716)
Net Actuarial (gains)/losses recognised	(1,797,999)	(1,112,442)
Total Employee Related Costs	<u>38,985,218</u>	<u>37,333,044</u>
Attributable to:		
Continuing Operations	38,985,218	37,333,044
	<u>38,985,218</u>	<u>37,333,044</u>

Advances are made to employees in terms of the municipality's policy to assist them in the event of the death of a dependant.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
26 EMPLOYEE RELATED COSTS (Continued)		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	1,025,301	957,606
Annual Bonus	120,104	143,396
Car and Other Allowances	134,250	312,967
Company Contributions to UIF, Medical and Pension Funds	1,876	1,871
Total	<u>1,281,531</u>	<u>1,415,840</u>
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	849,024	791,484
Annual Bonus	102,088	121,886
Car and Other Allowances	136,594	163,851
Company Contributions to UIF, Medical and Pension Funds	1,876	1,871
Total	<u>1,089,582</u>	<u>1,079,091</u>
<i>Remuneration of the Manager: Corporate Manager</i>		
Annual Remuneration	871,826	825,635
Annual Bonus	83,527	95,768
Car and Other Allowances	113,793	158,680
Company Contributions to UIF, Medical and Pension Funds	1,876	1,871
Total	<u>1,071,021</u>	<u>1,081,953</u>
<i>Remuneration of the Manager: Technical Services</i>		
Annual Remuneration	913,618	856,077
Annual Bonus	83,527	95,768
Car and Other Allowances	72,000	198,362
Company Contributions to UIF, Medical and Pension Funds	1,876	1,871
Total	<u>1,071,021</u>	<u>1,152,078</u>
27 REMUNERATION OF COUNCILLORS		
Mayor	534,410	532,324
Councillors	2,459,576	2,167,915
Other Allowances (Cellular Phones, Housing, Transport, etc.)	434,927	394,935
Telephone Allowance	268,842	208,680
Travelling Allowance	166,085	186,255
Total Councillors' Remuneration	<u>3,428,913</u>	<u>3,095,174</u>
Remuneration of Councillors:		
Councillors may utilise official Council transportation when engaged in official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
28 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	27,786,411	28,113,350
Amortisation: Intangible Assets	36,684	30,060
Total Depreciation and Amortisation	<u>27,823,095</u>	<u>28,143,411</u>
Attributable to:		
Continuing Operations	27,823,095	28,143,411
	<u>27,823,095</u>	<u>28,143,411</u>

Depreciation and Amortisation have been restated to correctly disclose the expense on correction of opening balance. Refer to Note 34.5 on "Correction of Error" for details of the restatement.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
29 IMPAIRMENT LOSSES		
<i>29.1 Impairment Losses on Fixed Assets (Fair Value)</i>		
Impairment Losses Recognised:	315,084	584,659
Property, Plant and Equipment	315,084	584,659
	315,084	584,659
<i>29.2 Impairment Losses on Financial Assets (Fair Value)</i>		
Impairment Losses Recognised:	11,073,432	31,096,756
Receivables from Exchange Transactions	10,041,295	27,702,098
Receivables from Non-exchange Transactions	1,032,137	3,394,658
	11,073,432	31,096,756
Total Impairment Losses	11,388,516	31,681,415
Attributable to:		
Continuing Operations	11,388,516	31,681,415
	11,388,516	31,681,415
30 REPAIRS AND MAINTENANCE		
Land and Buildings	100,766	371,083
Infrastructure - Electricity	795,424	547,588
Infrastructure - Road Transport	300,403	429,361
Infrastructure - Sanitation	20,731	202,729
Infrastructure - Water	540,578	171,985
Community Assets	1,617	8,676
Other Assets	1,200,809	1,063,310
Specialised Vehicles	150,333	121,327
Total Repairs and Maintenance	3,110,661	2,916,059
31 FINANCE COSTS		
Finance Leases	181,542	43,079
Interest costs on employee benefits	1,161,639	1,089,911
Loans and Payables at amortised cost	191,251	293,261
Landfill Sites Expenses	447,077	388,158
Total Interest Expense	1,981,508	1,814,409
Total Interest Paid on External Borrowings	1,981,508	1,814,409
Attributable to:		
Continuing Operations	1,981,508	1,814,409
	1,981,508	1,814,409
The weighted average capitalisation rate on funds borrowed generally is 5,27% per annum (2016: 5,24% per annum).		
32 BULK PURCHASES		
Electricity	22,353,189	20,671,934
Water	563,812	393,286
Total Bulk Purchases	22,917,001	21,065,220

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from DWAF and "Boreholes".

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
33 GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	103,262	102,348
Audit Fees	2,346,783	1,671,823
Bank Charges	439,995	373,635
Branding Of The Municipality	40,518	83,090
Cleaning Costs	49,871	31,040
Entertainment	64,858	20,812
EPWP Grave Cleaning Project	-	310,636
EPWP Stormwater Project	-	7,444
Fuel And Oil	1,463,460	1,291,332
Indigent Support	786,110	1,239,826
Internal Audit	469,641	-
Insurance	598,950	564,997
Lease Charges	427,248	379,876
Legal Cost	39,047	404,211
Library Costs	656,833	555,152
Licences	113,655	74,729
Local Economical Development	509,282	550,710
Material	248,797	155,248
Membership Fees	508,857	531,000
Other General Expenses	2,132,244	1,700,272
Postage And Telegrams	243,446	226,459
Printing And Stationery	221,114	226,072
Special Programme - IT Support	921,919	760,377
Special Programme - M S I G	-	838,371
Special Programme - M F M A	2,729,109	2,197,750
Special Programme - Norval Water Feasibility	-	83,139
Special Programme - Water Training (Dbsa)	-	139,126
Special Programme - Community Participation	34,180	38,321
Subsistence And Travelling	2,699,002	2,474,288
Telephone Cost	1,343,598	900,721
Traffic	1,500	3,400
Training Cost	136,791	72,565
Uniforms And Protective Clothing	97,214	99,881
Valuation	30,310	24,350
Ward Committee Meeting Costs	216,395	331,300
Workmen's Compensation	227,735	213,950
Total General Expenses	19,901,725	18,678,250

General Expenses have been restated to correctly classify expenditure incurred in terms of a VAT Audit performed. Refer to Note 34.4 on "Correction of Error" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

33.1 Material Losses

	15,294,186	12,217,446
Distribution Losses:		
Electricity Losses	6,299,445	4,739,607
Water Losses	8,994,741	7,477,840

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense (See Note 48.9).

No other extra-ordinary expenses were incurred.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
34 CORRECTION OF ERROR		
Corrections were made during the previous financial years. Details of the corrections are described below:		
Details of the appropriations are as follows:		
Statement of Financial Position:		
Inventory		
Trade Receivables from Exchange Transactions	320,160	320,160
VAT Payable	85,340	85,340
Property, Plant and Equipment	(284,574)	(284,574)
Creditors	(1,128,173)	(1,128,173)
Accumulated Surplus / (Deficit) - Prior Year Adjustments	1,284,551	1,284,551
Accumulated Surplus / (Deficit) - (Surplus) / Deficit for the Year	(277,304)	(277,304)
	-	-

Statement of Financial Performance:

Service Charges		(280,842)
Depreciation and Amortisation		23,464
Profit or (loss) on disposal of assets		(18,213)
General Expenses		(1,713)
		(277,304)

34.1 Reclassification of Statement of Financial Performance:

No prior year figures of Revenue Classes have been restated.

34.2 Reclassification of Statement of Financial Position:

No prior year figures in the Financial Position have been restated to correctly classify the nature.

34.3 Misstatement of Property, Plant and Equipment, Payables and VAT

During the financial year management received invoices from contractors towards the end of December 2016, which related to the 2015/2016 financial year.

The effect of the Correction of Error is as follows:

Statement of Financial Position:

Increase / (decrease) in Property, Plant and Equipment	1,019,766	1,019,766
(Increase) / decrease in VAT Payables	108,407	108,407
(Increase) / decrease in Creditors	(1,128,173)	(1,128,173)
	-	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
34 CORRECTION OF ERROR (Continued)		
<u>34.4 Misstatement of VAT Payable</u>		
A VAT review was preformed on the details of the municipality and it was founds that on some expenditure the VAT was not claimed from SARS and was not correctly processed.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(16,251)	(14,538)
(Increase) / decrease in VAT Payables	16,251	16,251
Statement of Financial Performance:		
Increase / (decrease) in General Expenses		(1,713)
	-	-
	-	-

34.5 Misstatement of Property, Plant and Equipment

Management adjusted the Property, Plant and Equipment's opening balance due to assets that was found during the verification process. Assets were also taken off as they did not belong to the municipality. The above was corrected retrospectively.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	1,304,340	1,299,088
Increase / (decrease) in Property, Plant and Equipment	(1,304,340)	(1,304,340)
Statement of Financial Performance:		
(Increase) / decrease in Profit or (loss) on disposal of assets		(18,213)
Increase / (decrease) Depreciation and		23,464
	-	-
	-	-

34.6 Misstatement of Trade Receivables from Exchange Transactions and Service Charges

Management restated the 2016 amount for prepaid electricity that was accounted for in the incorrect period.

The effect of the Correction of Error is as follows:

Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(280,842)	
(Increase) / decrease in VAT Payable	(39,318)	(39,318)
Increase / (decrease) in Trade Receivables from Exchange Transactions	320,160	320,160
Statement of Financial Performance:		
(Increase) / decrease in Service Charges		(280,842)
	-	-
	-	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

35 CHANGE IN ACCOUNTING ESTIMATES

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.

35.1 Depreciation Expenditure:

The residual values, estimated useful lives were reviewed at 30 June 2017. Adjustments to the residual values and useful lives affect the amount of provision for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(1,479,888)	(774,056)
Increase / (Decrease) in Depreciation of PPE	(1,479,888)	(774,056)
Depreciation as previously stated	1,735,411	898,119
Adjustment due to Change in Accounting Estimate	255,524	124,062
Depreciation as per Note 28	(1,479,888)	(774,056)

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
36 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(1,350,526)	14,878,816
Adjustment for:		
Depreciation and Amortisation	27,823,095	28,143,411
Impairment Losses on Property, Plant and Equipment	315,084	584,659
Losses / (Gains) on Disposal of Property, Plant and Equipment	1,107,186	3,233,212
Contribution to Retirement Benefit Liabilities	(231,735)	650,614
Contribution to Provisions - Current	269,642	(29,987)
Contribution to Provisions - Non-current	396,910	416,860
Operating surplus before working capital changes	28,329,655	47,877,585
Decrease/(Increase) in Inventories	(27,557)	(15,819)
Decrease/(Increase) in Receivables from Exchange Transactions	(5,839,354)	8,553,303
Decrease/(Increase) in Receivables from Non-exchange Transactions	1,034,958	3,788,188
Decrease/(Increase) in Operating Lease Assets	1,124	1,513
Increase/(Decrease) in Consumer Deposits	38,777	32,604
Increase/(Decrease) in Payables from Exchange Transactions	(7,877,989)	1,582,606
Increase/(Decrease) in Payables from Non-exchange Transactions	291,948	655,045
Increase/(Decrease) in Conditional Grants and Receipts	5,879,271	(423,423)
Increase/(Decrease) in VAT Payable	1,362,910	5,025,658
Cash generated by / (utilised in) Operations	23,193,743	67,077,260

37 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2016/17 financial year.

38 FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 16)	3,415,254	2,497,196
Used to finance Property, Plant and Equipment - at cost	(3,415,254)	(2,497,196)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 5)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	20,625,178	7,145,759
Unauthorised Expenditure current year	5,599,814	20,625,178
Approved by Council or condoned on 29 July 2016	(20,625,178)	(7,145,759)
Unauthorised Expenditure awaiting authorisation	5,599,814	20,625,178

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Executive and Council - R0 (2016: R20,488)	
- Finance and Administration - R909,299 (2016: R3,884,315)	
- Community and Social Services - R4,690,515 (2016: R291,353)	
- Technical Services - R0 (2016: R16,429,020)	

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)

40.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	-	-
Fruitless and Wasteful Expenditure current year	-	-
Approved by Council or condoned	-	-
Fruitless and Wasteful Expenditure awaiting condonement	-	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Interest on late payment - Various Creditors - R0 (2016: R0)</i>	None

40.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	8,708,768	2,238,717
Irregular Expenditure current year	11,154,984	7,935,462
Approved by Council and written off on 15 July 2017	(7,935,462)	-
Approved by Council and written off on 29 July 2016	-	(1,465,411)
Irregular Expenditure awaiting condonement	11,928,290	8,708,768

Incident	Disciplinary Steps / Criminal Proceedings
<i>During the year management identified purchases where the SCM procedures were not followed as to no Tax Clearance Certificates were obtained from the suppliers</i>	<i>These matter are being investigated and further communication will be addressed at the next council meeting.</i>
<i>Deviations from SCM procedures not regarded as Irregular Expenditure</i>	<i>During the year deviations amounting to R3 660 445 (2016: R3 315 612) were identified relating less than the minimum quotations obtained. These items were identified in the current year after a detailed investigation by management. The register containing the detail of the total balance is available for inspection, based on the discretion of management. No disciplinary steps have been taken to date and no formal investigation into the matters have been launched. A report relating the deviations was adopted by the council and approved by the Municipal Manger.</i>

The municipality did not have adequate time during the audit to quantify the full extent of irregular expenditure that was noted during the audit process

41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	508,857	526,000
Amount Paid - current year	(508,857)	(526,000)
Balance Unpaid (included in Creditors)	-	-

41.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	2,058,582	1,671,823
Council Subscriptions - VAT Portion	288,201	234,055
Amount Paid - current year	(2,346,783)	(1,905,879)
Balance Unpaid (included in Creditors)	-	-

41.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 15. All VAT returns have been submitted by the due date throughout the year.

41.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	5,413,613	5,085,560
Amount Paid - current year	(5,413,613)	(5,085,560)
Balance Unpaid (included in Creditors)	-	-

41.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	7,808,283	7,407,162
Amount Paid - current year	(7,808,283)	(7,407,162)
Balance Unpaid (included in Creditors)	-	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
41.6 Councillor's arrear Consumer Accounts		
The following Councillors had arrear accounts outstanding for up to 90 days as at:		
30 June 2017	Total	Outstanding up to 90 days
		Outstanding more than 90 days
Councillor MZWANDILE TOTO	-	-
Councillor MBULELO KAFI	42,445	1,079
Councillor ELSABIE HUMPHRIES	-	-
Councillor NANDIPHA STAFA	25,961	775
Councillor MZIMKHULU SESTILE	120	120
Councillor WILLEM MINNIE	28,101	1,126
Councillor VINCENT HARMSE	359	359
Councillor JOHANNES WILLIAMS	983	983
Councillor SHERYN BROWN	326	326
Councillor JOHANNES MATHEE	3,211	3,211
Councillor NICOLAS BATTIES	8,721	1,987
Total Councillor Arrear Consumer Accounts	110,226	9,967
		100,260

	Total	Outstanding up to 90 days
		Outstanding more than 90 days
30 June 2016		
Councillor FRITZ ANNIE	360	360
Councillor NL. HERMANS	2,268	2,268
Councillor E. HUMPHRIES	335	335
Councillor N.B. MDALA	(2,800)	(2,800)
Councillor S.G. MLENZANA	219	219
Councillor S. NGALIMANI	472	472
Councillor N. REYNERS	521	521
Councillor SESTILE M ALBERT	390	390
Councillor N.B. SIKO	275	275
Total Councillor Arrear Consumer Accounts	2,041	2,041
		-

During the year the following Councillors had arrear accounts outstanding up to 90 days:

	Highest amount outstanding	Ageing
30 June 2017		
Councillor MZWANDILE TOTO	-	< 90 Days
Councillor MBULELO KAFI	42,445	> 90 Days
Councillor ELSABIE HUMPHRIES	111	< 90 Days
Councillor NANDIPHA STAFA	25,961	> 90 Days
Councillor MZIMKHULU SESTILE	204	< 90 Days
Councillor WILLEM MINNIE	47,567	> 90 Days
Councillor VINCENT HARMSE	864	< 90 Days
Councillor JOHANNES WILLIAMS	5,494	> 90 Days
Councillor SHERYN BROWN	700	< 90 Days
Councillor JOHANNES MATHEE	6,197	< 90 Days
Councillor NICOLAS BATTIES	10,589	> 90 Days
30 June 2016		
Councillor FRITZ ANNIE	360	< 90 Days
Councillor H.C. GRONUM	-	< 90 Days
Councillor NL. HERMANS	2,268	< 90 Days
Councillor E. HUMPHRIES	335	< 90 Days
Councillor N.B. MDALA	(2,800)	< 90 Days
Councillor S.G. MLENZANA	219	< 90 Days
Councillor S. NGALIMANI	472	< 90 Days
Councillor N. REYNERS	521	< 90 Days
Councillor SESTILE M ALBERT	390	< 90 Days
Councillor N.B. SIKO	275	< 90 Days

41.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
41.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA		
Material Electricity and Water Losses were as follows and are not recoverable:		
Electricity:		
	Lost Units	Tariff
		Value
30 June 2017	Unaccounted Electricity Losses	6,299,445
	<u>5,778,530</u>	<u>1.0901</u>
30 June 2016	Unaccounted Electricity Losses	4,739,607
	<u>4,027,880</u>	<u>1.1767</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2017 R	2016 R
Volumes in kWh/year:		
System Input Volume	24,368,254	24,324,689
Billed Consumption	18,589,724	20,296,809
Distribution Loss	5,778,530	4,027,880
Percentage Distribution Loss	23.71%	16.56%

	2017 R	2016 R
Water:		
	Lost Units	Tariff
		Value
30 June 2017	Unaccounted Water Losses	8,994,741
	<u>1,539,234</u>	<u>5.8436</u>
30 June 2016	Unaccounted Water Losses	7,477,840
	<u>1,776,209</u>	<u>4.2100</u>

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

	2017 R	2016 R
Volumes in Kl/year:		
System Input Volume	2,738,520	3,096,552
Billed Consumption	1,199,286	1,320,343
Distribution Loss	1,539,234	1,776,209
Percentage Distribution Loss	56.21%	57.36%

42 COMMITMENTS FOR EXPENDITURE

42.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	35,533,741	32,906,604
Infrastructure	35,533,741	30,394,888
Other	-	2,511,717
- Approved but Not Yet Contracted for:-		
Infrastructure	-	-
Total Capital Commitments	35,533,741	32,906,604
This expenditure will be financed from:		
Government Grants	35,533,741	32,906,604
	35,533,741	32,906,604
Commitments for the acquisition of Property, Plant and Equipment	35,533,741	30,394,888

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
43 FINANCIAL INSTRUMENTS		
43.1 Classification		
FINANCIAL ASSETS:		
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:		
<u>Financial Assets</u>	<u>Classification</u>	
Receivables from Exchange Transactions		
Electricity	Amortised cost	5,208,547
Refuse	Amortised cost	1,787,848
Sewerage	Amortised cost	2,692,364
Water	Amortised cost	6,098,400
Other Receivables	Amortised cost	616,125
Receivables from Non-exchange Transactions		
Assessment Rates Debtors	Amortised cost	2,602,777
Payments made in Advance	Amortised cost	-
Sundry Debtors	Amortised cost	1,018,704
Cash and Cash Equivalents		
Notice Deposits	Amortised cost	837,083
Bank Balances	Amortised cost	16,273,371
Cash Floats and Advances	Fair value	3,700
SUMMARY OF FINANCIAL ASSETS		
Financial Assets at Amortised Cost:		
Receivables from Exchange Transactions	Electricity	5,208,547
Receivables from Exchange Transactions	Refuse	1,787,848
Receivables from Exchange Transactions	Sewerage	2,692,364
Receivables from Exchange Transactions	Water	6,098,400
Receivables from Exchange Transactions	Other Debtors	616,125
Receivables from Non-exchange Transactions	Assessment Rates Debtors	2,602,777
Receivables from Non-exchange Transactions	Payments made in Advance	-
Receivables from Non-exchange Transactions	Sundry Debtors	1,018,704
Cash and Cash Equivalents	Bank Balances	16,273,371
Cash and Cash Equivalents	Notice Deposits	837,083
		37,135,220
Financial Assets at Fair Value:		
Cash and Cash Equivalents	Cash Floats and Advances	3,700
		3,700
Total Financial Assets		37,138,920

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		2017 R	2016 R
43 FINANCIAL INSTRUMENTS (Continued)			
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Annuity Loans	Amortised cost	167,291	1,047,320
Finance Lease Liabilities	Amortised cost	2,199,740	208,993
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	5,952,746	10,314,981
Retentions	Amortised cost	4,567,741	6,938,711
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	745,086	735,024
Staff Leave Accrued	Amortised cost	2,895,551	2,588,044
Sundry Deposits	Amortised cost	145,514	171,136
Annuity Loans	Amortised cost	881,029	1,114,150
Finance Lease Liabilities	Amortised cost	167,194	126,733
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	167,291	1,047,320
Long-term Liabilities	Finance Lease Liabilities	2,199,740	208,993
Payables from Exchange Transactions	Trade Creditors	5,952,746	10,314,981
Payables from Exchange Transactions	Retentions	4,567,741	6,938,711
Payables from Non-exchange Transactions	Staff Bonuses	745,086	735,024
Payables from Non-exchange Transactions	Staff Leave Accrued	2,895,551	2,588,044
Payables from Non-exchange Transactions	Sundry Deposits	145,514	171,136
Current Portion of Long-term Liabilities	Annuity Loans	881,029	1,114,150
Current Portion of Long-term Liabilities	Finance Lease Liabilities	167,194	126,733
		17,721,891	23,245,091
Total Financial Liabilities		17,721,891	23,245,091

43.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

43 FINANCIAL INSTRUMENTS (Continued)

Long-term Liabilities

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

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2017, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2017		30 June 2016	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	37,135,220	37,135,220	32,646,100	32,646,100
Notice Deposits	837,083	837,083	6,291,870	6,291,870
Trade Receivables from Exchange Transactions	16,403,285	16,403,285	10,730,282	10,730,282
Trade Receivables from Non-exchange Transactions	3,621,481	3,621,481	2,671,412	2,671,412
Bank Balances and Cash	16,273,371	16,273,371	12,952,536	12,952,536
Measured at Fair Value	3,700	3,700	3,700	3,700
Bank Balances and Cash	3,700	3,700	3,700	3,700
Total Financial Assets	<u>37,138,920</u>	<u>37,138,920</u>	<u>32,649,800</u>	<u>32,649,800</u>
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	17,721,891	17,721,891	23,245,091	23,245,091
Annuity Loans	167,291	167,291	1,047,320	1,047,320
Finance Lease Liabilities	2,199,740	2,199,740	208,993	208,993
Trade and Other Payables:				
- Payables from Exchange Transactions	10,520,487	10,520,487	17,253,692	17,253,692
- Payables from Non-exchange Transactions	3,786,151	3,786,151	3,494,203	3,494,203
- Current Portion of Long-term Liabilities	1,048,223	1,048,223	1,240,883	1,240,883
Total Financial Liabilities	<u>17,721,891</u>	<u>17,721,891</u>	<u>23,245,091</u>	<u>23,245,091</u>
Total Financial Instruments	<u>19,417,029</u>	<u>19,417,029</u>	<u>9,404,709</u>	<u>9,404,709</u>
Unrecognised Gain / (Loss)		<u>-</u>		<u>-</u>

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R	
43 FINANCIAL INSTRUMENTS (Continued)			
30 June 2017			
	Level 1 R	Level 2 R	Level 3 R
			Total R
FINANCIAL ASSETS			
Financial Instruments at Fair Value:			
Bank Balances and Cash	-	16,277,071	-
Total Financial Assets	<u>-</u>	<u>16,277,071</u>	<u>-</u>
FINANCIAL LIABILITIES			
Financial Instruments at Fair Value:			
Other Loans	-	-	-
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>16,277,071</u>	<u>-</u>
30 June 2016			
	Level 1 R	Level 2 R	Level 3 R
			Total R
FINANCIAL ASSETS			
Financial Instruments at Fair Value:			
Bank Balances and Cash	-	12,956,236	-
Total Financial Assets	<u>-</u>	<u>12,956,236</u>	<u>-</u>
FINANCIAL LIABILITIES			
Financial Instruments at Fair Value:			
Other Loans	-	-	-
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>12,956,236</u>	<u>-</u>

43.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 19 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the municipality. The rate of borrowing is well below market related rates.

The municipality's risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The municipality has a target gearing ratio of 20-25% determined as the proportion of net debt to equity. Based on the committee's recommendations, the municipality expects to increase its gearing ratio closer to 25% through the issue of new debt.

The gearing ratio at the year-end was as follows:

Debt	7,201,405	5,991,399	
Cash and Cash Equivalents	(3,700)	(3,700)	
Net Debt	<u>7,197,705</u>	<u>5,987,699</u>	
Equity	<u>505,673,505</u>	<u>507,024,032</u>	
Net debt to equity ratio	<u>1.42%</u>	<u>1.18%</u>	

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

43 FINANCIAL INSTRUMENTS (Continued)

Debt is defined as Long- and Short-term Liabilities*.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

43.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

43.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 43.8 to the Annual Financial Statements.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

43 FINANCIAL INSTRUMENTS (Continued)

43.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 51.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

43.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest

43.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 51.9 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2017 would have increased / decreased by R146,130 (30 June 2016: increased / decreased by R69,624). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

Finance Lease Liabilities:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2017 would have decreased / increased by R6,037 (30 June 2016: decreased / increased by R6,300). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings; and

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R

2016
R

43 FINANCIAL INSTRUMENTS (Continued)

43.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Consumer Debtors	113,543,362	96,728,658
Other Debtors	13,735,985	13,354,943
Bank, Cash and Cash Equivalents	17,114,154	19,248,106
Maximum Credit and Interest Risk Exposure	144,393,502	129,331,707

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	90.59%	89.38%
- Industrial / Commercial	5.72%	5.60%
- National and Provincial Government	3.69%	5.02%
Other Debtors:		
- Other not Classified	1.96%	3.70%
Total Credit Risk	101.96%	103.70%

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
43 FINANCIAL INSTRUMENTS (Continued)		
Bank and Cash Balances		
ABSA Bank Ltd	13,504,707	14,767,066
First National Bank	24,356	24,356
Standard Bank	3,581,391	4,452,984
Cash Equivalents	3,700	3,700
Total Bank and Cash Balances	17,114,154	19,248,105
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to		
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 1	7,383,782	8,769,422
Group 2	1,066,415	1,712,398
Group 3	-	-
	8,450,197	10,481,821
Total Receivables from Exchange Transactions	8,450,197	10,481,821
Receivables from Non-exchange Transactions		
Group 1	2,219,993	3,166,890
Total Receivables from Non-exchange Transactions	2,219,993	3,166,890

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

43 FINANCIAL INSTRUMENTS (Continued)

43.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2017								
Non-interest Bearing		0.00%	14,306,637	14,306,637	-	-	-	-
- Payables from Exchange transactions			10,520,487	10,520,487	-	-	-	-
- Payables from Non-exchange transactions			3,786,151	3,786,151	-	-	-	-
			-	-	-	-	-	-
Variable Interest Rate Instruments		8.08%	-	-	-	-	-	-
- Bank Overdraft			-	-	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments		5.00%	1,048,223	881,029	-	-	167,194	-
- ABSA		5.00%	1,048,223	881,029	-	-	167,194	-
			15,354,860	15,187,667	-	-	167,194	-
30 June 2016								
Non-interest Bearing		0.00%	20,747,895	20,747,895	-	-	-	-
- Payables from Exchange transactions			17,253,692	17,253,692	-	-	-	-
- Payables from Exchange transactions			3,494,203	3,494,203	-	-	-	-
			-	-	-	-	-	-
Fixed Interest Rate Instruments		5.00%	1,279,715	1,139,385	-	-	140,330	-
- ABSA		5.00%	1,279,715	1,139,385	-	-	140,330	-
			22,027,610	21,887,280	-	-	140,330	-

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

43 FINANCIAL INSTRUMENTS (Continued)

At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Consequently, the amount included above is nil.

The following table details the municipality's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Description	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	R	R	R	R		R
30 June 2017						
Net Settled:						
Interest Rate Swaps	689	11	50	205	302	121
Foreign Exchange Forward Contracts	(13)	(5)	(21)	13	-	-
Gross Settled:						
Foreign Exchange Forward Contracts	47	12	35	-	-	-
	723	18	64	218	302	121
30 June 2016						
Net Settled:						
Interest Rate Swaps	289	7	18	22	160	82
Foreign Exchange Forward Contracts	34	10	15	9	-	-
Gross Settled:						
Foreign Exchange Forward Contracts	218	65	132	21	-	-
	541	82	165	52	160	82

43.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017	2016
R	R

44 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R4,155,687 (2016: R3,941,674) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The total expense recognised in the Statement of Financial Performance of R4,155,687 (2016: R3,941,674) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. As at 30 June 2017, contributions of R8 000 (30 June 2016: R8 000) due in respect of the 2016/17 (2015/16) reporting period had not been paid over to the plans. The amounts were paid over subsequent to the reporting date (see Note 45.5).

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Government Employees Pension Fund (GEPF):

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a surplus of R0,0 (30 June 2004: deficit of R12,8) million, with a funding level of 100,0% (30 June 2004: 96,5%). The contribution rate paid by the members (7,00%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2008.

The net assets available for benefits were R5 715 557 193.

The fund is closed for membership and no new members are allowed to join the fund.

No further information could be obtained.

National Fund for Municipal Workers - Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017	2016
R	R

44 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)

No further information could be obtained.

Joint Municipal Pension Fund (previously Transvaal Municipal Pension Fund):

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 September 2007.

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rate paid by the members (9,00%) and municipalities (22,00%) has a shortfall of 0,90%, but can be covered by the available margin in the fund.

The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

The fund is closed for membership and no new members are allowed to join the fund.

No information could be obtained.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147,3%.

The statutory valuation performed as at 30 June 2010 revealed that the market value of the fund was R1 446,8 (30 June 2009: R1 223,7) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2010.

Municipal Employees Gratuity Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is 0,10% lower than the 5,00% available to cover the cost of benefits and expenses, but can be absorbed by the current balance in the Risk reserve. The fund was certified to be in sound financial condition as at 30 June 2007.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774 (30 June 2009: 8 249) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2010.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2008.

The net assets available for benefits were R3 617 (2007: R3 696) million.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2017
R 2016
R

45 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

45.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
AC Mpela	Municipal Manger	Director of Mthombo Sediba Development Agency (Article 21) and Member of Pride and Grace Trading and Projects cc Non-Executive Director of Umsobomvu Industrial Development City Management
Mr Kapp	Corporate Manager	Non-Executive Director of Umsobomvu Industrial Development City Management
P Mosompha	Technical Manager	Member of World Focus 684 cc
NL. Hermans	Councillor	Member of Woman in Property and Facilities Management cc
Mr Gronum	Councillor	Tender Morganite Tradings 2
S Ngalimani	Councillor	Member of Vukuzenzele Tuck Shop cc
MA Sestile	Councillor	Member of Kwazamuxolo Building and Maintenance Construction cc
S.G Mlenzana	Councillor	Member of Amachule Akwantu Art And Craft
M.R Kafi	Councillor	Member of Sakhisizwe Colesberg Tours and Sakhisizwe Tours And Event Management
W Minnie	Councillor	Member of Jashwill Contractors
NJ Batties	Councillor	Member of Bongata Trading 533 and Mighty Warrior Transport Services
J.P Matthee	Councillor	Member of JM Compsol

45.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2017				
Councillors	5,539	68,128	6,322	109,559
Municipal Manager and Section 57 Personnel	22,538	51,005	519	2,194
Total Services	28,077	119,133	6,841	111,753
For the Year ended 30 June 2016				
Councillors	10,028	37,523	2,288	2,041
Municipal Manager and Section 57 Personnel	19,419	50,994	50	5,935
Total Services	29,447	88,517	2,338	7,976

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

45.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

45.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 R	2016 R
45 RELATED PARTY TRANSACTIONS (Continued)		
45.5 Purchases from Related Parties		
The municipality did not buy goods from any companies which can be considered to be Related Parties.		
46 CONTINGENT LIABILITIES		
46.1 Guarantees:	6,000	6,000
(i) ABSA Bank: A bank guarantee in the amount of R6 000 was issued in favour of Eskom	6,000	6,000
(ii) Eskom: The municipality issued a bank guarantee in favour of Eskom to increase its electricity demand to 40 MVA to be able to meet the increasing demand for electricity supply from consumers.		
46.2 Court Proceedings:	7,070,000	7,070,000
(i) Komanisie Development is claiming loss of income and stock on a housing project to the amount of R7 070 000 (2016: R7 070 000).	7,070,000	7,070,000
46.3 Insurance Claims:	274,248	314,902
(i) LA12BL130 Street light pole falls over – This claim was processed and completed	18,248	18,248
(ii) LA13B182 T/P falls in manhole - This claim was processed and completed	-	296,654
(iii) LA17BL356 - Three children was swimming in query dam and drowned	256,000	-
47 CONTINGENT ASSETS		
Reporting of possible fraudulent action. The matter has been reported to the SAPS (Case No 39/6/2015) and internal disciplinary steps have been instituted. Four officials are allegedly involved of which one official has been suspended. The date of the hearing was set for 31 July 2015 and it has been postponed by mutual agreement between the employer and the unions involved. The dates of 9, 10 and 11 September 2015 has been for the start of the hearings. The alleged theft took place over a period of 16 months and the value of the funds missing amounts to R 119 842.65. The amount is made up out of the following: L. Sonwabo - R90 391.89. The hearing is completed and the person has resigned. There is currently a civil matter that was made to recover the money and the municipality stopped her pension payments. F. Afrika - R14 659.01. The disciplinary matter is pending and is waiting for the District Municipality to finalize the matter. N. Ntozini - R 13 819.78. The disciplinary matter is pending and is waiting for the District Municipality to finalize the matter. S. Maliti - R972.05. The person has resigned and the money was collected from her. The report is submitted to your office in terms of Section 171(4) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).		
	118,871	119,843
Mr. Percy Mugwedi was charged with fraud for the estimate amount of R100 000 at the beginning of the 2012/2013 financial year, but relates to the current financial year. An investigation is still underway.		
	100,000	100,000

UMSOBOMVU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	R	R

LA16BL467. Me Mjada has been in the employment of the municipality and resigned on 20 April 2016 following a procedure to suspend her pending a disciplinary process. Monies to the amount of R117 531.18 went missing at the Motor Vehicle Registration Office. This monies were part of the municipal income and not that of the Department of Safety and Liaison. A criminal charge has subsequently been laid against the person. Me Mjada was found guilty and all moneys were recovered

	-	117,531
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LA17BL006. Management submitted a claim to the municipality's insurance for the arsonist incident that took place at the municipality's offices at Norvalspont, where members of the public tried to burn down the building. The insurance provider paid out the claimed amount. Management must still pay the first excess amount.

	52,000	52,000
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J. Fatyela. The person is currently suspended and a date for the trial must be determined. The matter is in an investigation phase. In terms of new legislation, Municipal Regulations for Financial Misconduct and Offences, No 37699 promulgated in Government Gazette No. R430 on the 30th May 2014 this matter was reported to the Council on 31 May 2017. Disciplinary Council meeting took place on 29 June 2017. Their recommendation was that the person be charged with disciplinary steps

	10,140	-
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48 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2017.

49 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 34).

50 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 26 May 2015 Council adopted the 2015/16 to 2017/18 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strictly cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting highlighting the actual cash position including the associated risk and remedial actions to be instituted

(iv) As the municipality has the power to levy fees, tariffs and charges this will result in an ongoing in flow of revenue to support the continuing delivery of municipal services. Certain key financial ratios such as liquidity, cost recovery, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
UMSOBOMVU LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2016	Ineterst Charged during period	Redeemed/ Written Off during Period	Balance at 30 June 2017
	R				R		R	R
ANNUITY LOANS								
ABSA Bank Ltd								
Account 83517250	447,137	9.50%	83517250	2018/02/01	175,095	14,931	(115,963)	74,064
Account 83528279	993,106	9.50%	83528279	2018/02/01	388,892	33,163	(257,557)	164,499
Account 83527833	993,106	9.50%	83527833	2018/02/01	388,892	33,163	(257,557)	164,499
Account 84008046	1,951,765	9.50%	84008046	2018/06/01	904,245	82,031	(508,308)	477,968
Account 84215231	724,608	9.50%	84215231	2018/07/01	304,345	27,962	(165,016)	167,291
Total Annuity Loans	5,109,721				2,161,470	191,251	(1,304,401)	1,048,320
TOTAL EXTERNAL LOANS	5,109,721				2,161,470	191,253	(1,304,401)	1,048,320

ANNUITY LOANS:

Absa:

Structured unsecured 5 year loan for purchase of Motor Vehicles.

This appendix does not form part of the annual financial statements.

APPENDIX B
UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Land and Buildings										
Land	30,377,857	-	-	(45,203)	30,332,654	-	-	-	-	30,332,654
Buildings	5,061,360	-	-	-	5,061,360	3,789,090	49,951	-	3,839,041	1,222,319
Total	35,439,217	-	-	(45,203)	35,394,014	3,789,090	49,951	-	3,839,041	31,554,973
Community Assets										
Land	2,233,751	-	-	-	2,233,751	-	-	-	-	2,233,751
Buildings	14,396,758	-	4,690,515	-	19,087,273	4,626,189	302,658	-	4,928,847	14,158,426
Total	16,630,509	-	4,690,515	(0)	21,321,024	4,626,189	302,658	-	4,928,847	16,392,178
Infrastructure										
<i>Electricity</i>										
Hv - Network	3,456,548	-	14,483,413	-	17,939,961	2,235,404	83,576	-	2,318,980	15,620,981
Lv - Network	32,174,429	-	-	(978,402)	31,196,027	18,828,927	962,515	(594,732)	19,196,709	11,999,317
Mv - Network	10,298,588	-	-	(123,736)	10,174,852	5,810,500	244,891	(81,803)	5,973,588	4,201,264
<i>Roads</i>										
Bridges, Subways & Culverts	22,958,286	-	3,268,292	-	26,226,578	14,089,826	286,979	-	14,376,805	11,849,773
Road Structures	305,776,227	-	-	(447,658)	305,328,569	187,492,449	6,637,228	(360,557)	193,769,120	111,559,449
Storm Water	3,045,044	-	-	(10,230)	3,034,814	1,919,518	50,751	(6,479)	1,963,790	1,071,024
Traffic Management	366,115	-	-	-	366,115	252,896	9,378	-	262,273	103,842
<i>Solid Waste</i>										
Landfill Sites	2,827,101	-	-	-	2,827,101	1,237,830	112,174	-	1,350,004	1,477,097
<i>Sanitation</i>										
Collection / Reticulation Network	65,975,262	-	10,649,541	(165,260)	76,459,543	42,883,920	1,649,382	(111,550)	44,421,751	32,037,791
Sewer Pump Stations	1,151,661	-	-	(179,540)	972,121	477,848	93,550	(71,816)	499,582	472,539
Waste Water Treatment Works	55,270,532	-	-	-	55,270,532	20,193,453	2,469,876	-	22,663,328	32,607,203
<i>Water</i>										
Boreholes	1,464,213	-	74,663,764	(87,446)	76,040,532	881,588	64,684	(81,887)	864,385	75,176,147
Bulk Distribution	438,177	157,643	-	-	595,820	328,633	26,242	-	354,875	240,945
Distribution / Reticulation Network	169,889,094	-	-	-	169,889,094	70,083,629	8,540,970	-	78,624,599	91,264,495
Water Pump Stations	17,734,234	-	-	-	17,734,234	3,475,926	757,276	-	4,233,202	13,501,032
Water Storage	34,080,062	-	-	-	34,080,062	13,266,858	1,143,699	-	14,410,556	19,669,506
Water Treatment Works	72,943,527	-	-	-	72,943,527	23,432,741	2,662,491	-	26,095,232	46,848,296
Total	799,849,099	157,643	103,065,011	(1,992,271)	901,079,482	406,891,947	25,795,658	(1,308,825)	431,378,780	469,700,702

Other Assets											
<i>COMPUTER EQUIPMENT</i>											
COMPUTER HARDWARE INCLUDING OPERATING SYSTEMS	2,433,304.94	1,893,426.58	-	(268,469.03)	4,058,262.49	1,734,586.42	448,367.30	(226,013.56)	1,956,940.17	2,101,322.32	
<i>FURNITURE AND OFFICE EQUIPMENT</i>											
AIR CONDITIONERS INDIVIDUAL FIXED AND MOVABLE	372,303.96	31,605.98	-	(5,873.28)	398,036.66	257,040.42	37,713.74	(5,064.46)	289,689.70	108,346.96	
AUDIOVISUAL EQUIPMENT	184,391.05	-	-	(30,412.25)	153,978.80	136,464.26	11,503.98	(18,522.83)	129,445.41	24,533.38	
DOMESTIC AND HOSTEL FURNITURE	117,026.52	-	-	(4,283.00)	112,743.52	85,635.40	10,501.57	(3,575.73)	92,561.24	20,182.28	
DOMESTIC EQUIPMENT (NON KITCHEN APPLIANCES)	98,585.33	2,491.51	-	(10,135.71)	90,941.13	61,057.44	12,708.70	(8,014.53)	65,751.60	25,189.53	
FIXTURES & FITTINGS	138,740.00	-	-	(43,255.00)	95,485.00	106,347.63	8,029.85	(34,725.40)	79,652.08	15,832.92	
KITCHEN APPLIANCES	90,274.69	-	-	(4,104.00)	86,170.69	72,370.57	3,671.66	(3,569.44)	72,472.80	13,697.90	
OFFICE EQUIPMENT INCLUDING FAX MACHINES	180,936.58	-	-	(3,410.00)	177,526.58	117,145.47	16,308.33	(2,327.37)	131,126.43	46,400.15	
OFFICE FURNITURE	2,762,808.09	5,172.81	-	(180,386.53)	2,587,594.37	2,158,392.16	114,670.78	(148,052.01)	2,125,010.93	462,583.44	
<i>MACHINERY AND EQUIPMENT</i>											
ELECTRIC WIRE AND POWER DISTRIBUTION EQUIPMENT (CC)	65,779.40	-	-	(33,624.05)	32,155.35	46,262.52	5,577.98	(23,924.76)	27,915.74	4,239.61	
FIRE FIGHTING EQUIPMENT	40,179.00	-	-	(5,877.00)	34,302.00	29,700.51	2,912.99	(5,220.91)	27,392.59	6,909.41	
GARDENING EQUIPMENT	106,068.40	72,740.62	-	(51,744.81)	127,064.21	93,171.63	25,605.00	(45,479.18)	73,297.45	53,766.76	
MEDICAL AND ALLIED EQUIPMENT	8,858.00	-	-	-	8,858.00	8,422.23	87.21	-	8,509.44	348.56	
MUSIC INSTRUMENTS	84,608.00	-	-	-	84,608.00	64,332.30	3,535.41	-	67,867.70	16,740.30	
PUMPS PLUMBING PURIFICATION SANITATION AND ALLIED E	276,986.91	-	-	-	276,986.91	149,103.61	39,194.71	-	188,298.31	88,688.60	
RADIO EQUIPMENT	32,833.76	-	-	(2,698.00)	30,135.76	23,172.77	3,003.30	(2,347.26)	23,828.82	6,306.94	
ROAD CONSTRUCTION AND MAINTENANCE EQUIPMENT	4,642,289.74	-	-	(11,099.00)	4,631,190.74	2,034,278.38	381,635.78	(8,847.49)	2,407,066.68	2,224,124.06	
SURVEY EQUIPMENT	3,891.00	-	-	(392.00)	3,499.00	3,151.71	93.50	(341.04)	2,904.17	594.83	
TRACTORS	1,546,260.00	-	-	-	1,546,260.00	773,643.95	246,849.65	-	1,020,493.60	525,766.40	
WORKSHOP EQUIPMENT AND LOOSE TOOLS FIXED	9,840.00	-	-	(4,100.00)	5,740.00	6,920.13	997.88	(3,241.74)	4,676.27	1,063.73	
WORKSHOP EQUIPMENT AND LOOSE TOOLS MOVABLE	839,559.77	8,302.99	-	(7,194.48)	840,668.28	675,700.56	32,986.57	(5,887.88)	702,799.25	137,869.03	
<i>TRANSPORT ASSETS</i>											
BAKKIES	1,945,747.32	148,065.18	-	(68,507.83)	2,025,304.67	874,022.47	141,387.94	(31,787.63)	983,622.78	1,041,681.88	
EMERGENCY VEHICLES	490,022.33	-	-	-	490,022.33	221,803.45	93,290.89	-	315,094.34	174,927.99	
MOTOR VEHICLES	792,974.68	-	-	(409,000.00)	383,974.68	253,714.19	35,739.17	(166,326.67)	123,126.70	260,847.98	
TRAILERS AND ACCESSORIES	986,220.70	-	-	(258,318.80)	727,901.90	322,946.71	109,075.47	(89,837.56)	342,184.62	385,717.28	
TRUCKS	3,434,945.74	616,066.34	-	-	4,051,012.08	1,798,577.16	167,778.53	-	1,966,355.69	2,084,656.40	
Total	21,685,436	2,777,872	-	(1,402,885)	23,060,423	12,107,964	1,953,228	(833,107)	13,228,084	9,832,339	
Total	873,604,261	2,935,515	107,755,526	(3,440,359)	980,854,943	427,389,112	28,103,357	(2,141,092)	453,351,378	527,503,565	

**UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2017**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Investment Properties	R	R	R	R	R	R	R	R	R	R
Land And Buildings	2,060,900	-	-	-	2,060,900	-	-	-	-	2,060,900
Total	2,060,900	-	-	-	2,060,900	-	-	-	-	2,060,900

**UMSOBOMVU LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2017**

Description	Cost / Revaluation					Accumulated Depreciation / Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Intangible Assets	R	R	R	R	R	R	R	R	R	R
Computer Software	1,724,296	188,637	-	-	1,912,933	1,670,470	36,684	-	1,707,155	205,779
Total	1,724,296	188,637	-	-	1,912,933	1,670,470	36,684	-	1,707,155	205,779
Total Asset Register	877,389,457	3,124,152	107,755,526	(3,440,359)	984,828,776	429,085,660	28,138,179	(2,141,933)	455,081,906	529,746,870

APPENDIX C
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2017

Description	Cost / Revaluation						Accumulated Depreciation		Accumulated Depreciation / Impairment	
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R	R
Executive and Council	2,754,018	-	-	-	(602,731)	2,151,287	1,731,516	208,572	(333,750)	1,606,338
Finance and Administration	2,899,303	2,777,872	-	-	(250,677)	5,426,497	1,619,767	652,958	(190,174)	2,082,551
Community and Social Services	52,069,726	-	4,690,515	-	(45,203)	56,715,038	8,415,279	352,609	-	8,767,887
Technical Services	815,881,214	157,643	103,065,011	-	(2,541,747)	916,562,120	415,648,628	26,887,356	(1,618,009)	440,917,975
Total	873,604,261	2,935,515	107,755,526	-	(3,440,359)	980,854,943	427,415,189	28,101,495	(2,141,933)	453,374,752

APPENDIX D
UMSOBOMVU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual Income	2016 Budgeted Income	2016 Actual Expenditure	2016 Budgeted Expenditure	2016 Surplus/ (Deficit)	Description	2017 Actual Income	2017 Budgeted Income	2017 Actual Expenditure	2017 Budgeted Expenditure	2017 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
29,229,108	34,931,000	12,899,967	20,997,811	14,911,165	Executive and Council	30,507,575	36,658,000	13,253,656	20,160,714	17,253,919
12,667,641	17,197,828	26,736,970	23,318,477	(2,139,074)	Finance and Administration	15,988,800	16,567,790	22,120,073	25,653,216	(6,131,273)
12,548,816	10,186,984	6,814,557	17,950,686	3,914,321	Community and Social Services	5,266,513	10,153,490	12,195,340	18,709,733	(6,928,828)
108,674,288	141,999,243	101,508,700	85,122,677	2,786,840	Technical Services	77,530,407	99,170,693	83,074,752	90,798,260	(5,544,345)
163,119,852	204,315,055	147,960,194	147,389,651	19,473,252	Total	129,293,295	162,549,973	130,643,821	155,321,923	(1,350,526)
This appendix does not form part of the annual financial statements.										

APPENDIX E(1)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
REVENUE - STANDARD								
Governance and Administration:								
Executive and Council	36,658,000	-	36,658,000	36,658,000	30,507,575	(6,150,425)	83.22	83.22
Budget and Treasury Office	16,362,950	193,392	16,556,342	16,556,342	12,096,176	(4,460,166)	73.06	73.92
Corporate Services	11,448	-	11,448	11,448	33,936	22,488	296.44	296.44
Community and Public Safety:								
Community and Social Services	2,561,135	(629,001)	1,932,134	1,932,134	5,782,837	3,850,703	299.30	225.79
Public Safety	8,093,982	127,376	8,221,358	8,221,358	3,340,805	(4,880,553)	40.64	41.28
Housing	-	-	-	-	1,559	1,559	0.00	0.00
Road Transport	17,651,061	(1,603,500)	16,047,561	16,047,561	3,665,437	(12,382,124)	22.84	20.77
Trading Services:								
Electricity	47,104,507	3,309,999	50,414,506	50,414,506	34,967,629	(15,446,877)	69.36	74.23
Water	15,417,943	(85,000)	15,332,943	15,332,943	15,706,297	373,354	102.43	101.87
Waste Water Management	9,416,857	800,643	10,217,500	10,217,500	15,738,014	5,520,514	154.03	167.13
Waste Management	7,049,979	108,203	7,158,182	7,158,182	7,453,031	294,849	104.12	105.72
Total Revenue - Standard	160,327,862	2,222,112	162,549,974	162,549,974	129,293,295	(33,256,679)	79.54	80.64
EXPENDITURE - STANDARD								
Governance and Administration:								
Executive and Council	21,772,477	(1,611,766)	20,160,711	20,160,711	13,253,656	(6,907,055)	65.74	60.87
Budget and Treasury Office	17,986,415	1,576,402	19,562,817	19,562,817	17,122,899	(2,439,918)	87.53	95.20
Corporate Services	6,264,809	(174,410)	6,090,399	6,090,399	4,997,174	(1,093,224)	82.05	79.77
Community and Public Safety:								
Community and Social Services	7,035,437	175,235	7,210,672	7,210,672	5,333,533	(1,877,139)	73.97	75.81
Sport and Recreation	3,084,572	(81,851)	3,002,720	3,002,720	2,754,654	(248,067)	91.74	89.30
Public Safety	7,565,641	112,627	7,678,268	7,678,268	3,316,333	(4,361,935)	43.19	43.83
Housing	769,036	49,037	818,073	818,073	790,820	(27,253)	96.67	102.83
Economic and Environmental Services:								
Road Transport	17,740,835	(885,157)	16,855,678	16,855,678	14,201,913	(2,653,765)	84.26	80.05
Trading Services:								
Electricity	27,929,731	135,312	28,065,043	28,065,043	27,674,021	(391,022)	98.61	99.08
Water	27,325,624	(663,032)	26,662,592	26,662,592	25,449,871	(1,212,721)	95.45	93.14
Waste Water Management	9,527,042	1,215,301	10,742,343	10,742,343	9,862,990	(879,353)	91.81	103.53
Waste Management	6,428,231	2,044,375	8,472,607	8,472,607	5,885,957	(2,586,650)	69.47	91.56
Total Expenditure - Standard	153,429,850	1,892,073	155,321,922	155,321,922	130,643,821	(24,678,101)	84.11	85.15
Surplus/(Deficit) for the year	6,898,012	330,039	7,228,051	7,228,051	(1,350,526)	(8,578,578)	0.00	0.00

This appendix does not form part of the annual financial statements.

APPENDIX E (2)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	36,658,000	-	36,658,000	36,658,000	30,507,575	-	(6,150,425)	83.22	83.22
Vote 2 - FINANCE & ADMIN	16,374,399	193,391	16,567,790	16,567,790	15,988,800	-	(578,990)	96.51	97.65
Vote 3 - COMMUNITY SERVICES	10,655,117	(501,627)	10,153,490	10,153,490	5,266,513	-	(4,886,977)	51.87	49.43
Vote 4 - TECHNICAL SERVICES	96,640,346	2,530,346	99,170,692	99,170,692	77,530,407	-	(21,640,285)	78.18	80.23
Total Revenue by Vote	160,327,862	2,222,110	162,549,972	162,549,972	129,293,295	-	(33,256,677)	79.54	80.64
EXPENDITURE BY VOTE									
Vote 1 - EXECUTIVE & COUNCIL	21,772,477	(1,611,766)	20,160,711	20,160,711	13,253,656	-	(6,907,055)	65.74	60.87
Vote 2 - FINANCE & ADMIN	24,251,224	1,401,992	25,653,216	25,653,216	22,120,073	-	(3,533,143)	86.23	91.21
Vote 3 - COMMUNITY SERVICES	18,454,686	255,047	18,709,733	18,709,733	12,195,340	-	(6,514,393)	65.18	66.08
Vote 4 - TECHNICAL SERVICES	88,951,463	1,846,798	90,798,261	90,798,261	83,074,752	-	(7,723,509)	91.49	93.39
Total Expenditure by Vote	153,429,850	1,892,071	155,321,921	155,321,921	130,643,821	-	(24,678,100)	84.11	85.15
Surplus/(Deficit) for the year	6,898,012	330,039	7,228,051	7,228,051	(1,350,526)	-	(8,578,577)	0.00	0.00

This appendix does not form part of the annual financial statements.

APPENDIX E (3)
UMSOBOMVU LOCAL MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17							2015/16	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R
Revenue by Source									
Property Rates	8,741,895	-	8,741,895	8,741,895	8,591,233	(150,662)	98.28	98.28	8,144,051
Property Rates - Penalties & Collection Charges	216,112	73,888	290,000	290,000	289,933	(67)	99.98	134.16	217,246
Service Charges - Electricity	35,890,834	10,000	35,900,834	35,900,834	14,147,255	(21,753,579)	39.41	39.42	16,073,968
Service Charges - Water	13,944,743	-	13,944,743	13,944,743	11,471,499	(2,473,244)	82.26	82.26	8,202,703
Service Charges - Sanitation	8,999,747	689,753	9,689,500	9,689,500	9,494,288	(195,212)	97.99	105.50	8,446,715
Service Charges - Refuse	6,736,523	-	6,736,523	6,736,523	7,043,884	307,361	104.56	104.56	6,450,153
Rental of Facilities and Equipment	938,146	(623,938)	314,208	314,208	356,565	42,357	113.48	38.01	758,723
Interest Earned - External Investments	422,000	138,000	560,000	560,000	453,176	(106,824)	80.92	107.39	538,281
Interest Earned - Outstanding Debtors	2,046,979	195,093	2,242,072	2,242,072	2,513,333	271,261	112.10	122.78	2,168,573
Dividends Received	-	-	-	-	-	-	0.00	0.00	-
Fines	5,585,876	-	5,585,876	5,585,876	24,053	(5,561,823)	0.43	0.43	671,518
Licences and Permits	2,532,982	129,376	2,662,358	2,662,358	-	(2,662,358)	0.00	0.00	-
Transfers Recognised - Operational	40,925,200	(85,000)	40,840,200	40,840,200	37,045,731	(3,794,469)	90.71	90.52	60,447,137
Other Revenue	5,256,025	9,940	5,265,965	5,265,965	7,424,920	2,158,955	141.00	141.26	12,058,383
Gains on Disposal of PPE	-	-	-	-	-	-	0.00	0.00	-
Total Revenue (excluding Capital Transfers & Contributions)	132,237,062	537,112	132,774,174	132,774,174	98,855,871	(33,918,302)	74.45	74.76	124,177,450
Expenditure									
Employee Related Costs	47,215,690	(1,236,789)	45,978,901	45,978,901	38,985,218	(6,993,683)	84.79	82.57	37,333,044
Remuneration of Councillors	3,246,332	214,457	3,460,789	3,460,789	3,428,913	(31,876)	99.08	105.62	3,095,174
Debt Impairment	6,194,054	(6,194,054)	-	-	-	-	0.00	0.00	-
Depreciation and Asset Impairment	29,406,915	11,423,546	40,830,461	40,830,461	39,211,611	(1,618,849)	96.04	133.34	59,824,826
Finance Charges	310,000	(80,000)	230,000	230,000	1,981,508	1,751,508	861.53	639.20	1,814,409
Bulk Purchases	22,962,420	1	22,962,421	22,962,421	22,917,001	(45,420)	99.80	99.80	21,065,220
Other Materials	3,721,980	-	3,721,980	3,721,980	3,110,661	(611,319)	83.58	83.58	2,916,059
Other Expenditure	40,352,459	(2,235,088)	38,117,371	38,117,371	19,901,725	(18,215,646)	52.21	49.32	18,678,250
Loss on Disposal of PPE	20,000	-	20,000	20,000	1,107,186	1,087,186	5,535.93	5,535.93	3,233,212
Total Expenditure	153,429,850	1,892,073	155,321,923	155,321,923	130,643,821	(24,678,101)	84.11	85.15	147,960,194
Surplus/(Deficit)	(21,192,788)	(1,354,961)	(22,547,749)	(22,547,749)	(31,787,950)	(9,240,201)	0.00	0.00	(23,782,743)
Transfers Recognised - Capital	28,090,800	1,685,000	29,775,800	29,775,800	30,437,424	661,624	102.22	108.35	38,942,402
Surplus/(Deficit) after Capital Transfers and	6,898,012	330,039	7,228,051	7,228,051	(1,350,526)	(8,578,577)	0.00	0.00	15,159,659
Surplus/(Deficit) for the Year	6,898,012	330,039	7,228,051	7,228,051	(1,350,526)	(8,578,577)	-	-	15,159,659

This appendix does not form part of the annual financial statements.

APPENDIX E(4)
UMSOBOMVU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17								
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE									
Single-year Expenditure									
Vote 1 - Executive & Council	-	-	-	-	-	-	-	0.00	0.00
Vote 2 - Finance & Admin	1,550,000	507,210	2,057,210	2,057,210	2,966,509	909,299	909,299	144.20	191.39
Vote 3 - Community Services	-	-	-	-	4,690,515	4,690,515	4,690,515	0.00	0.00
Vote 4 - Technical Services	28,090,800	1,600,000	29,690,800	29,690,800	18,722,443	-	(10,968,357)	63.06	66.65
Total Capital Expenditure - Single-year	29,640,800	2,107,210	31,748,010	31,748,010	26,379,467	5,599,814	(5,368,543)	83.09	89.00
Total Capital Expenditure - Vote	29,640,800	2,107,210	31,748,010	31,748,010	26,379,467	5,599,814	(5,368,543)	83.09	89.00
CAPITAL EXPENDITURE - STANDARD									
Governance and Administration:									
Budget and Treasury Office	1,550,000	507,210	2,057,210	2,057,210	2,966,509		909,299	144.20	191.39
Community and Public Safety:									
Community and Social Services	-	-	-	-	4,690,515		4,690,515	0.00	0.00
Economic and Environmental Services:									
Road Transport	17,590,800	(1,700,000)	15,890,800	15,890,800	3,260,405		(12,630,395)	20.52	18.53
Trading Services:									
Electricity	10,500,000	3,300,000	13,800,000	13,800,000	6,191,696		(7,608,304)	44.87	58.97
Water	-	-	-	-	3,613,645		3,613,645	0.00	0.00
Waste Water Management	-	-	-	-	5,656,696		5,656,696		
Total Capital Expenditure - Standard	29,640,800	2,107,210	31,748,010	31,748,010	26,379,467	-	(5,368,543)	83.09	89.00
FUNDED BY:									
National Government	28,090,800	1,600,000	29,690,800	29,690,800	23,412,958		(6,277,842)	78.86	83.35
Own Funds	1,550,000	507,210	2,057,210	2,057,210	1,335,509		(721,701)	64.92	86.16
Transfers Recognised - Capital	29,640,800	2,107,210	31,748,010	31,748,010	24,748,467		(6,999,543)	77.95	83.49
Borrowing		-	-	-	1,631,000		1,631,000	0.00	0.00
Total Capital Funding	29,640,800	2,107,210	31,748,010	31,748,010	26,379,467	-	(5,368,543)	83.09	89.00

This appendix does not form part of the annual financial statements.

APPENDIX E(5)
UMSOBOMVU LOCAL MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

Description	2016/17							
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and Other	8,958,006	(216,112)	8,741,894	8,741,894	8,241,550	(500,344)	94.28	92.00
Government - Operating	40,925,200	(85,000)	40,840,200	40,840,200	42,925,003	2,084,803	105.10	104.89
Government - Capital	28,090,800	1,685,000	29,775,800	29,775,800	30,437,424	661,624	102.22	108.35
Service Charges	57,167,450	(1,657,278)	55,510,172	55,510,172	25,429,513	(30,080,659)	45.81	44.48
Interest	2,468,979	333,093	2,802,072	2,802,072	2,966,509	164,437	105.87	120.15
Other Receipts	14,313,029	(484,622)	13,828,407	13,828,407	10,573,690	(3,254,717)	76.46	73.87
Payments								
Suppliers and Employees	(107,961,931)	497,820	(107,464,111)	(107,464,111)	(95,492,977)	11,971,134	0.00	0.00
Finance Charges	(310,000)	80,000	(230,000)	(230,000)	(1,152,249)	(922,249)	0.00	0.00
Other payments	(9,536,950)	2,759,598	(6,777,352)	(6,777,352)	(734,718)	6,042,634	0.00	0.00
NET CASH FROM / (USED) OPERATING ACTIVITIES	34,114,583	2,912,499	37,027,082	37,027,082	23,193,743	(13,833,339)	62.64	67.99
CASH FLOWS FROM INVESTING ACTIVITIES								
Payments								
Capital Assets	(29,640,800)	(2,107,210)	(31,748,010)	(31,748,010)	(26,188,226)	5,559,784	0.00	0.00
NET CASH FROM / (USED) INVESTING ACTIVITIES	(29,640,800)	(2,107,210)	(31,748,010)	(31,748,010)	(26,188,226)	5,559,784	0.00	0.00
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase / (Decrease) in Consumer Deposits	145,000	-	145,000	145,000	-	(145,000)	0.00	0.00
Payments								
Proceeds from Borrowings					1,631,000			
Loans repaid	(800,000)	-	(800,000)	(800,000)	(770,469)	29,531	0.00	0.00
NET CASH FROM / (USED) FINANCING ACTIVITIES	(655,000)	-	(655,000)	(655,000)	860,531	(115,469)	0.00	0.00
NET INCREASE / (DECREASE) IN CASH HELD	(3,818,783)	(805,289)	(4,624,072)	(4,624,072)	2,133,952	6,758,024	0.00	0.00
Cash / Cash Equivalents at the Year begin:	23,723,017	(4,474,910)	19,248,107	19,248,107	19,248,106	(1)	100.00	81.14
Cash / Cash Equivalents at the Year end:	27,541,800	(3,669,621)	23,872,179	23,872,179	17,114,154	(6,758,024)	71.69	62.14

This appendix does not form part of the annual financial statements.

APPENDIX F
UMSOBOMVU LOCAL MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenses				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below Yes / No	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June			
Equitable Share	Nat Treasury	15,274,000	12,219,000	9,165,000	-	9,164,500	9,164,500	9,164,500	9,164,500	N/A	Yes	N/A
FMG	Nat Treasury	1,825,000	-	-	-	456,250	456,250	456,250	456,250	N/A	Yes	N/A
INEP	Nat Treasury	-	2,500,000	1,415,000	-	1,126	42,180	-	-	N/A	Yes	N/A
MIG Projects	MIG	2,525,000	9,244,000	3,995,000	-	2,530,786	4,147,218	443,762	5,283,758	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	2,230,407	3,306,064	3,126,362	874,633	3,716,540	3,136,268	942,530	-	N/A	Yes	N/A
EDSMG	Province	-	6,000,000	2,000,000	-	2,377,129	879,397	2,374,520	1,716,380	N/A	Yes	N/A
EPWP Incentive Grant	Province	250,000	-	750,000	-	24,606	182,109	545,100	306,950	N/A	Yes	N/A
Library Grant	Province	-	784,500	1,115,500	-	475,000	475,000	475,000	475,000	N/A	Yes	N/A
Sports Facilities - Noupoot	Lotto	-	-	-	-	247,458	337,602	880,483	321,522	N/A	Yes	N/A
Water Management Grant	DBSA	-	-	-	-	157,643	-	-	-	N/A	Yes	N/A
Blue Water Drop Project	Other	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Total Grants and Subsidies Received		22,104,407	34,053,564	21,566,862	874,633	19,151,037	18,820,523	15,282,146	17,724,360			

This appendix does not form part of the annual financial statements.

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

APPENDIX G
UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2017

Incumbent	Basic Salaries	Bonuses	Allowances	Total Remuneration
	R	R	R	R
Mayor				
Hermans N.L	59,265	-	20,486	79,751
Toto M.S	475,145	-	170,289	645,434
Other Councillors				
Mdala N.B	30,567	-	2,268	32,835
Reyners N	23,819	-	2,268	26,087
Mlenzana S.G	30,567	-	2,268	32,835
Gronum C.F	23,819	-	2,268	26,087
Ngaliman S	23,819	-	2,268	26,087
Humphries S.E	231,443	-	24,900	256,343
Fritz S.A	23,819	-	2,268	26,087
Siko S	23,819	-	2,268	26,087
Sestile M.A	286,271	-	24,000	310,271
Kafi M.R	254,457	-	22,422	276,878
Harmse V.P	254,457	-	22,422	276,878
Minnie W	254,457	-	22,422	276,878
Stafa N.D	199,653	-	22,422	222,075
Batties N.J	199,653	-	22,422	222,075
Matthee J.P	199,653	-	22,422	222,075
Brown S.K	199,653	-	22,422	222,075
Williams M.J	199,653	-	22,422	222,075
Total for Councillors	2,993,986	-	434,927	3,428,913
Municipal Manager				
Mpela A.C	1,025,301	120,104	134,250	1,279,655
Chief Financial Officer				
Visagie D.T	849,024	102,088	136,594	1,087,707
Manager: Technical Services				
Mosompha P	913,618	83,527	72,000	1,069,145
Manager: Corporate Services				
Kapp B	871,826	83,527	113,793	1,069,145
Total for Senior Managers	3,659,769	389,246	456,636	4,505,652
Total for Management	6,653,755	389,246	891,563	7,934,565

APPENDIX G
UMSOBOMVU LOCAL MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2016

Incumbent	Basic Salaries	Bonuses	Allowances	Total Remuneration
	R	R	R	R
Mayor				
Hermans N.L	532,324	-	248,138	780,462
Other Councillors				
Mdala N.B	274,555	-	46,619	321,174
Reyners N	213,939	-	25,000	238,939
Mlenzana S.G	274,555	-	24,278	298,833
Gronum C.F	213,939	-	20,868	234,807
Ngaliman S	213,939	-	22,026	235,965
Humphries S.E	274,555	-	32,914	307,469
Fritz S.A	213,939	-	37,625	251,564
Siko S	213,939	-	21,383	235,322
Sestile M.A	274,555	-	72,383	346,938
Total for Councillors	2,700,239	-	551,235	3,251,474
Municipal Manager				
Mplea A.C	957,606	143,396	312,967	1,413,969
Chief Financial Officer				
Visagie D.T	791,484	121,886	163,851	1,077,221
Manager: Technical Services				
Mosompha P	856,077	95,768	198,362	1,150,207
Manager: Corporate Services				
Kapp B	825,635	95,768	158,680	1,080,082
Total for Senior Managers	2,473,196	313,422	520,892	3,307,510
Total for Management	5,173,434	313,422	1,072,127	6,558,984

This appendix does not form part of the annual financial statements.

**APPENDIX H
UMSOBOMVU LOCAL MUNICIPALITY
RATIO ANALYSIS**

30 June 2017

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	
" R 000 "				
1. FINANCIAL POSITION				
A. Asset Management/Utilisation				
1	Capital Expenditure to Total Expenditure	10% - 20%	17%	
			Total Operating Expenditure	130,643,821
			Taxation Expense	-
			Total Capital Expenditure	26,379,467
2	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%	2%	
			PPE, Investment Property and Intangible Impairment	11,388,516
			PPE at carrying value	527,480,222
			IP at carrying value	2,060,899
			Intangible Assets at carrying value	205,779
3	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%	1%	
			Total Repairs and Maintenance Expenditure	3,110,661
			PPE at carrying value	527,480,222
			Investment Property at Carrying value	2,060,899
B. Debtors Management				
1	Collection Rate	95%	61%	
			Gross Debtors closing balance	113,543,362
			Gross Debtors opening balance	96,728,658
			Bad debts written Off	-270,975
			Billed Revenue	42,156,927
2	Bad Debts Written-off as % of Provision for Bad Debt	100%	0%	
			Consumer Debtors Bad debts written off	-270,975
			Consumer Debtors Current bad debt Provision	97,140,077
3	Net Debtors Days	30 days	142 days	
			Gross debtors	113,543,362
			Bad debts Provision	97,140,077
			Billed Revenue	42,156,927
C. Liquidity Management				
1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months	0 Month	
			Cash and cash equivalents	17,114,154
			Unspent Conditional Grants	15,690,173
			Overdraft	-
			Short Term Investments	-
			Total Annual Operational Expenditure	79,183,323
2	Current Ratio	1.5 - 2:1	0.88	
			Current Assets	38,190,520
			Current Liabilities	43,155,194

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		3%
			Interest Paid	1,981,508
			Redemption	-
			Total Operating Expenditure	79,183,323
			Taxation Expense	-

2	Debt (Total Borrowings) / Revenue	45%		4%
			Total Debt	2,367,031
			Total Operating Revenue	129,293,295
			Operational Conditional Grants	67,483,155

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		343612374%
			Cash and cash Equivalentents	17,114,154
			Unspent Grants	15,690,173
			Net Assets	505,673,505
			Accumulated Surplus	505,673,505

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		-1%
			Total Operating Revenue	129,293,295
			Depreciation - Revalued Portion <i>(Only populate if depreciation line item in</i>	
			Total Operating Expenditure	130,643,821
			Taxation Expense	-

2	Net Surplus /Deficit Electricity	0% - 15%		-58%
			Total Electricity Revenue	14,147,255
			Total Electricity Expenditure	22,353,189

3	Net Surplus /Deficit Water	= or > 0%		95%
			Total Water Revenue	11,471,499
			Total Water Expenditure	563,812

4	Net Surplus /Deficit Refuse	= or > 0%		100%
			Total Refuse Revenue	7,043,884
			Total Refuse Expenditure	

5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%		100%
			Total Sanitation and Water Waste Revenue	9,494,288
			Total Sanitation and Water Waste Expenditure	

B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%		24%
			Number of units purchased and/or generated	24,368,254
			Number of units sold	18,589,724

2	Water Distribution Losses (Percentage)	15% - 30%		56%
			Number of kilolitres purchased and/or purified	2,738,520
			Number of kilolitres sold	1,199,286

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

C. Revenue Management

1	Revenue Growth (%)	= CPI		-21%
			CPI	7%
			Total Revenue (Previous)	163,119,852
			Total Revenue (Current)	129,293,295

3	Revenue Growth (%) - Excluding capital grants	= CPI		-3%
			CPI	6%
			Total Revenue Exl.Capital (Previous)	63,730,314
			Total Revenue Exl.Capital (Current)	61,810,140

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		30 days
			Trade Creditors	5,952,746
			Contracted Services	-
			Repairs and Maintenance	3,110,661
			General expenses	19,901,725
			Bulk Purchases	22,917,001
			Capital Credit Purchases (<i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i>)	26,379,467

2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		4%
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	5,599,814
			Total Operating Expenditure	130,643,821
			Taxation Expense	-

3	Remuneration as % of Total Operating Expenditure	25% - 40%		32%
			Employee/personnel related cost	38,985,218
			Councillors Remuneration	3,428,913
			Total Operating Expenditure	130,643,821
Taxation Expense	-			

4	Contracted Services % of Total Operating Expenditure	2% - 5%		0%
			Contracted Services	-
			Total Operating Expenditure	130,643,821
			Taxation Expense	-

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		207%
			Internally generated funds	51,128,778
			Borrowings	3,415,254
			Total Capital Expenditure	26,379,467

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		194%
			Internally generated funds	51,128,778
			Total Capital Expenditure	26,379,467

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		48%
			Total Revenue	129,293,295
			Government grant and subsidies	67,483,155
			Public contributions and Donations	-
Capital Grants	-			

APPENDIX H UMSOBOMVU LOCAL MUNICIPALITY RATIO ANALYSIS

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		83%
			Actual Capital Expenditure	26,379,467
			Budget Capital Expenditure	31,748,010
2	Operating Expenditure Budget Implementation Indicator	95% - 100%		84%
			Actual Operating Expenditure	130,643,821
			Budget Operating Expenditure	155,321,923
3	Operating Revenue Budget Implementation Indicator	95% - 100%		83%
			Actual Operating Revenue	110,472,092
			Budget Operating Revenue	132,774,174
4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		68%
			Actual Service Charges and Property Rates Revenue	50,748,160
			Budget Service Charges and Property Rates Revenue	75,013,495

Interpretation of results

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced

This appendix does not form part of the annual financial statements.

ANNEXURE B: AG REPORT

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

Report on the audit of the financial statements

Unqualified opinion

1. I have audited the financial statements of the Umsobomvu Local Municipality set out on pages 1 to 94, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umsobomvu Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

Basis for unqualified opinion

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

Emphasis of matters

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

Material losses and impairment

7. As disclosed in note 33.1 to the financial statements, material losses to the amount of R15 294 186 (2016: R12 217 446) was incurred as a result of water and electricity losses which are in respect of costs incurred in the general management of the municipality.
8. As disclosed in note 29.2 to the financial statements, material impairment to the amount of R11 073 432 (2016: R31 096 756) was incurred as a result of impairment of trade debtors.

Unauthorised expenditure

9. As disclosed in note 40.1 to the financial statements, the municipality incurred unauthorised expenditure of R5 599 814 (2016: R20 625 178) during the year under review mainly due to the overspending of the total amount appropriated for a few votes and departments of the municipality's approved budget. The total amount of unauthorised expenditure recorded in the annual financial statements at 30 June 2017 amount to R5 599 814 (2016: R20 625 178).

Irregular expenditure

10. As disclosed in note 40.3 to the financial statements, the municipality incurred irregular expenditure of R11 154 984 (2016: R7 935 462) during the year under review mainly due to non-compliance with supply chain management (SCM) requirements.

Restatement of corresponding figures

11. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error discovered during 2016 in the financial statements of the Umsobomvu local municipality at, and for the year ended, 30 June 2016.

Other matters

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

Unaudited disclosure notes

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

Unaudited supplementary schedules

14. The supplementary information set out on appendices A to H 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 accounting officer

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting officer is responsible for assessing the Umsobomvu 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 there is an intention either to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

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

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

19. 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 objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
20. 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.
21. 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 objectives

presented in the annual performance report of the municipality for the year ended 30 June 2017:

Objectives	Pages in the annual performance report
Objective 5 – Ongoing maintenance of municipal infrastructure	13 – 15
Objective 6 – Provide appropriate services to all households	15 – 16
Objective 7 – Provide quality and sustainable municipal infrastructure	16 – 17

22. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

23. The material findings in respect of the selected objectives are as follows:

Objective 7 – Provide quality and sustainable municipal infrastructure

90% spent of the approved budget for the upgrade of Norvalspont Sewer Network by 30 June 2017

24. The actual reported performance for the indicator in the annual performance report is not reliable, as the actual reported performance for the indicator is understated

25. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following objectives:

- Ongoing maintenance of municipal infrastructure
- Provide appropriate services to all households

Other matters

26. I draw attention to the matters below.

Achievement of planned targets

27. Refer to the annual performance report on pages 10 - 16 for information on the achievement of planned targets for the year and explanations provided for the achievement of the number of targets. This information should be considered in the context of the qualified opinion expressed on the reliability of the reported performance information in paragraphs 23 & 25 of this report

Adjustment of material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Ongoing maintenance of municipal infrastructure and Provide appropriate services to all

households. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for qualified opinion paragraph.

Report on audit of compliance with legislation

Introduction and scope

29. 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.
30. The material findings on compliance with specific matters in key legislations are as follows

Asset Management

31. Capital assets were permanently disposed that were needed to provide the minimum level of basic municipal service, in contravention of section 14(1) and 90(1) of the MFMA.
32. Capital assets were permanently disposed without the approval of the council and the accounting officer, as required by section 14(2)(a) and 90(2)(a) of the MFMA.

Expenditure Management

33. Effective steps were not taken to prevent irregular expenditure amounting to R11 154 984 as disclosed in note 40.3 to the annual financial statements, as required by section 62(1)(d) and 95(d) of the MFMA. The irregular expenditure was caused by contracts not being reviewed regularly, and that lead to payments being made to suppliers when contracts expired.

Annual Financial Statements

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. A material misstatement of revenue was identified by the auditors in the submitted financial statements and they were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion with findings.

Budgets

35. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R5 599 814, as disclosed in note 40.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The unauthorised expenditure was caused by budget votes being exceeded

Internal control deficiencies

36. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

37. The leadership has done well in providing effective leadership based on a culture of honesty, ethical business practices and good governance, on the financial statements. Even though there were a number of misstatements that were corrected in the financial statement and material findings on compliance but we have seen a significant decrease over the last three years. This can be attributed to the establishment and communication of various policies and procedures most importantly the code of conduct.
38. There were findings identified and reported in the financial statements, performance and legislation which imply that the leadership was not thorough in their review of reports before the submission for auditing. These reviews were not done at regular intervals during the year especially those of performance information.

Financial and performance management

39. The financial statements had a material misstatement resulting from the audit which were subsequently corrected, which are attributable to the weaknesses in the design and implementation of internal control in respect of financial management, and financial reporting and weaknesses in the information systems.
40. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

Auditor-General
Kimberley

30 November 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other

matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

ANNEXURE C: AUDIT ACTION PLAN 2016/17

FINANCIAL MANAGEMENT IMPROVEMENT PLAN

UMSOBOMVU LOCAL MUNICIPALITY (ULM)

30 JUNE 2017

December 2017

TABLE OF CONTENTS

A	BACKGROUND	PAGE 2
B	CURRENT STATUS OF THE BACKLOGS IN THE ACCOUNTING CONTROL ENVIRONMENT	PAGE 3
C	CURRENT STATUS OF THE GRAP IMPLEMENTATION PROCESS	PAGE 4
D	STEPS REQUIRED TO IMPROVE FINANCIAL MANAGEMENT AND FULLY IMPLEMENT GRAP FOR ULM	PAGE 5

A BACKGROUND

Umsobomvu Local Municipality (ULM) compile a Financial Management Improvement Plan to address the deviations and challenges that exist in the implementation of the new GRAP accounting standards measured against accounting best practice. Ducharme Consulting (DC) analysed the following documentation of the ULM:

- Annual Financial Statements (AFS) for the year ended 30 June 2017;
- The AGSA Audit Report on the 2016/17 AFS;
- The Fixed Assets Register (FAR) as at 30 June 2017; and
- The Trial Balance (TB) as at 30 June 2017.

The above-mentioned AFS and related documentation of the ULM were analysed to achieve the following specific outcomes:

- To determine deviations from relevant GRAP and international accounting standards, including action plans on how to address these deviations; and
- To determine GRAP deviations that still exist on the General Ledger including action plans on how to address these deviations.

This Financial Management Improvement Plan is therefore an outflow of the above-mentioned work and its main purpose is to list the tasks that need to be undertaken to successfully achieve a Unqualified audit report without any matters and to clear up 2016/2017 audit issues for the year ended 30 June 2018.

B CURRENT STATUS OF THE BACKLOGS IN THE ACCOUNTING CONTROL ENVIRONMENT

A review of the Report of the Auditor-General (AG) to the Northern Cape Provincial Parliament and the Council on the Financial Statements of Umsobomvu Local Municipality for the Year ended 30 June 2017 revealed that the AG expressed an **unqualified opinion, with matters** on the financial statements. The following were extracted from the report:

Unqualified opinion

1. I have audited the financial statements of the Umsobomvu Local Municipality set out on pages 1 to 94, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umsobomvu Local Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

Basis for unqualified opinion

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

Emphasis of matters

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

Material losses/Impairments

7. As disclosed in note 33.1 to the financial statements, material losses to the amount of R15 294 186 (2016: R12 217 446) was incurred as a result of water and electricity losses which are in respect of costs incurred in the general management of the municipality.
8. As disclosed in note 29.2 to the financial statements, material impairment to the amount of R11 073 432 (2016: R31 096 756) was incurred as a result of trade debtors.

Unauthorised expenditure

9. As disclosed in note 40.1 to the financial statements, the municipality incurred unauthorised expenditure of R5 599 814 (2016: R20 625 178) during the year under review mainly due to the overspending of the total amount appropriated for a few votes and departments of the municipality's approved budget. The total amount of unauthorised expenditure recorded in the annual financial statements at 30 June 2017 amount to R5 599 814 (2016: R20 625 178).

Irregular expenditure

10. As disclosed in note 40.3 to the financial statements, the municipality incurred irregular expenditure of R11 154 984 (2016: R7 935 462) during the year under review

Restatement of corresponding figures

11. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of an error discovered during 2016 in the financial statements of the Umsobomvu local municipality at, and for the year ended, 30 June 2016.

C CURRENT STATUS OF THE GRAP IMPLEMENTATION PROCESS

- (a) The Annual Financial Statements (AFS) of ULM for the financial year ended 30 June 2017 have been prepared in the GRAP format.
- (b) The chart of accounts is based on the GRAP structure after it was revised during the year ended 30 June 2017.
- (c) Appropriate accounting and other related policies to implement GRAP have not been developed. The Asset Management Policy will have to be reviewed once the itemising of immovable property has been completed in order to address the processes to be followed to sustain the exercise carried out.
- (d) ULM is currently using the Abakus system to perform its, Billing, Cash Book, Creditors and the General Ledger.
- (e) The asset register was unbundled and is maintained on the IMQS system. There are no stock items recognised.
- (f) The PAYDAY system is used for the Payroll function, the capabilities of this system is sufficient to produce information compliant to the GRAP standards.
- (g) ULM has appointed Ducharme to assist with the compilation of the Annual Financial Statements and assist in the identification, unbundling and valuation of its infrastructure assets. The project was completed for inclusion in the AFS for 30 June 2017.
- (h) Unqualified Opinion has been expressed by the Auditor-General on the ULM financial statements for the financial year ended 30 June 2017 and is discussed in detail in paragraph B above.
- (i) Steps have been taken to address the issues highlighted by the Auditor-General, and it is assumed that all these matters will be resolved in the 2017/2018 financial year.

D STEPS REQUIRED TO IMPROVE FINANCIAL MANAGEMENT AND FULLY IMPLEMENT GRAP FOR ULM

This Section of the report deals with the outcomes of analysis listed in Section A on page 2.

The following is an outline of the steps that need to be taken to rectify the identified deviations and successfully obtain an unqualified, without matters audit report for the year ended 30 June 2018. At the end of each step the parties or individuals responsible for the execution of the step as well as target dates for the execution of the step, have been listed. ULM has been indicated as the responsible party in all instances, but as the project moves ahead individuals will be identified, trained and monitored.

Please note that general references made to GRAP in the following table refer to the GRAP, IPSAS, IAS and IFRS standards, and include the applicable Circulars, ASB Directives and NT Guides, as applicable.

Query nr	Component	Classification	Finding heading	Finding detail	Action Plan	% Completed	Responsible Employee	Target Date
COAF 1	Non-compliance	Internal control deficiency	Performance: Mid-year assessment done after 25 January (ISS.1)	<p>Municipal Finance Management Act section 72(1)(a)(ii) states that the accounting officer of a Municipality must by 25 January of each year—</p> <p>ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan.</p> <p>The municipality only performed the mid-year assessment on 31 March 2017</p>	Management should ensure that midyear assessments are done on or before the 25th of January annually to ensure compliance with the Municipal Finance Management Act	0%	Manager Corporate Services	25 January 2018
COAF 2/ EX 2	Non-compliance	Internal control deficiency	PPE: Disposals not approved by council	<p>In terms of section 14(1) of the Municipal Finance Management Act 56 of 2003, A municipality may not transfer ownership as a result of a sale or other transaction or otherwise permanently dispose of a capital asset needed to provide the minimum level of basic municipal services.</p> <p>(2) A municipality may transfer ownership or otherwise dispose of a capital asset other than one contemplated in subsection (1), but only after the municipal council, in a meeting open to the public—</p> <p>(a) has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and</p> <p>(b) has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.</p>	Management should monitor compliance with laws and regulations applicable to the municipality including its policies	0%	All Managers	30 June 2018
COAF 3	General controls	IT Non - Compliance	IT General Controls	MFMA section 62. General financial management functions. — (1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—	Management should ensure that all the I.T governing policies are approved by council	0%	CFO and Deputy CFO	30 June 2018

			<p>Deficiencies on IT controls</p>	<p>c) that the municipality has and maintains effective, efficient and transparent systems— of financial and risk management and internal control;</p> <p>Council has not approved the documents that are in place, they are still in draft format</p> <p>During the understanding of the entity's internal controls, the following deficiencies were identified</p> <ul style="list-style-type: none"> ● Program change management control not in place ● IT backup policy not in place. ● Disaster recovery plan not in place. <p>IT Governance framework not approved by the IT steering committee</p>				
COAF 4	Internal control	Internal control deficiency	<p>Employee Related Cost: No HR planning and organization in place (ISS.7)</p>	<p>The municipality has not developed or implemented and HR planning and organization policy or procedure.</p> <p>The cause of the above is:</p> <p>Management did not ensure there is a plan or procedure in place for Human Resources</p> <p>The impact of the above finding is:</p> <p>The municipality may not know the future human resource needs of the municipality, which will have a negative impact on the municipality achieving its strategic plan</p>	<p>Management should ensure that they have a Human Resources Plan and organization in place and ensure it is communicated with personnel and implemented.</p>	0%	Manager Corporate Services	30 April 2018

COAF 5 EX. 13	Revenue	Internal Control Deficiency	1. Revenue - Pre-paid Electricity (Completeness)	Based on the audit work performed, it was confirmed that revenue received from sale of prepaid electricity amounting to R 475 044.19 for June 2017 was not recorded on the general ledger for the year ended 30 June 2017.	Management should ensure that all revenue received is recorded in the annual financial statement. Adjustment was made and audited.	100%	Deputy CFO	24 November 2017
EX. 14			2. Revenue - Prepaid Electricity (Cut-off)	Based on the audit work performed, it was confirmed that revenue from prepaid electricity for month of June 2016 amounting to R320 160.22 was recorded incorrectly in the 2016/17 financial year end. The amount related to 2015/16 financial year end	Management should adequately review the annual financial statements before submitting them for audit. Adjustment was made and audited.	100%	Deputy CFO	24 November 2017
EX. 19			3. Revenue (Prepaid Electricity) difference between the amount received and in the general ledger	Based on the audit work done it was confirmed that the amount of revenue from sale of prepaid electricity that has been recorded in the general ledger does not agree to the amount of revenue that was received from sale of prepaid electricity as per Conlog reports and bank statement.	Management should review the financial statements to confirm that the amount received in the bank account agrees to the amounts recorded in the general ledger account of prepaid electricity	0%	Deputy CFO	30 June 2018
EX. 36			Sale of Electricity	Management did not ensure that the sale of electricity was calculated as per the approved tariff policy	Management should ensure that the sale of electricity is calculated correctly as per the approved tariff policy	0%	Deputy CFO	
COAF 6	Employee costs	Non-compliance	Employee Related Fringe benefit not accounted for	During the audit of rentals, it was noted that the fringe benefit for accommodation does not reflect on the payslip of the following employee, who is renting a house from the municipality:	Management should ensure that all the income and benefits of the employees appears on the payslips.	0%	Expenditure Accountant; Chief Clerk Expenditure	End of each Month
COAF 7	Operating Expenditure	Internal control deficiency	Expenditure - Transactions incorrectly classified	The transactions below were incorrectly classified. Telephone costs disclosed as Travel & Subsistence Travel & Subsistence disclosed as Audit fees Street Lights Christmas Decorations disclosed as Repairs & Maintenance	Management must implement and maintain controls to ensure the correct classification of expense transactions.	0%	All Managers/ SCM officials	Continuously

COAF 8	Accounting Policies	Non-compliance	Accounting Policies - Non-compliance with GRAP	<p>Finding 1:</p> <p>The following GRAP standards issued but not yet effective is not disclosed in accounting policy note 1.6 and must be included in the accounting policy note:</p> <ul style="list-style-type: none"> • GRAP 12, 16, 17, 21, 26, 27, 31, 103, 35, 36, 37, 38, 109 and 110 • IGRAP 18 and 19 <p>As per paragraph 33 of GRAP 3 the following must be disclosed for each standard issued but not yet effective. The below must be disclosed for each standard:</p> <p>(a) the title of the new Standard of GRAP;</p> <p>(b) the nature of the impending change or changes in accounting policy;</p> <p>(c) the date by which application of the Standard of GRAP is required;</p> <p>(d) the date as at which it plans to apply the Standard of GRAP initially; and</p> <p>(e) either: (i) a discussion of the impact that initial application of the Standard is expected to have on the entity's financial statements; or</p> <p>(ii) if that impact is not known or reasonably estimable, a statement to that effect.</p> <p>Finding 2:</p> <p>The accounting policy used for intangible assets in accounting policy note number 5 is based on the old GRAP 31 standard; the intangible assets accounting policy note number 5 should be adjusted to be in line with the new GRAP 31 standards, Intangible assets, which came into effect on 1 April 2016.</p> <p>For example in the note 5, as below, it is stated "reviewed annually", this is not in line with the new standard which states estimated useful life and residual values is reviewed when there are indicators (this is indicated in note 1.2.4):</p> <p>The estimated useful life, residual values and amortisation method are reviewed annually at the</p>	The adjustments were made and audited.	100%	CFO	24 November 2017
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				<p>end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.</p> <p>Finding 3:</p> <p>The accounting policy used for property, plant and equipment and investment property in accounting policy note number 3.3 and 6 is based on the old GRAP 16 and 17 standard, the property, plant and equipment and investment property note in the accounting policy note number 3.3 and 6 should be adjusted to be in line with the new GRAP 16 and 17 standards, which came into effect on 1 April 2016. [For example the new standard states that useful lives and residual values must be assessed on indicators for PPE.]</p> <p>The accounting policy note 10, 'Non-current assets held-for-sale' must be removed from the financial statements as GRAP 100, discontinued operations, replaced this standard.</p> <p>Finding 4:</p> <p>In Note 3, 4, 5 and 10, receivables, cash and cash equivalents and consumer deposits, it is stated: "The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximates their fair value."</p> <p>The fair value must be changed to the amortised cost as to be in line with the accounting policy and the disclosure of financial instruments or the entire sentence can be deleted/removed from the AFS.</p>				
COAF 10	Revenue	Internal control deficiency	Revenue - Difference in the service charges	<p>Difference in Service Charges disclosed in the AFS was noted:</p> <p>Service Charges as per the AFS R42 021 064</p> <p>Recalculated Service charges R48 490 577</p> <p>Difference (R6 469 513)</p>	Management adjustment made and audited	100%	CFO	24 November 2017
COAF 11	Non-compliance	Internal control deficiency	Expenditure-Contracts/Agreeme	Municipal Finance Management Act 56 of 2003 states that:	Management should implement a contract register that will assist in identifying contracts that have to be reviewed every three years.	0%	Corporate Services	30 June 2018

			nts not reviewed on a regular basis	<p>"116. Contracts and contract management. - (1) A contract or agreement procured through the supply chain management system of a municipality or municipal entity must—</p> <p>(a) be in writing;</p> <p>(b) stipulate the terms and conditions of the contract or agreement, which must include provisions providing for—</p> <p>(i) the termination of the contract or agreement in the case of non- or under- performance;</p> <p>(ii) dispute resolution mechanisms to settle disputes between the parties;</p> <p>(iii) a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and</p> <p>(iv) any other matters that may be prescribed</p>				
COAF 12	Pre-determined Objectives	Non-compliance Framework for Managing Programme Performance Information	AOPO - Corrective measures taken to improve performance are not well defined	<p>During the planning phase of the development priority: "Provide appropriate services to all households" and "Provide quality and sustainable infrastructure, the following was identified:</p> <p>Through inspection of the Annual Performance report the corroborating evidence for corrective measures for the following Key Performance Indicators could not be obtained:</p> <p>Provide appropriate services to all households:</p> <ul style="list-style-type: none"> • TL 20: Provide free basic water to indigent households as at 30 June 2017. <p>Corrective action: Financial Services: Indigents households that received FBW on June 2017. No measures needed.</p> <ul style="list-style-type: none"> • TL 21: Provide free basic sanitation to indigent households as at 30 June 2017. <p>Corrective action: Financial Services: Indigents households that received FBW on June 2017. No measures needed.</p>	Management should ensure that they either describe the corrective measures in a more well-defined manner or should be measurable as to when they will be corrected.	0%	All Managers	28 February 2018

			AOPO - Reported achievements per system reports not consistent with Reported Objectives per APR	<p>Provide quality and sustainable infrastructure:</p> <ul style="list-style-type: none"> Achieve a 70% average effluent quality for Colesberg by 30 June 2017. <p>Corrective action: Have not received results as at 30 June 2017</p> <p>The FMPPi requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets.</p> <p>Nature of the finding</p> <p>Contrary to the above, the following actual reported performance did not agree to supporting listings making up the actual performance:</p>	Adjustments were made and audited	100%	All Managers	24 November 2017								
COAF 13	Internal Control	Internal control deficiency	Employee Related Costs - Post not advertised	The municipality did not advertise the post of Assistant Electrician (post level 9 amounting to 101 252 per annum).	Management should ensure that proper procedures and controls are followed during the recruitment process to ensure compliance with the recruitment policy.	0%	All Managers	Continuously								
COAF 14	Movable assets	Internal control deficiency	PPE: Asset not traced to the FAR	<p>The following asset could not be traced to the fixed asset register.</p> <p>Items selected from the floor</p> <table border="1"> <thead> <tr> <th>No</th> <th>Asset description</th> <th>Barcode</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Computer box: Dell 4237</td> <td></td> <td>Norvalspont</td> </tr> </tbody> </table>	No	Asset description	Barcode	Location	1	Computer box: Dell 4237		Norvalspont	Management should implement controls to ensure that all municipal assets are recorded in the fixed asset register.	0%	CFO and Consultant	30 June 2018
No	Asset description	Barcode	Location													
1	Computer box: Dell 4237		Norvalspont													
COAF 14	Non-compliance	Internal control deficiency	PPE: Fixed assets not adequately insured	Assets were insured however the assets were under-insured. Please refer to detailed finding for info	Management should ensure that the assets are adequately insured	0%	All Managers and Deputy CFO	30 June 2018								
COAF 15 EX. 33	Revenue	Control deficiency	Revenue: Fines not recorded in the fines register	Contrary to the above, the following fines could not be traced to the fine register	Management should review the fines register for completeness and accuracy. Fines Register was adjusted and audited.	100%	Traffic Department/ Corporate Services	24 November 2017								

COAF 15/ EX. 34	Revenue	Non-Compliance	Distribution losses: Electricity Water	Management did not monitor the distribution losses adequately to ensure that they remain within the acceptable norms.	Management should ensure that they put measures in place to monitor the losses and confirm they keep the losses within the norms	0%	Manager Technical Services	30 June 2018
COAF 15	Revenue	Internal control deficiency	Market values on the system differ from the market value on the valuation roll.	Controls over updating market values of the properties were not implemented on : 1 Erf 2011. 2 Erf 658	Management should implement controls for the updating of the system. The correction already made due to supplementary roll journal.	100%	Deputy CFO	30 November 2017
COAF 16	Non-compliance	Internal control deficiency	Expenditure - Irregular Expenditure	During the audit, it was identified that the contract between the municipality and G4S Cash Solutions (Pty) Ltd for cash in transit services was initially for a period of 2 years beginning from January 2014 - February 2016. Although clause 3.2 of the contract stipulates that "unless terminated at the end of the initial period by either party giving the other 3 months prior written notice of termination, the agreement shall continue for a successive period of one year each",	The accounting officer should put measures in place to ensure that contracts are managed effectively to prevent irregular expenditure	0%	Corporate Services	30 June 2018
COAF 7	Expenditure	Internal control deficiency	Transactions incorrectly classified	The transactions below were incorrectly classified: 1. Telephone costs disclosed as Travel & Subsistence 2. Travel & Subsistence disclosed as Audit fees. 3. Street Lights Christmas Decorations disclosed as Repairs & Maintenance	Management must implement and maintain controls to ensure the correct classification of expense Transactions.	0%	All Managers	30 June 2018
COAF 18	Accounting Estimates	Disclosure	Disclosure: Incorrect calculation of changes in accounting estimates	The calculations for changes in accounting estimates, and the following differences were identified. R169 059.08 due to incorrect calculation of the depreciation.	Management should ensure that the calculations for depreciation and changes in estimates are reviewed for accuracy. Correction was made and audited.	100%	CFO	30 November 2017
COAF 21/ EX.41/ EX.50	Non-compliance	Non-compliance with legislation	Unauthorised, irregular expenditure: Non- compliance with Sec32 (4)	Section 32(4) the MFMA states that: (4) The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of— (a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;	Management should ensure that a compliance adherence plan is developed and adhered to	0%	CFO and Deputy CFO	30 June 2018

				<p>Contrary to the above, no proof could be obtained that the unauthorised - and irregular expenditure occurred for the 2016/17 financial year were reported to the MEC.</p> <p>This results in non-compliance of Section 32(4) of the Municipal Finance Management Act 56 of 2003.</p>				
COAF 22	Internal control	Misstatement of commitments	Disclosure: Incorrect calculation of commitments	<p>Re-performed the calculation for commitments, and the following differences were identified.</p> <p>Incorrect calculations of the commitment difference R12 733 335.57.</p>	Management should ensure that the commitment register is reviewed for accuracy. Adjustment was made to the Commitment Register and Note 42 of the AFS.	100%	CFO	24 November 2017
COAF 23	Predetermined objectives	Internal control deficiency	AOPO: Denominator not accurate as incorrect budget amount used	Upgrading of Norvalspont Sewer Network- Finding remains valid as budget amount was disclosed under incorrect vote.	Management should ensure that they review the amounts used before they are input into the system and also review the indicators on a monthly and quarterly basis to ensure that the figures used are valid, accurate and complete	0%	Deputy CFO/ Manager Technical Services	30 June 2018
COAF 24	Contingent Liabilities	Disclosure	Contingent liabilities - Incorrect calculation on prior year	Re-performed the calculation on the contingent liabilities note no 46.2 and the following difference was identified: R100 000.00	Management should exercise their responsibility by ensuring that the financial statements are reviewed for accuracy	100%	CFO	24 November 2017
COAF 32	Internal control	Internal control deficiency	The Municipality does not have an approved Road Maintenance Plan	<p>MFMA section 62. General financial management functions. — (1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—</p> <p>c) that the municipality has and maintains effective, efficient and transparent systems— of financial and risk management and internal control</p>	Management should use an approved Road Maintenance Plan.	0%	Manager Technical Services	30 June 2018
EX.46	Non Compliance	Internal control deficiency	Annual Financial Statements	Material misstatement from revenue from exchange transactions was identified by the	Management should ensure that they prepare financial statements that are free from material	0%	CFO	30 June 2018

				auditors in the submitted financial statement. The material misstatement was subsequently corrected	Misstatements.			
COAF 30	Non Compliance	Internal control deficiency	Consumer Deposit-Reconnection register not reviewed	No internal controls implemented for the reviewing of the reconnection register	Management should implement controls over the reviewing of the reconnection register	0%	Deputy CFO/ Head Budget and Credit Control	Monthly
COAF 17	Internal Control	Internal control deficiency	Long term liabilities: Incorrect calculation of finance lease liability	Re-performed the calculations for finance lease liability, and the following differences were identified.	Management should exercise their oversight responsibility by ensuring that the loan register and amortisation table is reviewed for accuracy.	0%	CFO/ Accountant Expenditure	Monthly
	Non Compliance	Internal control deficiency	The municipality did not adopt the Standard for infrastructure procurement and delivery management (SIPDM)	There may be internal control deficiencies due to the SIPDM not being used	Management should adopt the SIPDM to ensure proper internal control	0%	Manager Technical Services	30 June 2018

ANNEXURE B: AUDIT COMMITTEE REPORT 2016/17

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 (four) times per annum as per its approved terms of reference.

- JH Blair (Appointed July 2014)
- M Mnyamana (Appointed July 2014)
- MLH Puley (Appointed August 2014)

During the current year 4 (four) meetings were held.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 66 and 166(1) of the Municipal Financial Management Act (MFMA) 56 of 2003 and King IV report on corporate governance.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter.

It's affairs have been regulated in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent.

In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective.

This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom.

Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

Management and monthly/quarterly reports submitted in terms of the MFMA

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Authority of the entity during the year under review.

Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the Accounting Authority;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concurs with and accepts the Auditor-General of South Africa's report on the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



JH Blair CA (SA)
Chairperson of the Audit Committee

25 January 2018

Date